

Construction

Key data

Price (EUR)	8.44
Country	Finland
Bloomberg	KREATE.FH
Reuters	KREATE.HE
Free float	100.0%
Market cap (EURm)	75
Net debt (current Y/E) (EURm)	29
No. of shares (m)	8.9
Next event	Q4: 5-Feb

\* Price as at 13:25 on 25 October 2024

CEO	Timo Vikström
CFO	Mikko Laine

Company description

Kreate is an infrastructure construction company with a service offering in structural engineering and traffic routes. Kreate specialises in complex projects in challenging environments, for example construction in areas with existing buildings, infrastructure, people and traffic as well as projects that require minimising disruptions to surrounding buildings and traffic. Kreate primarily acts as a contractor in the project execution phase, but is also increasingly involved in the planning phase.

Ownership structure

Harjavalta Oy	19.9%
Tirinom Oy	11.1%
Ilmarinen	4.7%
Valtonen Seppo	4.6%
Varma	4.0%

Source: Company data (30 September 2024)

Estimate changes

	24E	25E	26E
Sales	-1.8%	1.8%	2.0%
EBITDA	-0.6%	0.5%	0.9%
EBIT (adj.)	-2.0%	1.9%	2.1%
EPS (adj.)	n.m.	n.m.	n.m.

Source: Danske Bank Equity Research estimates

Analyst(s)

Mika Karppinen

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<https://research.danskebank.com>

Important disclosures and certifications are contained from page 9 of this report

# Kreate Group

## Improving margin trend

**Kreate continued to report improving margins in Q3 after a clearly weaker development seen in recent years. In the short term, the market outlook has weakened slightly, but the company's recent wins in certain bigger railway projects indicate a major volume improvement for H2 25E. The share is valued at a wide discount to peers. We reiterate our fair value range of EUR8.0-9.4.**

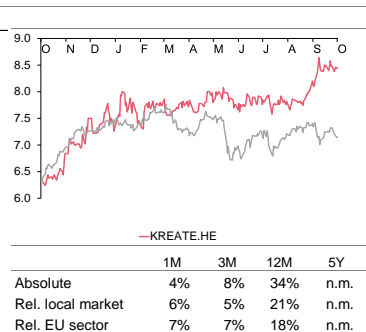
- Impact on the investment case.** Kreate continued to report a clearly improving margin trend in Q3. In our view, the weakened margins have been a burdening factor on the case over the past two years. The margin improvement is driven by easing inflation, completion of older problem projects and tight selectiveness in new orders. Sales volumes continued to decline in Q3, as expected burdened by the lower contribution from certain bigger projects, but the volume outlook has recently clearly improved for H2 25E and beyond.
- Market weakness in the short term, but longer-term outlook much brighter.** Kreate's order book declined heavily in Q3, down to EUR153.1m vs. EUR200m in Q2 24. However, the order book does not yet include the already announced major wins in certain railway-related projects, which could be worth EUR300m-400m for Kreate. These projects will be included in the order book mainly in 2025E. In the short term, the market outlook has weakened due to the delays in timing of certain public projects. This weakness could put some pressure on Kreate's performance in H1 25E, but the quite flexible cost base should continue to protect margins even then. The longer-term outlook continues to be robust, as indicated by these recent projects wins, driven by the railway projects, the green transition and safety and security-related projects, and we expect a clear volume improvement starting in H2 25.
- Estimate changes.** We have lowered our EBITA estimate for 2024 by 2% due to a slightly more cautious view on Q4 volumes, but for 2025-26 our EBITA estimates are each up by 1%, driven by the project wins.
- Valuation.** Kreate is trading at 2024E EV/EBITA of 10.4x, a 23% discount to the peer group.

### Key financials

Year-end Dec (EUR)	2022	2023	2024E	2025E	2026E
Revenues (m)	274	320	273	313	332
Revenues growth	15.3%	16.9%	-14.6%	14.6%	5.8%
EBITDA (m)	13.7	14.0	14.3	16.9	18.3
EBIT adj. (m)	8.0	7.0	8.9	11.2	12.3
EBIT growth	-17.4%	-12.5%	26.7%	25.8%	10.3%
Pre-tax profit (m)	6.6	4.7	6.5	9.7	11.0
EPS adj.	0.62	0.44	0.59	0.89	0.99
DPS	0.46	0.48	0.47	0.55	0.59
Dividend yield	5.7%	6.6%	5.5%	6.5%	7.0%
FCFE yield (pre-IFRS16)	-5.6%	35.4%	-10.3%	10.9%	11.8%
EBIT margin (adj.)	2.9%	2.2%	3.2%	3.6%	3.7%
Net debt/EBITDA (x)	2.5	1.2	2.1	1.6	1.3
ROIC	9.3%	8.3%	10.7%	12.1%	13.3%
EV/Sales (x)	0.3	0.2	0.3	0.3	0.3
EV/EBITDA (adj.) (x)	7.3	5.3	6.6	5.5	4.9
EV/EBITA (adj.) (x)	11.6	9.6	10.4	8.0	7.0
EV/EBIT (adj.) (x)	11.9	10.1	10.6	8.1	7.0
P/E (adj.) (x)	13.1	16.4	14.3	9.5	8.5

Source: Company data, Danske Bank Equity Research estimates

### Price performance



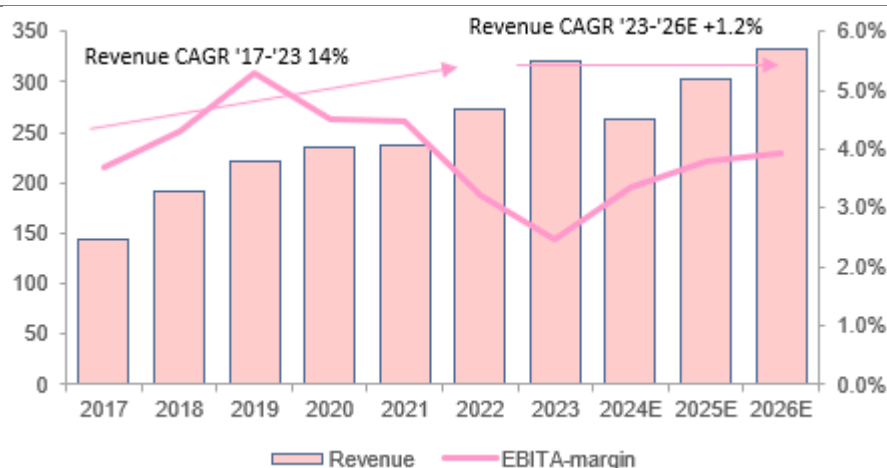
Source: FactSet

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## Investment case

Kreate is an infrastructure construction company in the Finnish market, specialising in complex projects in challenging environments that require special competence in infrastructure construction. Kreate is the number four player in the Finnish infrastructure construction market, with a strong track record of growth and decent profitability. It reported a 2017-23 revenue CAGR of 14% with an average EBITA margin of 4%, driven by successful execution of projects. Kreate's financial targets include sales growth of 5-10%, an EBITA margin of over 5%, net debt / EBITDA < 2.5x and over 50% of net earnings as dividends.

Chart 1. Kreate revenue (EURm) and EBITA-margin development



Source: Company data, Danske Bank Equity Research estimates

Table 1. Kreate estimates

EURm	Q1 23				Q2 23				Q3 23				Q4 23				Q1 24				Q2 24				Q3 24				Q4 24E				DBER estimates			
	2023	2024E	2025E	2026E	2023	2024E	2025E	2026E	2023	2024E	2025E	2026E	2023	2024E	2025E	2026E	2023	2024E	2025E	2026E	2023	2024E	2025E	2026E	2023	2024E	2025E	2026E	2023	2024E	2025E	2026E				
Sales	65.8	85.7	88.3	80.2	54.4	68.0	77.6	73.4	320.0	273.4	313.4	331.6																								
EBITA	-0.4	2.6	2.9	2.7	0.3	2.6	3.1	3.1	7.9	9.2	11.9	13.0																								
EBIT	-0.4	2.5	2.8	2.6	0.2	2.6	3.1	3.1	7.6	9.0	11.8	12.9																								
EBITA margin	-0.7%	3.0%	3.3%	3.4%	0.5%	3.9%	4.0%	4.2%	2.5%	3.4%	3.8%	4.9%																								
EBIT margin	-0.7%	2.9%	3.2%	3.3%	0.4%	3.8%	4.0%	4.2%	2.4%	3.3%	3.8%	3.9%																								
PTP	-0.9	1.9	1.7	1.9	-0.6	2.1	2.4	2.6	4.7	6.5	9.7	11.0																								
Net profit	-0.7	1.5	1.4	1.6	-0.5	1.6	1.9	2.4	3.9	5.2	7.9	8.8																								
EPS	-0.08	0.17	0.16	0.18	-0.06	0.18	0.20	0.26	0.44	0.59	0.89	0.99																								
DPS									0.48	0.47	0.55	0.59																								

Source: Company data, Danske Bank Equity Research (DBER) estimates

The Finnish infrastructure construction market, worth slightly less than EUR7bn in 2023 according to Kreate, has historically been quite resilient – 2008-23 CAGR of 1.2%, with limited correlation to GDP growth. The overall market outlook for the coming years is slightly negative. The market is supported by the Finnish state's 12-year plan for transport infrastructure, which started in 2021. However, the recently increased uncertainty in the markets after the COVID-19 pandemic, the Finnish state's budget cuts, weakening municipality finances, and the private sector's cautiousness, are limiting investment in the short term. Kreate operates in segments with an addressable market of around EUR5bn, which are poised to benefit from structural drivers, such as urbanisation and a large renovation backlog. For example, the rail construction part of the market, in which Kreate has been strongly investing in recent years, looks set to perform well in the long term, driven by efforts to improve public transportation, even though in the short term there have been delays in this segment.

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### Competitive advantage in complex projects with satisfied customers

Kreate is a medium-sized company with a broad offering in infrastructure construction. Kreate believes that it has a key competitive advantage in complex urban projects, which require expertise in multiple disciplines. According to the company, Kreate is the market leader (by revenue share) in two of five disciplines – foundations and ground engineering, and bridges. Within the disciplines of rock engineering, and roads and streets, Kreate is number two to three, and in railways Kreate is a challenger with a position of number three to five. According to Kreate, the company’s customer satisfaction is high, driven by successful execution of previous projects. The customer base is diverse, with 58% of revenues from the public sector, of which 69% arises from the Finnish state.

#### Q3 24 results review

Kreate’s Q3 sales declined by 12% y/y to EUR77.6m (+2% vs LSEG Data & Analytics consensus) with EBITA of EUR3.1m (in line with consensus). The EBITA margin was 4.0% vs. 3.3% a year ago and consensus of 4.1%. EBITA grew by 7% y/y. The good thing was that the margin improvement continued also in Q3 despite the sales decline. We believe that the margin improvement was supported by the easing cost inflation, completion of underperforming older projects in which index clauses have not been in use, and tighter selectiveness in new orders. The good thing in the report was also the improved performance in Kreate’s associate company, KFS, which has been underperforming for some time (EUR0.4m positive contribution vs. losses in the previous quarters).

The order book declined clearly to EUR153.1m in Q3 vs. EUR200m in Q2 24 and EUR222m a year ago. The order intake was really modest in Q3, EUR18m. However, the order book does not yet include the announced bigger railway project wins, which are still in the development phase, and the value of these projects could be worth EUR300m-400m in total (Tampere, Vantaa tramway and Koskela). These projects will be included in the order book mainly during 2025E.

Kreate’s cash flow totalled EUR5.9m vs. EUR8m a year ago.

Table 2. Kreate Q3 figures

EURm	Reported Q3 24	DBER Q3 24E	Dev.	Consensus (LSEG)	Dev.	Actual Q3 23	Change y/y
Sales	77.6	76.0	2%	76.0	2%	88.3	-12%
<b>EBITA</b>	<b>3.1</b>	<b>3.1</b>	<b>0%</b>	<b>3.1</b>	<b>0%</b>	<b>2.9</b>	<b>7%</b>
<b>EBIT</b>	<b>3.1</b>	<b>3.1</b>	<b>2%</b>	<b>3.0</b>	<b>3%</b>	<b>2.8</b>	<b>11%</b>
<b>EBITA margin</b>	<b>4.0%</b>	<b>4.1%</b>		<b>4.1%</b>		<b>3.3%</b>	
<b>EBIT margin</b>	<b>4.0%</b>	<b>4.0%</b>		<b>3.9%</b>		<b>3.2%</b>	
PTP	2.4	2.5	-4%	2.5	-4%	1.7	41%
<b>Net profit</b>	<b>1.9</b>	<b>2.1</b>	<b>-10%</b>	<b>2.0</b>		<b>1.4</b>	<b>36%</b>
EPS	0.20	0.24	-15%	0.21	-5%	0.16	27%

Source: Company data, LSEG Data & Analytics, Danske Bank Equity Research (DBER) estimates

#### Outlook and financial targets update

Guidance was reiterated. For 2024, Kreate is guiding for revenues of EUR270m-300m (LSEG Data & Analytics consensus est. at EUR276.5m) with EBITA in the range of EUR8m-11m (consensus estimate EUR9.2m in 2024). After Q1-Q3, Kreate has generated sales of EUR200m, therefore at least EUR70m is required for Q4. The current order book should contribute sales of EUR61m in Q4, therefore some new orders for Q4 are still needed to reach the guidance.

The infra market is expected to turn to volume growth of 2% in 2025. Kreate’s view on the short-term market development was a bit more cautious than earlier, as the infra market will be weighed down by delays in the timing of public projects. Kreate expects a positive market

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turnaround to start in H2 2025, which is also supported by the announced project win in the railway segment, being more visible in the performance then.

We have lowered our 2024E EBITA by 2% due to a slightly more cautious view on Q4 volumes, but for 2025-26 our EBITA estimates are each up by 1%, driven by the project wins.

Valuation

We reiterate our fair value range of EUR8.0-9.4 for Kreate's share. The mid-point implies 10.6x 2024E EV/EBITA, which is in line with the historical forward EV/EBITA multiple for the peer group. It would also imply a 21-34% discount to consensus peer group EV/EBITA multiples for 2024-26. In our view, a discount valuation to peers is justified due to smaller size and higher expected earnings leverage in the peer company cases. Currently, the share is trading at 2024E EV/EBITA of 10.4x, a 23% discount to the peer group. The valuation discount to peers has recently narrowed slightly, as the share prices of many peer companies have been under pressure due to the delayed recovery in the building construction segment, while Kreate's share price has increased slightly.

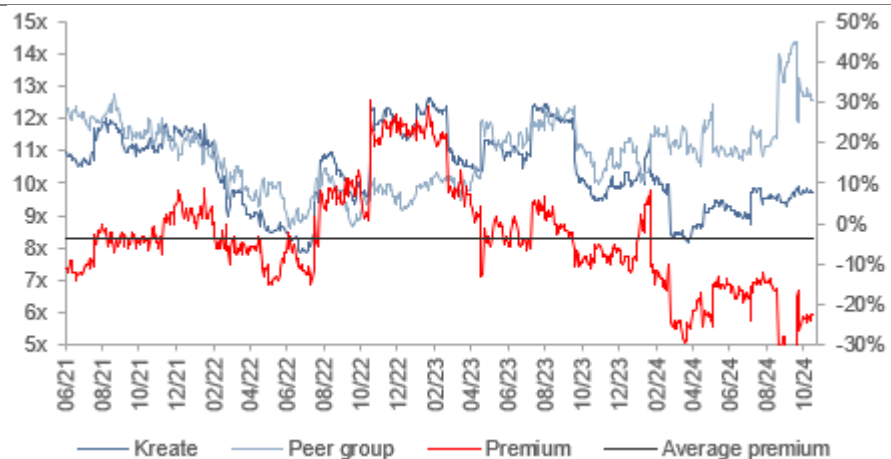
Table 3. Peer group valuation

Company	Ticker	Mkt		EV/Sales			EV/EBITA			P/E			Div	FCF
		cap	Price*	2024	2025E	2026E	2024	2025E	2026E	2024	2025E	2026E	yield	yield
AF Gruppen	AFG-NO	13409	137.2	0.6	0.5	0.5	12.3	10.7	9.9	21.1	15.1	13.9	4.5	7.6
Bonava	BONAV.B-SE	3015	8.8	0.9	1.2	1.0	54.1	37.0	9.8	n.a.	n.a.	46.3	0.0	-15.9
Consti	CONSTI-FI	89	9.8	0.3	0.3	0.3	9.0	7.3	6.5	12.4	9.8	8.7	5.6	n.a
JM	JM-SE	11,250	218.6	2.1	2.2	2.0	15.3	28.8	12.7	34.4	21.3	13.3	3.2	n.a
NCC	NCC.B-SE	17,532	168.3	0.4	0.4	0.3	12.2	11.6	10.2	11.7	11.3	10.5	4.6	6.6
NRC Group	NRC-NO	609	3.5	0.2	0.2	0.2	50.8	8.7	6.5	56.8	7.7	5.0	0.0	n.a
Peab	PEAB.B-SE	22,219	72.0	0.6	0.6	0.6	15.1	13.4	12.1	13.6	12.9	11.1	3.3	12.5
Selvaag Bolig	SBO-NO	3,263	34.2	1.9	1.9	1.4	26.3	27.1	13.1	15.8	23.3	12.5	2.6	22.2
Skanska	SKA.B-SE	90,657	21.8	0.5	0.5	0.5	12.7	10.0	9.8	14.7	13.1	12.1	3.5	4.1
SRV	SRV1V-FI	90	5.3	0.3	0.3	0.2	14.2	8.6	6.3	21.2	9.7	5.3	0.0	-0.8
Veidekke	VEI-NO	16,789	124.6	0.4	0.4	0.4	10.3	9.2	9.1	13.4	12.9	12.1	6.6	9.6
YIT	YIT-FI	555	2.4	0.7	0.7	0.7	57.0	26.3	14.3	n.a.	68.7	15.6	0.0	26.2
<b>Median</b>				<b>0.5</b>	<b>0.5</b>	<b>0.5</b>	<b>13.5</b>	<b>12.5</b>	<b>10.0</b>	<b>13.6</b>	<b>12.7</b>	<b>12.2</b>	<b>3.3</b>	<b>6.6</b>
<b>Kreate by DBER</b>	<b>KREATE-FI</b>	<b>6754</b>	<b>8.46</b>	<b>0.3</b>	<b>0.3</b>	<b>0.2</b>	<b>10.4</b>	<b>8.0</b>	<b>7.0</b>	<b>14.3</b>	<b>9.6</b>	<b>8.5</b>	<b>5.5</b>	<b>5.5</b>

\*Prices as at 13:00 EET on 25 October 2024

Source: Company data, LSEG Data & Analytics, Danske Bank Equity Research (DBER) estimates for Kreate

Chart 2. Kreate forward EV/EBITA versus peers



Prices as at 13:00 EET on 25 October 2024

Source: LSEG Data & Analytics, Danske Bank Equity Research estimates for Kreate

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### *Key risks*

We consider the governance of operational project management a key risk for Kreate in low-margin infrastructure construction. While Kreate has a good track record of generating quite good margins, margins are currently at a low level, and therefore history is no guarantee for the future. We find the following factors mitigating the typical project risk.

- In infrastructure markets, costs from changes / surprises are typically borne by the customer.
- Contract prices are typically fixed, but the customer is responsible for designs and risk related to quantities.
- The infrastructure contractor usually has independent responsibilities.
  - The infrastructure contractor is usually a sole provider in a work phase, whereas in building construction there can be several contractors working in overlapping phases.
  - The infrastructure contractor works more independently and with fewer dependencies on others, compared with building construction.
- Thorough risk assessment and pricing of risks.
- Incentives aligned with responsibility for project profitability is a key parameter.
- Transparent and frequent monitoring in a lean organisation.
- Heavily increasing construction costs can cause fluctuation in margins.
- In infrastructure construction, the lead times between the signing and the start of the project are usually shorter than in building construction, enabling the company to hedge its sourcing volumes better.

Key personnel leaving the company poses a risk for continuity. The operational competence is held by project directors, project managers, tender calculators, and everyday worksite management. We believe the high level of employee ownership and incentive culture could mitigate the risk.

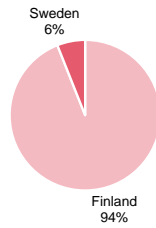
A high share of public sector revenue may cause a risk if public finances were to deteriorate significantly. However, the public sector is usually viewed as a mitigating factor for risk levels. In times of economic downturn, governments usually stimulate the economy through monetary and fiscal policy.

Kreate is exposed to the construction cycle, even though cyclicity is more limited in infrastructure construction than in building construction. The competitive landscape is naturally always tight, but in the most demanding projects requiring special expertise, competition has remained more moderate.

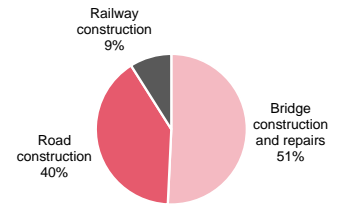
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## Company summary

### Sales breakdown by geographical area



### Sales breakdown by division



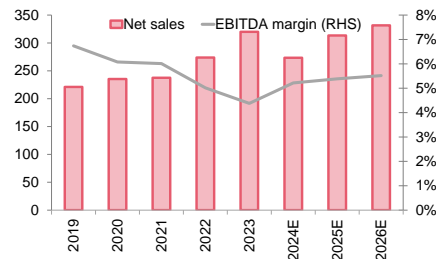
### Company information

Kreate Group  
 Haarakaari 42, 04360 Tuusula  
 Finland  
 www.kreate.fi

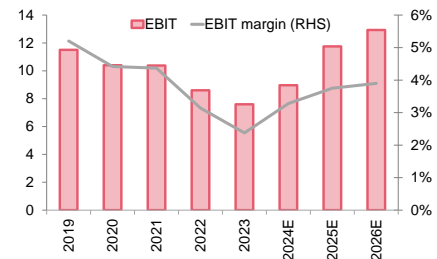
### Main shareholders

Name	Votes (%)	Capital (%)
Harjavalta Oy	19.9%	19.9%
Tirinom Oy	11.1%	11.1%
Ilmarinen	4.7%	4.7%
Valtonen Seppo	4.6%	4.6%
Varma	4.0%	4.0%

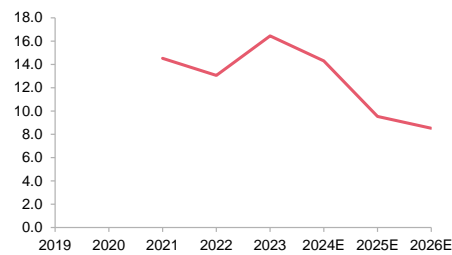
### Net sales and EBITDA margin (EURm)



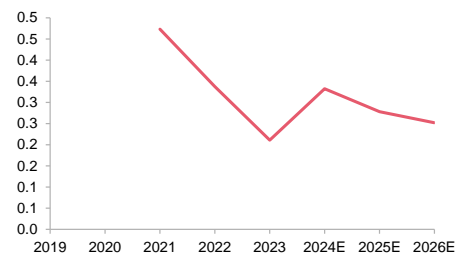
### EBIT and EBIT margin (EURm)



### P/E NTM (x)



### EV/sales NTM (x)



Source: FactSet, Company data, Danske Bank Equity Research estimates

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Summary tables

<b>INCOME STATEMENT</b>										
<b>Year end Dec, EURm</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024E</b>	<b>2025E</b>
Net sales	144	192	221	235	235	238	274	320	273	313
Cost of sales & operating costs	-136	-182	-206	-206	-221	-223	-260	-306	-259	-297
<b>EBITDA</b>	<b>7.5</b>	<b>10.7</b>	<b>14.9</b>	<b>14.3</b>	<b>14.3</b>	<b>13.7</b>	<b>13.1</b>	<b>13.4</b>	<b>14.2</b>	<b>16.3</b>
EBITDA, adj.	7.2	9.2	13.9	13.1	13.6	13.1	13.4	13.4	14.2	16.3
Depreciation	-2.2	-2.4	-3.2	-3.7	-3.7	-5.0	-6.1	-5.1	-5.0	-5.0
<b>EBITA</b>	<b>5.3</b>	<b>8.3</b>	<b>11.7</b>	<b>10.6</b>	<b>10.6</b>	<b>8.8</b>	<b>7.9</b>	<b>9.2</b>	<b>11.9</b>	<b>11.9</b>
<b>EBIT incl. EO, bef. ass.</b>	<b>4.5</b>	<b>7.7</b>	<b>11.5</b>	<b>10.4</b>	<b>10.4</b>	<b>8.6</b>	<b>7.6</b>	<b>9.0</b>	<b>11.8</b>	<b>11.8</b>
EBIT, adj.	4.2	6.2	10.5	9.2	9.7	8.0	7.0	8.9	11.2	11.2
Financial items, net	0.0	-2.9	-3.0	-1.2	-1.1	-2.1	-2.0	-2.9	-2.5	-2.0
<b>Pre-tax profit</b>	<b>1.6</b>	<b>4.7</b>	<b>10.3</b>	<b>9.3</b>	<b>8.3</b>	<b>6.6</b>	<b>4.7</b>	<b>6.5</b>	<b>9.7</b>	<b>9.7</b>
Taxes	-0.6	-0.9	-1.6	-1.5	-1.3	-1.1	-0.8	-1.2	-1.8	-1.8
<b>Net profit, rep.</b>	<b>1.0</b>	<b>3.8</b>	<b>8.7</b>	<b>7.8</b>	<b>7.0</b>	<b>5.5</b>	<b>3.9</b>	<b>5.2</b>	<b>7.9</b>	<b>7.9</b>
Net profit, adj.	1.0	3.8	8.7	7.8	7.9	5.5	3.9	5.2	7.9	7.9
<b>CASH FLOW</b>										
<b>EURm</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024E</b>	<b>2025E</b>
EBITDA	7.5	10.7	14.9	14.3	14.3	13.7	13.1	13.4	14.3	16.9
Change in working capital	11.5	-1.9	5.6	1.6	-4.5	-5.1	17.1	-12.6	1.6	1.6
Net interest paid	0.0	-0.1	-0.2	-0.3	-1.4	-1.9	-2.9	-2.5	-2.0	-2.0
Taxes paid	0.3	-1.0	-1.0	-1.3	-2.1	-1.1	-0.7	-1.2	-1.8	-1.8
Other operating cash items	-0.7	-0.1	0.0	-0.4	-0.2	0.7	2.4	2.4	2.4	2.4
<b>Cash flow from operations</b>	<b>18.5</b>	<b>6.2</b>	<b>18.3</b>	<b>13.2</b>	<b>5.4</b>	<b>6.0</b>	<b>29.6</b>	<b>-2.1</b>	<b>14.3</b>	<b>14.3</b>
Capex	-2.0	-3.7	-5.0	-4.6	-5.6	-4.6	-6.9	-5.6	-6.2	-6.2
Div to min										
<b>Free cash flow</b>	<b>16.5</b>	<b>2.5</b>	<b>13.3</b>	<b>8.6</b>	<b>-0.2</b>	<b>1.4</b>	<b>22.7</b>	<b>-7.7</b>	<b>8.1</b>	<b>8.1</b>
Disposals/(acquisitions)	-13.4	-0.9	1.3	0.6	-5.5	0.6	-5.5	-0.6	-0.6	-0.6
<b>Free cash flow to equity</b>	<b>3.1</b>	<b>1.6</b>	<b>14.6</b>	<b>8.6</b>	<b>0.4</b>	<b>-4.1</b>	<b>22.7</b>	<b>-7.7</b>	<b>8.1</b>	<b>8.1</b>
Dividend paid						-4.0	-4.0	-4.1	-4.3	-4.1
Share buybacks							-0.5	-0.5		
New issue common stock						11.2				
Incr./(decr.) in debt					6.1	-8.6	-16.8	-3.0		-2.0
Minorities & other financing CF	0.7	-0.5	-0.6	-1.1	-0.8	28.5	-0.8	-0.6	-0.6	-0.6
<b>Cash flow from financing</b>	<b>0.7</b>	<b>-0.5</b>	<b>-1.7</b>	<b>-13.2</b>	<b>-2.2</b>	<b>7.2</b>	<b>-8.4</b>	<b>-4.8</b>	<b>-6.7</b>	<b>-6.7</b>
Disc. ops & other			0.1	0.1	0.2					
<b>Incr./(decr.) in cash</b>	<b>3.8</b>	<b>-0.1</b>	<b>6.6</b>	<b>-4.6</b>	<b>-1.8</b>	<b>3.1</b>	<b>14.3</b>	<b>-12.6</b>	<b>1.4</b>	<b>1.4</b>
<b>BALANCE SHEET</b>										
<b>EURm</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024E</b>	<b>2025E</b>
Cash & cash equivalents	6.2	6.1	12.7	8.1	6.3	9.4	23.7	11.1	12.5	12.5
Inventory	0.1	0.1	0.0							
Trade receivables	21.8	31.6	32.1	30.4	34.2	49.8	34.6	43.7	48.6	48.6
Other current assets	0.0		0.3	0.1	0.6	0.4	0.7			
Goodwill	35.6	35.6	35.6	35.6	35.6	40.0	40.0	40.0	40.0	40.0
Other intangible assets	1.4	1.0	0.9	1.0	0.9	0.7	0.5	0.4	0.5	0.5
Fixed tangible assets	10.2	12.1	14.1	15.8	17.9	19.9	20.4	21.4	22.9	22.9
Associated companies	7.4	7.9	7.6	8.4	8.9	10.0	10.5	10.6	10.9	10.9
Other non-current assets	0.2	0.3	0.5	0.4	1.1	1.4	1.3	1.3	1.3	1.3
<b>Total assets</b>	<b>82.9</b>	<b>96.0</b>	<b>105</b>	<b>101</b>	<b>107</b>	<b>135</b>	<b>135</b>	<b>131</b>	<b>140</b>	<b>140</b>
<b>Shareholders' equity</b>	<b>8.1</b>	<b>12.7</b>	<b>20.2</b>	<b>26.6</b>	<b>41.1</b>	<b>42.5</b>	<b>42.8</b>	<b>43.8</b>	<b>47.5</b>	<b>47.5</b>
Of which minority interests										
Current liabilities	27.5	31.9	38.6	38.0	37.2	47.7	49.9	45.7	52.1	52.1
Interest-bearing debt	47.1	32.3	28.4	34.5	25.7	39.9	37.5	37.5	35.5	35.5
Pension liabilities										
Oth non-curr. liabilities	0.3	0.4	0.5	0.7	1.1	1.5	1.5	1.5	1.5	1.5
<b>Total liabilities</b>	<b>74.9</b>	<b>65.9</b>	<b>69.1</b>	<b>74.7</b>	<b>65.5</b>	<b>92.0</b>	<b>91.8</b>	<b>87.7</b>	<b>92.2</b>	<b>92.2</b>
<b>Total liabilities and equity</b>	<b>82.9</b>	<b>96.0</b>	<b>105</b>	<b>101</b>	<b>107</b>	<b>135</b>	<b>135</b>	<b>131</b>	<b>140</b>	<b>140</b>
Net debt	40.9	43.5	31.9	26.4	19.4	30.5	13.8	26.4	23.0	23.0

Source: Company data, Danske Bank Equity Research estimates



Summary tables

PER SHARE DATA	2016	2017	2018	2019	2020	2021	2022	2023	2024E	2025E
No. of shares, fully diluted (y.e.) (m)	9.0	9.0	9.0	9.0	9.0	9.0	8.9	8.9	8.9	8.9
No. of shares, fully diluted (avg.) (m)	9.0	9.0	9.0	9.0	9.0	9.0	8.9	8.9	8.9	8.9
EPS (EUR)	0.00	0.11	0.43	0.97	0.87	0.78	0.62	0.44	0.59	0.89
EPS adj. (EUR)	0.00	0.11	0.43	0.97	0.87	0.88	0.62	0.44	0.59	0.89
DPS (EUR)	0.00	0.00	0.00	0.00	0.44	0.45	0.46	0.48	0.47	0.55
CFFO/share (EUR)	0.0	2.0	0.5	1.9	1.3	0.6	0.7	3.3	-0.2	1.6
Book value/share (EUR)	0.00	0.90	1.41	2.24	2.96	4.57	4.78	4.81	4.92	5.34
MARGINS AND GROWTH	2016	2017	2018	2019	2020	2021	2022	2023	2024E	2025E
EBITDA margin	5.2%	5.6%	6.7%	6.1%	6.1%	6.0%	5.0%	4.4%	5.2%	5.4%
EBITA margin	3.7%	4.3%	5.3%	4.5%	4.5%	4.5%	3.2%	2.5%	3.4%	3.8%
EBIT margin	3.2%	4.0%	5.2%	4.4%	4.4%	4.4%	3.1%	2.4%	3.3%	3.8%
EBIT adj margin	2.9%	3.2%	4.7%	3.9%	3.9%	4.1%	2.9%	2.2%	3.2%	3.6%
Sales growth		33.7%	14.9%	6.4%	1.0%	15.3%	16.9%	-14.6%	14.6%	
EBITDA growth		43.4%	38.7%	-4.0%	-0.1%	-3.8%	2.0%	1.8%	18.3%	
EBITA growth		56.6%	41.0%	-9.4%	-0.2%	-16.9%	-10.0%	15.9%	29.3%	
EPS adj growth		n.m.	n.m.	-10.7%	1.5%	-29.7%	-29.2%	34.4%	50.1%	
PROFITABILITY	2016	2017	2018	2019	2020	2021	2022	2023	2024E	2025E
ROIC (after tax, incl. GW, adj.)	13.8%	9.3%	15.0%	13.6%	13.2%	9.3%	8.3%	10.7%	12.1%	
ROIC (after tax, excl. GW, adj.)	49.9%	27.7%	41.3%	39.2%	33.7%	20.4%	20.1%	26.6%	26.5%	
ROE (adj.)	24.4%	20.1%	26.3%	24.8%	23.4%	13.3%	9.2%	12.1%	17.3%	
ROIC (adj.) - WACC	4.6%	0.1%	5.8%	4.3%	4.0%	0.1%	-1.0%	1.4%	2.9%	
MARKET VALUE	2016	2017	2018	2019	2020	2021	2022	2023	2024E	2025E
Share price (EUR)						11.4	8.09	7.22	8.44	8.44
No. shares reduced by buybacks (m)	9.0	9.0	9.0	9.0	9.0	9.0	8.9	8.9	8.9	8.9
Mkt cap used in EV (m)						102	72	64	75	75
Net debt, year-end (m)		41	45	33	28	21	33	17	29	26
MV of min/ass and oth (m)		-7	-8	-8	-8	-9	-10	-11	-11	-11
Enterprise value (m)						114	95	70	94	90
VALUATION	2016	2017	2018	2019	2020	2021	2022	2023	2024E	2025E
EV/sales (x)						0.48	0.35	0.22	0.34	0.29
EV/EBITDA (x)						8.4	7.3	5.3	6.6	5.5
EV/EBITA (x)						11.5	11.6	9.6	10.4	8.0
EV/EBIT (x)						11.8	11.9	10.1	10.6	8.1
P/E (reported) (x)						14.5	13.1	16.4	14.3	9.5
P/E (adj.) (x)						12.9	13.1	16.4	14.3	9.5
P/BV (x)						2.48	1.69	1.50	1.71	1.58
EV/invested capital (x)						4.3	2.6	3.5	2.8	2.7
Dividend yield						3.96%	5.69%	6.65%	5.52%	6.50%
Total yield (incl. buybacks)						3.96%	6.38%	7.43%	5.52%	6.50%
FCFE-yield						-0.20%	1.95%	35.35%	-10.32%	10.80%
FINANCIAL RATIOS	2016	2017	2018	2019	2020	2021	2022	2023	2024E	2025E
Net debt/EBITDA (x)	n.m.	5.7	3.9	1.8	2.1	1.5	2.5	1.2	2.1	1.6
Net debt/equity (x), year-end		5.1	2.9	1.3	1.0	0.5	0.8	0.4	0.7	0.5
Dividend payout ratio	n.m.	0.0%	0.0%	0.0%	50.7%	57.6%	74.2%	109.3%	79.0%	62.0%
Interest coverage (x)		1.5	2.5	9.4	8.8	5.0	4.4	2.6	3.6	5.8
Cash conversion (FCF/net profit)		n.m.	65.7%	152.4%	110.3%	-2.8%	25.3%	581.4%	-147.6%	102.9%
Capex/sales		1.4%	1.9%	2.2%	2.0%	2.4%	1.7%	2.2%	2.1%	2.0%
NWC/sales		-3.9%	-0.1%	-2.8%	-3.2%	-1.0%	0.9%	-4.6%	-0.7%	-1.1%
QUARTERLY P&L			Q1 23	Q2 23	Q3 23	Q4 23	Q1 24	Q2 24	Q3 24	Q4 24E
Sales (m)			65.8	85.7	88.3	80.2	54.4	68.0	77.6	73.4
EBITDA (m)			1.0	4.0	4.0	5.0	1.6	4.0	4.7	3.9
EBIT before non-recurring items (m)			-0.6	2.5	2.6	2.5	0.6	2.8	2.7	2.8
Net profit (adj.) (m)			-0.9	1.5	1.2	2.1	-0.1	1.8	1.4	2.2
EPS (adj.) (EUR)			-0.10	0.17	0.13	0.23	-0.01	0.20	0.16	0.24
EBITDA margin			1.5%	4.7%	4.5%	6.3%	2.9%	5.9%	6.1%	5.3%
EBIT margin (adj.)			-1.0%	2.9%	2.9%	3.2%	1.1%	4.1%	3.5%	3.8%

Source: Company data, Danske Bank Equity Research estimates



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