

KREATE

2/6/2025 3:00 pm EET

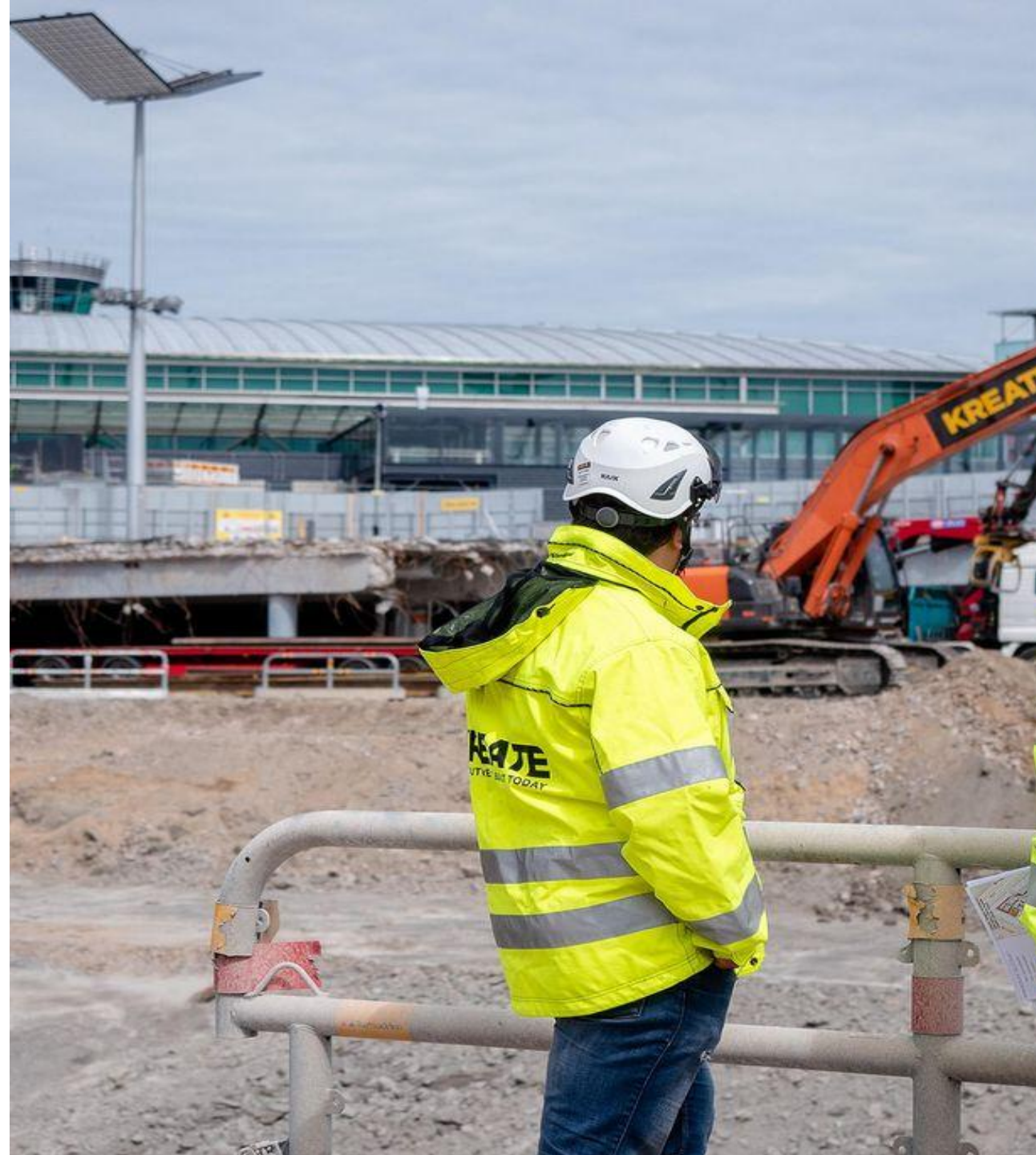
This is a translated version of "Jälleen kasvuun" report,
published on 2/6/2025



Olli Koponen
+358 44 274 9560
olli.koponen@inderes.fi

INDERES CORPORATE CUSTOMER

COMPANY REPORT



Back to growth

We reiterate our EUR 8.00 target price and Accumulate recommendation for Kreate following the Q4 report. In 2024, Kreate was able to improve margins and this year, revenue growth will drive earnings growth. Beyond the subdued short-term market outlook, the expected return is attractive thanks to earnings growth and the dividend.

A successful year overall

In Q4, Kreate's revenue decreased by 5.9% to around 75.5 MEUR, which was in line with our forecasts (75.6 MEUR). The decline in revenue moderated in the last quarter of the year, with comparison figures easing in Structural engineering (Q4 revenue: -23% y/y), Sweden growing strongly (+48% y/y), with rail projects bringing growth (+33%) in Transport infrastructure. The order book was down only 10% in Q4 at 177 MEUR and is expected to strengthen in the coming quarters as the railway projects under development enter the construction phase (estimated at around 300 MEUR).

Kreate's EBITA increased to 2.8 MEUR (Q4'23: 2.7 MEUR) and the margin rose to 3.7% (Q4'23: 3.4%). However, profitability was slightly supported by real estate sales (0.5 MEUR), without which profitability would have been slightly below the comparison period and forecasts. According to the company, operating profitability has been moving in the right direction and despite tightened competition/margins, the company has at least been able to maintain profitability, which is positive. Earnings per share increased by around 10% year-on-year to 20 cents and for the full year to 49 cents (2023: EUR 0.44). The Board of Directors proposes a dividend of EUR 0.50, which is in line with our forecast (EUR 0.49).

Growth and profitability improvement expected in guidance

Kreate guides that its revenue will grow to 290-310 MEUR in 2025 (2024: 275.5 MEUR), and that EBITA will grow to 9-11 MEUR (2024: 8.8 MEUR). Our revenue forecasts were subject to small upward

pressures due to the guidance and outlook, but changes in earnings forecasts were moderate. The outlook for infrastructure construction remains challenging in the early part of the year, but based on Kreate's outlook, we expect bidding activity to pick up by H2'25 and strengthen the market's growth prospects in 2026-2027.

We now expect 2025 revenue to grow by 7% (previously 4%) to 296 MEUR and adjusted EBITA to increase to 10.3 MEUR (EBITA margin: 3.5%). Revenue growth will be driven by the rail projects to be added to the order book in the spring, which should significantly boost top line growth in the second half of the year. Profitability will be positively impacted by increasing volumes and easing cost pressures. We also see a stronger order book in 2025 and a recovering market driving the company to profit growth in the following years (2024-27 EPS CAGR: 20%). There is a risk that project development phases will be extended, projects will be postponed or that the weak market outlook will continue beyond H1'25 into the fall.

Moderate upside in valuation, dividend offers good support

In our view, Kreate's valuation looks attractive over the next few years (2025-26e: EV/EBIT 9x, P/E 11x), especially in the current year, given the company's earnings growth and the opportunities created by the market turnaround. This will also bring Kreate's performance closer to the normalized 4% level. Based on our 2025-2026 forecasts and our acceptable valuation (EV/EBIT: 10-12x, P/E: 10-12x), the stock would have a upside of over 5%. As the year progresses, we expect pricing to move more strongly in the coming years, unless there is a setback in the market or in Kreate's development. With the proposed dividend, the dividend yield is a strong 7%, supporting both the valuation and the expected return. The DCF calculation, which better reflects the long-term potential, is also well above the current price (EUR 11), which supports our recommendation.

Recommendation

Accumulate

(was Accumulate)

Target price:

EUR 8.00

(was EUR 8.00)

Share price:

EUR 7.50

Business risk



Valuation risk



| | 2024 | 2025e | 2026e | 2027e |
|-------------------------|-------|-------|-------|-------|
| Revenue | 275.5 | 295.6 | 319.4 | 330.7 |
| growth-% | -14% | 7% | 8% | 4% |
| EBITA | 8.8 | 10.3 | 12.2 | 12.7 |
| EBITA-% | 3.2 % | 3.5 % | 3.8 % | 3.8 % |
| Net income | 4.4 | 5.6 | 7.1 | 7.5 |
| EPS (adj.) | 0.43 | 0.63 | 0.80 | 0.84 |
| P/E (adj.) | 16.5 | 11.9 | 9.4 | 8.9 |
| P/B | 1.5 | 1.5 | 1.4 | 1.3 |
| Dividend yield-% | 7.0 % | 6.8 % | 7.1 % | 7.2 % |
| EV/EBIT (adj.) | 11.4 | 9.4 | 7.9 | 7.5 |
| EV/EBITDA | 6.1 | 5.7 | 5.0 | 4.7 |
| EV/S | 0.3 | 0.3 | 0.3 | 0.3 |

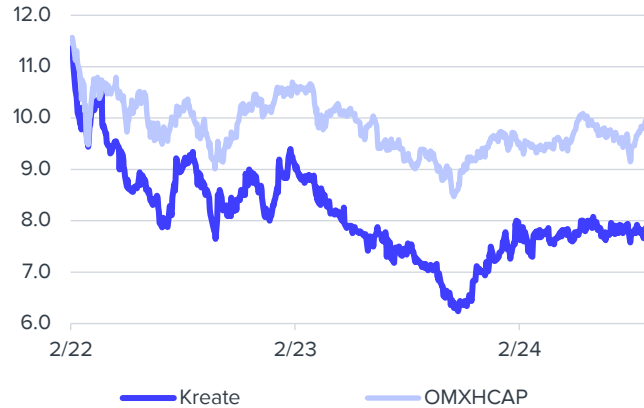
Source: Inderes

Guidance

(New guidance)

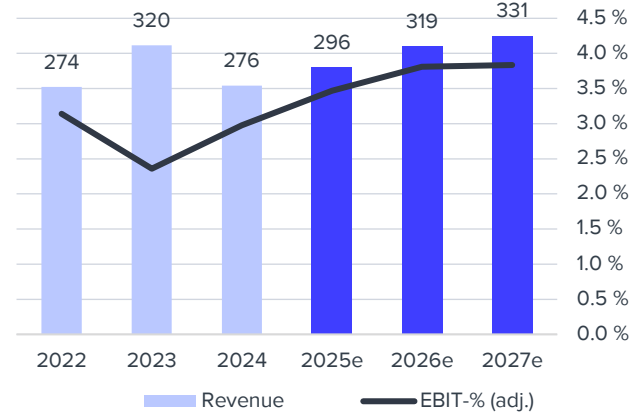
Kreate estimates that its revenue in 2025 will increase and be in the range of 290-310 MEUR (2024: 275.5 MEUR) and EBITA will increase and be in the range of 9-11 MEUR (2024: 8.8 MEUR).

Share price



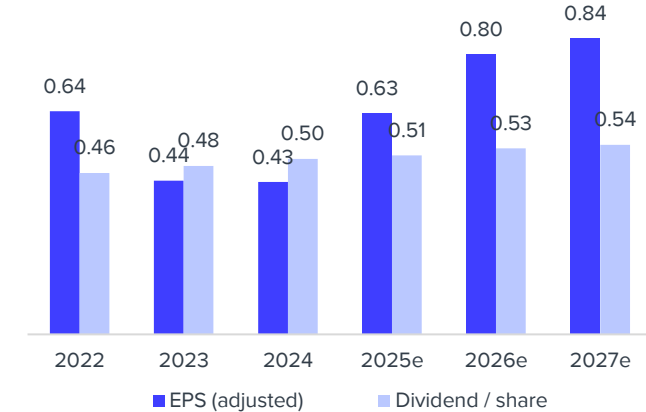
Source: Millstream Market Data AB

Revenue and EBIT-%



Source: Inderes

EPS and dividend



Source: Inderes

Value drivers

- Above-market growth in the medium term
- Clear room for improvement in profitability
- Strong potential for return on capital
- Infrastructure construction is more cycle resilient than the rest of the sector
- Competitive advantage through specialized expertise in demanding projects
- Urbanization, dense construction, sustainable development, renovation debt, safety underpin market growth prospects

Risk factors

- The sector is partly dependent on the business cycle, especially on the private side
- Stagnation of public investment
- Managing growth
- Sharing and managing the risks of large projects
- Maintaining expertise and adequacy of staff incentives
- Price competition
- Cost pressures and material availability challenges

| Valuation | 2025e | 2026e | 2027e |
|-------------------------|--------|--------|--------|
| Share price | 7.50 | 7.50 | 7.50 |
| Market cap | 67 | 67 | 67 |
| EV | 97 | 96 | 95 |
| P/E (adj.) | 11.9 | 9.4 | 8.9 |
| P/B | 1.5 | 1.4 | 1.3 |
| EV/Sales | 0.3 | 0.3 | 0.3 |
| EV/EBITDA | 5.7 | 5.0 | 4.7 |
| EV/EBIT (adj.) | 9.4 | 7.9 | 7.5 |
| Payout ratio (%) | 81.0 % | 66.5 % | 64.0 % |
| Dividend yield-% | 6.8 % | 7.1 % | 7.2 % |

Source: Inderes

Result in line with forecasts

Revenue down in line with expectations

In Q4, Kreate's revenue decreased by 5.9% to around 75.5 MEUR, which was in virtually perfectly line with our forecasts (75.6 MEUR). The top-line decline slowed in the last quarter of the year as projects got underway and the comparison figures eased.

By business area, sales of the Structural engineering decreased by 23% to 46 MEUR, while the Transport infrastructure business increased by 33% to 28 MEUR, based on projects received. Large bridge projects have declined and railway construction projects have increased, which is reflected in the development of business. By country, revenue increased strongly in Sweden by 48% to 9.9 MEUR (forecast: 10.2 MEUR), and was down 11% in Finland, in line with our expectations, at 65.7 MEUR (forecast: 65.4 MEUR).

The order book was down only 10% in Q4 at 177 MEUR and is expected to strengthen in the coming quarters as the

railway projects under development enter the construction phase (estimated at around 300 MEUR).

Profitability continues to improve

Despite the lower revenue, Kreate's EBITA of 2.8 MEUR was above the comparison period (Q4'23: 2.7 MEUR), fully in line with our forecasts. The EBITA margin rose to 3.7% from the comparison period (Q4'23: 3.4%). However, profitability was slightly supported by real estate sales (0.5 MEUR), without which profitability would have been slightly below the comparison period and our forecasts. According to the company, operating profitability has been moving in the right direction and despite tightened competition/margins, the company has at least been able to maintain profitability, which is positive.

Further down the P&L, financial expenses were slightly above our expectations, but the lower-than-expected tax charge pushed net income above our forecasts. Earnings per share increased from the comparison period to EUR

0.20 (Q4'23: 0.18 MEUR) and also exceeded our expectations of EUR 0.18 by around 10%.

A small negative is the deterioration of cash flow due to working capital commitment (Q4'24 operating free cash flow: 3.9 MEUR vs. Q4'23: 19.7 MEUR). However, Kreate is in a strong financial position (net debt / adjusted EBITA: 2x) and normally working capital is tied up in projects before a growth phase. As projects progress, capital should be released. However, the success of working capital management is an important part of this, so it will be worth monitoring cash flow developments as the year progresses.

For the full year, EBITA amounted to 8.8 MEUR, up 13% year-on-year. Earnings per share rose to 49 cents (2023: EUR 0.44) and the dividend increased moderately to EUR 0.50 (2024e: EUR 0.49, 2023: EUR 0.48). At the current share price, the dividend yield rises to a good 7%.

| Estimates MEUR / EUR | Q4'23 | Q4'24 | Q4'24e | Q4'24e | Consensus | | Difference (%) | 2024 |
|-------------------------|------------|------------|---------|-----------|-----------|------|------------------|---------|
| | Comparison | Actualized | Inderes | Consensus | Low | High | Act. vs. inderes | Act. |
| Revenue | 80.2 | 75.5 | 75.6 | | | | 0% | 276 |
| EBITA | 2.7 | 2.8 | 2.8 | | | | 2% | 8.8 |
| EBIT | 2.6 | 2.8 | 2.7 | | | | 4% | 8.7 |
| PTP | 1.9 | 2.0 | 2.1 | | | | -5% | 5.9 |
| EPS (reported) | 0.18 | 0.20 | 0.18 | | | | 11% | 0.49 |
| DPS | 0.48 | 0.50 | 0.49 | | | | 2% | 0.50 |
| Revenue growth-% | -3.5 % | -5.9 % | -5.7 % | | | | -0.1 pp | -13.9 % |
| EBITA-% | 3.4 % | 3.7 % | 3.6 % | | | | 0.1 pp | 3.2 % |

Source: Inderes

Kreate Q4'24: CEO interview (in Finnish)



Guidance foresees a year of growth

Guidance expects H2-driven growth

According to Kreate's guidance, revenue will grow and amount to 290-310 MEUR in 2025 (2024: 275.5 MEUR). EBITA is expected to grow to 9-11 MEUR (2024: 8.8 MEUR, EBITA-%: 3.2%). Before the results, we expected revenue to increase by 4% to 287 MEUR and adjusted EBITA to reach 10.2 MEUR (EBITA-%: 3.5%), so in that sense the guidance was very much in line with our expectations.

According to Kreate, the market situation in the construction sector remains difficult and competition in the infrastructure sector is fierce. The near-term outlook for infrastructure is expectant, with better performance expected towards the end of the year. For Kreate, the Swedish market looks strong at the moment, but in Finland the situation is more neutral and will strengthen towards the end of the year. In the case of Kreate, projects under development are expected to add to the order book in spring 2025, providing good prospects for growth despite market fluctuations.

Kreate, Webcast, Q4'24 (in Finnish)



No major changes in estimates

Forecasts rely on market recovery

- We expect the infrastructure market to remain quiet in H1'25, with revenue growth picking up towards the end of the year.
- Growth will be driven by railway projects not in the order book and under development (around 300 MEUR) and projects resulting from a recovering market
- Projects in the development phase are expected to enter the construction phase in the spring and fall of 2025
- Fierce competition is expected to continue this year, reducing the scope for margin improvement
- However, an increase in the relative share of more profitable Sweden supports a small margin improvement in 2025
- Moderating cost pressures and rising volumes also contribute to earnings growth
- We expect growth to remain strong between 2026 and 2027, with the big wins well underway, a stronger order book and a healthier market
- We also expect a healthier market to reduce competition for projects
- Higher volumes and improved project margins as project mix broadens will support margin improvement and earnings growth in 2026-2027

Operational earnings drivers 2025-2027

- A turnaround in the infrastructure market and an increase in volumes
- Moderation of cost pressures
- Leverage from rising volumes
- Realization of growth investments in rail construction and Sweden
- Easing of competitive pressure as other new construction recovers

| Estimate revisions | 2024 | 2024e | Change | 2025e | 2025e | Change | 2026e | 2026e | Change |
|--------------------|---------|------------|--------|-------|-------|--------|-------|-------|--------|
| MEUR / EUR | Inderes | Actualized | % | Old | New | % | Old | New | % |
| Revenue | 276 | 276 | 0% | 287 | 296 | 3% | 302 | 319 | 6% |
| EBITA | 8.7 | 8.8 | 1% | 10.5 | 10.3 | -2% | 11.9 | 12.2 | 2% |
| EBIT | 8.6 | 8.7 | 1% | 10.1 | 10.3 | 1% | 11.6 | 12.2 | 5% |
| PTP | 6.0 | 5.9 | -1% | 7.6 | 7.5 | -1% | 9.1 | 9.4 | 3% |
| EPS (excl. NRIs) | 0.46 | 0.43 | -6% | 0.64 | 0.63 | -1% | 0.73 | 0.80 | 9% |
| DPS | 0.49 | 0.50 | 2% | 0.50 | 0.51 | 2% | 0.51 | 0.53 | 4% |

Source: Inderes

Dividend offers good support to expected return

Moderate upside in absolute multiples

With a gradually improving market and a positive earnings trend, we forecast Kreate's earnings to grow in 2025 and bring the valuation down to a neutral level (2025e: EV/EBIT: 9x, P/E: 12x). ring 2026, the profit level will start to approach Kreate's normalized level of approximately 4%, at which point the valuation is very attractive (2026e: EV/EBIT: 8x, P/E: 9x). Based on our estimates for 2025-2026 and our acceptable valuation (EV/EBIT: 10-12x, P/E: 10-12x), the share would have over 5% upside. If the market and Kreate's business develop as expected, we see the pricing relying more strongly on the normalized earnings level of the coming years, in which case there would also be more upside in the valuation. The risks related to the prolonged weakness of the economic cycle and the continued tight competition, however, keep uncertainty high and, in our view, the upside potential moderate in the short term. The 7% dividend yield, enabled by the business model's normally strong cash flow and low investment need, supports the share's expected return well in the coming years. Kreate has expressed its intention to pay an increasing dividend, and we believe the company has the potential to do so, even if the dividend/earnings-% rises above 50% in the near future. The business does not require significant capital for investment, and the company also has financing capacity for growth investments.

Valued at a discount compared to peers

A good peer group of Nordic listed companies in the industry is available for Kreate. However, in our view, the peer valuation level for 2025 is reasonably high (2025e median EV/EBIT: 11x, P/E: 14x). For 2026, the valuation decreases to a more moderate level for the entire peer group (2026e median EV/EBIT: 9x, P/E: 11x) and Kreate

trades at approximately a 10-15% discount to the peer group median in both years. In our view, considering Kreate's return on capital employed (2024 ROCE-%: 13.1%) and earnings growth (2024-27 CAGR: 20%), the discount is not justified, and we currently accept peer-level valuation for Kreate. However, the valuation of peers varies between a clear premium and a discount as forecast uncertainty for the companies is high. In this sense, we believe that relative valuation is not very useful and therefore do not give it significant weight.

DCF well above the current share price

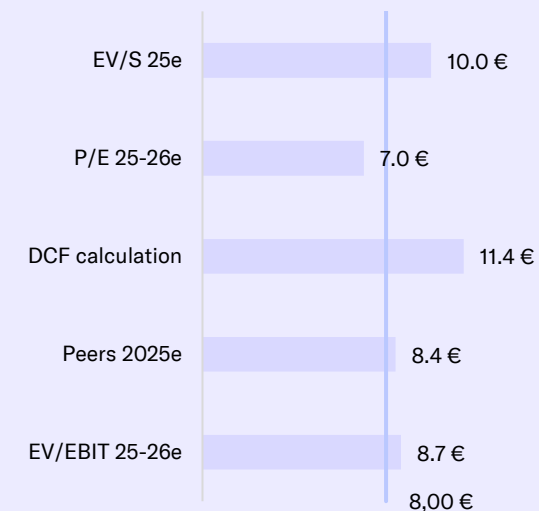
We also use DCF in the valuation. In our model, the company's revenue growth stabilizes at 1.5% in the terminal period after stronger medium-term growth, and the EBIT margin is 4.0% of revenue. This is below the company's target EBITA margin of over 5%, but we do not see the company achieving this on a sustainable basis based on current evidence. The weighted average cost of capital (WACC) used is 9.0% and the cost of equity is 10.6%. WACC-% is low for the construction sector, but the stability of the infrastructure market and the lower risks of the business keep the valuation lower compared to, for example, cyclical companies.

Our DCF model indicates a share value of about EUR 11. The DCF value is well above the share price and our target price, supporting the stock at current levels. However, we do not believe the stock has the potential to move higher in the next 12 months, which is why we have lowered our target price. In our view, this will require a return of market confidence in the company's normalized earnings level, both through Kreate's own performance and through market recovery.

| Valuation | 2025e | 2026e | 2027e |
|------------------|--------|--------|--------|
| Share price | 7.50 | 7.50 | 7.50 |
| Market cap | 67 | 67 | 67 |
| EV | 97 | 96 | 95 |
| P/E (adj.) | 11.9 | 9.4 | 8.9 |
| P/B | 1.5 | 1.4 | 1.3 |
| EV/Sales | 0.3 | 0.3 | 0.3 |
| EV/EBITDA | 5.7 | 5.0 | 4.7 |
| EV/EBIT (adj.) | 9.4 | 7.9 | 7.5 |
| Payout ratio (%) | 81.0 % | 66.5 % | 64.0 % |
| Dividend yield-% | 6.8 % | 7.1 % | 7.2 % |

Source: Inderes

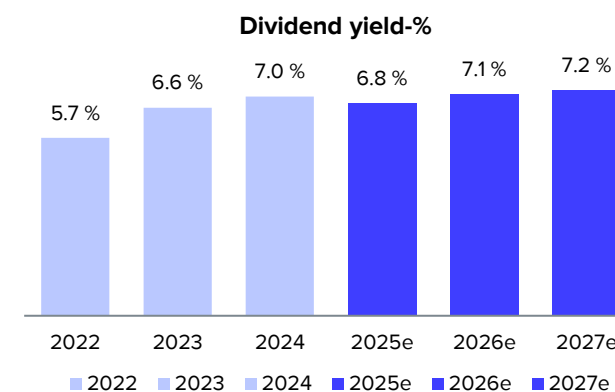
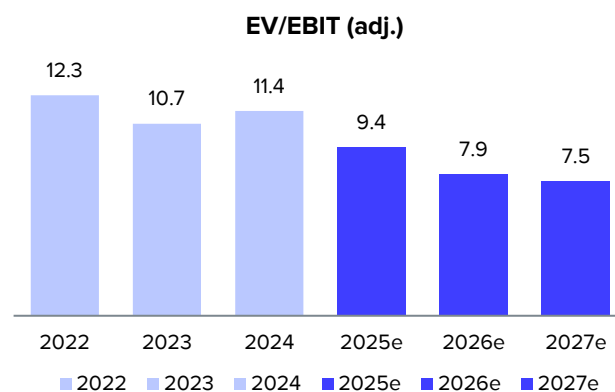
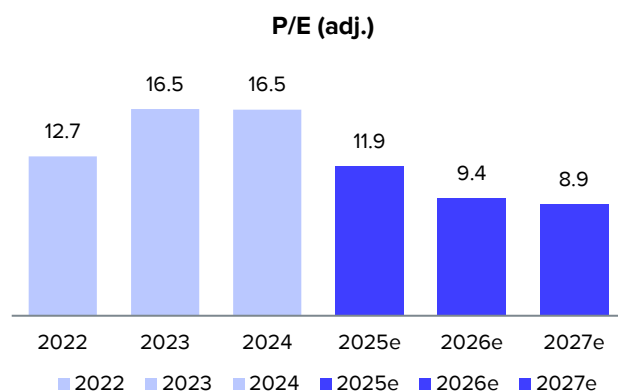
Target price breakdown



Valuation table

| Valuation | 2020 | 2021 | 2022 | 2023 | 2024 | 2025e | 2026e | 2027e | 2028e |
|------------------|--------|--------|--------|---------|---------|---------------|---------------|---------------|---------------|
| Share price | | 11.4 | 8.09 | 7.22 | 7.14 | 7.50 | 7.50 | 7.50 | 7.50 |
| Market cap | | 99 | 73 | 64 | 64 | 67 | 67 | 67 | 67 |
| EV | 28 | 120 | 106 | 81 | 94 | 97 | 96 | 95 | 93 |
| P/E (adj.) | 0.0 | 12.6 | 12.7 | 16.5 | 16.5 | 11.9 | 9.4 | 8.9 | 8.4 |
| P/B | 0.0 | 2.4 | 1.7 | 1.5 | 1.5 | 1.5 | 1.4 | 1.3 | 1.3 |
| EV/Sales | 0.1 | 0.5 | 0.4 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 |
| EV/EBITDA | 2.0 | 8.4 | 7.8 | 5.8 | 6.1 | 5.7 | 5.0 | 4.7 | 4.4 |
| EV/EBIT (adj.) | 2.7 | 11.6 | 12.3 | 10.7 | 11.4 | 9.4 | 7.9 | 7.5 | 7.1 |
| Payout ratio (%) | 50.4 % | 56.4 % | 72.4 % | 109.7 % | 102.0 % | 81.0 % | 66.5 % | 64.0 % | 62.6 % |
| Dividend yield-% | | 4.0 % | 5.7 % | 6.6 % | 7.0 % | 6.8 % | 7.1 % | 7.2 % | 7.5 % |

Source: Inderes



Peer group valuation

| Peer group valuation Company | Market cap MEUR | EV MEUR | EV/EBIT | | EV/EBITDA | | EV/Liikevaihto | | P/E | | Dividend yield-% | | P/B |
|---------------------------------|--------------------|------------|-------------|------------|-------------|-------------|----------------|-------------|-------------|-------------|------------------|------------|------------|
| | | | 2025e | 2026e | 2025e | 2026e | 2025e | 2026e | 2025e | 2026e | 2025e | 2026e | 2025e |
| YIT Oyj | 574 | 1540 | 22.7 | 15.7 | 16.7 | 12.5 | 0.8 | 0.8 | 112.4 | 15.9 | 0.3 | 2.8 | 0.7 |
| NRC Group ASA | 63 | 148 | 9.8 | 6.9 | 4.6 | 3.9 | 0.2 | 0.2 | 5.2 | 3.1 | 10.3 | 15.4 | 0.4 |
| Veidekke ASA | 1675 | 1512 | 10.5 | 9.9 | 6.4 | 6.1 | 0.4 | 0.4 | 15.1 | 14.3 | 6.1 | 6.4 | 5.7 |
| Sdiptech AB (publ) | 726 | 726 | 8.4 | 7.5 | 5.9 | 5.3 | 1.4 | 1.3 | 15.7 | 13.1 | | | 1.7 |
| Ncc AB | 1571 | 2068 | 12.9 | 12.3 | 7.7 | 7.5 | 0.4 | 0.4 | 12.2 | 11.6 | 4.6 | 4.7 | 2.1 |
| Peab AB | 2078 | 3339 | 15.3 | 13.6 | 9.5 | 8.7 | 0.6 | 0.6 | 13.1 | 11.3 | 4.1 | 4.7 | 1.3 |
| Skanska AB | 8623 | 7983 | 11.1 | 10.0 | 8.4 | 8.0 | 0.5 | 0.5 | 13.7 | 12.7 | 3.7 | 4.0 | 1.6 |
| SRV Yhtiot Oyj | 83 | 213 | 13.3 | 8.4 | 9.5 | 6.4 | 0.3 | 0.3 | 17.2 | 6.0 | 2.1 | 5.8 | 0.6 |
| Consti Oyj | 82 | 85 | 7.4 | 6.6 | 5.5 | 5.0 | 0.3 | 0.3 | 10.0 | 8.3 | 7.5 | 7.8 | 1.8 |
| MT Hoejgaard Holding A/S | 296 | 295 | 6.0 | 5.9 | 4.1 | | 0.3 | 0.2 | 8.2 | 7.9 | | | 1.7 |
| NYAB | 307 | 308 | 9.8 | 8.6 | 8.5 | 7.5 | 0.7 | 0.6 | 14.3 | 10.8 | 4.7 | 4.7 | 1.5 |
| Kreate (Inderes) | 67 | 97 | 9.4 | 7.9 | 5.7 | 5.0 | 0.3 | 0.3 | 11.9 | 9.4 | 6.8 | 7.1 | 1.5 |
| Average | | | 11.6 | 9.6 | 7.9 | 7.1 | 0.5 | 0.5 | 21.6 | 10.4 | 4.8 | 6.3 | 1.7 |
| Median | | | 10.5 | 8.6 | 7.7 | 6.9 | 0.4 | 0.4 | 13.7 | 11.3 | 4.6 | 4.7 | 1.6 |
| Diff-% to median | | | -10% | -8% | -26% | -28% | -22% | -25% | -13% | -17% | 48% | 50% | -3% |

Source: Refinitiv / Inderes

Income statement

| Income statement | 2022 | 2023 | Q1'24 | Q2'24 | Q3'24 | Q4'24 | 2024 | Q1'25e | Q2'25e | Q3'25e | Q4'25e | 2025e | 2026e | 2027e | 2028e |
|-------------------------|--------------|--------------|--------------|-------------|-------------|-------------|--------------|--------------|-------------|-------------|-------------|--------------|--------------|--------------|--------------|
| Revenue | 273.9 | 320.0 | 54.4 | 68.0 | 77.6 | 75.5 | 275.5 | 52.7 | 69.1 | 84.7 | 89.2 | 295.6 | 319.4 | 330.7 | 339.1 |
| Finland | 0.0 | 298 | 47.9 | 61.6 | 67.5 | 65.6 | 242.6 | 43.6 | 60.7 | 73.6 | 76.8 | 254.6 | 271.2 | 277.7 | 283.0 |
| Sweden | 0.0 | 22.5 | 6.5 | 6.4 | 10.1 | 9.9 | 32.9 | 9.1 | 8.4 | 11.1 | 12.4 | 41.0 | 48.2 | 53.0 | 56.2 |
| EBITDA | 13.6 | 14.0 | 1.6 | 4.1 | 4.7 | 4.9 | 15.3 | 1.8 | 4.0 | 5.2 | 5.9 | 17.0 | 19.2 | 20.0 | 21.0 |
| Depreciation | -5.0 | -6.4 | -1.4 | -1.5 | -1.6 | -2.1 | -6.6 | -1.5 | -1.6 | -1.6 | -2.1 | -6.8 | -7.1 | -7.3 | -7.8 |
| EBITA | 8.8 | 7.8 | 0.3 | 2.6 | 3.1 | 2.8 | 8.8 | 0.3 | 2.4 | 3.6 | 3.8 | 10.3 | 12.2 | 12.7 | 13.2 |
| EBIT (excl. NRI) | 8.6 | 7.6 | 0.2 | 2.6 | 3.1 | 2.3 | 8.2 | 0.3 | 2.4 | 3.6 | 3.8 | 10.3 | 12.2 | 12.7 | 13.2 |
| EBIT | 8.6 | 7.6 | 0.2 | 2.6 | 3.1 | 2.8 | 8.7 | 0.3 | 2.4 | 3.6 | 3.8 | 10.3 | 12.2 | 12.7 | 13.2 |
| Net financial items | -1.9 | -2.9 | -0.8 | -0.5 | -0.7 | -0.8 | -2.8 | -0.7 | -0.7 | -0.8 | -0.6 | -2.8 | -2.8 | -2.8 | -2.7 |
| PTP | 6.7 | 4.7 | -0.6 | 2.1 | 2.4 | 2.0 | 5.9 | -0.4 | 1.8 | 2.8 | 3.2 | 7.5 | 9.4 | 9.9 | 10.5 |
| Taxes | -1.1 | -0.7 | 0.1 | -0.5 | -0.6 | -0.4 | -1.3 | 0.1 | -0.4 | -0.6 | -0.7 | -1.5 | -1.9 | -2.0 | -2.1 |
| Minority interest | 0.2 | -0.2 | -0.1 | -0.2 | -0.1 | 0.1 | -0.2 | -0.1 | -0.1 | -0.1 | -0.1 | -0.4 | -0.4 | -0.4 | -0.4 |
| Net earnings | 5.8 | 3.7 | -0.6 | 1.4 | 1.8 | 1.8 | 4.4 | -0.4 | 1.3 | 2.2 | 2.5 | 5.6 | 7.1 | 7.5 | 8.0 |
| EPS (adj.) | 0.64 | 0.44 | -0.07 | 0.16 | 0.20 | 0.20 | 0.49 | -0.04 | 0.15 | 0.24 | 0.28 | 0.63 | 0.80 | 0.84 | 0.89 |
| EPS (rep.) | 0.64 | 0.44 | -0.07 | 0.16 | 0.20 | 0.20 | 0.49 | -0.04 | 0.15 | 0.24 | 0.28 | 0.63 | 0.80 | 0.84 | 0.89 |

| Key figures | 2022 | 2023 | Q1'24 | Q2'24 | Q3'24 | Q4'24 | 2024 | Q1'25e | Q2'25e | Q3'25e | Q4'25e | 2025e | 2026e | 2027e | 2028e |
|--------------------------------|---------|---------|---------|---------|---------|--------|---------|--------|--------|--------|--------|--------|--------|-------|-------|
| Revenue growth-% | 15.3 % | 16.8 % | -17.3 % | -20.7 % | -12.1 % | -5.9 % | -13.9 % | -3.1 % | 1.6 % | 9.2 % | 18.1 % | 7.3 % | 8.0 % | 3.5 % | 2.6 % |
| Adjusted EBITA growth-% | -16.9 % | -10.5 % | -77.3 % | 9.2 % | 4.4 % | 22.6 % | 12.0 % | 31.2 % | -6.1 % | 17.7 % | 36.1 % | 17.0 % | 18.6 % | 4.3 % | 3.9 % |
| Adjusted EBITA-% | 3.2 % | 2.4 % | 0.5 % | 3.8 % | 4.0 % | 3.7 % | 3.2 % | 0.6 % | 3.5 % | 4.3 % | 4.3 % | 3.5 % | 3.8 % | 3.8 % | 3.9 % |
| Adjusted EBIT-% | 3.1 % | 2.4 % | 0.4 % | 3.8 % | 4.0 % | 3.1 % | 3.0 % | 0.6 % | 3.5 % | 4.3 % | 4.3 % | 3.5 % | 3.8 % | 3.8 % | 3.9 % |

Balance sheet

| Assets | 2023 | 2024 | 2025e | 2026e | 2027e |
|----------------------------|-------------|-------------|-------------|-------------|-------------|
| Non-current assets | 75.6 | 75.8 | 78.2 | 80.2 | 81.9 |
| Goodwill | 40.0 | 40.4 | 40.4 | 40.4 | 40.4 |
| Intangible assets | 0.5 | 0.3 | 0.4 | 0.4 | 0.4 |
| Tangible assets | 23.3 | 23.5 | 25.8 | 27.8 | 29.6 |
| Associated companies | 10.5 | 10.5 | 10.5 | 10.5 | 10.5 |
| Other investments | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other non-current assets | 0.3 | 0.2 | 0.2 | 0.2 | 0.2 |
| Deferred tax assets | 1.0 | 0.9 | 0.9 | 0.9 | 0.9 |
| Current assets | 59.0 | 55.6 | 56.9 | 61.4 | 63.5 |
| Inventories | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other current assets | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 |
| Receivables | 34.6 | 44.1 | 44.3 | 47.9 | 49.6 |
| Cash and equivalents | 23.6 | 10.8 | 11.8 | 12.8 | 13.2 |
| Balance sheet total | 135 | 131 | 135 | 142 | 145 |

Source: Inderes

| Liabilities & equity | 2023 | 2024 | 2025e | 2026e | 2027e |
|--------------------------------|-------------|-------------|-------------|-------------|-------------|
| Equity | 42.9 | 43.6 | 44.8 | 47.3 | 50.1 |
| Share capital | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| Retained earnings | 24.0 | 25.2 | 26.4 | 28.9 | 31.7 |
| Hybrid bonds | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Revaluation reserve | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other equity | 18.7 | 18.0 | 18.0 | 18.0 | 18.0 |
| Minorities | 0.1 | 0.3 | 0.3 | 0.3 | 0.3 |
| Non-current liabilities | 33.9 | 34.5 | 37.6 | 36.5 | 36.1 |
| Deferred tax liabilities | 1.5 | 1.4 | 1.0 | 1.0 | 1.0 |
| Provisions | 3.1 | 3.3 | 3.3 | 3.3 | 3.3 |
| Interest bearing debt | 29.4 | 29.8 | 33.3 | 32.3 | 31.9 |
| Convertibles | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other long term liabilities | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Current liabilities | 57.9 | 53.3 | 52.7 | 57.7 | 59.2 |
| Interest bearing debt | 11.0 | 10.9 | 8.0 | 9.5 | 9.3 |
| Payables | 46.8 | 42.1 | 44.3 | 47.9 | 49.6 |
| Other current liabilities | 0.0 | 0.3 | 0.3 | 0.3 | 0.3 |
| Balance sheet total | 135 | 131 | 135 | 142 | 145 |

DCF-calculation

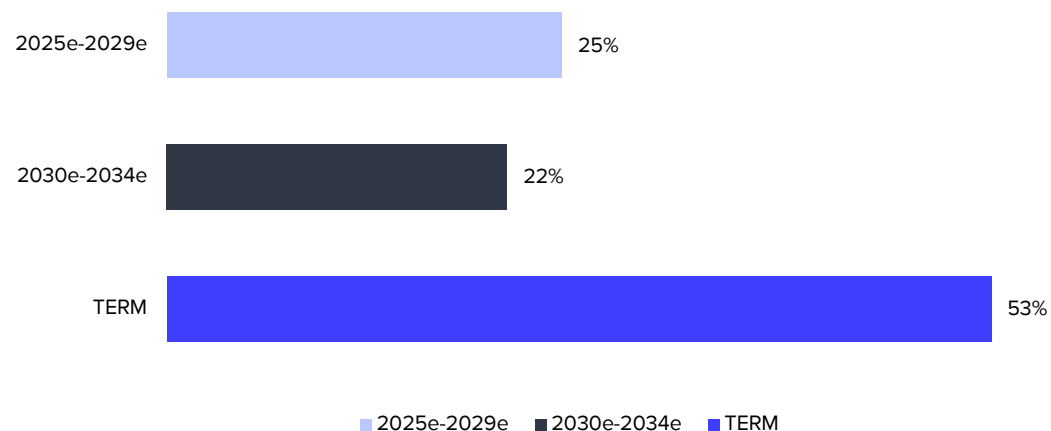
| DCF model | 2024 | 2025e | 2026e | 2027e | 2028e | 2029e | 2030e | 2031e | 2032e | 2033e | 2034e | TERM |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Revenue growth-% | -13.9 % | 7.3 % | 8.0 % | 3.5 % | 2.6 % | 2.0 % | 2.0 % | 2.0 % | 2.0 % | 2.0 % | 1.5 % | 1.5 % |
| EBIT-% | 3.2 % | 3.5 % | 3.8 % | 3.8 % | 3.9 % | 4.1 % | 4.0 % | 4.0 % | 4.0 % | 4.0 % | 4.0 % | 4.0 % |
| EBIT (operating profit) | 8.7 | 10.3 | 12.2 | 12.7 | 13.2 | 14.2 | 14.1 | 14.4 | 14.7 | 15.0 | 15.2 | |
| + Depreciation | 6.6 | 6.8 | 7.1 | 7.3 | 7.8 | 8.1 | 8.4 | 8.6 | 8.7 | 8.8 | 8.9 | |
| - Paid taxes | -1.3 | -1.9 | -1.9 | -2.0 | -2.1 | -2.3 | -2.4 | -2.5 | -2.6 | -2.7 | -2.7 | |
| - Tax, financial expenses | -0.6 | -0.6 | -0.6 | -0.6 | -0.5 | -0.5 | -0.5 | -0.4 | -0.4 | -0.3 | -0.3 | |
| + 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 | -13.9 | 2.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | |
| Operating cash flow | -0.6 | 16.5 | 16.8 | 17.5 | 18.3 | 19.5 | 19.7 | 20.1 | 20.4 | 20.8 | 21.0 | |
| + Change in other long-term liabilities | 0.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | |
| - Gross CAPEX | -6.9 | -9.1 | -9.1 | -9.1 | -9.1 | -9.1 | -9.1 | -9.1 | -9.1 | -9.1 | -9.0 | |
| Free operating cash flow | -7.3 | 7.4 | 7.7 | 8.4 | 9.2 | 10.4 | 10.6 | 11.0 | 11.3 | 11.7 | 12.1 | |
| +/- Other | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | |
| FCFF | -7.3 | 7.4 | 7.7 | 8.4 | 9.2 | 10.4 | 10.6 | 11.0 | 11.3 | 11.7 | 12.1 | 163 |
| Discounted FCFF | | 6.9 | 6.5 | 6.5 | 6.6 | 6.8 | 6.4 | 6.1 | 5.7 | 5.4 | 5.1 | 69.6 |
| Sum of FCFF present value | | 132 | 125 | 118 | 112 | 105 | 98.3 | 91.9 | 85.9 | 80.1 | 74.7 | 69.6 |
| Enterprise value DCF | | 132 | | | | | | | | | | |
| - Interest bearing debt | | -40.7 | | | | | | | | | | |
| + Cash and cash equivalents | | 10.8 | | | | | | | | | | |
| -Minorities | | -0.5 | | | | | | | | | | |
| -Dividend/capital return | | 0.0 | | | | | | | | | | |
| Equity value DCF | | 101 | | | | | | | | | | |
| Equity value DCF per share | | 11.4 | | | | | | | | | | |

WACC

| | |
|--|---------------|
| Tax-% (WACC) | 20.0 % |
| Target debt ratio (D/(D+E)) | 20.0 % |
| Cost of debt | 3.5 % |
| Equity Beta | 1.40 |
| Market risk premium | 4.75% |
| Liquidity premium | 1.40% |
| Risk free interest rate | 2.5 % |
| Cost of equity | 10.6 % |
| Weighted average cost of capital (WACC) | 9.0 % |

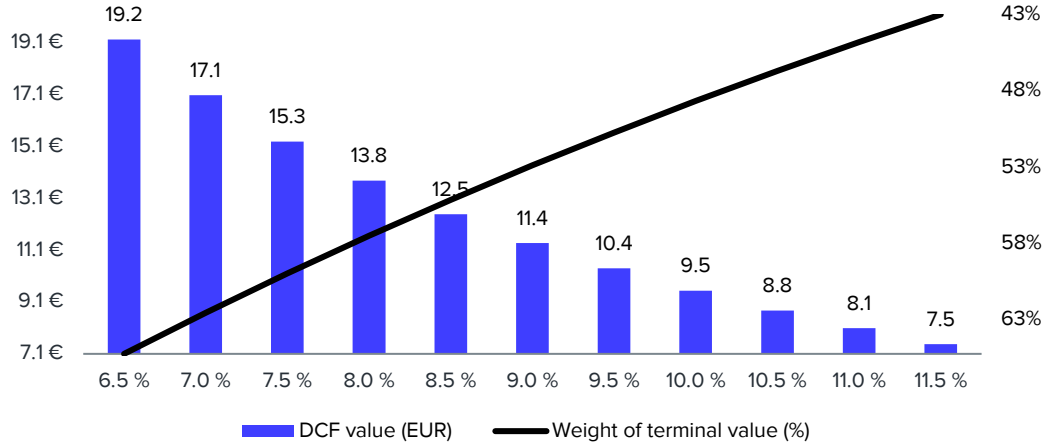
Source: Inderes

Cash flow distribution

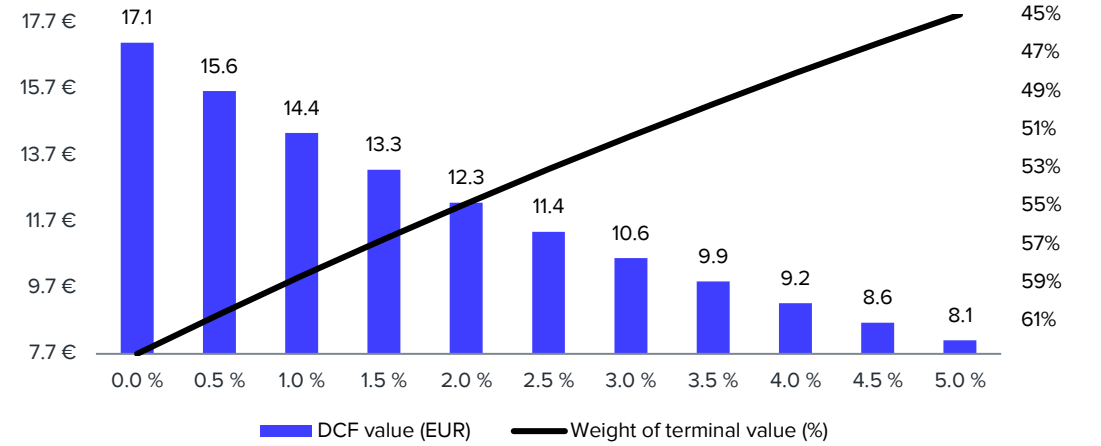


DCF sensitivity calculations and key assumptions in graphs

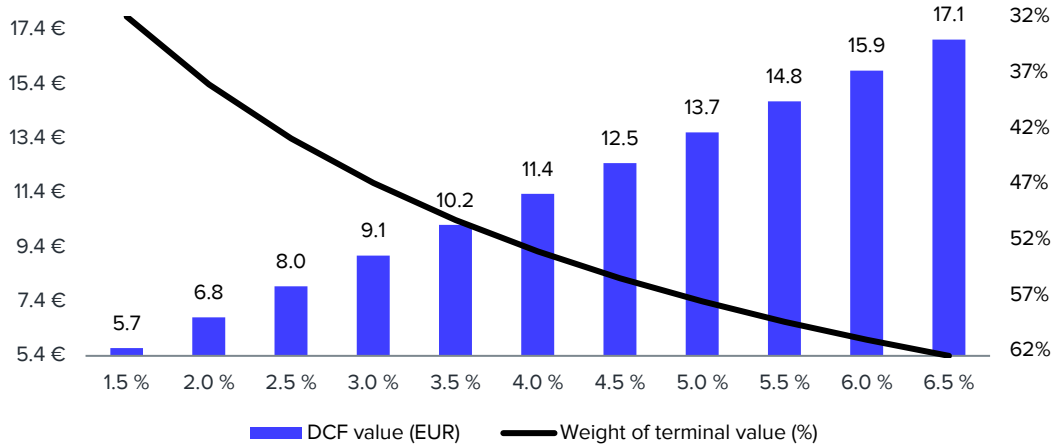
Sensitivity of DCF to changes in the WACC-%



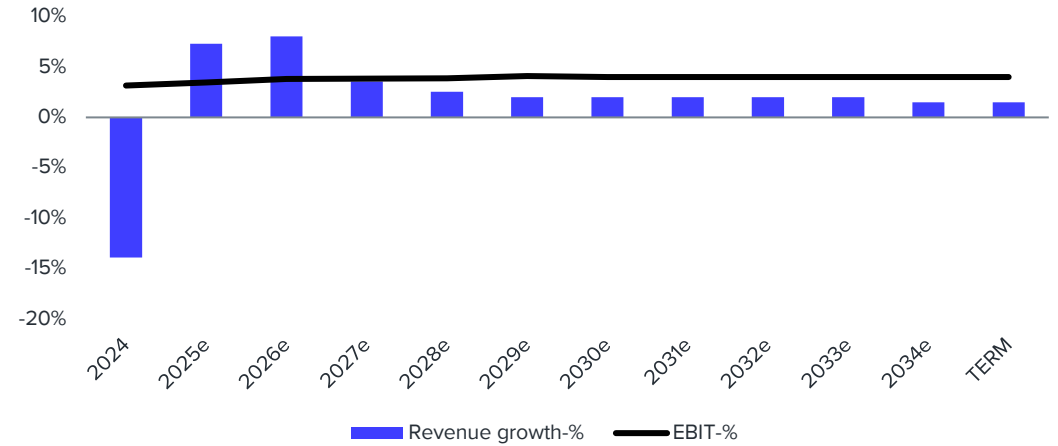
Sensitivity of DCF to changes in the risk-free rate



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 | 2023 | 2024 | 2025e | 2026e | Per share data | 2023 | 2024 | 2025e | 2026e |
|---------------------------|-------|-------|--------------|--------------|--------------------------|--------|--------|---------------|---------------|
| Revenue | 320.0 | 275.5 | 295.6 | 319.4 | EPS (reported) | 0.44 | 0.49 | 0.63 | 0.80 |
| EBITDA | 14.0 | 15.3 | 17.0 | 19.2 | EPS (adj.) | 0.44 | 0.43 | 0.63 | 0.80 |
| EBIT | 7.6 | 8.7 | 10.3 | 12.2 | OCF / share | 3.25 | -0.07 | 1.86 | 1.89 |
| PTP | 4.7 | 5.9 | 7.5 | 9.4 | FCF / share | 2.64 | -0.82 | 0.84 | 0.86 |
| Net Income | 3.9 | 4.4 | 5.6 | 7.1 | Book value / share | 4.81 | 4.87 | 5.00 | 5.29 |
| Extraordinary items | 0.0 | 0.5 | 0.0 | 0.0 | Dividend / share | 0.48 | 0.50 | 0.51 | 0.53 |
| Balance sheet | 2023 | 2024 | 2025e | 2026e | Growth and profitability | 2023 | 2024 | 2025e | 2026e |
| Balance sheet total | 134.6 | 131.4 | 135.0 | 141.6 | Revenue growth-% | 17% | -14% | 7% | 8% |
| Equity capital | 42.9 | 43.6 | 44.8 | 47.3 | EBITDA growth-% | 3% | 9% | 11% | 13% |
| Goodwill | 40.0 | 40.4 | 40.4 | 40.4 | EBIT (adj.) growth-% | -12% | 9% | 25% | 19% |
| Net debt | 16.7 | 29.9 | 29.5 | 29.0 | EPS (adj.) growth-% | -31% | -1% | 45% | 27% |
| Cash flow | 2023 | 2024 | 2025e | 2026e | EBITDA-% | 4.4 % | 5.5 % | 5.8 % | 6.0 % |
| EBITDA | 14.0 | 15.3 | 17.0 | 19.2 | EBIT (adj.)-% | 2.4 % | 3.0 % | 3.5 % | 3.8 % |
| Change in working capital | 15.9 | -13.9 | 2.0 | 0.0 | EBIT-% | 2.4 % | 3.2 % | 3.5 % | 3.8 % |
| Operating cash flow | 28.9 | -0.6 | 16.5 | 16.8 | ROE-% | 9.1 % | 10.1 % | 12.8 % | 15.5 % |
| CAPEX | -6.8 | -6.9 | -9.1 | -9.1 | ROI-% | 9.0 % | 10.4 % | 12.0 % | 13.9 % |
| Free cash flow | 23.4 | -7.3 | 7.4 | 7.7 | Equity ratio | 31.9 % | 33.2 % | 33.1 % | 33.4 % |
| | | | | | Gearing | 39.0 % | 68.6 % | 66.0 % | 61.3 % |
| Valuation multiples | 2023 | 2024 | 2025e | 2026e | | | | | |
| EV/S | 0.3 | 0.3 | 0.3 | 0.3 | | | | | |
| EV/EBITDA | 5.8 | 6.1 | 5.7 | 5.0 | | | | | |
| EV/EBIT (adj.) | 10.7 | 11.4 | 9.4 | 7.9 | | | | | |
| P/E (adj.) | 16.5 | 16.5 | 11.9 | 9.4 | | | | | |
| P/B | 1.5 | 1.5 | 1.5 | 1.4 | | | | | |
| Dividend-% | 6.6 % | 7.0 % | 6.8 % | 7.1 % | | | | | |

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.

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 |
|------------|----------------|---------|-------------|
| 11/22/2021 | Buy | 13.00 € | 10.75 € |
| 11/24/2021 | Buy | 13.00 € | 11.45 € |
| 1/27/2022 | Accumulate | 13.00 € | 11.75 € |
| 4/27/2022 | Buy | 12.00 € | 9.00 € |
| 7/28/2022 | Buy | 12.00 € | 8.80 € |
| 10/4/2022 | Buy | 11.00 € | 8.02 € |
| 10/27/2022 | Buy | 11.00 € | 8.45 € |
| 11/21/2022 | Accumulate | 10.50 € | 8.92 € |
| 1/12/2023 | Accumulate | 10.50 € | 9.05 € |
| 2/1/2023 | Accumulate | 10.50 € | 9.30 € |
| 5/2/2023 | Accumulate | 9.00 € | 7.94 € |
| 7/12/2023 | Reduce | 7.90 € | 7.58 € |
| 7/20/2023 | Accumulate | 7.90 € | 7.44 € |
| 10/26/2023 | Accumulate | 7.00 € | 6.32 € |
| 11/28/2023 | Accumulate | 7.30 € | 6.84 € |
| 2/1/2024 | Accumulate | 8.50 € | 7.94 € |
| 4/29/2024 | Accumulate | 8.50 € | 7.80 € |
| 7/17/2024 | Accumulate | 8.50 € | 7.82 € |
| 10/1/2024 | Accumulate | 9.00 € | 8.36 € |
| 10/28/2024 | Reduce | 8.80 € | 8.36 € |
| 1/13/2025 | Accumulate | 8.00 € | 7.30 € |
| 2/6/2025 | Accumulate | 8.00 € | 7.50 € |



CONNECTING INVESTORS AND COMPANIES.

Inderes connects investors and listed companies.

We serve over 400 Nordic listed companies that want to better serve investors. The Inderes community is home to over 70,000 active investors.

We provide listed companies with solutions that enable seamless and effective investor relations. The Inderes service is built on four cornerstones for high-quality investor relations: Equity Research, Events, IR Software, and Annual General Meetings (AGM).

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

Inderes was created by investors, for investors.

Inderes Ab

Vattugatan 17, 5tr
Stockholm
+46 8 411 43 80

Inderes Oyj

Porkkalankatu 5
00180 Helsinki
+358 10 219 4690

inderes.se

inderes.fi

**inde
res.**