

Kreate

Company report

10/28/2024



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✓ Inderes corporate customer

This report is a summary translation of the report "Tulosparannuksen vuosi" published on 10/28/2024 at 6:00 am EEST

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Year of improving results

We lower our recommendation for Kreate to Reduce (was Accumulate) and revise the target price to EUR 8.80 (was EUR 9.00). The Q3 result was good and strengthened our confidence in Kreate's profitability improvement. However, the outlook for infrastructure construction has deteriorated in the short term and we expect the recovery next year to be rather H2-oriented. This outlook has led us to slightly lower our forecasts for the next few years, which also prompted us to revise our target price downwards. The market will eventually start to recover, but in the short term, we believe the drivers for significant price increases are limited.

Good result for Q3

In Q3, Kreate's revenue decreased by 12% to approximately 78 MEUR, slightly exceeding our forecast of 76 MEUR. In line with our expectations, the revenue decline slowed down compared to the first half of the year as projects started to ramp up and comparison periods started to become easier. The order book was still 31% down at 153 MEUR, but several railway projects received are still to be included in the order book for the execution phase (total project value around 300-400 MEUR). Despite the markedly lower revenue, Kreate's EBITA of 3.1 MEUR was above the comparison period (Q3'23: 2.9 MEUR), in line with our predictions. The EBITA margin rose up to 4.0% from the comparison period (Q3'23: 3.3%). Profitability improved for the fourth quarter in a row as old fixed-price projects are no longer a burden.

Guidance unchanged, with some short-term weakening in outlook

Kreate's guidance remained unchanged, with revenue expected to decrease to 270-300 MEUR in 2024 (2023: 320 MEUR). EBITA is expected to grow to 8-11 MEUR (2023: 7.8 MEUR). In terms of EBITA, we see Kreate meeting the guidance, but there is a guidance risk in terms of revenue. However, we would not be concerned about a possible revenue shift between quarters. We forecast revenue to decline by 14% to 276 MEUR this year, but EBITA to increase to 9.2 MEUR (EBITA-%: 3.3%), especially following the completion of old projects in 2023, which have been burdening profitability. In 2025, we expect growth to pick up gradually (25e: +2.3%) towards the end of the year thanks to the recovery of the Finnish market and the strong growth orientation in Sweden. However, stronger growth is now postponed to 2026 (26e: 5.3%). We expect easing cost pressures, an increase in the Swedish contribution (better profitability) and higher volumes in 2025-2026 to bring profitability closer to Kreate's normalized level of 4% (25-26e: EBITA-%: 3.8%). Continued weakness in the construction market, delays in infrastructure investment and persistently high costs of construction pose risks to the development, but at the same time the market can recover quickly in infra and have a significant positive impact on both revenue and the result in the coming years.

Not much upside in valuation and expected return dependent on dividends

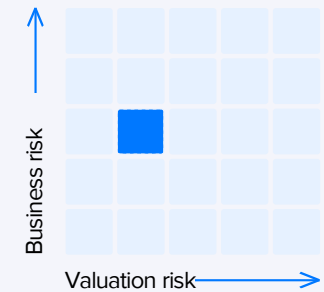
We forecast an increase in Kreate's earnings in 2024, but the stock is starting to be valued at a challenging level relative to that (2024e: EV/EBIT: 11x, P/E: 17x). We forecast a slight increase in Kreate's result in 2025, bringing the valuation down to a now reasonably neutral level (25e: EV/EBIT: 10x, P/E: 13x). Compared to our acceptable valuation (EV/EBIT, P/E: 10-12), the stock would have no upside potential. However, the stock is supported by a strong dividend yield of around 6%. We believe that Kreate has the capacity to pay a dividend based on its financial situation and the will to increase it year after year. The DCF calculation stands above the share price (EUR 10.2) and slightly supports the stock at current levels.

Recommendation

Reduce
(was Accumulate)

EUR 8.80
(was EUR 9.00)

Share price:
8.36



Key figures

	2023	2024e	2025e	2026e
Revenue	320.0	275.6	281.8	296.7
growth-%	17%	-14%	2%	5%
EBITA (adj.)	7.8	9.2	10.5	11.9
EBITA-% (adj.)	2.4 %	3.4 %	3.7 %	4.0 %
Net Income	3.7	4.5	5.8	6.7
EPS (adj.)	0.44	0.51	0.65	0.75

P/E (adj.)	16.5	16.5	12.9	11.1
P/B	1.5	1.7	1.7	1.6
Dividend yield-%	6.6 %	5.9 %	6.0 %	6.1 %
EV/EBIT (adj.)	10.7	11.0	10.2	8.9
EV/EBITDA	5.8	6.5	6.3	5.6
EV/S	0.3	0.4	0.4	0.4

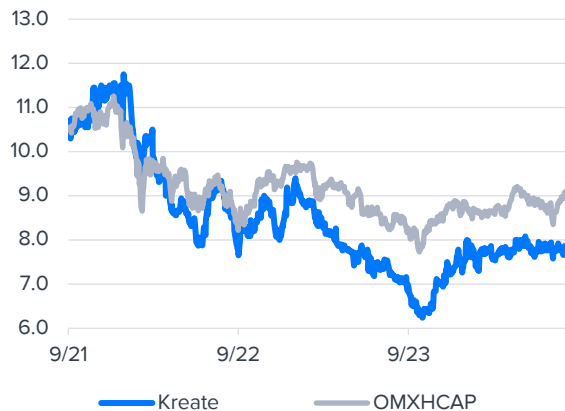
Source: Inderes

Guidance

(Unchanged)

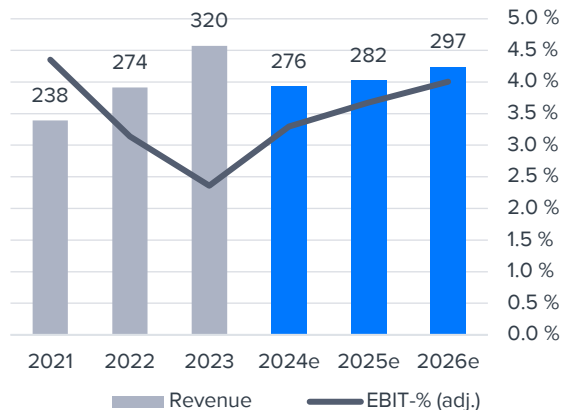
Kreate estimates that its revenue in 2024 will decline and be in the range of 270-300 MEUR (2023: 320 MEUR) and EBITA will increase and be in the range of 8-11 MEUR (2023: 7.8 MEUR).

Share price



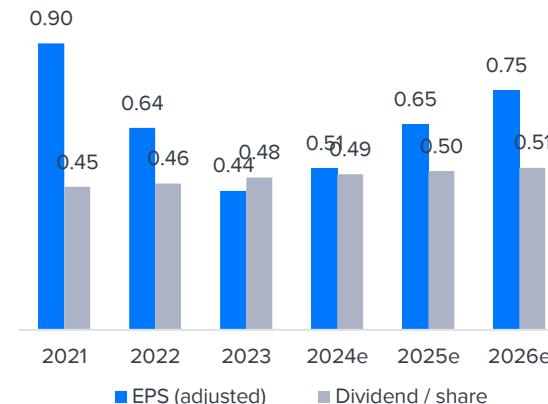
Source: Millstream Market Data AB

Revenue and EBIT-%



Source: Inderes

EPS and dividend



Source: Inderes



Value drivers

- Above-market growth in the medium term
- Significant scope to improve 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
- M&A for expansion at home and abroad



Risk factors

- The sector is partly dependent on the business cycle, especially on the private side
- Stagnation of public investment
- The worsening financial situation of municipalities
- 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	2024e	2025e	2026e
Share price	8.36	8.36	8.36
Market cap	74	74	74
EV	100	106	105
P/E (adj.)	16.5	12.9	11.1
P/B	1.7	1.7	1.6
EV/Sales	0.4	0.4	0.4
EV/EBITDA	6.5	6.3	5.6
EV/EBIT (adj.)	11.0	10.2	8.9
Payout ratio (%)	96.5 %	77.1 %	67.6 %
Dividend yield-%	5.9 %	6.0 %	6.1 %

Source: Inderes

No big surprises in the result, market outlook slightly cooler

Significant decline in revenue as expected

In Q3, Kreate's revenue decreased by 12% to approximately 78 MEUR, slightly exceeding our forecast of 76 MEUR. In line with our expectations, the revenue decline slowed down compared to the first half of the year as projects started to ramp up and comparison periods started to become easier. By business line, revenue has declined in bridge and foundation construction, but railway construction has shown signs of recovery.

By country, revenue increased strongly in Sweden by 55% to 10.1 MEUR (forecast: 7.7 MEUR), but decreased in Finland, as expected, by 17% to 67.5 MEUR (forecast: 67.9 MEUR). The order book was still 31% down at 153 MEUR, but several railway projects received are still to be included in the order book for the execution phase (total project value around 300-400 MEUR).

Relative profitability significantly improved

Despite the markedly lower revenue, Kreate's EBITA of 3.1 MEUR was above the comparison period (Q3'23: 2.9 MEUR), in line with our predictions. The EBITA margin rose up to 4.0% from the comparison period (Q3'23: 3.3%). Profitability improved for the fourth quarter in a row as old fixed-price projects no longer weigh on the cost side. In addition, the growth investments made in previous years in Sweden and in the rail business are starting to bear fruit.

In the lower lines, financial expenses were slightly lower than expected and the result before tax was well above our expectations. Earnings per share increased from the comparison period to EUR 0.20 (Q3'23: 0.16 MEUR) and also exceeded our expectations of EUR 0.18.

Guidance unchanged, with some short-term weakening in outlook

According to Kreate's guidance, revenue will decrease and amount to 270-300 MEUR in 2024 (2023: 320 MEUR). EBITA is expected to grow to 8-11 MEUR (2023: 7.8 MEUR). In terms of EBITA, we see Kreate meeting the guidance, but there is a guidance risk in terms of revenue. However, we would not be concerned about a possible revenue shift. The infrastructure market situation is currently very good in Sweden, but more neutral or even subdued in Finland. The outlook for basic infrastructure construction in particular is still uncertain, which will keep competition intense until the first half of next year. Decisions on both public and private projects are also taking longer than usual. In the longer term, the market outlook and Kreate's order intake appear strong.

Estimates MEUR / EUR	Q3'23	Q3'24	Q3'24e	Q3'24e	Consensus		Difference (%)	2024e
	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. inderes	Inderes
Revenue	88.3	77.6	75.6				3%	276
EBITA (adj.)	2.9	3.1	3.1				0%	9.2
EBIT	2.8	3.1	3.0				2%	9.1
PTP	1.7	2.4	2.1				13%	6.5
EPS (reported)	0.16	0.20	0.18				11%	0.51
Revenue growth-%	20.4 %	-12.1 %	-14.4 %				2.3 pp	-13.9 %
EBITA-% (adj.)	3.3 %	4.0 %	4.1 %				-0.1 pp	3.3 %

Source: Inderes

Slightly lower estimates for 2025

Estimate revisions 2024e-2026e

- We made no significant changes to our estimates for this year
- We expect revenue (24e: 276 MEUR) and the result (EBITA: 9.2 MEUR) to reach guidance
- However, the slightly weaker near-term outlook lowered our forecasts for 2025
- We expect the market to remain slow in H1 and revenue growth to pick up towards the end of 2025. Fierce competition is likely to continue into next year.
- We expect to see clearer growth in 2026, when the big contracts won are well underway and the market is healthier

Operational result drivers 2024e–2026e:

- A turnaround in the infrastructure market and an increase in volumes
- Moderation of cost pressures
- Leverage from rising volumes
- Completion of old cost-intensive projects in 2023
- Return on growth investments in railway construction and Sweden
- Easing of competitive pressure as other new construction recovers

Estimate revisions	2024e	2024e	Change	2025e	2025e	Change	2026e	2026e	Change
MEUR / EUR	Old	New	%	Old	New	%	Old	New	%
Revenue	275	276	0%	293	282	-4%	305	297	-3%
EBITA excl. NRIs	9.2	9.2	0%	11.1	10.5	-6%	12.1	11.9	-1%
EBIT	9.1	9.1	0%	10.9	10.4	-5%	11.9	11.9	0%
PTP	6.3	6.5	3%	8.4	7.7	-9%	9.3	9.3	0%
EPS (excl. NRIs)	0.50	0.51	2%	0.70	0.65	-7%	0.78	0.75	-3%
DPS	0.49	0.49	0%	0.50	0.50	0%	0.51	0.51	0%

Source: Inderes

Moderately neutral valuation

Absolute multiples

We forecast an increase in Kreate's earnings in 2024, but the stock is starting to be valued at a challenging level relative to that (2024e: EV/EBIT: 11x, P/E: 17x). However, with the turnaround in the preliminary earnings trend we have seen, we are already more confident about the longer-term potential.

A slowly improving market and a positive earnings trend will bring Kreate's result back closer to normal in 2025, bringing the valuation down to a moderately neutral level now (25e: EV/EBIT: 10x, P/E: 13x). Compared to our acceptable valuation (EV/EBIT, P/E: 10-12), however, the stock would have no upside potential.

The dividend yield of 6-7% for the coming years, enabled by the strong cash flow of the business model, also supports the expected return on the stock. 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 much in terms of investment, and now the company also has financing capacity for growth investments, e.g., if a good takeover target comes along.

Peer group

A good peer group of Nordic listed companies in the industry is available for Kreate. Looking ahead to 2025, we believe the valuation level of peers is reasonably moderate (25e median EV/EBIT: 11x, P/E: 12x). Kreate is valued in line with its peers. However, the valuation of peers varies between a clear premium and a discount as forecast uncertainty is high. In that sense, we think that the usefulness of

relative valuation is not very good and we are not giving it much weight right now. However, the level of peers must be already considered to some extent in the absolute valuation of Kreate.

DCF valuation

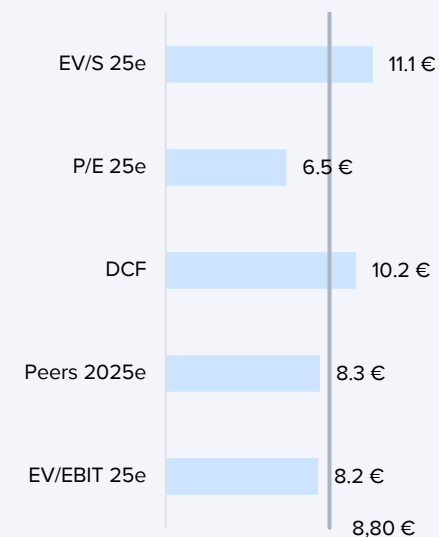
We also use DCF in the valuation. In our model, the company's revenue growth stabilizes at 1.5% in the terminal period after stronger medium-term growth, and the EBIT margin is 4.0% of revenue. This is below the company's target EBITA margin of over 5%, but we also do not see the company achieving this on a sustainable basis based on current evidence. The average cost of capital (WACC) used is 9.0% and the cost of equity is 11.0%.

Our DCF model indicates a share value of EUR 10.2. The value of the model is slightly above the share price and our target price and moderately supports the stock at current levels. For a more detailed presentation of the calculation, see the figure in the annex.

Valuation	2024e	2025e	2026e
Share price	8.36	8.36	8.36
Market cap	74	74	74
EV	100	106	105
P/E (adj.)	16.5	12.9	11.1
P/B	1.7	1.7	1.6
EV/Sales	0.4	0.4	0.4
EV/EBITDA	6.5	6.3	5.6
EV/EBIT (adj.)	11.0	10.2	8.9
Payout ratio (%)	96.5 %	77.1 %	67.6 %
Dividend yield-%	5.9 %	6.0 %	6.1 %

Source: Inderes

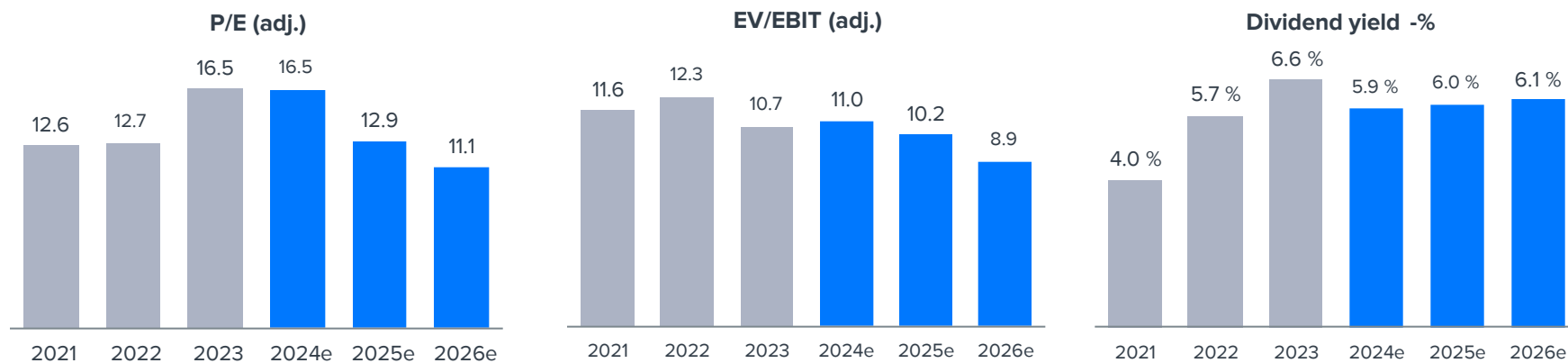
Target price breakdown



Valuation table

Valuation	2019	2020	2021	2022	2023	2024e	2025e	2026e	2027e
Share price			11.4	8.09	7.22	8.36	8.36	8.36	8.36
Market cap			99	73	64	74	74	74	74
EV			120	106	81	100	106	105	104
P/E (adj.)			12.6	12.7	16.5	16.5	12.9	11.1	10.3
P/B			2.4	1.7	1.5	1.7	1.7	1.6	1.5
EV/Sales			0.5	0.4	0.3	0.4	0.4	0.4	0.3
EV/EBITDA			8.4	7.8	5.8	6.5	6.3	5.6	5.2
EV/EBIT (adj.)			11.6	12.3	10.7	11.0	10.2	8.9	8.3
Payout ratio (%)			56.4 %	72.4 %	109.7 %	96.5 %	77.1 %	67.6 %	63.9 %
Dividend yield-%			4.0 %	5.7 %	6.6 %	5.9 %	6.0 %	6.1 %	6.2 %

Source: Inderes



Peer group valuation

Peer group valuation Company	Market cap	EV	EV/EBIT		EV/EBITDA		EV/Revenue		P/E		Dividend yield-%		P/B
	MEUR	MEUR	2024e	2025e	2024e	2025e	2024e	2025e	2024e	2025e	2024e	2025e	2024e
YIT Oyj	610	1571	7854.3	27.2	136.6	19.0	0.8	0.8					0.8
NRC Group ASA	30	105		6.8	7.2	3.2	0.2	0.2		3.5		17.7	0.1
Veidekke ASA	1404	1360	9.9	9.1	6.0	5.6	0.4	0.4	13.3	12.4	6.7	7.0	5.0
Sdiptech AB (publ)	1004	1004	12.3	10.9	8.9	8.1	2.1	1.9	23.7	19.7			2.6
Ncc AB	1491	1952	12.4	12.3	7.3	7.3	0.4	0.4	11.8	11.5	4.6	4.6	2.1
Peab AB	2083	3480	17.2	16.9	10.5	10.2	0.7	0.7	14.3	14.1	3.0	3.8	1.5
Skanska AB	7933	7887	12.8	11.1	9.7	8.6	0.5	0.5	14.5	12.8	3.5	3.8	1.5
SRV Yhtiot Oyj	96	226	13.7	9.2	9.8	7.2	0.3	0.3	12.3	7.0		2.3	0.7
Consti Oyj	88	92	8.0	6.8	5.9	5.4	0.3	0.3	10.3	8.6	5.9	6.7	1.9
MT Hoejgaard Holding A/S	223	191	3.2	3.9	2.4	2.7	0.1	0.2	9.2	6.2			1.6
NYAB	383	375	16.7	13.4	13.7	11.6	1.1	1.0	21.5	17.9	1.9	3.7	1.9
Kreate (Inderes)	74	100	11.0	10.2	6.5	6.3	0.4	0.4	16.5	12.9	5.9	6.0	1.7
Average			796.0	11.6	19.8	8.1	0.6	0.6	14.5	11.4	4.3	6.2	1.8
Median			12.6	10.9	8.9	7.3	0.4	0.4	13.3	12.0	4.0	4.2	1.6
Diff-% to median			-13%	-6%	-27%	-14%	-4%	-1%	24%	8%	46%	42%	5%

Source: Refinitiv / Inderes

Income statement

Income statement	2021	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24	Q2'24	Q3'24	Q4'24e	2024e	2025e	2026e	2027e
Revenue	237.6	273.9	65.8	85.7	88.3	80.2	320.0	54.4	68.0	77.6	75.6	275.6	281.8	296.7	308.0
Finland	0.0	0.0	62.3	80.0	81.8	73.5	297.5	47.9	61.6	67.5	65.4	242.4	241.6	248.9	254.9
Sweden	0.0	0.0	3.5	5.7	6.5	6.7	22.5	6.5	6.4	10.1	10.2	33.2	40.2	47.8	53.1
EBITDA	14.2	13.6	1.0	4.1	4.0	4.8	14.0	1.6	4.1	4.7	5.0	15.4	16.8	18.8	19.7
Depreciation	-3.9	-5.0	-1.4	-1.6	-1.2	-2.2	-6.4	-1.4	-1.5	-1.6	-1.8	-6.3	-6.4	-6.9	-7.2
EBITA (adj.)	10.5	8.8	-0.4	2.6	2.9	2.7	7.8	0.3	2.6	3.1	3.3	9.2	10.5	11.9	12.6
EBIT (excl. NRI)	10.3	8.6	-0.4	2.5	2.8	2.6	7.6	0.2	2.6	3.1	3.2	9.1	10.4	11.9	12.5
EBIT	10.3	8.6	-0.4	2.5	2.8	2.6	7.6	0.2	2.6	3.1	3.2	9.1	10.4	11.9	12.5
Net financial items	-2.1	-1.9	-0.4	-0.6	-1.1	-0.8	-2.9	-0.8	-0.5	-0.7	-0.6	-2.6	-2.7	-2.6	-2.5
PTP	8.2	6.7	-0.9	1.9	1.7	1.9	4.7	-0.6	2.1	2.4	2.6	6.5	7.7	9.3	10.0
Taxes	-1.3	-1.1	0.2	-0.4	-0.3	-0.2	-0.7	0.1	-0.5	-0.6	-0.5	-1.5	-1.6	-2.2	-2.3
Minority interest	0.0	0.2	0.0	0.0	-0.1	0.0	-0.2	-0.1	-0.2	0.0	-0.1	-0.4	-0.4	-0.4	-0.4
Net earnings	6.9	5.8	-0.7	1.5	1.3	1.6	3.7	-0.7	1.4	1.8	2.0	4.5	5.8	6.7	7.2
EPS (adj.)	0.80	0.64	-0.08	0.17	0.16	0.18	0.44	-0.08	0.16	0.20	0.22	0.51	0.65	0.75	0.81
EPS (rep.)	0.80	0.64	-0.08	0.17	0.16	0.18	0.44	-0.08	0.16	0.20	0.22	0.51	0.65	0.75	0.81
Key figures	2021	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24	Q2'24	Q3'24	Q4'24e	2024e	2025e	2026e	2027e
Revenue growth-%	1.0 %	15.3 %	30.6 %	27.8 %	20.4 %	-3.5 %	16.8 %	-17.3 %	-20.7 %	-12.1 %	-5.7 %	-13.9 %	2.3 %	5.3 %	3.8 %
Adj. EBITA growth-%	0.1 %	-17.0 %	-134.5 %	9.2 %	-2.4 %	17.8 %	-10.5 %	-165.8 %	0.0 %	7.9 %	20.4 %	18.0 %	13.2 %	14.0 %	5.4 %
Adj. EBITA-%	4.4 %	3.2 %	-0.6 %	3.0 %	3.3 %	3.4 %	2.4 %	0.5 %	3.8 %	4.0 %	4.3 %	3.4 %	3.7 %	4.0 %	4.1 %
Adjusted EBIT-%	4.4 %	3.1 %	-0.7 %	3.0 %	3.2 %	3.3 %	2.4 %	0.4 %	3.8 %	4.0 %	4.3 %	3.3 %	3.7 %	4.0 %	4.1 %

Balance sheet

Assets	2022	2023	2024e	2025e	2026e
Non-current assets	74.9	75.6	77.5	79.3	80.6
Goodwill	40.0	40.0	40.0	40.0	40.0
Intangible assets	0.7	0.5	0.5	0.6	0.7
Tangible assets	22.8	23.3	25.2	26.9	28.2
Associated companies	10.0	10.5	10.5	10.5	10.5
Other investments	0.0	0.0	0.0	0.0	0.0
Other non-current assets	0.2	0.3	0.3	0.3	0.3
Deferred tax assets	1.2	1.0	1.0	1.0	1.0
Current assets	59.6	59.0	50.6	54.2	57.1
Inventories	0.0	0.0	0.0	0.0	0.0
Other current assets	0.4	0.7	0.7	0.7	0.7
Receivables	49.8	34.6	35.8	42.3	44.5
Cash and equivalents	9.4	23.6	14.1	11.3	11.9
Balance sheet total	135	135	128	134	138

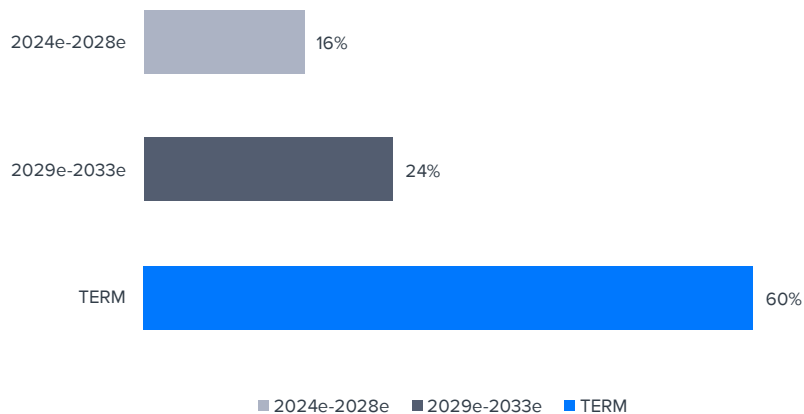
Source: Inderes

Liabilities & equity	2022	2023	2024e	2025e	2026e
Equity	42.6	42.7	42.9	44.4	46.6
Share capital	0.1	0.1	0.1	0.1	0.1
Retained earnings	23.4	24.0	24.2	25.7	27.9
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	19.2	18.7	18.7	18.7	18.7
Minorities	-0.1	-0.1	-0.1	-0.1	-0.1
Non-current liabilities	35.4	34.0	33.8	38.3	36.7
Deferred tax liabilities	1.5	1.5	0.7	0.5	0.5
Provisions	1.9	3.1	3.1	3.1	3.1
Interest bearing debt	32.1	29.4	30.0	34.7	33.1
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	56.6	57.9	51.4	50.9	54.4
Interest bearing debt	10.7	11.0	10.0	8.6	9.9
Payables	45.5	46.8	41.3	42.3	44.5
Other current liabilities	0.4	0.0	0.0	0.0	0.0
Balance sheet total	135	135	128	134	138

DCF calculation

DCF model	2023	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	TERM
Revenue growth-%	16.8 %	-13.9 %	2.3 %	5.3 %	3.8 %	4.0 %	2.0 %	2.0 %	2.0 %	2.0 %	1.5 %	1.5 %
EBIT-%	2.4 %	3.3 %	3.7 %	4.0 %	4.1 %	4.0 %	4.0 %	4.0 %	4.0 %	4.0 %	4.0 %	4.0 %
EBIT (operating profit)	7.6	9.1	10.4	11.9	12.5	12.8	13.1	13.3	13.6	13.9	14.1	
+ Depreciation	6.4	6.3	6.4	6.9	7.2	7.5	7.6	7.8	7.9	8.0	8.0	
- Paid taxes	-0.5	-2.3	-1.8	-2.2	-2.3	-2.4	-2.5	-2.6	-2.7	-2.8	-2.9	
- Tax, financial expenses	-0.5	-0.6	-0.5	-0.6	-0.6	-0.6	-0.5	-0.5	-0.5	-0.4	-0.4	
+ 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	15.9	-6.7	-5.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Operating cash flow	28.9	5.7	9.0	16.0	16.8	17.3	17.6	18.0	18.3	18.6	18.8	
+ Change in other long-term liabilities	1.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-6.8	-8.2	-8.2	-8.2	-8.2	-8.2	-8.2	-8.2	-8.2	-8.2	-8.0	
Free operating cash flow	23.3	-2.5	0.8	7.8	8.6	9.1	9.4	9.8	10.1	10.4	10.8	
+/- Other	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	23.5	-2.5	0.8	7.8	8.6	9.1	9.4	9.8	10.1	10.4	10.8	147
Discounted FCFF		-2.4	0.7	6.4	6.5	6.3	6.0	5.7	5.4	5.1	4.9	66.5
Sum of FCFF present value		111	114	113	107	100	93.7	87.7	81.9	76.5	71.4	66.5
Enterprise value DCF		111										
- Interest bearing debt		-40.4										
+ Cash and cash equivalents		23.6										
-Minorities		0.2										
-Dividend/capital return		-4.3										
Equity value DCF		90.4										
Equity value DCF per share		10.2										

Cash flow distribution

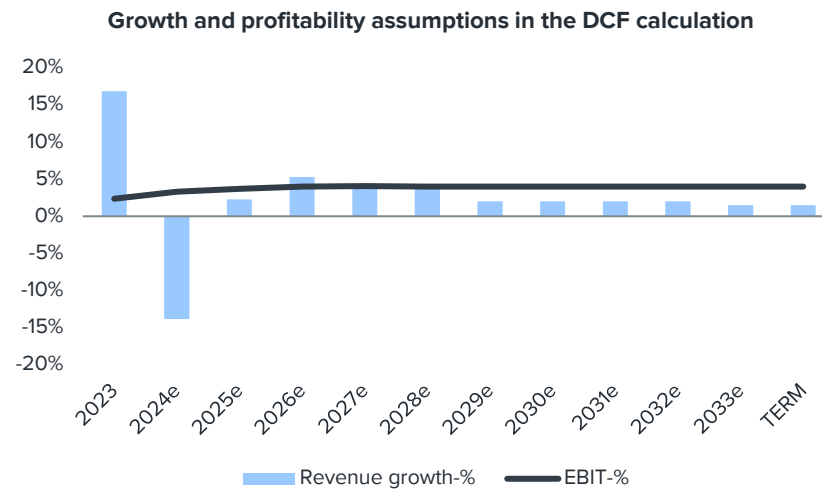
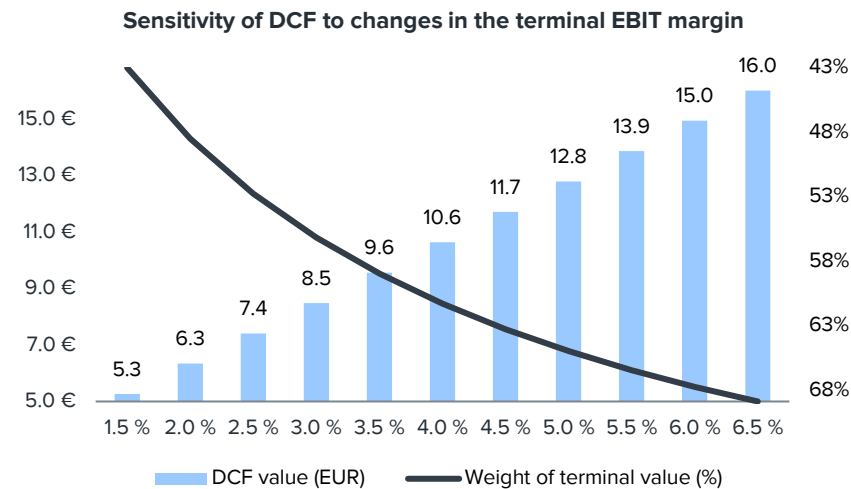
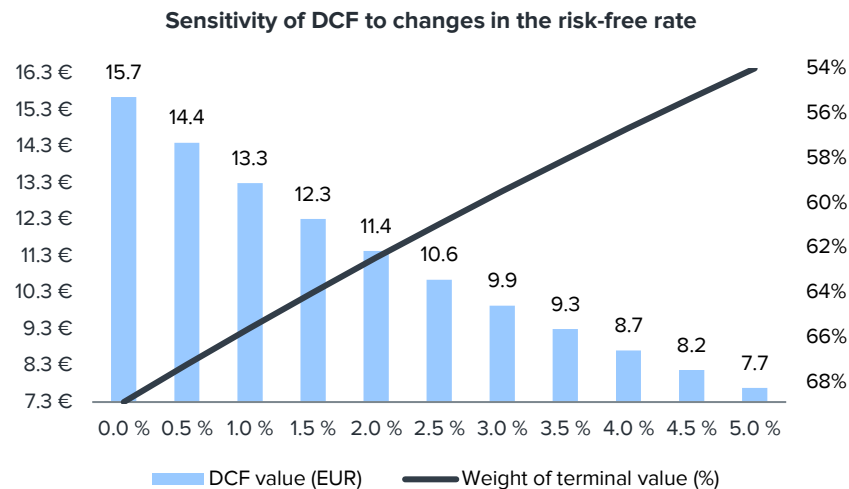
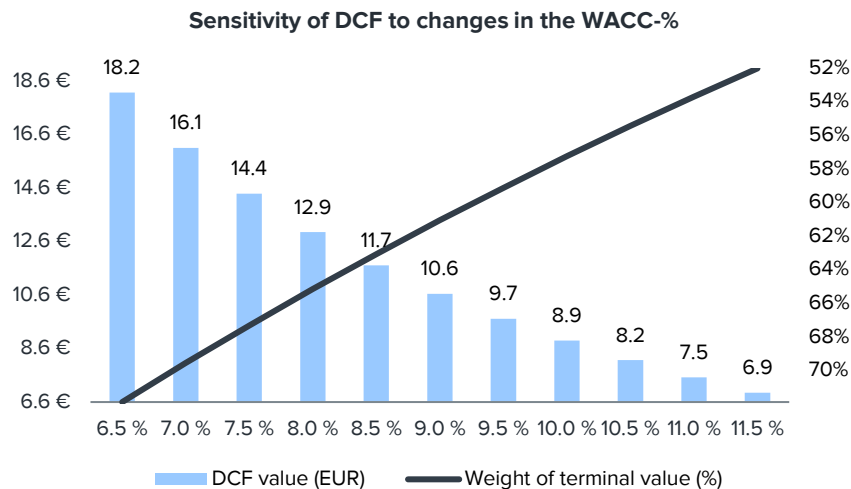


WACC

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

DCF sensitivity calculations and key assumptions in graphs



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

Summary

Income statement	2022	2023	2024e	2025e	Per share data	2022	2023	2024e	2025e
Revenue	273.9	320.0	275.6	281.8	EPS (reported)	0.64	0.44	0.51	0.65
EBITDA	13.6	14.0	15.4	16.8	EPS (adj.)	0.64	0.44	0.51	0.65
EBIT	8.6	7.6	9.1	10.4	OCF / share	0.88	3.25	0.65	1.01
PTP	6.7	4.7	6.5	7.7	FCF / share	-0.63	2.64	-0.28	0.09
Net Income	5.7	3.9	4.5	5.8	Book value / share	4.75	4.81	4.84	5.00
Extraordinary items	0.0	0.0	0.0	0.0	Dividend / share	0.46	0.48	0.49	0.50
Balance sheet	2022	2023	2024e	2025e	Growth and profitability	2022	2023	2024e	2025e
Balance sheet total	134.5	134.6	128.1	133.6	Revenue growth-%	15%	17%	-14%	2%
Equity capital	42.6	42.7	42.9	44.4	EBITDA growth-%	-4%	3%	10%	9%
Goodwill	40.0	40.0	40.0	40.0	EBIT (adj.) growth-%	-17%	-12%	20%	14%
Net debt	33.4	16.8	25.9	32.0	EPS (adj.) growth-%	-29%	-31%	16%	28%
Cash flow	2022	2023	2024e	2025e	EBITDA-%	5.0 %	4.4 %	5.6 %	5.9 %
EBITDA	13.6	14.0	15.4	16.8	EBIT (adj.)-%	3.1 %	2.4 %	3.3 %	3.7 %
Change in working capital	-4.1	15.9	-6.7	-5.5	EBIT-%	3.1 %	2.4 %	3.3 %	3.7 %
Operating cash flow	7.9	28.9	5.7	9.0	ROE-%	13.6 %	9.1 %	10.5 %	13.2 %
CAPEX	-12.8	-6.8	-8.2	-8.2	ROI-%	11.2 %	9.0 %	10.9 %	12.2 %
Free cash flow	-5.7	23.5	-2.5	0.8	Equity ratio	31.6 %	31.7 %	33.5 %	33.2 %
Valuation multiples	2022	2023	2024e	2025e	Gearing	78.5 %	39.3 %	60.3 %	72.2 %
EV/S	0.4	0.3	0.4	0.4					
EV/EBITDA	7.8	5.8	6.5	6.3					
EV/EBIT (adj.)	12.3	10.7	11.0	10.2					
P/E (adj.)	12.7	16.5	16.5	12.9					
P/B	1.7	1.5	1.7	1.7					
Dividend-%	5.7 %	6.6 %	5.9 %	6.0 %					

Source: Inderes

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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 €



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