

# KH Group

## Company report

5/2/2024 8:30 am EEST



Thomas Westerholm  
+358 50 541 2211  
thomas.westerholm@inderes.fi

✓ Inderes corporate customer

This report is a summary translation of the report "Takapakkia tulostähteessä" published on xx.xx.xxx at xx:xx

inde  
res.

# Turnaround setback

On Tuesday, KH Group significantly lowered its earnings guidance for the current year, citing lower-than-expected revenue and EBIT of Indoor Group and KH-Koneet, mainly for Q1. In our Q4 update, we were skeptical about the very strong and surprisingly precise guidance the company issued in March, but the 25% decline at the midpoint of the guidance was still disappointing to us. The stock is cheap relative to our indicative EUR 0.93 sum-of-parts valuation, but it is difficult to identify price drivers when subsidiary earnings are under pressure and the weak M&A market limits opportunities for strategic exits. We lower our target price to EUR 0.8 (was EUR 0.95) and reiterate our Accumulate recommendation.

## Poor performance of Indoor Group and KH-Koneet behind profit warning

KH Group maintained its revenue guidance of 400-420 MEUR but lowered its EBIT guidance for the current year from 14-16 MEUR to 12-16 MEUR. In contrast to the previous guidance, the updated one takes into account the 3.7 MEUR impact of Indoor Group's real estate sale in Estonia, resulting in a comparable 25% reduction of the midpoint of the guidance range. The profit warning is due to lower-than-expected revenue and EBIT from the Indoor Group and KH-Koneet, especially in the first quarter, and the group is now expected to fall significantly below the Q1 comparison figures (revenue: 100 MEUR, adj. EBIT: 1.0 MEUR). Temporary negative drivers (exceptionally weak demand in the furniture trade and the construction sector, port strikes at the beginning of the year, Indoor's ERP project) are easy to identify, which bodes well for a better performance in H2 if the factors behind the performance warning are transitory in nature. In any event, we believe that a significant earnings warning just over a month after guidance undermines the company's predictability and management's ability to assess the performance of its subsidiaries.

## We believe the factors behind the profit warning are temporary

In connection with the update, we have lowered our EBIT forecasts for the current year by 26%, with a particular focus on Indoor Group and KH-Koneet, and our EBIT forecast for the current year is now 13.3 MEUR, slightly below the midpoint of the guidance range. Despite the profit warning, the company did not touch its revenue guidance and our forecast for the current year is slightly below the range. KH Group did not mention HTJ or NRG in the profit warning announcement, which leads us to believe that the companies performed in line with the group's expectations. The profit warning was undeniably a negative surprise in the company's investment story, but for now we believe the underlying factors are transitory. For example, if the profit warning were based on a longer-term deterioration in Indoor Group's competitiveness, we believe the situation would be more serious, as it would raise renewed concerns about the sustainability of the company's leveraged balance sheet.

## SOTP indicates upside, but the earnings level must rise

Our sum-of-the-parts calculation indicates a value of EUR 0.93 per share. In our SOTP calculation we have defined the following subsidiary-specific values: KH-Koneet 47 MEUR, Indoor 25 MEUR, HTJ 16.5 MEUR and NRG 3 MEUR. KH Group has the potential to free up significant capital for KH-Koneet's growth investments and dividend payments through the sale of subsidiaries, but the depressed performance of the subsidiaries and weak M&A activity make it difficult to unlock value. Looking further down the road, the investment story is increasingly linked to whether KH-Koneet can generate good profitability outside the domestic market.

## Recommendation

**Accumulate**

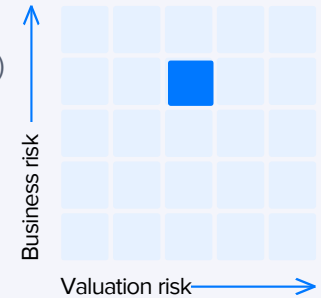
(previous Accumulate)

**EUR 0.80**

(previous EUR 0.95)

**Share price:**

0.70



## Key figures

	2023	2024e	2025e	2026e
<b>Revenue</b>	403	393	406	431
<b>growth-%</b>	-6%	-2%	3%	6%
<b>EBIT adj.</b>	10.8	9.6	17.8	20.2
<b>EBIT-% adj.</b>	2.7 %	2.4 %	4.4 %	4.7 %
<b>PTP</b>	-15.4	2.5	7.4	10.5
<b>Net Income</b>	-7.0	-0.1	4.2	6.4
<b>EPS (adj.)</b>	0.12	-0.07	0.07	0.11
<b>Dividend</b>	0.00	0.00	0.00	0.00
<b>P/E (adj.)</b>	6.5	neg.	9.6	6.3
<b>P/B</b>	0.6	0.5	0.5	0.5
<b>Dividend yield-%</b>	0.0 %	0.0 %	0.0 %	0.0 %
<b>EV/EBIT (adj.)</b>	19.0	19.4	9.8	8.2
<b>EV/EBITDA</b>	6.4	3.8	4.0	3.5
<b>EV/S</b>	0.5	0.5	0.4	0.4

Source: Inderes

## Guidance

(Downgraded)

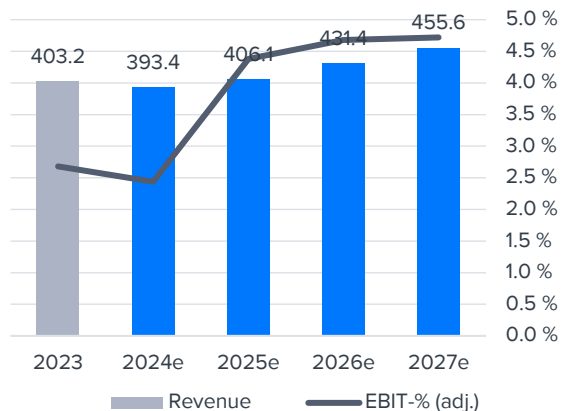
With the current group structure, KH Group expects 2024 revenue of 400-420 MEUR and operating profit of 12-16 MEUR, including the operating profit from the real estate sale in Estonia.

## Share price



Source: Millstream Market Data AB

## Revenue and EBIT-%



Source: Inderes

## EPS and dividend



Source: Inderes



## Value drivers

- Systematic development of holdings
- M&A transactions
- Dismantling the current ownership structure



## Risk factors

- Deteriorating economic situation
- Among the portfolio companies, especially Indoor Group and KH-Koneet Group are cyclical
- Indoor's balance sheet risk
- Tightening competitive situation
- Postponement of sensible exit opportunities due to weak capital markets

Valuation	2024e	2025e	2026e
Share price	0.70	0.70	0.70
Number of shares, millions	58.1	58.1	58.1
Market cap	41	41	41
EV	187	175	165
P/E (adj.)	neg.	9.6	6.3
P/E	neg.	9.6	6.3
P/B	0.5	0.5	0.5
P/S	0.1	0.1	0.1
EV/Sales	0.5	0.4	0.4
EV/EBITDA	3.8	4.0	3.5
EV/EBIT (adj.)	19.4	9.8	8.2
Payout ratio (%)	0.0 %	0.0 %	0.0 %
Dividend yield-%	0.0 %	0.0 %	0.0 %

Source: Inderes

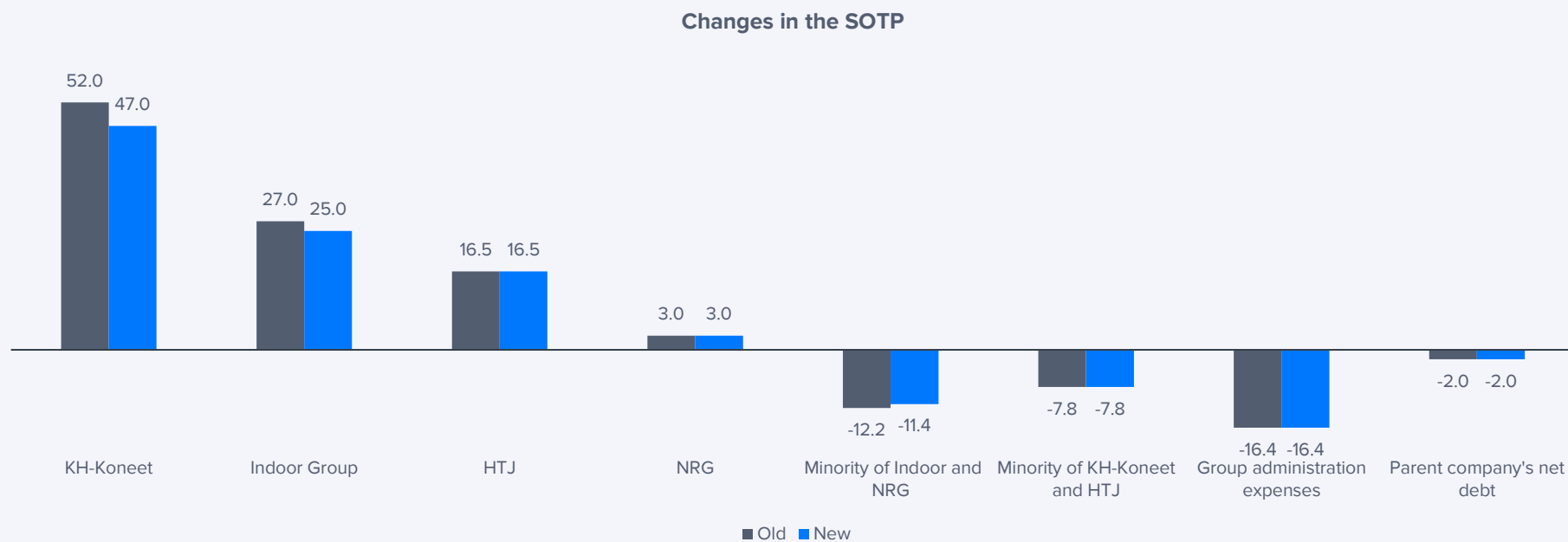
# Forecast revisions focus on current year

Estimate revisions	2024e	2024e	Change	2025e	2025e	Change	2026e	2026e	Change
Revenue (MEUR)	Old	New	%	Old	New	%	Old	New	%
Indoor Group	181	179	-1%	185	181	-2%	190	185	-2%
KH-Koneet	150	148	-1%	162	157	-3%	181	175	-3%
HTJ	26.8	26.8	0%	27.6	27.6	0%	28.6	28.6	0%
NRG	40.0	40.0	0%	41.2	41.2	0%	42.3	42.3	0%
<b>Adj. EBIT (EUR)</b>									
Indoor Group	8.2	6.0	-28%	7.0	6.9	-2%	7.6	7.4	-2%
KH-Koneet	7.5	5.1	-32%	8.9	7.8	-12%	10.0	9.6	-3%
HTJ	2.2	2.2	-1%	3.0	3.0	0%	3.3	3.3	0%
NRG	2.0	2.0	0%	1.9	1.9	0%	1.7	1.7	0%
Unallocated costs	-2.0	-2.0	0%	-1.8	-1.8	0%	-1.8	-1.8	0%

Source: Inderes

NB: Indoor's 2024 result includes the real estate sale in Estonia

# Changes in our sum of the parts calculation



# Sum of the parts is the most reliable valuation method

## SOTP formation

We approach KH Group's valuation with a sum of the parts calculation. In our view, the method is optimal, as the current Group structure is to be dismantled, which enables value to be released. At the same time, due to the subsidiaries' differing cash flow and risk profiles, the profitability of their growth and the acceptable valuation multiples differ considerably.

In our sum of the parts model, we have estimated the fair value of each of KH Group's subsidiaries using company-specific DCF models and by comparing the multiple-based fair value valuation to company-specific peers' valuations. In the subsidiary-specific valuation, we utilize company-specific financial statements that comply with FAS accounting (excl. Indoor Group that reports under IFRS), which slightly weakens the comparability of the figures with peers.

We deduct the minority holding of the company, the

Group administration expenses, and our estimate of the parent company's debts from the company-specific fair value estimate as part of the calculation. Our sum of the parts calculation indicates that KH Groups value per share is EUR 0.93

## Group administration expenses consume the fair value of the whole

We have estimated the group's normalized administrative costs to be 1.8 MEUR, the net present value of which we have determined at a cost of capital of 11%. Expenditure has been slightly higher in recent years, but we expect it to fall when the strategy is clear and as it progresses. One could argue for a larger drop in group costs when the group only includes KH-Koneet. We believe that this approach is logical, but the challenge we see is new administrative costs that would arise if another subsidiary would be listed on the stock exchange.

SOTP breakdown (MEUR)	Equity value DCF	Fair value	Net liabilities 2024e	EV 2024e
KH-Koneet	48.5	47.0	17.3	64.3
Indoor Group	28.6	25.0	63.8	88.8
HTJ	23.1	16.5	5.8	22.3
NRG	4.6	3.0	11.0	14.0
- Minority of Indoor and NRG		-11.4		
- Minority of KH-Koneet and HTJ		-7.8		
- Group administration expenses		-16.4		
+ Parent company's net debt		-2.0		
= Sum of the parts		<b>54.0</b>		
Group's current market value		40.7		
Discount on the SOTP		-25%		
Value per share indicated by the SOTP		€0.93		

# Implicit valuation multiples

In the adjacent table, we have tried to illustrate the implicit valuation multiples of KH Group's subsidiaries based on our fair value estimates. The multiples follow FAS accounting except for Indoor Group, as the company's financial statements follow the FAS standard. To improve comparability, we have adjusted goodwill depreciation from our earnings estimates. We have not predicted dividend distribution, which means the cash flow generated by the companies lowers net debt and EV.

## KH-Koneet's valuation anticipates a slowing machine trade

For KH-Kone, the earnings-based valuation looks quite conservative if one is willing to look beyond this year's earnings slump. Relative to its peers, our valuation prices KH-Koneet at a big-picture discount, which we believe is justified by its smaller size and more limited growth potential than its peers. In our view, KH-Koneet's business and growth are value-creating, and as a result, the balance sheet-based valuation provides good support for the company's valuation at current levels.

## Turnaround company status is reflected in Indoor's valuation

Measured by EBITDA, Indoor seems cheap with our 2024 forecasts, although due to the high depreciation/EBITDA ratio, the multiple may be misleading and our net profit forecast is negative for this year. Indoor has historically generated high profitability but due to the company's elevated risk profile and weakened performance, we consider it justified that the company is now priced on a balance sheet basis with a discount to book value. In the short term, the forecast risk is also elevated due to the ERP project that is in a critical stage. As performance recovers and the balance sheet strengthens, we see all prerequisites for balance sheet-based premium pricing and a clear upside relative to the current value. Indoor's peers are also priced mainly at a discount to book value, which may indicate market doubts about the industry's long-term value creation outlook.

## Due to HTJ's capital-light business model, the focus is on earnings-based multiples

Due to HTJ's very capital-light business model, we prefer EV-based earnings multiples when assessing the company's valuation. With the company-specific market value of 16.5 MEUR we determined, HTJ is priced at a clear discount to its peers. Due to the small size of the company and the current ownership structure, we believe it should be priced at a discount compared to the listed peers. Our DCF model, on the other hand, indicates a value of approximately EUR 23 million for the company. The businesses' resilience to cyclicity is somewhat unclear to us in HTJ, but infrastructure construction and public sector premises account for over 60% of revenue, limiting fluctuation.

## NRG's earnings-based valuation is low but not without reason

NRG's revenue- and earnings-based valuation multiples are low, which is explained by the company's high risk profile and turnaround status. Assessing the company's sustainable performance is extremely difficult with the current track record, which we feel should be reflected in acceptable valuation multiples. Due to the company's significant leverage, a successful earnings turnaround would have a significant positive impact on the value of equity.

KH-Koneet	2024e	2025e	2026e	2027e
EV/Sales	0.4	0.4	0.3	0.3
EV/EBITDA	9.8	6.5	4.9	4.0
EV/adj. EBIT	10.7	7.0	5.3	4.4
Adj. P/E	12.6	7.7	6.0	5.2
P/B	1.0	0.9	0.8	0.7

Indoor Group	2024e	2025e	2026e	2027e
EV/Sales	0.5	0.4	0.4	0.3
EV/EBITDA	3.9	3.3	2.7	2.3
EV/EBIT	29.6	11.5	9.2	7.6
Adj. P/E	-18.0	8.1	6.2	5.3
P/B	0.7	0.7	0.6	0.5

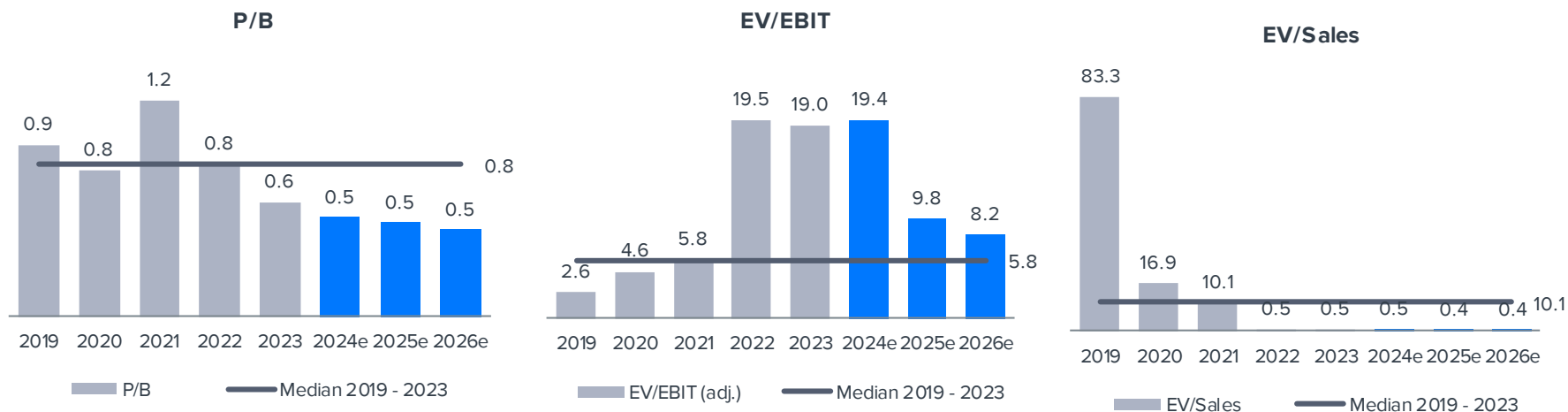
HTJ	2024e	2025e	2026e	2027e
EV/Sales	0.8	0.7	0.6	0.5
EV/EBITDA	9.9	6.4	5.2	4.3
EV/adj. EBIT	10.6	6.8	5.5	4.5
Adj. P/E	10.7	7.3	6.6	6.3
P/B	1.5	1.3	1.1	0.9

NRG	2024e	2025e	2026e	2027e
EV/Sales	0.3	0.3	0.3	0.3
EV/EBITDA	5.9	6.1	6.4	6.1
EV/adj. EBIT	7.1	7.5	8.1	7.6
Adj. P/E	4.1	4.3	5.1	4.2
P/B	-0.6	-0.5	-0.4	-0.4

# Valuation table

Valuation	2019	2020	2021	2022	2023	2024e	2025e	2026e	2027e
Share price	1.28	1.08	1.92	1.18	0.81	<b>0.70</b>	<b>0.70</b>	<b>0.70</b>	<b>0.70</b>
Number of shares, millions	57.8	58.0	58.1	58.1	58.1	<b>58.1</b>	<b>58.1</b>	<b>58.1</b>	<b>58.1</b>
Market cap	74	63	112	69	47	<b>41</b>	<b>41</b>	<b>41</b>	<b>41</b>
EV	42	54	116	232	205	<b>187</b>	<b>175</b>	<b>165</b>	<b>157</b>
P/E (adj.)	5.8	6.3	6.1	5.0	6.5	neg.	<b>9.6</b>	<b>6.3</b>	<b>5.1</b>
P/E	5.8	6.3	6.1	5.0	neg.	neg.	<b>9.6</b>	<b>6.3</b>	<b>5.1</b>
P/B	0.9	0.8	1.2	0.8	0.6	<b>0.55</b>	<b>0.52</b>	<b>0.5</b>	<b>0.4</b>
P/S	>100	19.6	9.7	0.2	0.1	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>
EV/Sales	83.3	16.9	10.1	0.5	0.5	<b>0.5</b>	<b>0.4</b>	<b>0.4</b>	<b>0.3</b>
EV/EBITDA	2.6	4.6	5.8	19.5	6.4	<b>3.8</b>	<b>4.0</b>	<b>3.5</b>	<b>3.2</b>
EV/EBIT (adj.)	2.6	4.6	5.8	19.5	19.0	<b>19.4</b>	<b>9.8</b>	<b>8.2</b>	<b>7.3</b>
Payout ratio (%)	83.5 %	23.4 %	0.0 %	0.0 %	0.0 %	<b>0.0 %</b>	<b>0.0 %</b>	<b>0.0 %</b>	<b>0.0 %</b>
Dividend yield-%	14.5 %	3.7 %	0.0 %	0.0 %	0.0 %	<b>0.0 %</b>	<b>0.0 %</b>	<b>0.0 %</b>	<b>0.0 %</b>

Source: Inderes





# Income statement

Income statement	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24e	Q2'24e	Q3'24e	Q4'24e	2024e	2025e	2026e	2027e
<b>Revenue</b>	<b>100</b>	<b>100</b>	<b>97.6</b>	<b>105</b>	<b>403</b>	<b>90.1</b>	<b>97.9</b>	<b>98.5</b>	<b>107</b>	<b>393</b>	<b>406</b>	<b>431</b>	<b>456</b>
KH-Koneet	40.5	40.4	32.3	39.1	152	33.2	39.2	33.9	41.4	148	157	175	193
Indoor Group	43.6	44.0	50.6	48.1	186	40.5	41.8	49.6	46.9	179	181	185	190
HTJ	6.1	7.0	6.5	6.6	26.3	6.3	7.2	6.6	6.7	26.8	27.6	28.6	29.6
Nordic Rescue Group	9.9	8.8	8.2	11.4	38.3	10.0	9.7	8.4	11.9	40.0	41.2	42.3	43.3
<b>EBITDA</b>						<b>11.6</b>	<b>8.8</b>	<b>13.9</b>	<b>14.2</b>	<b>48.5</b>	<b>43.9</b>	<b>46.7</b>	<b>48.4</b>
Depreciation						-8.8	-8.8	-8.8	-8.8	-35.2	-26.1	-26.5	-26.9
<b>EBIT (excl. NRI)</b>	<b>1.1</b>	<b>2.9</b>	<b>5.1</b>	<b>1.7</b>	<b>10.8</b>	<b>-0.9</b>	<b>0.0</b>	<b>5.1</b>	<b>5.4</b>	<b>9.6</b>	<b>17.8</b>	<b>20.2</b>	<b>21.5</b>
<b>EBIT</b>	<b>1.1</b>	<b>0.9</b>	<b>-6.8</b>	<b>1.7</b>	<b>-3.1</b>	<b>2.8</b>	<b>0.0</b>	<b>5.1</b>	<b>5.4</b>	<b>13.3</b>	<b>17.8</b>	<b>20.2</b>	<b>21.5</b>
KH-Koneet	1.8	2.0	2.0	3.2	9.0	0.3	0.8	1.5	2.5	5.1	7.8	9.6	10.6
Indoor Group	-0.6	-1.5	2.6	0.6	1.1	2.1	-1.3	3.0	2.2	6.0	6.9	7.4	7.6
HTJ	0.4	0.6	1.0	0.6	2.6	0.4	0.5	0.7	0.6	2.2	3.0	3.3	3.4
Nordic Rescue Group	0.1	0.6	0.3	0.9	1.9	0.5	0.5	0.4	0.6	2.0	1.9	1.7	1.7
Kohdistamattomat erät	-0.6	-0.8	-12.7	-3.6	-17.7	-0.5	-0.5	-0.5	-0.5	-2.0	-1.8	-1.8	-1.8
Net financial items	-2.6	-3.5	-2.1	-4.1	-12.3	-2.7	-2.7	-2.7	-2.7	-10.8	-10.4	-9.7	-8.5
<b>PTP</b>	<b>-1.5</b>	<b>-2.6</b>	<b>-8.9</b>	<b>-2.4</b>	<b>-15.4</b>	<b>0.1</b>	<b>-2.7</b>	<b>2.4</b>	<b>2.7</b>	<b>2.5</b>	<b>7.4</b>	<b>10.5</b>	<b>13.0</b>
Taxes	0.5	0.4	2.2	0.2	3.3	0.0	0.5	-0.5	-0.5	-0.5	-1.5	-2.1	-2.6
Minority interest	0.0	1.2	3.2	0.8	5.2	-1.1	-0.1	-0.5	-0.4	-2.1	-1.7	-2.0	-2.4
<b>Net earnings</b>	<b>-1.0</b>	<b>-1.0</b>	<b>-3.2</b>	<b>-1.5</b>	<b>-6.7</b>	<b>-1.0</b>	<b>-2.2</b>	<b>1.4</b>	<b>1.7</b>	<b>-0.1</b>	<b>4.2</b>	<b>6.4</b>	<b>8.0</b>
<b>EPS (adj.)</b>	<b>-0.02</b>	<b>0.02</b>	<b>0.15</b>	<b>-0.03</b>	<b>0.12</b>	<b>-0.08</b>	<b>-0.04</b>	<b>0.02</b>	<b>0.03</b>	<b>-0.07</b>	<b>0.07</b>	<b>0.11</b>	<b>0.14</b>
<b>Key figures</b>	<b>Q1'23</b>	<b>Q2'23</b>	<b>Q3'23</b>	<b>Q4'23</b>	<b>2023</b>	<b>Q1'24e</b>	<b>Q2'24e</b>	<b>Q3'24e</b>	<b>Q4'24e</b>	<b>2024e</b>	<b>2025e</b>	<b>2026e</b>	<b>2027e</b>
<b>Revenue growth-%</b>					10.0 %	-10.0 %	-2.4 %	1.0 %	1.6 %	-2.4 %	3.2 %	6.2 %	5.6 %
<b>Adjusted EBIT growth-%</b>					12.3 %	-182.6 %	-99.4 %	0.3 %	216.1 %	-11.1 %	85.3 %	13.6 %	6.5 %
<b>EBITDA-%</b>					12.3 %	12.9 %	9.0 %	14.1 %	13.3 %	12.3 %	10.8 %	10.8 %	10.6 %
<b>Adjusted EBIT-%</b>	1.1 %	2.9 %	5.2 %	1.6 %	2.7 %	-1.0 %	0.0 %	5.2 %	5.0 %	2.4 %	4.4 %	4.7 %	4.7 %
<b>Net earnings-%</b>	-1.0 %	-1.0 %	-3.3 %	-1.4 %	-1.7 %	-1.1 %	-2.3 %	1.4 %	1.6 %	0.0 %	1.0 %	1.5 %	1.8 %

Source: Inderes

\*Note: The 2021 balance sheet follows an investment company reporting format and is therefore not comparable to the current conglomerate reporting format. We have replaced the 2022 investment company balance sheet with the conglomerate balance sheet from the H1'23 report in order to base our future balance sheet projections on a comparable data point.

# Balance sheet

Assets	2022	2023	2024e	2025e	2026e
<b>Non-current assets</b>	<b>213</b>	<b>213</b>	<b>209</b>	<b>207</b>	<b>206</b>
Goodwill	37.7	39.9	39.9	39.9	39.9
Intangible assets	65.3	63.8	62.3	60.7	59.1
Tangible assets	104	103	104	106	107
Associated companies	0.0	0.0	0.0	0.0	0.0
Other investments	0.0	0.0	0.0	0.0	0.0
Other non-current assets	0.8	0.7	0.0	0.0	0.0
Deferred tax assets	5.2	5.3	2.8	0.0	0.0
<b>Current assets</b>	<b>164</b>	<b>135</b>	<b>130</b>	<b>132</b>	<b>140</b>
Inventories	112	100.0	96.4	97.5	104
Other current assets	7.3	0.0	0.0	0.0	0.0
Receivables	18.8	23.7	13.8	14.2	15.1
Cash and equivalents	26.4	11.1	19.7	20.3	21.6
<b>Balance sheet total</b>	<b>377</b>	<b>348</b>	<b>339</b>	<b>339</b>	<b>347</b>

Source: Inderes

Liabilities & equity	2022	2023	2024e	2025e	2026e
<b>Equity</b>	<b>87.8</b>	<b>79.3</b>	<b>74.6</b>	<b>78.8</b>	<b>85.2</b>
Share capital	15.2	15.2	15.2	15.2	15.2
Retained earnings	53.4	46.6	46.5	50.7	57.1
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	13.0	12.9	12.9	12.9	12.9
Other equity	0.0	0.0	0.0	0.0	0.0
Minorities	6.2	4.7	0.0	0.0	0.0
<b>Non-current liabilities</b>	<b>128</b>	<b>122</b>	<b>116</b>	<b>109</b>	<b>104</b>
Deferred tax liabilities	15.7	12.7	12.7	12.7	12.7
Provisions	0.0	0.1	0.0	0.0	0.0
Interest bearing debt	110	106	99.4	92.5	87.6
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	2.5	3.6	3.6	3.6	3.6
<b>Current liabilities</b>	<b>161</b>	<b>147</b>	<b>149</b>	<b>151</b>	<b>158</b>
Interest bearing debt	74.4	60.4	66.3	61.7	58.4
Payables	86.4	86.2	82.6	89.3	99.2
Other current liabilities	0.0	0.0	0.0	0.0	0.0
<b>Balance sheet total</b>	<b>377</b>	<b>348</b>	<b>339</b>	<b>339</b>	<b>347</b>

\*Note: The 2021 balance sheet follows an investment company reporting format and is therefore not comparable to the current conglomerate reporting format. We have replaced the 2022 investment company balance sheet with the conglomerate balance sheet from the H1'23 report in order to base our future balance sheet projections on a comparable data point.

# DCF calculation

DCF model	2023	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	TERM
Revenue growth-%	-6.0 %	-2.4 %	3.2 %	6.2 %	5.6 %	2.5 %	2.5 %	2.5 %	2.0 %	2.0 %	1.5 %	1.5 %
EBIT-%	-0.8 %	3.4 %	4.4 %	4.7 %	4.7 %	4.5 %	4.5 %	4.5 %	4.0 %	4.0 %	4.0 %	4.0 %
<b>EBIT (operating profit)</b>	<b>-3.1</b>	<b>13.3</b>	<b>17.8</b>	<b>20.2</b>	<b>21.5</b>	<b>21.0</b>	<b>21.5</b>	<b>22.1</b>	<b>20.0</b>	<b>20.4</b>	<b>20.7</b>	
+ Depreciation	35.0	35.2	26.1	26.5	26.9	27.0	27.2	27.4	27.5	27.6	27.7	
- Paid taxes	0.1	2.0	1.3	-2.1	-2.6	-2.9	-3.1	-3.3	-2.9	-3.1	-3.3	
- Tax, financial expenses	-2.6	-2.2	-2.1	-1.9	-1.7	-1.3	-1.3	-1.2	-1.1	-1.0	-0.9	
+ Tax, financial income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Change in working capital	14.0	10.0	5.2	2.9	-1.1	-0.5	-0.5	-0.5	-0.4	-0.5	-0.3	
<b>Operating cash flow</b>	<b>43.4</b>	<b>58.2</b>	<b>48.3</b>	<b>45.6</b>	<b>43.0</b>	<b>43.3</b>	<b>43.9</b>	<b>44.5</b>	<b>43.1</b>	<b>43.5</b>	<b>44.0</b>	
+ Change in other long-term liabilities	1.2	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-35.1	-34.1	-26.1	-26.4	-25.9	-26.0	-26.2	-26.2	-26.3	-26.3	-28.6	
<b>Free operating cash flow</b>	<b>9.5</b>	<b>24.0</b>	<b>22.2</b>	<b>19.2</b>	<b>17.1</b>	<b>17.3</b>	<b>17.7</b>	<b>18.3</b>	<b>16.8</b>	<b>17.3</b>	<b>15.4</b>	
+/- Other	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	9.8	24.0	22.2	19.2	17.1	17.3	17.7	18.3	16.8	17.3	15.4	213
<b>Discounted FCFF</b>		<b>22.7</b>	<b>19.3</b>	<b>15.3</b>	<b>12.5</b>	<b>11.6</b>	<b>11.0</b>	<b>10.4</b>	<b>8.8</b>	<b>8.3</b>	<b>6.8</b>	<b>94.2</b>
Sum of FCFF present value		221	198	179	164	151	139	128	118	109	101	94.2
<b>Enterprise value DCF</b>		<b>221</b>										
- Interest bearing debt		-166.0										
+ Cash and cash equivalents		11.1										
-Minorities		0.0										
-Dividend/capital return		0.0										
<b>Equity value DCF</b>		<b>66.0</b>										
<b>Equity value DCF per share</b>		<b>1.1</b>										

## WACC

Tax-% (WACC)	20.0 %
Target debt ratio (D/(D+E))	45.0 %
Cost of debt	6.0 %
Equity Beta	1.50
Market risk premium	4.75%
Liquidity premium	2.50%
Risk free interest rate	2.5 %
<b>Cost of equity</b>	<b>12.1 %</b>
<b>Weighted average cost of capital (WACC)</b>	<b>8.8 %</b>

Source: Inderes

## Cash flow distribution

2024e-2028e



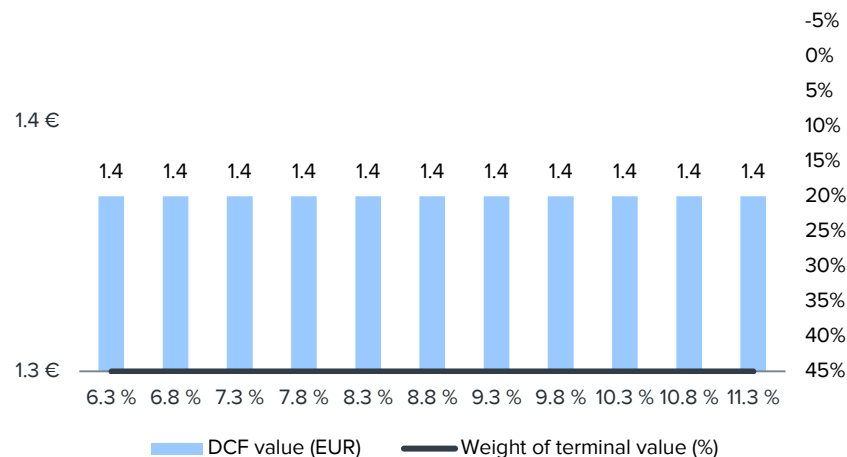
2029e-2033e



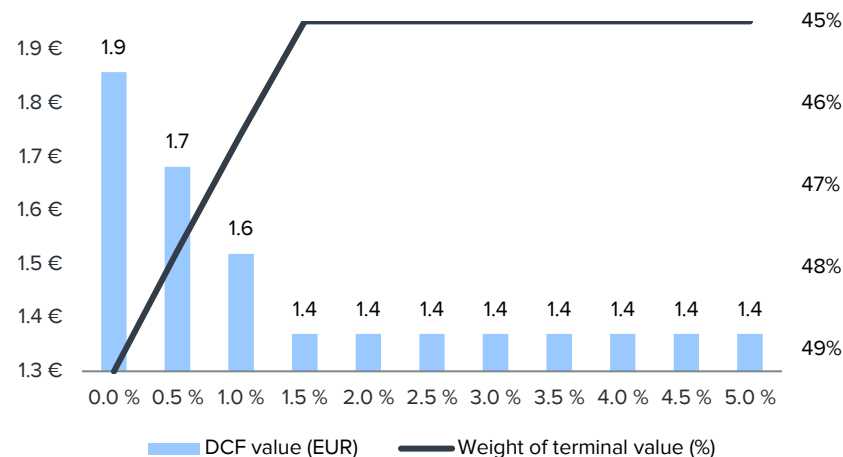
20%

# DCF sensitivity calculations and key assumptions in graphs

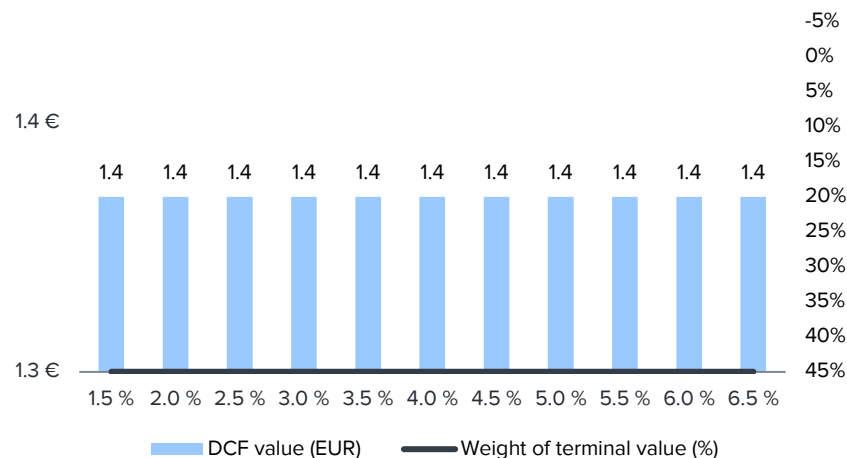
Sensitivity of DCF to changes in the WACC-%



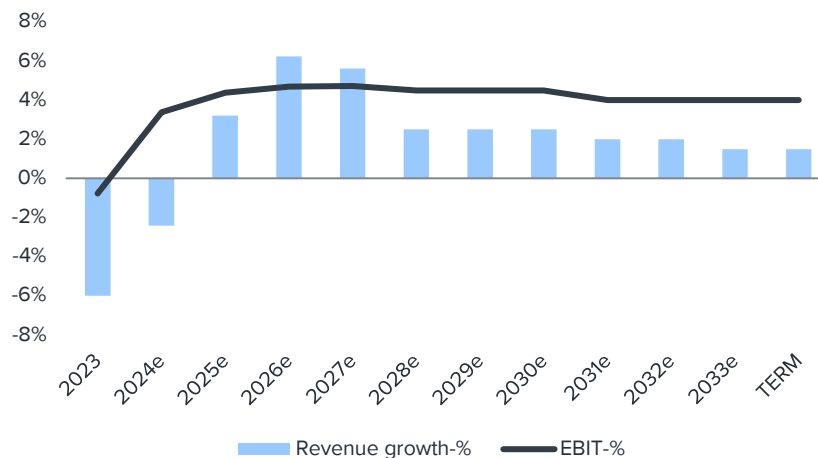
Sensitivity of DCF to changes in the risk-free rate



Sensitivity of DCF to changes in the terminal EBIT margin



Growth and profitability assumptions in the DCF calculation



Source: Inderes. Note that the weight of the terminal value (%) is shown on an inverse scale for clarity.

# Summary

Income statement	2021	2022	2023	2024e	2025e	Per share data	2021	2022	2023	2024e	2025e
Revenue	11.5	428.9	403.2	393.4	406.1	EPS (reported)	0.32	0.24	-0.11	0.00	0.07
EBITDA	20.2	11.9	31.9	48.5	43.9	EPS (adj.)	0.32	0.24	0.12	-0.07	0.07
EBIT	20.2	11.9	-3.1	13.3	17.8	OCF / share	0.43	-0.64	0.75	1.00	0.83
PTP	20.2	11.7	-15.4	2.5	7.4	FCF / share	0.43	-4.17	0.17	0.41	0.38
Net Income	18.4	13.8	-6.7	-0.1	4.2	Book value / share	1.61	1.40	1.29	1.28	1.36
Extraordinary items	0.0	0.0	-13.9	3.7	0.0	Dividend / share	0.00	0.00	0.00	0.00	0.00
Balance sheet	2021	2022	2023	2024e	2025e	Growth and profitability	2021	2022	2023	2024e	2025e
Balance sheet total	113.3	377.0	347.7	339.1	338.5	Revenue growth-%	259%	3630%	-6%	-2%	3%
Equity capital	93.5	87.8	79.3	74.6	78.8	EBITDA growth-%	73%	-41%	168%	52%	-10%
Goodwill	0.0	37.7	39.9	39.9	39.9	EBIT (adj.) growth-%	73%	-41%	-9%	-11%	85%
Net debt	4.7	158.2	154.9	146.0	133.9	EPS (adj.) growth-%	86%	-25%	-48%	-153%	-211%
Cash flow	2021	2022	2023	2024e	2025e	EBITDA-%	175.7 %	2.8 %	7.9 %	12.3 %	10.8 %
EBITDA	20.2	11.9	31.9	48.5	43.9	EBIT (adj.)-%	175.7 %	2.8 %	2.7 %	2.4 %	4.4 %
Change in working capital	4.8	-55.7	14.0	10.0	5.2	EBIT-%	175.7 %	2.8 %	-0.8 %	3.4 %	4.4 %
Operating cash flow	24.9	-37.3	43.4	58.2	48.3	ROE-%	21.5 %	15.8 %	-8.5 %	-0.2 %	5.5 %
CAPEX	-0.2	-207.3	-35.1	-34.1	-26.1	ROI-%	22.8 %	6.4 %	-1.2 %	5.5 %	7.5 %
Free cash flow	24.7	-242.1	9.8	24.0	22.2	Equity ratio	82.5 %	23.3 %	22.8 %	22.0 %	23.3 %
Valuation multiples	2021	2022	2023	2024e	2025e	Gearing	5.0 %	180.2 %	195.2 %	195.9 %	170.0 %
EV/S	10.1	0.5	0.5	0.5	0.4						
EV/EBITDA (adj.)	5.8	19.5	6.4	3.8	4.0						
EV/EBIT (adj.)	5.8	19.5	19.0	19.4	9.8						
P/E (adj.)	6.1	5.0	6.5	neg.	9.6						
P/B	1.2	0.8	0.6	0.5	0.5						
Dividend-%	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %						

Source: Inderes

# Disclaimer and recommendation history

The information presented in Inderes reports is obtained from several different public sources that Inderes considers to be reliable. Inderes aims to use reliable and comprehensive information, but Inderes does not guarantee the accuracy of the presented information. Any opinions, estimates and forecasts represent the views of the authors. Inderes is not responsible for the content or accuracy of the presented information. Inderes and its employees are also not responsible for the financial outcomes of investment decisions made based on the reports or any direct or indirect damage caused by the use of the information. The information used in producing the reports may change quickly. Inderes makes no commitment to announcing any potential changes to the presented information and opinions.

The reports produced by Inderes are intended for informational use only. The reports should not be construed as offers or advice to buy, sell or subscribe investment products. Customers should also understand that past performance is not a guarantee of future results. When making investment decisions, customers must base their decisions on their own research and their estimates of the factors that influence the value of the investment and take into account their objectives and financial position and use advisors as necessary. Customers are responsible for their investment decisions and their financial outcomes.

Reports produced by Inderes may not be edited, copied or made available to others in their entirety, or in part, without Inderes' written consent. No part of this report, or the report as a whole, shall be transferred or shared in any form to the United States, Canada or Japan or the citizens of the aforementioned countries. The legislation of other countries may also lay down restrictions pertaining to the distribution of the information contained in this report. Any individuals who may be subject to such restrictions must take said restrictions into account.

Inderes issues target prices for the shares it follows. The recommendation methodology used by Inderes is based on the share's 12-month expected total shareholder return (including the share price and dividends) and takes into account Inderes' view of the risk associated with the expected returns. The recommendation policy consists of four tiers: Sell, Reduce, Accumulate and Buy. As a rule, Inderes' investment recommendations and target prices are reviewed at least 2–4 times per year in connection with the companies' interim reports, but the recommendations and target prices may also be changed at other times depending on the market conditions. The issued recommendations and target prices do not guarantee that the share price will develop in line with the estimate. Inderes primarily uses the following valuation methods in determining target prices and recommendations: Cash flow analysis (DCF), valuation multiples, peer group analysis and sum of parts analysis. The valuation methods and target price criteria used are always company-specific and they may vary significantly depending on the company and (or) industry.

Inderes' recommendation policy is based on the following distribution relative to the 12-month risk-adjusted expected total shareholder return.

Buy	The 12-month risk-adjusted expected shareholder return of the share is very attractive
Accumulate	The 12-month risk-adjusted expected shareholder return of the share is attractive
Reduce	The 12-month risk-adjusted expected shareholder return of the share is weak
Sell	The 12-month risk-adjusted expected shareholder return of the share is very weak
The assessment of the 12-month risk-adjusted expected total shareholder return based on the above-mentioned definitions is company-specific and subjective. Consequently, similar 12-month expected total shareholder returns between different shares may result in different recommendations, and the recommendations and 12-month expected total shareholder returns between different shares should not be compared with each other. The counterpart of the expected total shareholder return is Inderes' view of the risk taken by the investor, which varies considerably between companies and scenarios. Thus, a high expected total shareholder return does not necessarily lead to positive performance when the risks are exceptionally high and, correspondingly, a low expected total shareholder return does not necessarily lead to a negative recommendation if Inderes considers the risks to be moderate.	

The analysts who produce Inderes' research and Inderes employees cannot have 1) shareholdings that exceed the threshold of significant financial gain or 2) shareholdings exceeding 1% in any company subject to Inderes' research activities. Inderes Oyj can only own shares in the target companies it follows to the extent shown in the company's model portfolio investing real funds. All of Inderes Oyj's shareholdings are presented in itemised form in the model portfolio. Inderes Oyj does not have other shareholdings in the target companies analysed. The remuneration of the analysts who produce the analysis are not directly or indirectly linked to the issued recommendation or views. Inderes Oyj does not have investment bank operations.

Inderes or its partners whose customer relationships may have a financial impact on Inderes may, in their business operations, seek assignments with various issuers with respect to services provided by Inderes or its partners. Thus, Inderes may be in a direct or indirect contractual relationship with an issuer that is the subject of research activities. Inderes and its partners may provide investor relations services to issuers. The aim of such services is to improve communication between the company and the capital markets. These services include the organisation of investor events, advisory services related to investor relations and the production of investor research reports.

More information about research disclaimers can be found at [www.inderes.fi/research-disclaimer](http://www.inderes.fi/research-disclaimer).

Inderes has made an agreement with the issuer and target of this report, which entails compiling a research report.

## Recommendation history (>12 mo)

Date	Recommendation	Target	Share price
12/15/2021	Accumulate	2.00 €	1.94 €
3/4/2022	Buy	1.80 €	1.52 €
3/17/2022	Accumulate	1.80 €	1.64 €
5/6/2022	Buy	1.80 €	1.36 €
8/18/2022	Accumulate	1.50 €	1.29 €
11/4/2022	Buy	1.40 €	1.14 €
12/16/2022	Buy	1.40 €	1.17 €
2/21/2023	Accumulate	1.35 €	1.20 €
3/1/2023	Accumulate	1.20 €	1.08 €
5/5/2023	Buy	1.20 €	1.03 €
8/18/2023	Accumulate	1.05 €	0.95 €
<i>Analyst changed</i>			
10/30/2023	Accumulate	0.90 €	0.77 €
11/2/2023	Accumulate	0.90 €	0.79 €
3/11/2024	Accumulate	0.80 €	0.68 €
3/22/2024	Accumulate	0.95 €	0.85 €
5/2/2024	Accumulate	0.80 €	0.70 €



**Inderes democratizes investor information by connecting investors and listed companies.**

We help over 400 listed companies better serve investors. Our investor community is home to over 70,000 active members.

We build solutions for listed companies that enable frictionless and effective investor relations. For listed companies, we offer Commissioned Research, IR Events, AGMs, and IR Software.

Inderes is listed on the Nasdaq First North growth market and operates in Finland, Sweden, Norway, and Denmark.

**Inderes Oyj**

Itämerentori 2

FI-00180 Helsinki, Finland

+358 10 219 4690

Award-winning research at [inderes.fi](https://www.inderes.fi)



**STARMINE  
ANALYST AWARDS  
FROM REFINITIV**



THOMSON REUTERS  
ANALYST AWARDS



Juha Kinnunen  
2012, 2016, 2017, 2018, 2019, 2020



Mikael Rautanen  
2014, 2016, 2017, 2019



Sauli Vilén  
2012, 2016, 2018, 2019, 2020



Antti Viljakainen  
2014, 2015, 2016, 2018, 2019, 2020



Olli Koponen  
2020



Joni Grönqvist  
2019, 2020



Erkki Vesola  
2018, 2020



Petri Gostowski  
2020



Atte Riikola  
2020

**Connecting investors  
and listed companies.**