

HKFOODS

02/17/2025 07:50 EET

This is a translated version of the "Taseaseman riskit säilyvät, vaikka tulos parantuu" report, published on 2/17/2025



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INDERES CORPORATE CUSTOMER

COMPANY REPORT



Balance sheet risks prevail, even if result improves

HKFoods' result has improved clearly due to efficiency investments and focusing on Finland. We expect earnings growth to moderate in the coming years. The timing of the redemption of the hybrid bond remained unclear, with the Board proposing a substantial return of capital to shareholders. We do not find the risk/reward ratio particularly attractive compared to other companies in the sector, although earnings growth continuing stronger than we estimate could change the situation. Therefore, we reiterate our Reduce recommendation and our EUR 1.0 target price.

The turnaround progressed strongly, as reported in January

HKFoods' revenue increased by 7% in Q4 year and adjusted EBIT (10.3 MEUR) improved significantly (Q4'23: 3.0 MEUR). A significant portion of the revenue growth stemmed from an accounting change in the Danish bacon business, as sales to Sweden and Denmark are now recognized as external revenue following recent divestments. We estimate that organic growth accounted for 2-3% and it stemmed from favorable sales development in high-margin sales channels on a broad spectrum. According to the company, the Christmas season went well and HKFoods gained market shares in the foodservice segment. The strong earnings development was already known after the company released preliminary data on January 15, 2025. Reported EBIT (6.5 MEUR) was depressed by write-downs and one-off items related to the termination of employment contracts in Finland. Taxes were also clearly higher than our forecasts, so the EPS of continuing operations was clearly below our forecast of EUR -0.06 (EUR 0.03). Net debt at the end of the year decreased to some 150 MEUR and corresponds to 2.7x EBITDA in 2024 (our net debt forecast was 141 MEUR).

The company expects an upward trend in earnings

HKFoods' guidance is that adj. EBIT will grow in 2025 from 2024. Earnings growth is supported by, e.g., the full impact of the implemented efficiency measures (mainly affecting H1) and the commencement of Chinese poultry exports. We raised EBIT forecasts

by 4-6% for 2025-26, but we assume that EBIT growth will be moderate, affected by, e.g., higher wage inflation than usual and risks related to consumer demand.

Capital return to shareholders increases uncertainty about the timing of the hybrid loan redemption

The company's Board of Directors proposes a capital return to shareholders of EUR 0.09 per share for 2024 and a discretionary mandate for the Board to decide later on an additional capital return of EUR 0.05. Management did not have a clear view on whether the company can redeem its expensive (interest rate 16% p.a.) 26 MEUR hybrid loan in September 2025. If our forecasts materialize without non-recurring items or cash flow surprises, the redemption of the hybrid in September 2025 would raise the net debt/EBITDA ratio to 3.2, which we believe could prevent the redemption. There is significant uncertainty related to the balance sheet development and the financiers' approval for the measure, so we assume in our forecasts that the redemption will still only take place in 2026.

We do not find the risk/reward ratio attractive

In our view, the current valuation of the share (EV/EBIT 9.5x) is slightly above the fair value (9x) when compared to the industry valuation level and company-specific risks. Even with the proposed minimum capital return, the "dividend yield" would be approximately 11% on a one-year horizon, which raises the total return expectation to approximately 5%. We see an elevated risk level still connected to the balance sheet and the sustainability of the turnaround. In our view, there are equally cheap and less risky investment targets among Finnish food sector stocks. On the other hand, if HKFoods' earnings level were to clearly improve on a sustained basis, the value of the stock would increase significantly due to the company's high debt leverage.

Recommendation

Reduce

(was Reduce)

Target price:

EUR 1.00

(was EUR 1.00)

Share price:

1.09

Business risk



Valuation risk



	2024	2025e	2026e	2027e
Revenue	1001.8	1047.3	1068.3	1089.7
growth-%	-14 %	5 %	2 %	2 %
EBIT adj.	27.7	28.8	29.6	30.0
EBIT-% adj.	2.8 %	2.8 %	2.8 %	2.8 %
Net Income	-5.3	5.6	9.4	12.4
EPS (adj.)	-0.05	0.02	0.07	0.14
P/E (adj.)	neg.	68.0	15.6	7.9
P/B	0.4	0.6	0.6	0.6
Dividend yield-%	11.1 %	0.0 %	5.2 %	6.1 %
EV/EBIT (adj.)	8.7	9.5	9.1	8.7
EV/EBITDA	4.3	4.4	4.2	4.0
EV/S	0.2	0.3	0.3	0.2

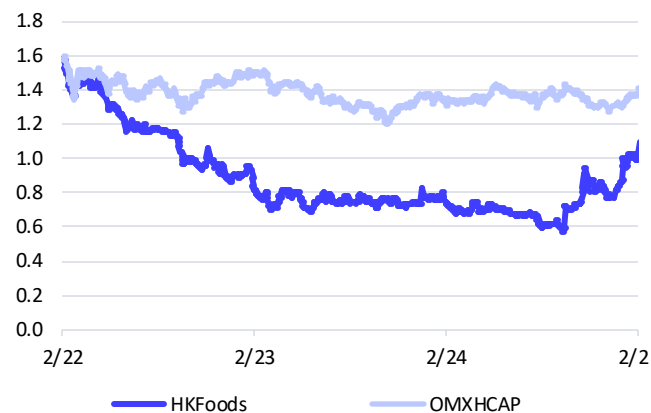
Source: Inderes

Guidance

(New guidance)

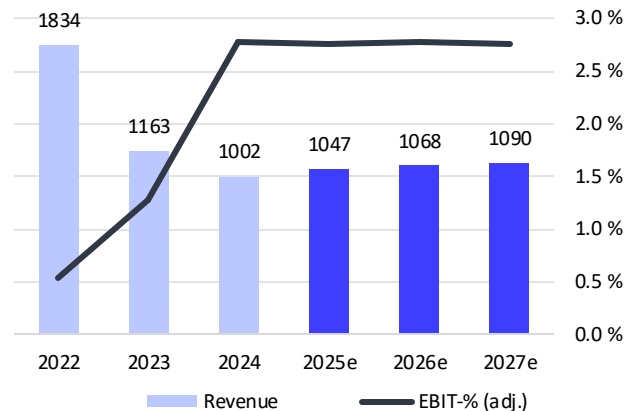
In 2025, HKFoods estimates that the Group's comparable EBIT will grow from 2024 (EUR 27.7 million).

Share price



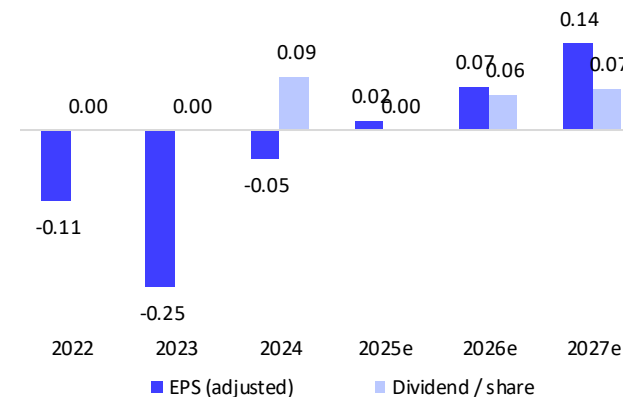
Source: Millistream Market Data AB

Revenue and EBIT-%



Source: Inderes

EPS and dividend



Source: Inderes

Value drivers

- Strong commercial position in Finland through scale and well-known brands
- Investments in poultry and other growing segments such as ready meals
- Focus on Finland allows concentration of investments and strengthening of industrial efficiency
- Balance sheet strengthens with earnings turnaround

Risk factors

- Long-term decline in red meat consumption
- Fierce competition in the food sector and strong bargaining power of retailers limit profitability
- Changes in consumer demand and cost environment may affect profitability
- Animal diseases may impact export licenses
- Indebtedness remains quite high

Valuation	2025e	2026e	2027e
Share price	1.09	1.09	1.09
Number of shares, millions	89.9	89.9	89.9
Market cap	98	98	98
EV	274	268	260
P/E (adj.)	68.0	15.6	7.9
P/E	68.0	15.6	7.9
P/B	0.6	0.6	0.6
P/S	0.1	0.1	0.1
EV/Sales	0.3	0.3	0.2
EV/EBITDA	4.4	4.2	4.0
EV/EBIT (adj.)	9.5	9.1	8.7
Payout ratio (%)	0.0 %	54.5 %	48.2 %
Dividend yield-%	0.0 %	5.2 %	6.1 %

Source: Inderes

Earnings improvement continued in Q4

Growth in Q4 was came from high-margin channels

HKFoods' revenue in Q4 was 267 MEUR, an increase of 7% year-on-year. Sales grew in all channels except industrial sales, which the company consciously reduced, directing volumes to higher-margin channels. According to the company, consumer demand was at the level of the comparison period but focused on cheaper products. Sales in the foodservice channel developed strongly and HKFoods has gained market share there.

Growth was approximately two percentage points lower than in Q2 and Q3 and missed our forecast (11%), which we raised in January, encouraged by the strong earnings figures. We estimate that a significant portion (half or more) of the realized growth came through accounting changes in the Polish bacon business, so the reported growth is not fully organic. We estimate the share of organic growth to be 2-3%.

EBIT improved clearly

Following the preliminary data released in January, the strong

adjusted EBIT (10.3 MEUR) was already largely known. Profitability improved clearly from one year ago, when the adjusted EBIT was 3.0 MEUR. EBIT falling 7% short of our estimate is not material in our view, but rather indicates that our depreciation forecast was too high. The earnings improvement was driven by, e.g., implemented efficiency measures and the distribution of revenue in higher-margin channels.

Net result and cash flow fell short of forecasts

The reported Q4 EBIT (6.5 MEUR) was depressed by asset write-downs and one-off expenses related to the termination of employment in Finland. Higher than expected taxes depressed EPS, which adjusted was EUR -0.02 and reported was EUR -0.06 (we estimated EUR 0.03). Interest-bearing net debt at the end of the year was 150 MEUR (we expected 141 MEUR), meaning free cash flow was slightly weaker than our forecast. Net gearing decreased significantly (2024: 70%, 2023: 121%). Net debt relative to the EBITDA of continuing operations in 2024

was still highish at 2.7x, although it improved clearly.

A capital return will be paid for 2024

The Board proposes a capital return of EUR 0.09 per share to shareholders and that the Annual General Meeting authorize the Board, at its discretion, to decide on an additional capital return of up to EUR 0.05. Our forecasts did not include a dividend or capital return for 2024, as we believe prioritizing the repayment of the expensive hybrid bond would be paramount for maximizing shareholder value.

Estimates	Q4'23	Q4'24	Q4'24e	Q4'24e	Consensus	Difference (%)	2024e
MEUR / EUR	Comparison	Actualized	Inderes	Consensus	Low High	Act. vs. inderes	Inderes
Revenue	250	267	277			-4%	1002
EBITDA	11.1	16.9	18.2			-7%	56.3
EBIT (adj.)	3.0	10.3	10.1			2%	27.7
EBIT	3.1	6.5	10.1			-35%	22.4
EPS (adj.)	-0.10	-0.02	0.03			-164%	-0.05
DPS	0.00	0.09	0.00				0.09
Revenue growth-%	-0.9 %	6.9 %	10.8 %			-4 pp	7.4 %
EBIT-% (adj.)	1.2 %	3.9 %	3.6 %			0.2 pp	2.8 %

Source: Inderes

We have a moderate view on 2025 earnings growth

We raised our earnings forecasts slightly supported by the guidance

HKFoods guidance is that comparable EBIT will increase in 2025 from 2024. Earnings growth is supported by, e.g., the full impact of the implemented efficiency measures (mainly affecting H1) and the commencement of Chinese poultry exports. We raised EBIT forecasts by 4-6% for 2025-26, but we assume that EBIT growth will be moderate, which is affected by, e.g., higher wage inflation than usual and risks related to consumer demand. The new nutritional recommendations have also had a small negative impact on demand, which HKFoods aims to compensate for with, e.g., new, healthier products.

Growth elevated due to accounting technicalities

The rather high 4.5% growth forecast for 2025 is still affected by the accounting-related growth of the Polish bacon business (contributing two percentage points to the forecasted growth). The impact is greatest in Q1, as the Swedish divestment was

implemented at the end of Q1. The Danish divestment also has a small impact on revenue recording in Poland, and we assume this impact continues until October. We believe our forecast of 2.5% organic growth can be considered reasonable in the current low-inflation market. Retailers are focusing especially on more affordable products, as the inflation of recent years and the uncertainty in consumers' financial situation are still reflected in purchasing decisions. The start-up of HKFoods' pre-cooked product plant in Q2'25 could support organic growth, especially through the foodservice channel.

We assume the redemption of the hybrid bond is postponed to 2026.

The decision of HKFoods' Board to pay at least EUR 0.09 in capital return to shareholders limits the strengthening of the balance sheet during 2025, which increases uncertainty regarding the redemption timing of the hybrid bond. We have included the minimum amount of capital return in our estimates, as well as the known or company-estimated

payments of purchase prices (13.5 MEUR in 2025, 3.5 MEUR/year in 2026-27), which support cash flow. If HKFoods were to redeem the hybrid already in September 2025, net debt at the end of Q3'25 would increase to an estimated 197 MEUR (3.2x EBITDA, net gearing approximately 90%), which is also affected by the estimated seasonality of working capital. The forecast does not consider possible one-off costs or cash flow deviations. According to the terms of the company's bond, net debt/EBITDA must not exceed 3.0x as a result of dividend payments or capital return from July 2025 onwards (applied to the figures of the previous quarter), which may also restrict the redemption of the hybrid. Redeeming the hybrid would probably require additional external funding, the availability of which may be uncertain. If the earnings turnaround continues as stronger than expected, it would support the possibility of redeeming the hybrid, but for now, we expect it will be postponed until September 2026.

Estimate revisions	2024e	2024e	Change	2025e	2025e	Change	2026e	2026e	Change
MEUR / EUR	Old	New	%	Old	New	%	Old	New	%
Revenue	1012	1002	-1%	1057	1047	-1%	1079	1068	-1%
EBITDA	57.7	56.3	-2%	60.3	62.1	3%	61.2	63.5	4%
EBIT (excl. NRIs)	27.5	27.7	1%	27.7	28.8	4%	28.0	29.6	6%
EBIT	26.0	22.4	-14%	27.7	28.8	4%	28.0	29.6	6%
PTP	8.1	4.1	-49%	14.3	14.1	-1%	16.6	18.4	11%
EPS (excl. NRIs)	0.01	-0.05	-747%	0.04	0.02	-55%	0.08	0.07	-9%
DPS	0.00	0.09		0.00	0.00		0.03	0.06	100%

Source: Inderes

Balance sheet risks reduce attractiveness

Potential for a defensive dividend company

HKFoods' businesses have long-term potential for defensive and dividend-paying business, albeit with a moderate return on capital. The decline in red meat consumption will be slow and the consumption of poultry and further processed foods will increase, but in the long term, the market does not offer significant growth. Moderate growth can still be achieved, e.g., by investing in certain growth segments, like poultry and ready meals. The meat and food industries in general are competitive and capital-intensive industries where it is difficult to achieve a sustainable ROCE above the required return.

Increasing evidence of a profitability turnaround

HKFoods' result has now continued to improve clearly for eight quarters. Despite the positive earnings trend and ongoing efficiency measures, there is still some uncertainty regarding the sustainability of the turnaround, as it is at least partly due to the normalization of the operating environment and cost pressures from a weak starting point. Full confidence in the sustainability of the earnings turnaround requires evidence over a longer period. In history, HKFoods' profitability has been very low and varied between the years due, e.g., to changes in the cost environment and production challenges. HKFoods' industrial competitiveness has been weakish historically, which we believe has seen a positive change by concentrating investments and business focus on Finland during 2023-24.

Balance sheet position increases the risk level of the investment

The amount of debt in the balance sheet has been reduced by divestments, both in absolute terms and relative to EBITDA, but the financial position still cannot withstand major setbacks in profitability. The net debt/EBITDA ratio at the end of 2024 is highish at 2.7x, and we believe it is not sufficient to redeem the hybrid bond during 2025. This means that the expensive hybrid bond will continue to weigh on cash flow in the next few years (4 MEUR/year). High financial expenses consume a significant part of cash flows and make it more difficult to reduce the debt burden and return to sustainable dividend payments.

Valuation close to fair value – leverage allows large movements in both directions

HKFoods' earnings-based valuation multiples have, following earnings growth, settled close to typical levels for the Finnish food sector. Adjusted EV/EBIT is now a bit over 9.5x with 2025 forecasts. In our view, a fair valuation level for the stock would be around EV/EBIT 9x, mirroring sector valuations and company-specific risks. The capital return consisting of at least 11% "dividend yield" for 2024 does compensate somewhat for the slightly elevated valuation, but the total return still falls short of the required return.

If the result were to improve more than we expect in the coming years, we believe this would be strongly reflected in the share price through a high debt leverage. A strong opinion about positive earnings growth for the coming years could therefore be a good reason to swing to the buy side in this stock.

Valuation	2025e	2026e	2027e
Share price	1.09	1.09	1.09
Number of shares, millions	89.9	89.9	89.9
Market cap	98	98	98
EV	274	268	260
P/E (adj.)	68.0	15.6	7.9
P/E	68.0	15.6	7.9
P/B	0.6	0.6	0.6
P/S	0.1	0.1	0.1
EV/Sales	0.3	0.3	0.2
EV/EBITDA	4.4	4.2	4.0
EV/EBIT (adj.)	9.5	9.1	8.7
Payout ratio (%)	0.0 %	54.5 %	48.2 %
Dividend yield-%	0.0 %	5.2 %	6.1 %

Source: Inderes

Factors supporting the valuation of HKFoods:

- Positive development in profitability
- Gradual strengthening of the balance sheet
- Potential to become a stable dividend company

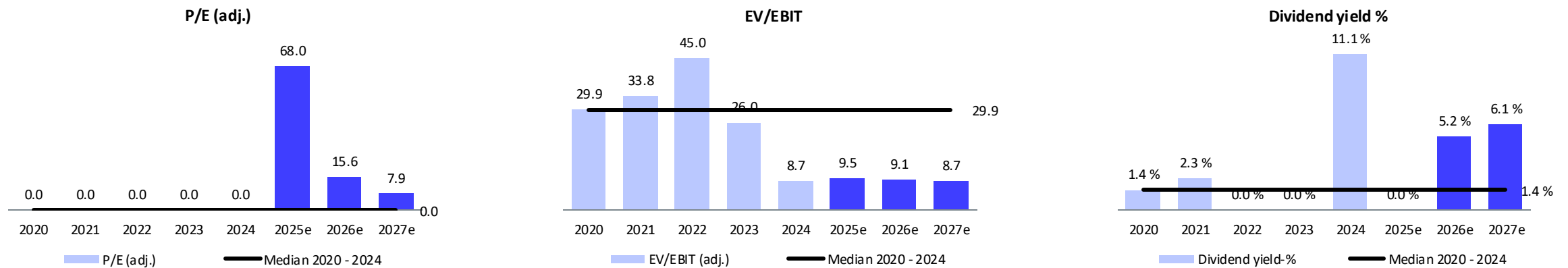
Factors negatively affecting HKFoods' valuation:

- In the big picture, low capital returns in a competed market
- Historical profitability challenges
- High indebtedness and financial expenses

Valuation table

Valuation	2020	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Share price	1.96	1.66	0.87	0.89	0.77	1.09	1.09	1.09	1.09
Number of shares, millions	97.0	97.1	97.3	97.4	89.9	89.9	89.9	89.9	89.9
Market cap	190	161	85	87	69	98	98	98	98
EV	508	490	441	387	240	274	268	260	252
P/E (adj.)	neg.	neg.	neg.	neg.	neg.	68.0	15.6	7.9	6.3
P/E	neg.	neg.	neg.	neg.	neg.	68.0	15.6	7.9	6.3
P/B	0.7	0.6	0.4	0.5	0.4	0.6	0.6	0.6	0.5
P/S	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.1
EV/Sales	0.3	0.3	0.2	0.3	0.2	0.3	0.3	0.2	0.2
EV/EBITDA	6.5	6.3	7.9	7.3	4.3	4.4	4.2	4.0	3.9
EV/EBIT (adj.)	29.9	33.8	45.0	26.0	8.7	9.5	9.1	8.7	8.3
Payout ratio (%)	249.7%	neg.	0.0 %	0.0 %	neg.	0.0 %	54.5 %	48.2 %	44.1 %
Dividend yield-%	1.4 %	2.3 %	0.0 %	0.0 %	11.1 %	0.0 %	5.2 %	6.1 %	7.0 %

Source: Inderes



Peer group valuation

Peer group valuation Company	Market cap MEUR	EV MEUR	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%		P/B 2025e
			2025e	2026e	2025e	2026e	2025e	2026e	2025e	2026e	2025e	2026e	
Atria	332	612	8.9	8.6	4.6	4.6	0.3	0.3	8.0	7.4	6.7	7.0	0.8
Apetit	90	83	11.9	11.9	6.0	6.0	0.5	0.5	13.7	13.7	5.3	5.3	0.8
Raisio	352	288	10.7	9.9	7.9	7.3	1.2	1.1	15.8	14.9	6.3	6.5	1.4
Hilton Foods	943	1369	10.7	10.4	6.8	6.6	0.3	0.3	13.8	13.0	4.1	4.3	2.2
Scandi Standard	490	662	13.1	11.0	7.3	6.5	0.5	0.5	16.0	12.8	3.6	4.5	2.0
Cranswick	3253	3385	14.1	13.5	9.9	9.5	1.0	1.0	19.0	18.1	1.9	2.0	2.7
Societe LDC	2260	1967	5.9	5.6	3.5	3.3	0.3	0.3	8.6	7.9	2.5	2.5	1.0
Bell Foods	1691	2644	15.0	14.8	7.1	6.6	0.5	0.5	11.8	11.6	2.8	3.1	1.0
Orior	282	438	15.2	13.5	7.4	6.9	0.6	0.6	13.5	11.7	6.2	6.3	5.0
Prima Meat Packers	688	791			6.1	5.4	0.3	0.3	14.7	13.6	3.7	3.7	0.9
NH Foods	2888	3990			8.1	7.3	0.5	0.5	16.8	13.8	3.1	3.3	0.9
HKFoods (Inderes)	98	274	9.5	9.1	4.4	4.2	0.3	0.3	68.0	15.6	0.0	5.2	0.5
Average			11.7	11.0	6.8	6.4	0.6	0.5	13.8	12.6	4.2	4.4	1.7
Median			11.9	11.0	7.1	6.6	0.5	0.5	13.8	13.0	3.7	4.3	1.0
Diff-% to median			-20%	-18%	-38%	-36%	-47%	-47%	392%	20%	-100%	21%	-45%

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	1834	1163	229	255	252	267	1002	249	263	260	275	1047	1068	1090	1111
Finland	868	933	229	255	252	267	1002	249	263	260	275	1047	1068	1090	1111
Denmark	220	230	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA	56.0	52.8	8.9	11.4	19.2	16.8	56.3	11.4	13.7	19.5	17.5	62.1	63.5	64.4	65.3
Depreciation	-45.8	-35.3	-7.7	-8.3	-7.5	-10.4	-33.9	-8.0	-8.2	-8.5	-8.6	-33.3	-33.9	-34.5	-34.9
EBIT (excl. NRI)	9.8	14.9	1.4	4.4	11.6	10.3	27.7	3.4	5.5	11.0	8.8	28.8	29.6	30.0	30.5
EBIT	10.2	17.5	1.2	3.1	11.6	6.5	22.4	3.4	5.5	11.0	8.8	28.8	29.6	30.0	30.5
Finland	5.6	20.6	3.2	5.9	13.2	10.6	32.9	5.2	7.3	12.8	10.7	36.1	37.0	37.5	38.2
Denmark	1.4	3.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Group admin	3.2	-6.4	-2.0	-2.8	-1.5	-4.1	-10.5	-1.8	-1.8	-1.8	-1.9	-7.3	-7.4	-7.5	-7.7
Share of profits in assoc. compan.	5.4	1.3	0.1	0.3	0.4	0.4	1.2	0.6	0.6	0.6	0.0	1.8	1.8	1.8	1.8
Net financial items	-16.3	-27.7	-4.9	-4.9	-5.0	-4.7	-19.5	-4.4	-4.2	-4.0	-3.9	-16.5	-13.0	-11.5	-8.9
PTP	-0.7	-8.9	-3.7	-1.4	7.0	2.2	4.1	-0.4	1.9	7.6	4.9	14.1	18.4	20.3	23.4
Taxes	-4.0	-6.6	-0.1	-0.2	-0.6	-5.1	-6.0	0.1	-0.7	-1.9	-2.6	-5.0	-5.5	-4.2	-4.3
Minority interest	-3.7	-4.0	-0.1	-0.5	-0.9	-1.9	-3.4	-0.5	-0.7	-1.0	-1.3	-3.5	-3.6	-3.6	-3.6
Net profit	-6.3	-17.4	-2.8	-1.1	6.5	-3.7	-1.1	0.3	1.6	5.7	2.1	9.8	12.5	12.4	15.4
Interest of hybrid bond	-2.1	-2.1	-1.0	-1.0	-1.0	-1.0	-4.2	-1.0	-1.0	-1.0	-1.0	-4.2	-3.1	0.0	0.0
EPS (adj.)	-0.11	-0.22	-0.05	-0.04	0.05	-0.06	-0.11	-0.02	-0.01	0.04	0.00	0.02	0.07	0.14	0.17
EPS (rep.)	-0.09	-0.20	-0.04	-0.02	0.06	-0.05	-0.06	-0.01	0.01	0.05	0.01	0.06	0.10	0.14	0.17

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-%	1.0 %	-36.6 %	-18.1 %	-13.2 %	-12.9 %	-11.6 %	-13.9 %	9.1 %	3.2 %	3.2 %	3.2 %	4.5 %	2.0 %	2.0 %	2.0 %
Adjusted EBIT growth-%		52.0 %	-275.0 %	-14.8 %	51.2 %	266.1 %	86.0 %	145.9 %	25.2 %	-5.7 %	-13.8 %	3.9 %	2.7 %	1.3 %	1.6 %
EBITDA-%	3.1 %	4.5 %	3.9 %	4.5 %	7.6 %	6.3 %	5.6 %	4.6 %	5.2 %	7.5 %	6.3 %	5.9 %	5.9 %	5.9 %	5.9 %
Adjusted EBIT-%	0.5 %	1.3 %	0.6 %	1.7 %	4.6 %	3.8 %	2.8 %	1.4 %	2.1 %	4.2 %	3.2 %	2.8 %	2.8 %	2.8 %	2.7 %
Net earnings-%	-0.5 %	-1.7 %	-1.7 %	-0.8 %	2.2 %	-1.8 %	-0.5 %	-0.3 %	0.2 %	1.8 %	0.4 %	0.5 %	0.9 %	1.1 %	1.4 %

Source: Inderes

Balance sheet

Assets	2023	2024	2025e	2026e	2027e
Non-current assets	651	351	339	337	335
Goodwill	27.8	27.8	27.8	27.8	27.8
Intangible assets	16.2	16.2	16.2	16.2	16.2
Tangible assets	285	252	253	254	256
Associated companies	24.3	21.8	21.8	21.8	21.8
Other investments	246	0.0	0.0	0.0	0.0
Other non-current assets	26.2	12.4	-1.1	-4.6	-8.1
Deferred tax assets	25.1	21.2	21.2	21.2	21.2
Current assets	201	177	171	175	180
Inventories	75.2	59.6	66.0	68.4	70.8
Other current assets	0.0	0.0	0.0	0.0	0.0
Receivables	97.3	80.3	84.0	85.6	87.3
Cash and equivalents	28.7	36.7	20.9	21.4	21.8
Balance sheet total	852	528	510	512	514

Source: Inderes

Liabilities & equity	2023	2024	2025e	2026e	2027e
Equity	238	215	209	190	197
Share capital	0.0	0.0	0.0	0.0	0.0
Retained earnings	0.0	-30.4	-36.6	-30.3	-23.0
Hybrid bonds	25.9	25.9	25.9	0.0	0.0
Revaluation reserve	0.0	0.0	0.0	0.0	0.0
Other equity	185	193	193	193	193
Minorities	26.9	26.9	26.9	26.9	26.9
Non-current liabilities	434	178	158	175	169
Deferred tax liabilities	0.0	0.0	0.0	0.0	0.0
Provisions	0.0	0.0	0.0	0.0	0.0
Interest bearing debt	289	172	152	170	163
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	145	5.4	5.4	5.4	5.4
Current liabilities	179	134	143	147	149
Interest bearing debt	17.9	14.0	16.9	18.9	18.1
Payables	162	120	126	128	131
Other current liabilities	0.0	0.0	0.0	0.0	0.0
Balance sheet total	852	528	510	512	514

DCF-calculation

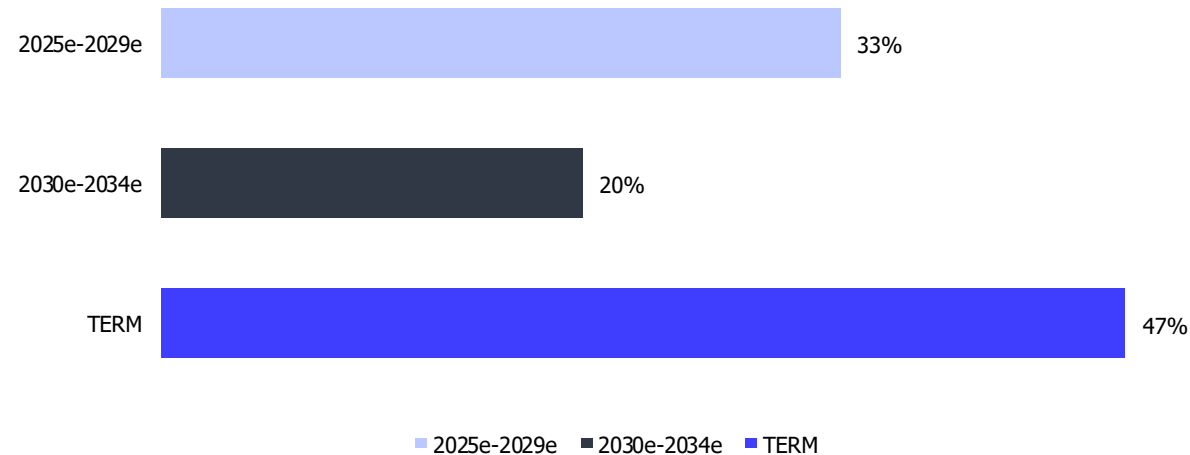
DCF model	2024	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	2034e	TERM
Revenue growth-%	-13.9 %	4.5 %	2.0 %	2.0 %	2.0 %	2.0 %	2.0 %	2.0 %	2.0 %	2.0 %	2.0 %	2.0 %
EBIT-%	2.2 %	2.8 %	2.8 %	2.8 %	2.7 %	2.7 %	2.7 %	2.7 %	2.7 %	2.3 %	2.3 %	2.3 %
EBIT (operating profit)	22.4	28.8	29.6	30.0	30.5	31.1	31.7	32.3	33.0	28.2	28.8	
+ Depreciation	33.9	33.3	33.9	34.5	34.9	35.3	35.7	36.1	36.5	37.0	37.1	
- Paid taxes	-2.1	-5.0	-5.5	-4.2	-4.3	-4.5	-4.7	-5.2	-5.4	-4.5	-4.7	
- Tax, financial expenses	-3.9	-3.3	-2.6	-2.6	-1.8	-1.7	-1.6	-1.3	-1.2	-1.1	-1.1	
+ 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	-8.5	-4.6	-1.5	-1.6	-1.1	-1.1	-1.2	-0.6	-0.6	-0.6	-0.6	
Operating cash flow	41.8	49.3	53.9	55.9	58.1	59.0	59.9	61.4	62.3	58.9	59.5	
+ Change in other long-term liabilities	-139.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	259	-21.2	-31.7	-32.3	-36.2	-36.6	-37.0	-37.4	-37.8	-38.2	-37.6	
Free operating cash flow	161	28.1	22.1	23.7	22.0	22.5	22.9	24.0	24.5	20.7	21.9	
+/- Other	-26.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	134	28.1	22.1	23.7	22.0	22.5	22.9	24.0	24.5	20.7	21.9	314
Discounted FCFF		26.0	18.8	18.4	15.7	14.7	13.7	13.2	12.3	9.6	9.3	133
Sum of FCFF present value		285	259	240	221	206	191	177	164	152	142	133
Enterprise value DCF		285										
- Interest bearing debt		-212.3										
+ Cash and cash equivalents		36.7										
-Minorities		-14.5										
-Dividend/capital return		0.0										
Equity value DCF		108										
Equity value DCF per share		1.20										

WACC

Tax-% (WACC)	20.0 %
Target debt ratio (D/(D+E))	15.0 %
Cost of debt	6.0 %
Equity Beta	1.55
Market risk premium	4.75%
Liquidity premium	0.00%
Risk free interest rate	2.5 %
Cost of equity	9.9 %
Weighted average cost of capital (WACC)	9.1 %

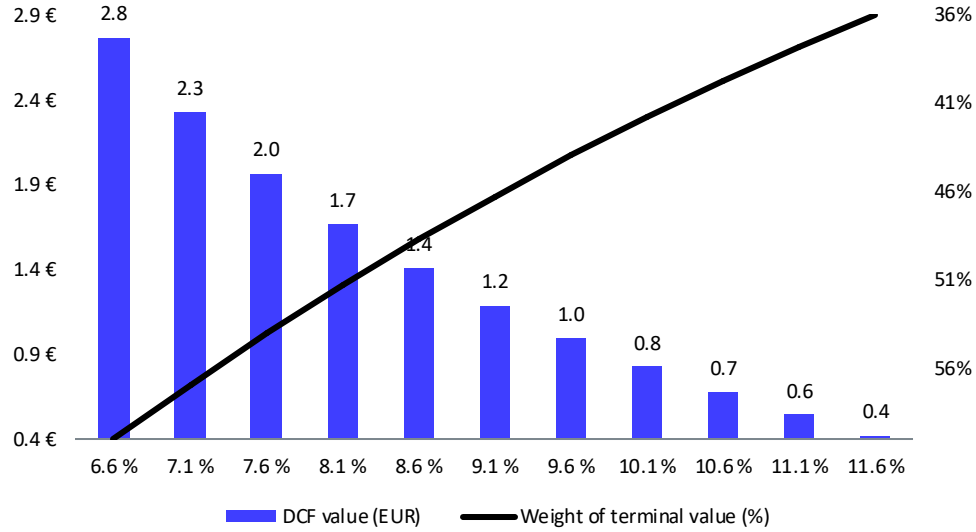
Source: Inderes

Cash flow distribution

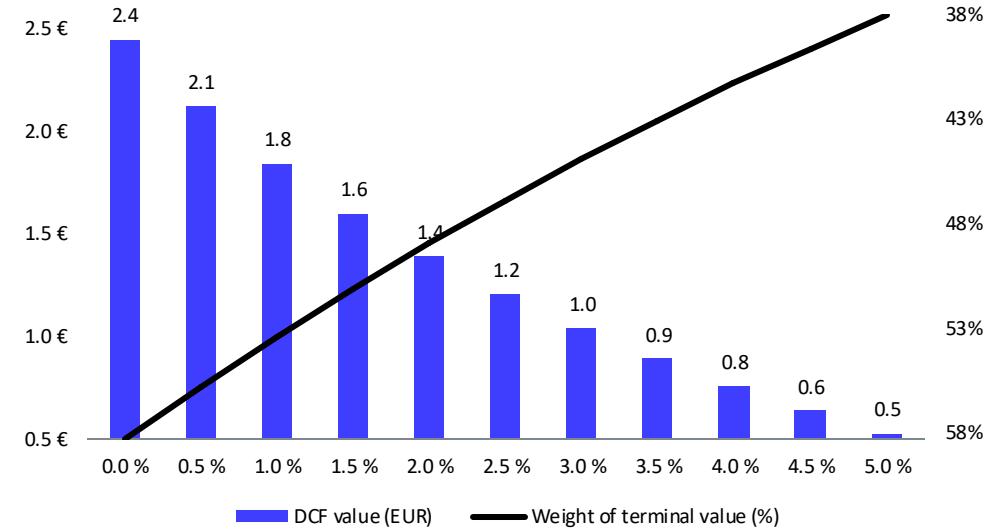


DCF sensitivity calculations and key assumptions in graphs

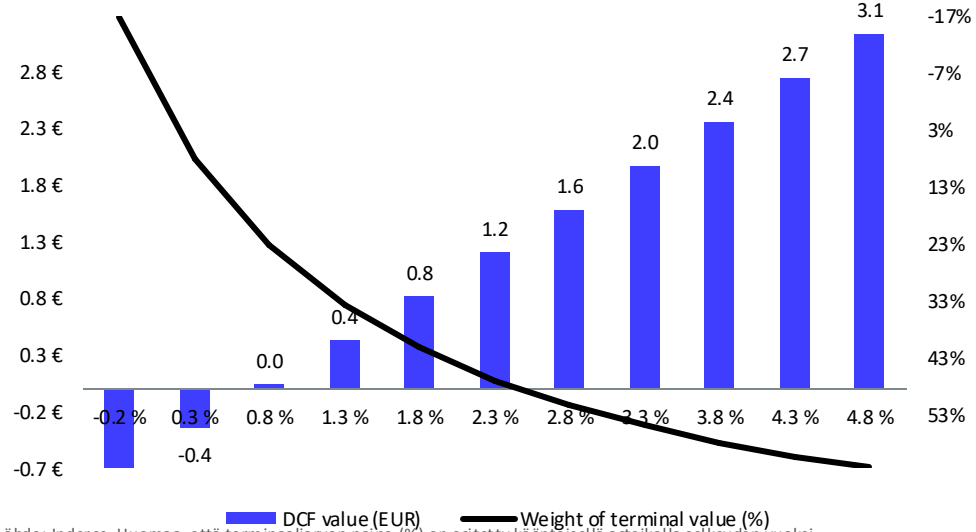
Sensitivity of DCF to changes in the WACC-%



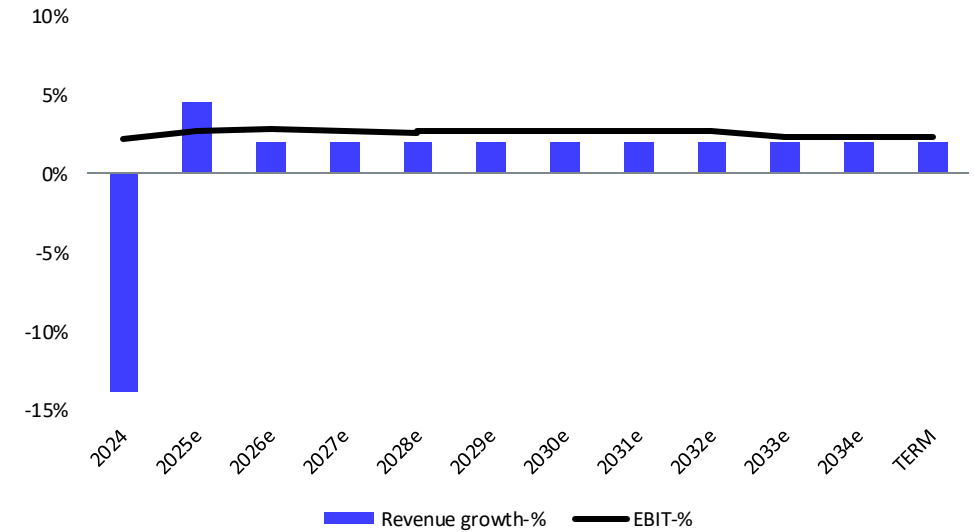
Sensitivity of DCF to changes in the risk-free rate



Sensitivity of DCF to changes in the terminal EBIT margin



Growth and profitability assumptions in the DCF calculation



Lähde: Inderes. Huomaa, että terminaaliarvon paino (%) on esitetty käänteisellä asteikolla selkeyden vuoksi.

Summary

Income statement	2022	2023	2024	2025e	2026e	Per share data	2022	2023	2024	2025e	2026e
Revenue	1833.8	1163.2	1001.8	1047.3	1068.3	EPS (reported)	-0.11	-0.22	-0.11	0.02	0.07
EBITDA	56.0	52.8	56.3	62.1	63.5	EPS (adj.)	-0.11	-0.25	-0.05	0.02	0.07
EBIT	10.2	17.5	22.4	28.8	29.6	OCF / share	0.41	0.74	0.46	0.55	0.60
PTP	-0.7	-8.9	4.1	14.1	18.4	FCF / share	-0.45	1.01	1.49	0.31	0.25
Net Income	-69.5	-26.4	-26.2	5.6	9.4	Book value / share	2.68	2.17	2.10	2.03	1.81
Extraordinary items	0.4	2.6	-5.3	0.0	0.0	Dividend / share	0.00	0.00	0.09	0.00	0.06
Balance sheet	2022	2023	2024	2025e	2026e	Growth and profitability	2022	2023	2024	2025e	2026e
Balance sheet total	976.0	851.7	527.6	509.8	512.1	Revenue growth-%	1%	-37%	-14%	5%	2%
Equity capital	285.5	238.0	215.4	209.2	189.6	EBITDA growth-%	-28%	-6%	7%	10%	2%
Goodwill	46.8	27.8	27.8	27.8	27.8	EBIT (adj.) growth-%	-32%	52%	86%	4%	3%
Net debt	347.3	278.2	149.7	148.4	167.4	EPS (adj.) growth-%	10%	122%	-81%	-135%	336%
Cash flow	2022	2023	2024	2025e	2026e	EBITDA-%	3.1 %	4.5 %	5.6 %	5.9 %	5.9 %
EBITDA	56.0	52.8	56.3	62.1	63.5	EBIT (adj.)-%	0.5 %	1.3 %	2.8 %	2.8 %	2.8 %
Change in working capital	-13.5	25.1	-8.5	-4.6	-1.5	EBIT-%	0.6 %	1.5 %	2.2 %	2.8 %	2.8 %
Operating cash flow	39.7	72.5	41.8	49.3	53.9	ROE-%	-3.0 %	-8.3 %	-2.7 %	3.0 %	5.4 %
CAPEX	-41.1	-29.9	259.2	-21.2	-31.7	ROI-%	2.4 %	3.2 %	5.0 %	7.8 %	8.3 %
Free cash flow	-43.3	98.3	134.2	28.1	22.1	Equity ratio	29.3 %	27.9 %	40.8 %	41.0 %	37.0 %
Valuation multiples	2022	2023	2024	2025e	2026e	Gearing	121.6 %	116.9 %	69.5 %	70.9 %	88.3 %
EV/S	0.2	0.3	0.2	0.3	0.3						
EV/EBITDA	7.9	7.3	4.3	4.4	4.2						
EV/EBIT (adj.)	45.0	26.0	8.7	9.5	9.1						
P/E (adj.)	neg.	neg.	neg.	68.0	15.6						
P/B	0.3	0.4	0.4	0.5	0.6						
Dividend-%	0.0 %	0.0 %	11.1 %	0.0 %	5.2 %						

Source: Inderes

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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

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Recommendation history (>12 mo)

Date	Recommendation	Target	Share price
6/1/2024	Reduce	0.65 €	0.70 €
8/8/2024	Reduce	0.55 €	0.63 €
9/26/2024	Vähennä	0.70 €	0.72 €
11/6/2024	Reduce	0.85 €	0.88 €
1/15/2025	Reduce	1.00 €	1.00 €
2/17/2025	Reduce	1.00 €	1.09 €



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