

HKFoods

Company report

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✓ Inderes corporate customer

This report is a summary translation of the report “Velkataakan keventäminen ottaa aikaa” published on 8/8/2024 at 9:09 am EEST

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res.

Reducing the debt burden takes time

We expect HKFoods' business performance to continue improving in the near future, although the Q2 result was softer than we expected. The risk associated with the financial position has decreased, but high interest costs still make reducing the debt burden difficult and weaken shareholder's expected return. We reiterate our Reduce recommendation and lower our target price to EUR 0.55 (previous EUR 0.65) due to estimate cuts.

Revenue grew considerably but profitability was below expectations

The Q2 revenue of HKFoods' continuing operations was 255 MEUR, growing by 9% y-o-y and exceeding our forecast by 1%. This growth was driven by, e.g., gaining market shares in Finland as a result of commercial success, an accounting-related technical increase in external revenue from the Polish bacon unit, and exports shifting from Q1 to Q2 due to strikes. Adjusted EBIT was 4.4 MEUR, improving slightly from the comparison period (4.2 MEUR), but falling short of our forecast (5.7 MEUR). According to the company, e.g., tight cost levels, such as higher wages and external service prices, impacted profitability negatively. An increase in the share of low-margin exports also weighed on profitability relative to revenue. Financial expenses exceeded our forecast mainly due to a one-off item of 1.5 MEUR related to the redemption of the company's 90 MEUR bond in June.

Completion of efficiency measures supports profitability in H2

The company reiterated its guidance that 2024 comparable EBIT from continuing operations will improve compared to 2023 (2023: 11.6 MEUR). We expect adjusted EBIT to improve by 6 MEUR in 2024 (+3.8 MEUR y-o-y in H1) and by 4.6 MEUR in 2025. Earnings development is supported by, e.g., estimated efficiency gains of 6 MEUR related to the company's recent efficiency investments, which should be reflected in the figures starting from Q3. In addition, the technical increase in Poland's external revenue will support figures also during 2025 through the Danish divestment. We cut our adjusted EBIT forecasts by 10-12% for 2024-26, after the Q2 result fell short of our expectations.

Financial position strengthened, but the hybrid is not yet redeemed

Debt financing was rearranged during Q2, as a result of which the majority of HKFoods' loans (110 MEUR) will not mature until 2027, giving the company calm working conditions. The approximately 40 MEUR debts maturing in 2025 will be settled mainly with the selling price related to the Danish divestment (cash payment of 35 MEUR). HKFoods stated that it cannot redeem its expensive 26 MEUR hybrid loan in 2024 due to the covenants of its new financing agreements. In our assumptions, the hybrid will be redeemed in 2026, which requires good performance.

The expected return is weak at the current valuation level and without dividend

With our current forecasts, we still consider the stock's valuation high. Adjusted EV/EBIT ratios are 13x with 2024 estimates and 10x with 2025 estimates, the first of which exceeds the level we consider fair (~10x) and the second still contains significant uncertainty considering the historical profitability challenges of the company and industry. The low net result and the absence of dividend yield caused by the financial situation substantially weaken the expected return. The stock would be attractive if the earnings turnaround we predict materializes and the company cuts its debt burden and reduces its financial expenses. However, a significant reduction in the debt level and financial expenses will take several years, so we reiterate our Reduce recommendation.

Recommendation

Reduce

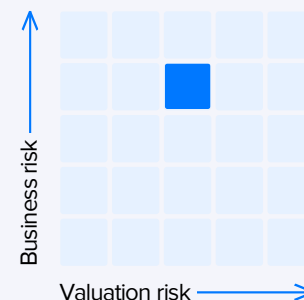
(previous Reduce)

EUR 0.55

(previous EUR 0.65)

Share price:

0.63



Key figures

	2023	2024e	2025e	2026e
Revenue	1163.2	1004.2	1054.8	1075.9
growth-%	-37%	-14%	5%	2%
EBIT adj.	14.9	17.6	22.2	23.1
EBIT-% adj.	1.3 %	1.7 %	2.1 %	2.2 %
Net Income	-21.6	-10.8	-0.6	4.2
EPS (adj.)	-0.25	-0.10	-0.01	0.05

P/E (adj.)	neg.	neg.	neg.	14.0
P/B	0.5	0.4	0.4	0.4
Dividend yield-%	0.0 %	0.0 %	0.0 %	4.3 %
EV/EBIT (adj.)	26.0	12.9	9.7	9.2
EV/EBITDA	7.3	4.7	3.9	3.7
EV/S	0.3	0.2	0.2	0.2

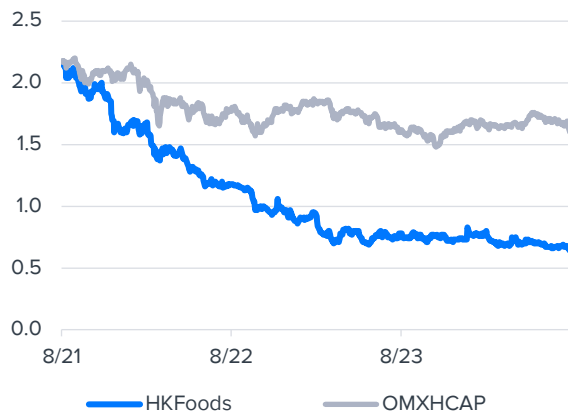
Source: Inderes

Guidance

(Unchanged)

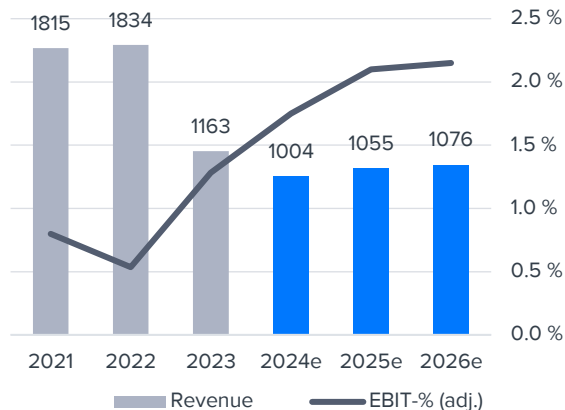
HKFoods expects the comparable operating result of the Group's continuing operations to improve from 2023.

Share price



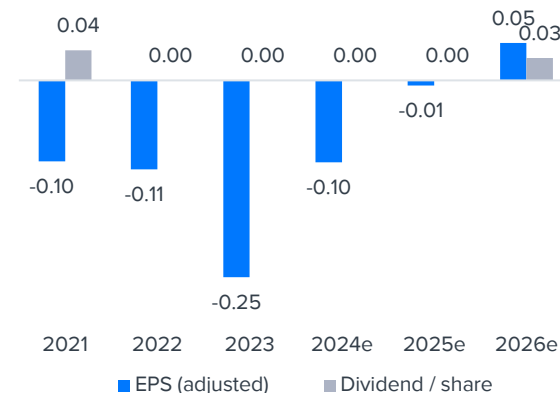
Source: Millistream Market Data AB

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 strengthened through divestments



Risk factors

- Long-term decline in 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
- Debt levels remain high relative to earnings levels

Valuation	2024e	2025e	2026e
Share price	0.63	0.63	0.63
Number of shares, millions	89.9	89.9	89.9
Market cap	57	57	57
EV	226	215	212
P/E (adj.)	neg.	neg.	13.4
P/E	neg.	neg.	13.4
P/B	0.4	0.4	0.4
P/S	0.1	0.1	0.1
EV/Sales	0.2	0.2	0.2
EV/EBITDA	4.7	3.9	3.7
EV/EBIT (adj.)	12.9	9.7	9.2
Payout ratio (%)	0.0 %	0.0 %	59.8 %
Dividend yield-%	0.0 %	0.0 %	4.5 %

Source: Inderes

Slight improvement in Q2 but profitability was below our forecast

Revenue grew in line with expectations

HKFoods' Q2 comparable revenue was 254.6 MEUR, up 9% year-on-year. Revenue is only reported for one unit, HKFoods in Finland. However, we believe part of the relative growth was generated for technical reasons by the technical increase in the external revenue of the Polish bacon business when internal sales previously directed to Scan in Sweden can now be reported as external revenue. The impact of Poland is not reported, but we estimated in the preview that the growth impact will be just under 6 percentage points. HKFoods reports that it has strengthened its position in the Finnish market thanks to successful commercial measures. However, caution is still observed in consumer purchasing behavior, as demand for beef cuts was, for example, weaker than in the comparison period.

Profitability fell somewhat short of expectations

HKFoods' adjusted EBIT was 4.4 MEUR (1.7% of revenue) in Q2, which was slightly better than in the

comparison period in absolute terms (4.2 MEUR, 1.8% of revenue). According to the company, profitability was affected by the still high level of costs, e.g., in external services and wages. Low demand for red meat cuts also had a negative impact on profitability. Reported EBIT was 3.1 MEUR and decreased from the comparison period (4.4 MEUR). Costs affecting comparability (total 1.3 MEUR) included termination costs of 0.7 MEUR and costs related to write-downs from assets of 0.6 MEUR. Net financial expenses were 4.9 MEUR and thus higher than our forecast (3.5 MEUR), of which 1.5 MEUR related to the redemption of a bond in June.

The financial situation was rearranged and is now better – the redemption of the hybrid moved to the future

HKFoods rearranged its financing during Q2, which means that the maturity distribution of the company's loans is significantly more favorable compared to Q1. The company redeemed most of the 90 MEUR bond

maturing in 2025. The company issued a new 90 MEUR bond and signed a new 20 MEUR credit line, which will mature in 2027. The company still has approximately 40 MEUR of debt maturing in 2025, which will be paid mainly with the money from the Danish divestment (35 MEUR in cash) upon completion of the transaction, which we consider highly probable. The company said it cannot redeem its 26 MEUR hybrid loan during 2024 because the covenants of the new financing solutions do not allow this. Interest-bearing net debt stood at 216 MEUR at the end of Q2 (Q1: 208 MEUR) including lease liabilities, but excluding the hybrid loan. Net leverage was 98.5%, with loan covenants starting from 115% (the limit decreases annually and is 100% from June 2026).

Estimates	Q2'23	Q2'24	Q2'24e	Q2'24e	Consensus	Difference (%)	2024e	
MEUR / EUR	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. inderes	Inderes
Revenue	234	255	252				1%	1004
EBITDA*	11.7	11.4	13.4				-15%	48.5
EBIT (adj.)	4.2	4.4	5.7				-22%	17.6
EBIT	4.4	3.1	5.7				-45%	16.1
PTP*	-2.0	-1.4	2.5				-157%	0.9
EPS (reported)*	-0.05	-0.03	0.00				-9214%	-0.10
Revenue growth-%	9.0 %	8.8 %	7.6 %				1.1 pp	7.2 %
EBIT-% (adj.)	1.8 %	1.7 %	2.3 %				-0.5 pp	1.7 %

Lähde: Inderes

We cut our profitability forecasts

We still expect the result to improve significantly

- The company reiterated its guidance that 2024 comparable EBIT from continuing operations will improve compared to 2023 (2023: 11.6 MEUR). Since H1, the adjusted EBIT has improved by a total of 3.8 MEUR year-on-year, so the starting point for achieving the guidance is still good, even though Q2's profitability fell short of our expectations. We now estimate 2024 adjusted EBIT to be 17.6 MEUR.
- During Q2, the company completed the automation investments in Rauma's poultry production. The efficiency investments in Forssa's packaging operations progressed as expected. According to the company, the measures will result in an efficiency improvement of approximately 6 MEUR, which will become visible in the figures starting from Q3.
- We cut our adjusted EBIT forecasts by 12% for 2024 and by 10% for 2025-26. We expect adjusted EBIT to improve by 2 MEUR during H2 y-o-y (6 MEUR in 2024). For 2025, we anticipate a 4.6 MEUR earnings improvement related to, e.g., the above-mentioned efficiency measures and revenue growth.
- Poland's external revenue growth should continue during 2025, as Poland also exports to Denmark. The sales to Denmark are not currently reflected in HKFoods' figures for continuing operations, as it is for the time being internal sales between group companies.
- We raised our financial expense forecasts due to the higher-than-expected interest rate of the new bond. However, the interest rate level of the Euribor-linked bond may fall if the overall market rate falls.

Estimate revisions MEUR / EUR	2024e		Change %	2025e		Change %	2026e		Change %
	Old	New		Old	New		Old	New	
Revenue	1000	1004	0%	1051	1055	0%	1072	1076	0%
EBITDA	50.5	48.5	-4%	58.7	55.6	-5%	58.7	57.2	-3%
EBIT (exc. NRIs)	20.0	17.6	-12%	24.7	22.2	-10%	25.7	23.1	-10%
EBIT	19.8	16.1	-19%	24.7	22.2	-10%	25.7	23.1	-10%
PTP	6.7	0.9	-87%	14.1	10.5	-26%	16.2	13.2	-19%
EPS (excl. NRIs)	-0.05	-0.10	-96%	0.03	-0.01	-120%	0.07	0.05	-36%
DPS	0.00	0.00		0.00	0.00		0.03	0.03	0%

Source: Inderes

Uncertain earnings outlook and debts depress valuation

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.

More evidence is needed on the profitability turnaround

Despite recent positive performance and ongoing efficiency measures, there is still some uncertainty about the sustainability of the earnings turnaround. The market's confidence the earnings turnaround requires evidence over a longer period of time. 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 in history, which could change by concentrating investments and business focus on Finland, which is about to materialize in 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 there are still uncertainties in the financial position. The ratio of net debt to EBITDA at the end of 2024 is still highish in our forecasts at

3.1x. We do not expect the company to be able to redeem the hybrid loan in 2024-25 without share-driven financing solutions, which could mean that the expensive hybrid loan will continue to weigh on cash flow in the next few years (4 MEUR p.a.). High financial expenses consume a significant part of cash flows and make it more difficult to reduce the debt burden.

Earnings-based valuation multiples have decreased to reasonable levels

HKFoods' earnings-based valuation multiples have recently decreased as, e.g., divestments have released hidden value from the balance sheet and, on the other hand, through improved profitability of the Finnish businesses. Adjusted EV/EBIT is now 13x with 2024 forecasts and 10x with 2025 forecasts. We feel the share can be considered expensive with 2024 forecasts. With 2025 forecasts, the valuation is already closer to the fair level, but there is no upside. The materialization of 2025 forecasts is also subject to significant uncertainty regarding, e.g., the effects of efficiency improvements, consumer demand and reporting changes in Poland. The lack of dividend yield also weakens the expected return, so we reiterate our Reduce recommendation and cut the target price to EUR 0.55 (previously EUR 0.65).

Valuation	2024e	2025e	2026e
Share price	0.63	0.63	0.63
Number of shares, millions	89.9	89.9	89.9
Market cap	57	57	57
EV	226	215	212
P/E (adj.)	neg.	neg.	13.4
P/E	neg.	neg.	13.4
P/B	0.4	0.4	0.4
P/S	0.1	0.1	0.1
EV/Sales	0.2	0.2	0.2
EV/EBITDA	4.7	3.9	3.7
EV/EBIT (adj.)	12.9	9.7	9.2
Payout ratio (%)	0.0 %	0.0 %	59.8 %
Dividend yield-%	0.0 %	0.0 %	4.5 %

Source: Inderes

Factors supporting the valuation of HKFoods:

- Positive development in profitability
- Potential to become a stable dividend company

Factors negatively affecting KHfoods' valuation:

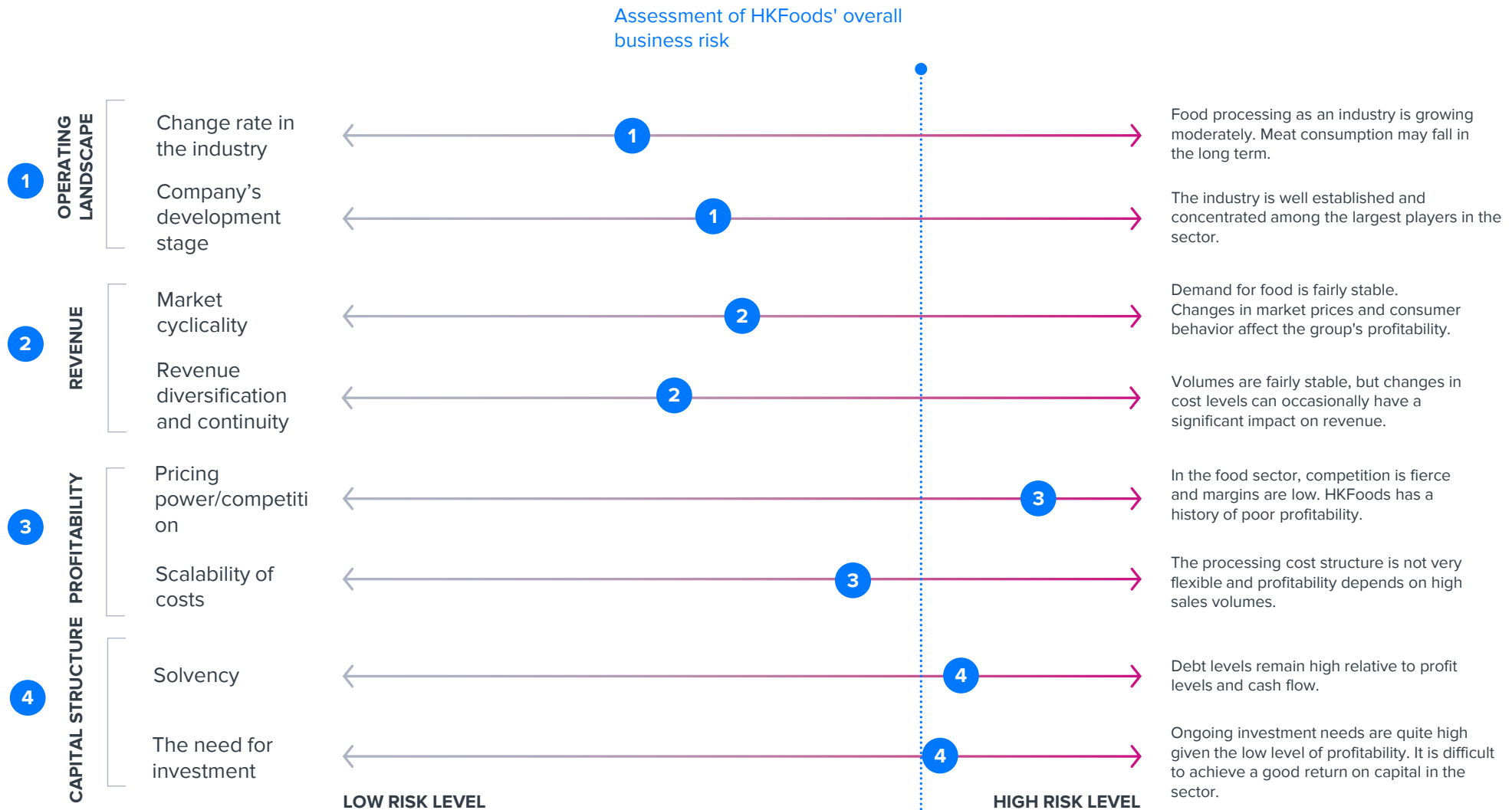
- Low return on capital in a competitive market
- Historical profitability challenges
- High debt

Source: Inderes

Detailed estimates

MEUR	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
Revenue	1715	1744	1781	1815	1834	1163	1004	1055	1076
-growth	-5.1%	1.7%	2.1%	1.9%	1.0%	-36.6%	-13.7%	5.0%	2.0%
HKScan Finland	722	771	772	772	868	933	1004	1055	1076
-growth	-2.7%	6.7%	0.2%	0.0%	12.4%	7.5%	7.6%	5.0%	2.0%
-of which organic growth					12.4%	6.5%	3.4%	3.0%	2.0%
-of which growth related to the change in Polish reporting						0.9%	4.2%	2.0%	0.0%
Gross profit	55	74	117	110	97	79	70	75	77
-% of revenue	3.2%	4.2%	6.6%	6.1%	5.3%	6.8%	7.0%	7.2%	7.2%
Fixed costs (excl. depreciation)	-37	-17	-39	-32	-42	-26	-21	-20	-20
EBITDA	18	57	78	78	56	53	48	56	57
-% of revenue	1.0%	3.3%	4.4%	4.3%	3.0%	4.5%	4.8%	5.3%	5.3%
Depreciation and amortization	-67	-80	-57	-60	-46	-35	-32	-33	-34
EBIT	-49	-23	21	18	10	17	16	22	23
-% of revenue	-2.9%	-1.3%	1.2%	1.0%	0.6%	1.5%	1.6%	2.1%	2.2%
Adjusted EBIT	-48	-2	17	15	10	15	18	22	23
-% of revenue	-2.8%	-0.1%	1.0%	0.8%	0.5%	1.3%	1.7%	2.1%	2.2%
HKScan Finland	-37	-2	6	9	4	21	25	29	30
-% of revenue	-5.1%	-0.2%	0.8%	1.1%	0.4%	2.2%	2.5%	2.8%	2.8%
Group administration	-14	-12	-13	-12	-12	-9	-8	-7	-7
Net financing expenses	-10	-12	-11	-15	-16	-28	-17	-13	-12
PTP	-59	-35	12	7	-1	-9	1	11	13
Taxes	7	-3	-8	-8	-4	-7	-4	-4	-3
Profit/loss for the period	-51	-38	5	-1	-5	-16	-3	7	11
Minority interest	-2	-2	-4	-3	-4	-4	-4	-4	-4
Interest on hybrid loans	-1	-2	-2	-2	-2	-2	-4	-4	-3
Shareholders' share of net profit	-54	-42	-1	-7	-11	-22	-11	-1	4
Total dividends paid for the year	0	0	3	4	0	0	0	0	3
Investments	41	43	91	121	46	27	32	33	33
Net debt	289	276	300	315	347	278	150	139	160
Net debt/EBITDA		4.8x	3.8x	4.0x	5.8x	3.2x	3.1x	2.5x	2.8x

Risk profile of the business model



Investment profile

1.

Concentrating investment in Finland allows for greater efficiency

2.

Overall market growth is slow, but HKFoods invests in growing sub-segments

3.

Thin margins vulnerable to changes in business environment

4.

Balance sheet remains leveraged and financial charges are high relative to operating income

5.

Improving earnings outlook and divestments enable slow debt reduction

Potential



- 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
- Sales of operations outside Finland enables debt reduction

Risks

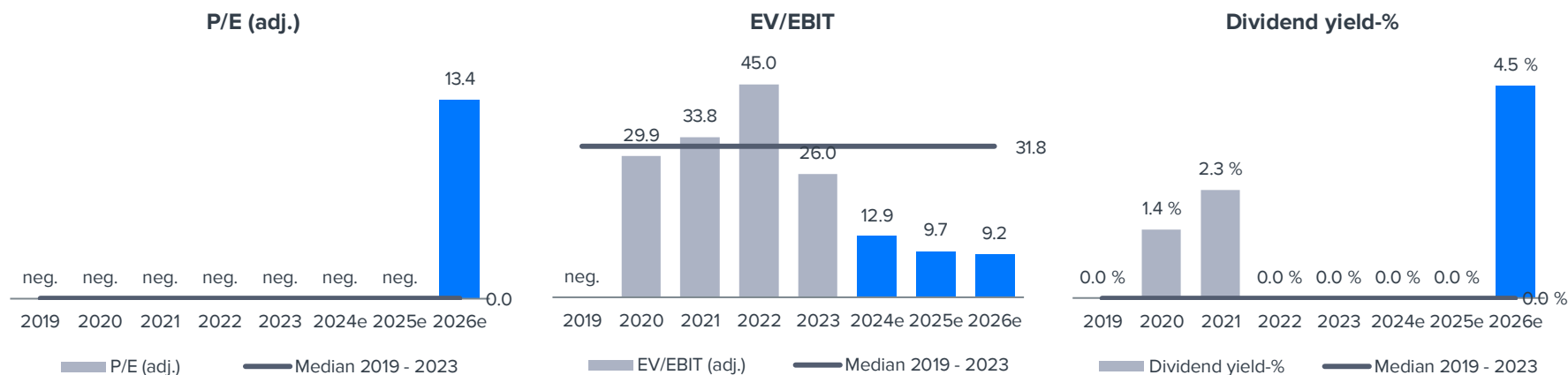


- Long-term decline in red meat consumption
- Fierce competition in the food sector and strong bargaining power of retailers limit profitability
- Changes in consumer demand and cost environment may affect profitability
- Animal diseases and geopolitics can affect export licenses
- Debt levels remain high relative to earnings levels
- A strong role for producers in the company's decision-making may involve trade-offs between the interests of investors and other stakeholders

Valuation table

Valuation	2019	2020	2021	2022	2023	2024e	2025e	2026e	2027e
Share price	2.76	1.96	1.66	0.87	0.89	0.63	0.63	0.63	0.63
Number of shares, millions	99.0	97.0	97.1	97.3	97.4	89.9	89.9	89.9	89.9
Market cap	273	190	161	85	87	57	57	57	57
EV	529	508	490	441	387	226	215	212	204
P/E (adj.)	neg.	neg.	neg.	neg.	neg.	neg.	neg.	13.4	5.9
P/E	neg.	neg.	neg.	neg.	neg.	neg.	neg.	13.4	5.9
P/B	0.8	0.7	0.6	0.4	0.5	0.4	0.4	0.4	0.3
P/S	0.2	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1
EV/Sales	0.3	0.3	0.3	0.2	0.3	0.2	0.2	0.2	0.2
EV/EBITDA	9.3	6.5	6.3	7.9	7.3	4.7	3.9	3.7	3.5
EV/EBIT (adj.)	neg.	29.9	33.8	45.0	26.0	12.9	9.7	9.2	8.7
Payout ratio (%)	0.0 %	neg.	neg.	0.0 %	0.0 %	0.0 %	0.0 %	59.8 %	35.3 %
Dividend yield-%	0.0 %	1.4 %	2.3 %	0.0 %	0.0 %	0.0 %	0.0 %	4.5 %	6.0 %

Source: Inderes



Peer group valuation

Peer group valuation	Market cap	EV	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%		P/B
Company	MEUR	MEUR	2024e	2025e	2024e	2025e	2024e	2025e	2024e	2025e	2024e	2025e	2024e
Atria	280	598	10.7	9.8	5.1	4.8	0.3	0.3	9.6	8.0	6.6	7.1	0.7
Apetit	87	81	10.2	11.6	5.8	5.8	0.5	0.5	12.2	13.4	5.4	5.4	0.8
Raisio	321	256	11.0	9.6	7.8	6.9	1.1	1.1	16.7	15.4	6.7	6.9	1.2
Hilton Foods	911	1346	11.3	10.9	7.1	6.9	0.3	0.3	15.0	14.0	4.0	4.2	2.4
Scandi Standard	464	620	14.0	12.8	7.7	7.3	0.6	0.5	17.6	15.2	3.3	3.9	2.0
Cranswick	2879	2995	14.4	13.5	10.1	9.3	1.0	1.0	19.5	18.2	1.9	2.0	2.6
Societe LDC	2451	1983	5.4	5.7	3.2	3.4	0.3	0.3	8.7	8.9	2.2	2.3	1.2
Bell Foods	1719	2580	14.1	14.0	6.8	6.6	0.5	0.5	11.3	11.4	2.7	2.8	1.0
Orior	399	524	14.7	13.6	8.0	7.5	0.8	0.7	15.0	13.7	4.4	4.6	3.9
Prima Meat Packers	671	777			5.1	4.8	0.3	0.3	13.3	12.4	3.1	3.1	0.9
NH Foods	3234	4249			8.2	7.9	0.5	0.5	17.2	17.1	2.3	2.8	1.0
HKFoods (Inderes)	57	226	12.9	9.7	4.7	3.9	0.2	0.2	-6.1	-97.9	0.0	0.0	0.3
Average			11.7	11.3	6.8	6.5	0.6	0.5	14.2	13.4	3.9	4.1	1.6
Median			11.3	11.6	7.1	6.9	0.5	0.5	15.0	13.7	3.3	3.9	1.2
Diff-% to median			15%	-16%	-34%	-44%	-57%	-59%	-141%	-814%	-100%	-100%	-73%

Source: Refinitiv / Inderes

Income statement

Income statement	2021	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24	Q2'24	Q3'24e	Q4'24e	2024e	2025e	2026e	2027e
Revenue	1815	1834	279	293	289	302	1163	229	255	251	270	1004	1055	1076	1097
Finland	772	868	218	234	231	250	933	229	255	251	270	1004	1055	1076	1097
Denmark	173	220	61.4	59.1	57.5	52.2	230	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA	78.1	56.0	9.3	14.1	17.2	12.2	52.8	8.9	11.4	15.7	12.4	48.5	55.6	57.2	58.2
Depreciation	-60.2	-45.8	-8.4	-8.7	-9.0	-9.2	-35.3	-7.7	-8.3	-8.2	-8.2	-32.4	-33.5	-34.0	-34.6
EBIT (excl. NRI)	14.5	9.8	-0.8	5.2	7.7	2.8	14.9	1.4	4.4	7.5	4.2	17.6	22.2	23.1	23.6
EBIT	17.9	10.2	0.9	5.4	8.2	3.0	17.5	1.2	3.1	7.5	4.2	16.1	22.2	23.1	23.6
Finland	12.1	5.6	0.5	6.2	7.6	6.3	20.6	3.4	5.9	9.2	6.0	24.6	29.5	30.4	31.0
Denmark	0.0	1.4	1.2	1.1	1.1	-0.1	3.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Group administration	5.8	3.2	-0.8	-1.9	-0.5	-3.2	-6.4	-2.2	-2.8	-1.7	-1.8	-8.5	-7.3	-7.3	-7.4
Share of profits in assoc. compan.	3.4	5.4	1.0	0.3	0.3	-0.2	1.3	0.1	0.3	0.5	0.4	1.3	1.5	1.5	1.8
Net financial items	-14.7	-16.3	-6.7	-7.0	-7.1	-6.9	-27.7	-4.9	-4.9	-3.4	-3.3	-16.5	-13.2	-11.5	-9.5
PTP	6.6	-0.7	-4.8	-1.3	1.4	-4.1	-8.9	-3.7	-1.4	4.6	1.3	0.9	10.5	13.2	15.9
Taxes	-7.8	-4.0	0.0	-2.0	-1.3	-3.3	-6.6	-0.1	-0.2	-1.6	-2.1	-4.0	-3.3	-2.3	-2.8
Minority interest	-3.2	-3.7	-0.4	-1.1	-0.9	-1.6	-4.0	-0.1	-0.5	-0.5	-2.4	-3.5	-3.5	-3.5	-3.5
Nettotulos	-4.4	-8.4	-5.2	-4.4	-0.8	-9.0	-19.5	-3.9	-2.2	2.5	-3.1	-6.6	3.6	7.3	9.6
Interest of hybrid loan	-2.1	-2.1	-0.5	-0.5	-0.5	-0.5	-2.1	-1.0	-1.0	-1.0	-1.0	-4.2	-4.2	-3.1	0.0
EPS (adj.)	-0.10	-0.11	-0.08	-0.05	-0.02	-0.10	-0.25	-0.05	-0.02	0.02	-0.05	-0.10	-0.01	0.05	0.11
EPS (rep.)	-0.07	-0.11	-0.06	-0.05	-0.01	-0.10	-0.22	-0.05	-0.04	0.02	-0.05	-0.12	-0.01	0.05	0.11
Key figures	2021	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24	Q2'24	Q3'24e	Q4'24e	2024e	2025e	2026e	2027e
Revenue growth-%	1.9 %	1.0 %	0.0 %	0.0 %	0.0 %	-83.5 %	-36.6 %	-18.1 %	-13.2 %	-12.9 %	-10.7 %	-13.7 %	5.0 %	2.0 %	2.0 %
Adjusted EBIT growth-%		-32.4 %				-71.4 %	52.0 %	-275.0 %	-15.4 %	-2.0 %	50.7 %	17.9 %	26.1 %	4.4 %	2.0 %
EBITDA-%	4.3 %	3.1 %	3.3 %	4.8 %	6.0 %	4.0 %	4.5 %	3.9 %	4.5 %	6.3 %	4.6 %	4.8 %	5.3 %	5.3 %	5.3 %
Adjusted EBIT-%	0.8 %	0.5 %	-0.3 %	1.8 %	2.7 %	0.9 %	1.3 %	0.6 %	1.7 %	3.0 %	1.6 %	1.7 %	2.1 %	2.2 %	2.2 %
Net earnings-%	-0.4 %	-0.6 %	-2.1 %	-1.7 %	-0.5 %	-3.2 %	-1.9 %	-2.2 %	-1.3 %	0.6 %	-1.6 %	-1.1 %	-0.1 %	0.4 %	0.9 %

Source: Inderes

Balance sheet

Assets	2022	2023	2024e	2025e	2026e
Non-current assets	679	651	370	358	357
Goodwill	46.8	27.8	27.8	27.8	27.8
Intangible assets	67.0	16.2	16.2	16.2	16.2
Tangible assets	379	285	255	258	260
Associated companies	41.1	24.3	24.0	24.0	24.0
Other investments	102	246	0.0	0.0	0.0
Other non-current assets	12.2	26.2	21.2	7.7	4.2
Deferred tax assets	31.8	25.1	25.1	25.1	25.1
Current assets	297	201	185	162	167
Inventories	124	75.2	60.3	63.3	65.6
Other current assets	0.0	0.0	0.0	0.0	0.0
Receivables	156	97.3	74.3	78.1	79.6
Cash and equivalents	17.2	28.7	50.2	21.1	21.5
Balance sheet total	976	852	554	521	524

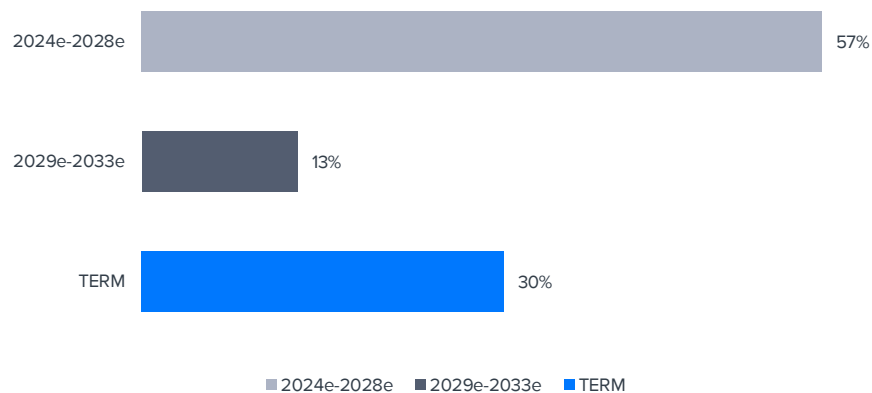
Source: Inderes

Liabilities & equity	2022	2023	2024e	2025e	2026e
Equity	286	238	207	206	185
Share capital	0.0	0.0	0.0	0.0	0.0
Retained earnings	0.0	0.0	-31.2	-31.8	-27.5
Hybrid bonds	25.9	25.9	25.9	25.9	0.0
Revaluation reserve	0.0	0.0	0.0	0.0	0.0
Other equity	235	185	185	185	185
Minorities	24.6	26.9	26.9	26.9	26.9
Non-current liabilities	417	434	26.0	150	170
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	334	289	20.0	144	164
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	82.7	145	6.0	6.0	6.0
Current liabilities	274	179	322	165	170
Interest bearing debt	30.6	17.9	180	16.0	18.2
Payables	243	162	142	149	152
Other current liabilities	0.0	0.0	0.0	0.0	0.0
Balance sheet total	976	852	554	521	524

DCF calculation

DCF model	2023	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	TERM
Revenue growth-%	-36.6 %	-13.7 %	5.0 %	2.0 %	2.0 %	2.0 %	2.0 %	2.0 %	2.0 %	2.0 %	2.0 %	2.0 %
EBIT-%	1.5 %	1.6 %	2.1 %	2.2 %	2.2 %	2.2 %	2.2 %	2.2 %	2.2 %	1.8 %	1.8 %	1.8 %
EBIT (operating profit)	17.5	16.1	22.2	23.1	23.6	24.1	24.5	25.0	25.5	21.8	22.2	
+ Depreciation	35.3	32.4	33.5	34.0	34.6	35.1	35.4	35.7	36.0	36.3	36.4	
- Paid taxes	0.1	-4.0	-3.3	-2.3	-2.8	-3.1	-3.2	-3.4	-3.9	-3.2	-3.3	
- Tax, financial expenses	-5.5	-3.3	-2.6	-2.3	-1.9	-1.7	-1.7	-1.6	-1.2	-1.2	-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	25.1	18.0	0.4	-0.9	-1.0	-1.0	-1.1	-1.1	-1.1	0.0	0.0	
Operating cash flow	72.5	59.2	50.0	51.6	52.5	53.4	54.0	54.6	55.3	53.8	54.2	
+ Change in other long-term liabilities	62.6	-139.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-29.9	248	-22.2	-32.9	-33.3	-35.7	-36.1	-36.5	-36.9	-37.3	-37.1	
Free operating cash flow	105	168	27.8	18.8	19.3	17.7	17.9	18.1	18.3	16.4	17.1	
+/- Other	-6.9	-26.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	98.3	142	27.8	18.8	19.3	17.7	17.9	18.1	18.3	16.4	17.1	245
Discounted FCFF		137	24.6	15.2	14.3	12.1	11.2	10.4	9.6	7.9	7.5	108
Sum of FCFF present value		358	221	196	181	167	155	144	133	124	116	108
Enterprise value DCF		358										
- Interest bearing debt		-332.8										
+ Cash and cash equivalents		28.7										
-Minorities		-8.5										
-Dividend/capital return		0.0										
Equity value DCF		59.7										
Equity value DCF per share		0.66										

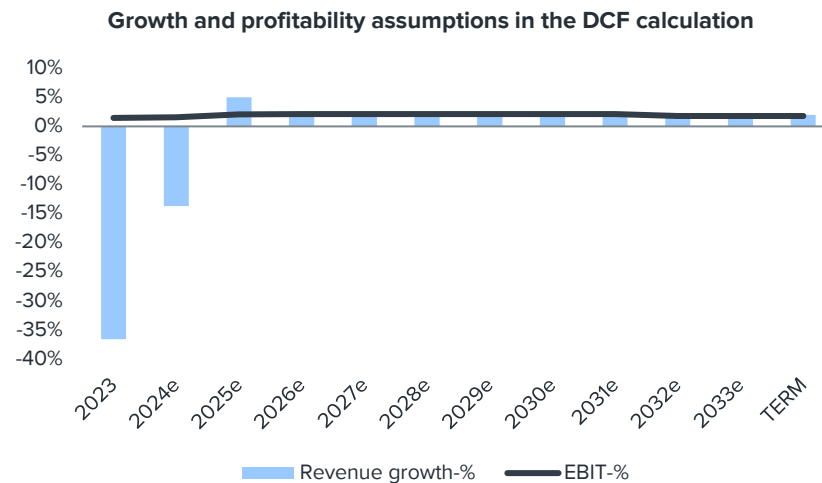
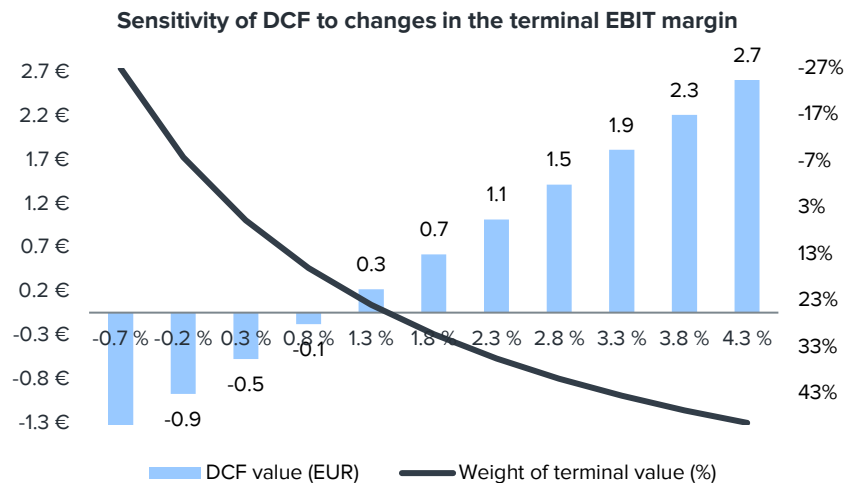
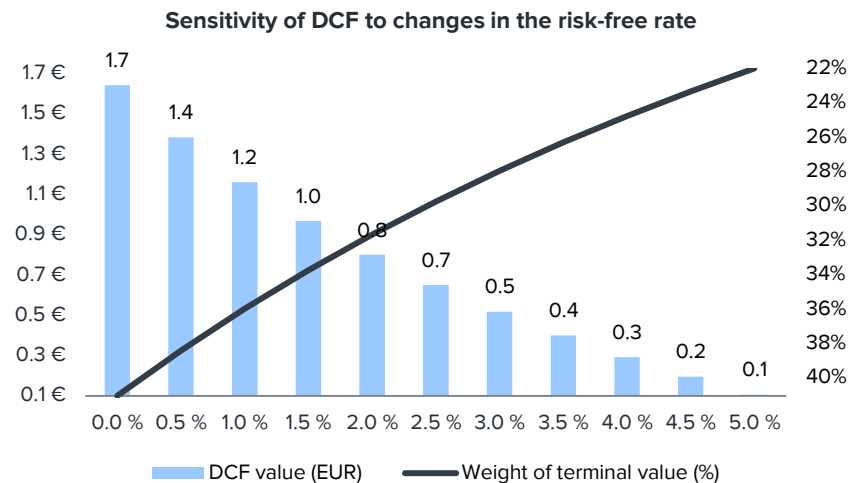
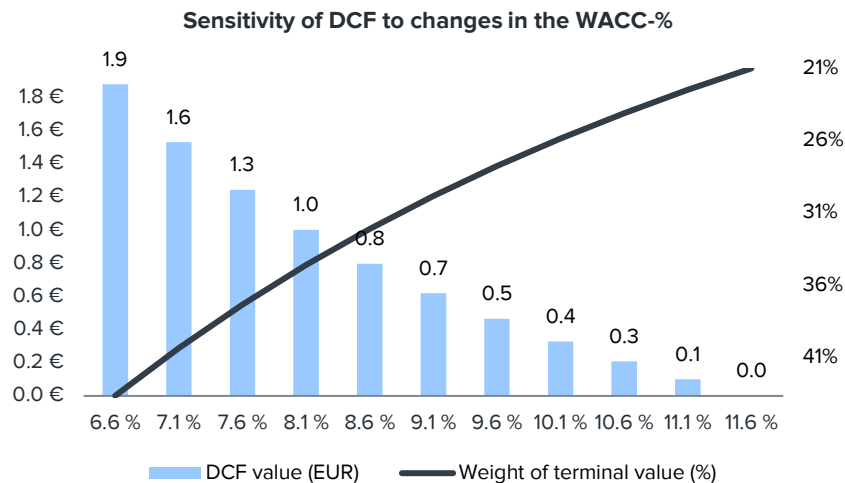
Cash flow distribution



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

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	2021	2022	2023	2024e	2025e	Per share data	2021	2022	2023	2024e	2025e
Revenue	1815.4	1833.8	1163.2	1004.2	1054.8	EPS (reported)	-0.07	-0.11	-0.22	-0.12	-0.01
EBITDA	78.1	56.0	52.8	48.5	55.6	EPS (adj.)	-0.10	-0.11	-0.25	-0.10	-0.01
EBIT	17.9	10.2	17.5	16.1	22.2	OCF / share	0.61	0.41	0.74	0.66	0.56
PTP	6.6	-0.7	-8.9	0.9	10.5	FCF / share	-0.05	-0.45	1.01	1.58	0.31
Net Income	-6.5	-71.6	-28.5	-31.2	-0.6	Book value / share	3.17	2.68	2.17	2.00	1.99
Extraordinary items	3.4	0.4	2.6	-1.5	0.0	Dividend / share	0.04	0.00	0.00	0.00	0.00
Balance sheet	2021	2022	2023	2024e	2025e	Growth and profitability	2021	2022	2023	2024e	2025e
Balance sheet total	985.6	976.0	851.7	554.4	520.8	Revenue growth-%	2%	1%	-37%	-14%	5%
Equity capital	330.3	285.5	238.0	206.8	206.2	EBITDA growth-%	0%	-28%	-6%	-8%	15%
Goodwill	71.3	46.8	27.8	27.8	27.8	EBIT (adj.) growth-%	-15%	-32%	52%	18%	26%
Net debt	314.7	347.3	278.2	149.8	138.8	EPS (adj.) growth-%	87%	10%	122%	-58%	-94%
Cash flow	2021	2022	2023	2024e	2025e	EBITDA-%	4.3 %	3.1 %	4.5 %	4.8 %	5.3 %
EBITDA	78.1	56.0	52.8	48.5	55.6	EBIT (adj.)-%	0.8 %	0.5 %	1.3 %	1.7 %	2.1 %
Change in working capital	-12.4	-13.5	25.1	18.0	0.4	EBIT-%	1.0 %	0.6 %	1.5 %	1.6 %	2.1 %
Operating cash flow	59.5	39.7	72.5	59.2	50.0	ROE-%	-2.1 %	-3.7 %	-9.1 %	-5.5 %	-0.3 %
CAPEX	-58.5	-41.1	-29.9	248.2	-22.2	ROI-%	3.2 %	2.4 %	3.2 %	3.6 %	6.1 %
Free cash flow	-4.5	-43.3	98.3	141.7	27.8	Equity ratio	33.5 %	29.3 %	27.9 %	37.3 %	39.6 %
						Gearing	95.3 %	121.6 %	116.9 %	72.4 %	67.3 %
Valuation multiples	2021	2022	2023	2024e	2025e						
EV/S	0.3	0.2	0.3	0.2	0.2						
EV/EBITDA	6.3	7.9	7.3	4.7	3.9						
EV/EBIT (adj.)	33.8	45.0	26.0	12.9	9.7						
P/E (adj.)	neg.	neg.	neg.	neg.	neg.						
P/B	0.5	0.3	0.4	0.3	0.3						
Dividend-%	2.3 %	0.0 %	0.0 %	0.0 %	0.0 %						

Source: Inderes

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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 €



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