# Partnera

## Initiation of coverage

12/12/2021 19:15

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Inderes corporate customer

This report is a summary translation of the report “Rakennusvaihde silmässä” published on 12/12/2021 at 7:15 pm

# In construction gear

Over the past few years, Partnera has started to build a business group that promotes a sustainable development based on M&A transactions. We expect sustainable development trends to support the growth of Partnera's current operational subsidiaries in coming years. In addition, we expect the company to allocate its non-strategic capital to new strategic targets in the medium term, with the potential to further accelerate earnings growth. Considering this favorable view, we consider the share's return expectation to be good. We initiate coverage of Partnera with an Accumulate recommendation and a target price of EUR 2.40.

### Business group in a construction stage

Partnera is a business group that is still in the construction stage and aims to persistently own and develop companies that promote sustainable development in industries that are undergoing transition, such as energy and circular economy. The company currently has three strategic holdings: 1) glass recycling and foam glass manufacturer Foamit Group, 2) clean energy solution supplier KPA Unicon, and 3) Nordic Option an equity investment fund in the form of a limited liability company. We believe that of these holdings, especially Foamit Group and KPA Unicon, are an excellent fit for the company's strategy. In addition, the company still has significant capital investments outside the strategy, the most significant one being an investment in the financial group Finda. In recent years, Partnera has made several M&A transactions to implement its strategy and we believe that it will continue its active role in these transactions in the medium term, which is also enabled by its relatively strong balance sheet position.

### Strong earnings growth supported by inorganic growth in coming years

Partnera's growth outlook for this and next year are good driven by inorganic growth, and we expect the company's net sales to almost quadruple from 2020 to 2022. We believe that the current strategic holdings also have good demand prospects in the longer term and expect their organic growth to exceed general GDP growth in the medium and longer term. In terms of profitability, we expect the company's margins to fall as net sales increases (cf. 2020 adj. EBIT %: 18.3% vs . 2021e adj. EBIT %: 8.8-10.6%). However, we expect absolute earnings growth to lead EPS to high growth figures in the next few years (2020-2023e adj. EPS CAGR: ~25–30%). Despite strong earnings growth, we expect the company to be slightly below its targeted ROE in the next few years (Partnera's financial target ROE % above 10% vs. 2021e-2023e ROE %: 5.5-8.6%).

### We feel the share's return expectation is on a good level

We have determined the value of Partnera using a number of valuation methods and believe that the current risk/return ratio of the company is at a good level considering the overall picture these methods provide. We weigh our sum of the parts calculation highest in determining the value as it best considers different types of asset items and indicates a per share value of EUR 2.40 that is in line with our target price. Most of this value consists of operational subsidiaries and the investment in Finda. We have also examined the fair value of the company through, e.g., the expected total return on the share. In our view, earnings growth in the next couple of years and nearly 5% annual dividend yield raise the expected total return to an attractive level.

## Recommendation

**Accumulate**
(previous - )

**EUR 2.40**
(previous - )

**Share price:**
2.08


## Key figures

| | 2020 | 2021e | 2022e | 2023e |
|---|---|---|---|---|
| **Revenue** | 31.1 | 81.7 | 115.6 | 119.9 |
| growth-% | 36% | 163% | 41% | 4% |
| **EBIT adj.** | 5.7 | 7.2 | 11.7 | 12.7 |
| EBIT-% adj. | 18.3 % | 8.8 % | 10.1 % | 10.6 % |
| **Net Income** | 6.0 | 4.0 | 6.1 | 6.6 |
| **EPS (adj.)** | 0.12 | 0.17 | 0.25 | 0.26 |

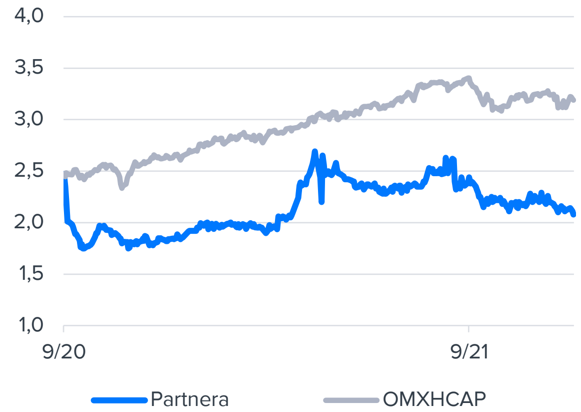
| | | | | |
|---|---|---|---|---|
| **P/E (adj.)** | 15.6 | 12.5 | 8.4 | 8.0 |
| **P/B** | 0.9 | 1.0 | 1.0 | 1.0 |
| **Dividend yield-%** | 5.8 % | 4.8 % | 4.8 % | 4.8 % |
| **EV/EBIT (adj.)** | 9.6 | 13.6 | 7.8 | 6.7 |
| **EV/EBITDA** | 5.1 | 9.3 | 5.8 | 5.1 |
| **EV/S** | 1.8 | 1.2 | 0.8 | 0.7 |

Source: Inderes

## Guidance (Unchanged)

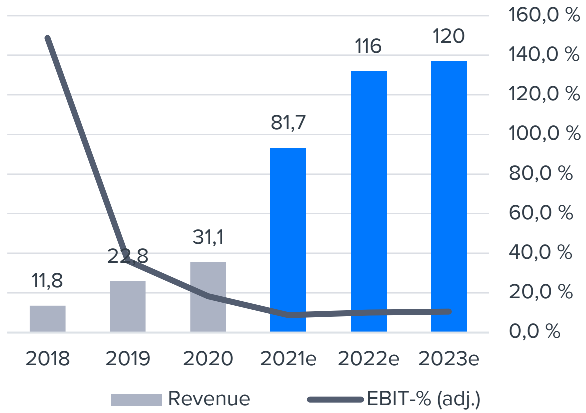
The company expects 2021 net sales to grow considerably from the previous year (31.1 MEUR) and comparable operating profit to improve from the previous year (4.9 MEUR).

## Share price



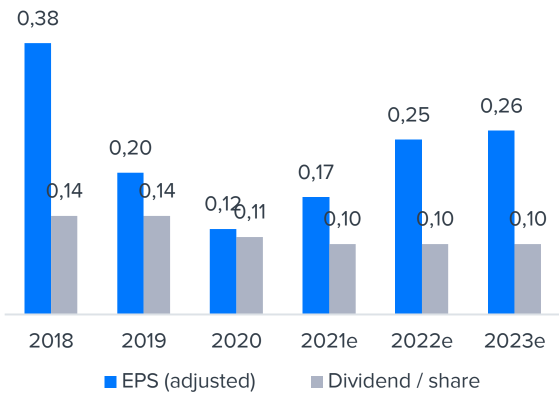

Source: Thomson Reuters

## Revenue and EBIT %




Source: Inderes

## EPS and dividend




Source: Inderes

## Value drivers

- Concentrating assets on strategic holdings
- Earnings growth in current strategic holdings
- Operational subsidiaries have good demand drivers
- Acquisitions

## Risk factors

- Failure in strategy implementation
- General economic development
- Concentrated ownership
- Weak liquidity of non-strategic investment targets increases the risk of longer holding times and unfavorable deal prices
- Capital market development

| Valuation | 2021e | 2022e | 2023e |
|---|---|---|---|
| Share price | 2.08 | 2.08 | 2.08 |
| Number of shares, millions | 36.2 | 36.2 | 36.2 |
| Market cap | 75 | 75 | 75 |
| EV | 97 | 91 | 85 |
| P/E (adj.) | 12.5 | 8.4 | 8.0 |
| P/E | 19.0 | 12.3 | 11.5 |
| P/FCF | neg. | 7.2 | 6.9 |
| P/B | 1.0 | 1.0 | 1.0 |
| P/S | 0.9 | 0.7 | 0.6 |
| EV/Sales | 1.2 | 0.8 | 0.7 |
| EV/EBITDA | 9.3 | 5.8 | 5.1 |
| EV/EBIT (adj.) | 13.6 | 7.8 | 6.7 |
| Payout ratio (%) | 91.2 % | 59.3 % | 55.1 % |
| Dividend yield-% | 4.8 % | 4.8 % | 4.8 % |

Source: Inderes

# Contents

# Partnera in brief

Partnera is a business group operating in industries that promote sustainable development through its subsidiaries Foamit Group and KPA Unicon. The company is also an owner in associated company Nordic Option. In addition, the company has significant investment assets.

**-2017**

- In 2013, the historic phone business is given up in connection with selling DNA shares, which generated significant investment assets for the company
- In 2014, a share of Nordic Option is acquired
- The Partnera name is adopted in 2015
- The company implements its current strategy, which focuses on owning and developing companies that promote sustainable development

**2018-2021**

- In line with the strategy the business group is built with acquisitions
- Non-current holdings are partially disposed of
- Through acquisitions, the weight of the operating activities increases significantly
- Technical listing on the First North marketplace

**1882**
Company is established

**2020**
Listing on the First North marketplace

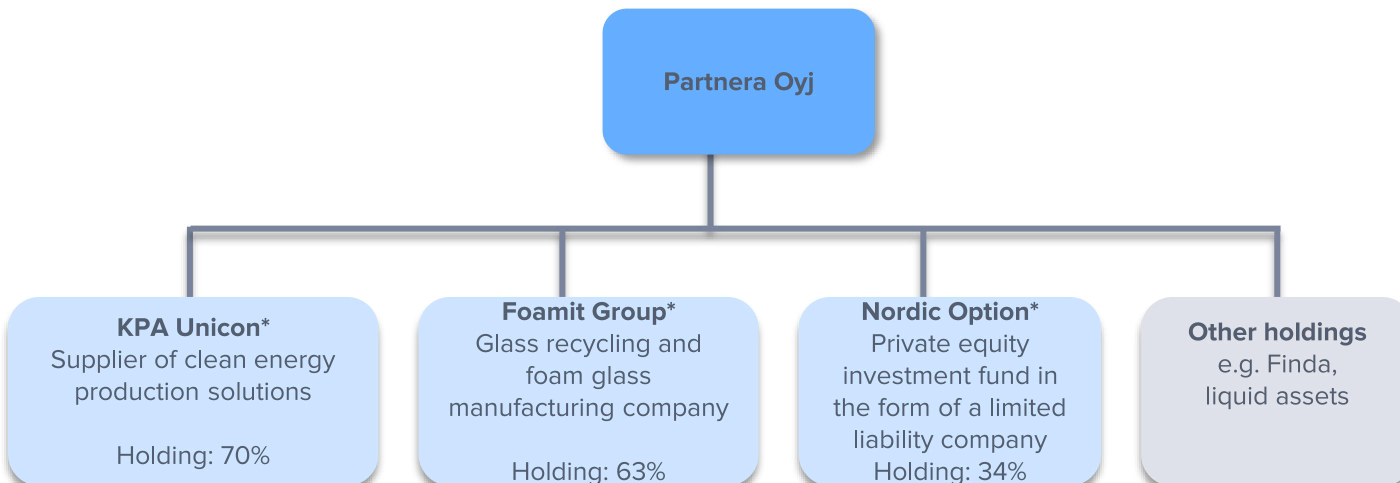
**EUR 31.1 million**
Revenue 2020

**EUR 4.9 million**
Comparable operating profit 2020

**4**
Number of employees in the parent company

**276**
Number of Group employees at the end of H1’21

## Simplified Group structure




* Strategic holding

Source: Partnera / Inderes

# Partnera 1/4

### Business group in a construction stage

Partnera is a business group from Oulu in a construction stage . Its roots extend as far as 1882 when telephone lines were opened in downtown Oulu and later to Oulun Puhelin. In 2013, the company's history in the phone business ended when Partnera (at that time Oulu ICT) sold the DNA shares it had received when the telecom business merged with DNA in 2007. The company adopted its current strategy in 2017, after which it has built its business group piece-by-piece through acquisitions. With its historic phone business Partnera has a rather wide ownership and, at the end of November it had close on 26,000 shareholders. The largest owner by far is the City of Oulu with a good 47% holding, which to our understanding does not participate in the company's operating activities, except through the Nomination Committee.

Partnera's current strategic holdings are Foamit Group (previously Partnera Glass Recycling), KPA Unicon and Nordic Option, which are discussed in more detail in company-specific sections. In addition, the company still has other investments, the most significant being its holding in the investment group Finda.

### Mission, vision and values

Partnera's mission is to be an active owner, who not only aims to create shareholder value and profit, but also support sustainable development and bring positive impact to the surrounding society. For Partnera, active ownership means that it is not only involved in the Board work of its strategic holdings, but also creates a minimum operating method for its Group companies. In turn, within this framework, operational companies have significant freedom to act. In addition, Partnera can finance operational companies' investments and its aim is also to approach things persistently and considering business needs.

The company's vision is to be a partner and an impact investor, who through its holdings creates a more responsible society in sectors that promote sustainable development. Partnera's values are value creation, responsibility, partnership and courage.

### Strategy

The primary objective of Partnera's business is to generate profits for itself and its shareholders through the companies it owns. In addition, it aims to promote sustainable development and the social impact of its business. To achieve this, the company's strategy is to own companies that promote sustainable development in industries undergoing transition, such as energy, circular economy, services and logistics, as well as infrastructure services. In addition, the companies it owns must have the will and preconditions to grow and support sustainable development objectives.

The core business is companies that produce products and services that promote sustainability. Partnera's aim is to be a partner for the companies it owns at different stages of their life cycle. In principle, Partnera seeks majority ownership in the companies that exceeds controlling interest. Geographically, the company has defined its operating area as the whole of Finland and foreign countries.

#### Partnera's strategic holdings

**Foamit Group**
Glass recycling and foam glass manufacturing company
Net sales (2020): EUR 30.9 million
EBITDA % (2020): 22.5%
Holding: 63%

**KPA Unicon**
Supplier of clean energy production solutions
Net sales (2020): EUR 69.4 million
Adj. EBITDA % (2020): 7.8%
Holding 70%

**Nordic Option**
Private equity investment fund in the form of a limited liability company
13 target companies in Northern Finland
Holding: 34%

#### Partnera's biggest owners on 11/30/2021

| Biggest owners | % of shares |
|---|---|
| The City of Oulu | 47.1 % |
| Arvo Invest Nordic Oy | 10,2 % |
| Partnera Oyj | 3.3 % |
| Janne Pakarinen | 1.1 % |
| Japak Oy | 1.1 % |
| Oulun Kulta Oy | 0.7 % |
| Pohjanmaan Arvo Sijoitusosuuskunta | 0.6 % |
| Mininvest Oy | 0.5 % |
| Osuuskauppa Arina | 0.5 % |
| Haloan Oy | 0.5 % |

Source: Partnera, Inderes

# Partnera 2/4

In the current business group construction stage, Partnera also acts as an impact investor to meet its strategic goals and support sustainable development objectives. There is no common standard for impact investments, but the investor's commitment to support sustainable development is considered one of its characteristics. For Partnera, sustainable development means considering social, environmental and economic viewpoints in decision-making.

## Acquisition process of strategic objects

As part of the implementation of its strategy and development of the business group, Partnera annually analyzes dozens of acquisition targets in the fields of sustainable development and circular economy, energy, infrastructure building services, and logistics. In connection with the acquisition, Partnera will compete for the same acquisition targets with other parties active in the buyout market and with industrial investors. According to the Finnish Venture Capital Association (FVCA) an annual average of good EUR 800 million has been invested in Finnish companies by domestic and foreign buyout investors in 2011-2020. The average number of investments has been 78 per year. According to Partnera, there is, however, no companies currently operating with exactly the same principles in Finland, but we feel the differences between investors are smallish. According to the management, the business group-like structure of Partnera distinguishes it from conventional fund-based impact investment.

The company has a detailed five-step process in place to analyze potential acquisition targets and make decisions. The same process also applies when subsidiaries make acquisitions (e.g. Foamit Group's acquisitions). Partnera's management and board of directors play an important role in the acquisition process. The Board of Directors participates in several stages of the process and makes the final acquisition decision. In addition, as part of the process, Partnera uses a number of experts from different fields as advisors. With these measures, the company aims to reduce the risks related to the process and ensure adequate access to information.

Although Partnera seeks majority ownership in strategic holdings, minority owners may also be involved. Partnera considers other minority investors as strategic partners (e.g. founding members of companies). We estimate that the company's objective at least at the moment is not to redeem current or potential future minority interests for itself.

Individual acquisitions are typically financed with Partnera's equity-based financing and debt financing. However, their ratio may vary significantly but the share of debt financing is significant. Typically, the process is that the parent company establishes a new company for an individual acquisition when necessary, into which it makes and equity-based investment and grants a shareholder loan. The remainder of the capital required for the acquisition will be sought in the form of a bank loan. The parent company does not provide security or guarantee as

**Process of acquiring strategic holdings implemented with the company's partners**

1. Screening of potential acquisition targets through, e.g., networking, active search, contacts and industry analysis
2. A comprehensive analysis of the potential strategic holding is carried out and presented to Partnera's Board, which will make the decision to proceed to the next stage
3. Negotiations on, e.g., the strategy of the target company, the structure of the plan and the financing based on which the Board of Directors authorizes the signing of the letter of intent
4. The target is subject to due diligence and possibly other sector-specific inspections
5. Based on the findings of the due diligence, the Board of Directors, assisted by advisers, make a final investment decision

Source: Partnera, Inderes

# Partnera 3/4

collateral for the debts of the new company or the acquired company without special reason.

## Financial objectives

The company has set the following medium- to long-term financial targets:

- Return on equity over 10%
- Stable profit distribution to shareholders (however, the basis for dividend payout is 50% of the Group's annual profit, considering the company's strategic objectives and financial position)
- A majority of invested funds focus on strategic holdings

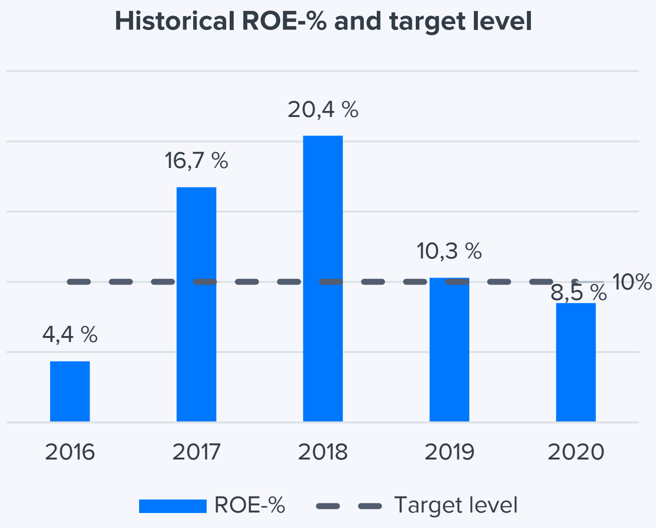
## Evaluation of the strategy and financial objectives

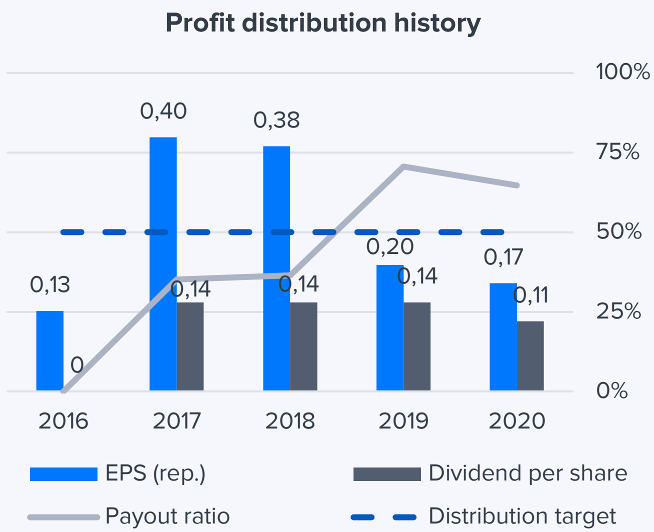
We are cautiously optimistic about Partnera's current strategy and believe that the company seeks to become a business group built around sustainable development. In our opinion, this means that it has long-term ownership of its strategic investments from here to eternity without any ready-made exit plans (cf. investment company).

We feel the choices made concerning the industries of strategic ownership are sensible, as the industries affected by the transition are increasingly offering opportunities for responsible and sustainable solutions. We believe, the importance of considering sustainable development in business operations will only increase in the future, especially due to the ambitious environmental targets of the Nordic countries and the EU.

We believe that the company's objective of majority ownership in strategic holdings is almost essential, as it puts the company in the driver's seat when planning and implementing company strategies. However, we believe that the company should in principle seek holdings closer to 100% in strategic investments in the longer term, as otherwise a significant share of the profits will flow to minority owners rather than to Partnera's shareholders. On the other hand this can, however, facilitate negotiations and commit current management by allowing the owners of the company to continue as owners in the future. This also distinguishes it from many competitors. In addition, this will limit Partnera's risks in possible undesirable situations.

In our view, of current strategic investments, Foamit Group and KPA Unicon are ideally suited to the company's strategy. On the other hand, the suitability of Nordic Option in the current strategy may be questioned, even though we think it is an interesting company in itself. This is because Partnera has no majority holding in the company, the company is not directly linked to sustainable development (some of its portfolio companies are) and Nordic Option focuses on investing in growth companies in Northern Finland, while Partnera's operating area is Finland as a whole and foreign countries.




Source: Partnera, Inderes

# Partnera 4/4

On the other hand, Nordic Option allows Partnera to invest in smaller targets that alone are too small for Partnera. We also believe that the idea behind this is to enable cooperation between Nordic Option's portfolio companies and Partnera in the companies' later development stages. We consider this strategy interesting, but before there is any evidence of cooperation, we find this to be an unlikely option.

In terms of financial objectives, we believe that the current structure where the company's assets are still heavily committed to non-strategic investments, the best way to monitor and assess Partnera's development is through ROE. In the past five years, Partnera has exceeded this target three times. The strong ROE in these years was in particular based on the exit from Hoivatilat holdings and property sales. In 2020, when the relative importance of operating activities increased in generating profit, the company fell slightly below its target. We do not, however, recommend attaching too much importance on the figures for an individual year in the construction stage of the business group.

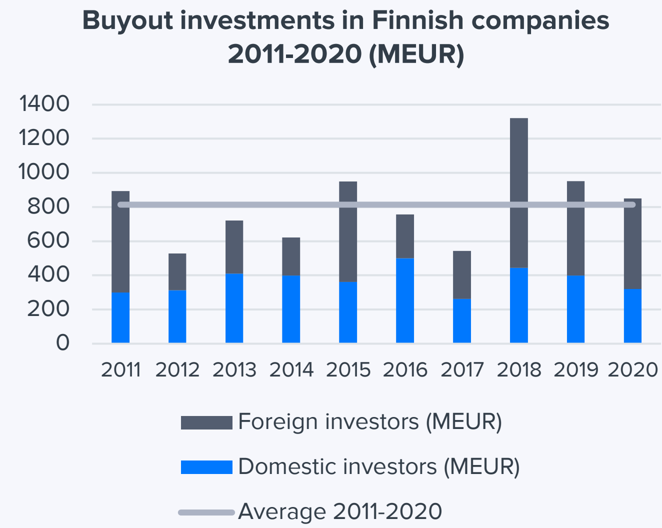
We believe that the operational subsidiaries of Partnera have the preconditions to generate good cash flow, which should enable stable profit distribution in the longer term. We would, however, not be surprised if the company used its balance sheet to maintain stable dividend payment (i.e. dividend distribution above 50% of annual profit) in the construction stage.

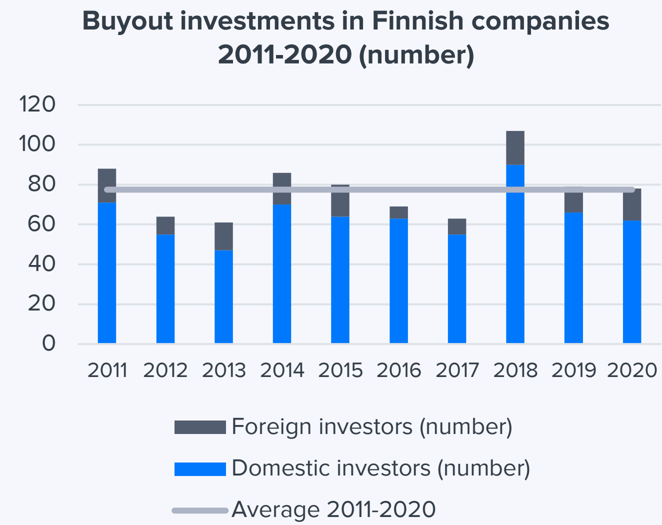
The company has indicated that the relative financial importance of securities trading will reduce as the business group is constructed. We feel that the company's objective of concentrating assets on strategic holdings is a natural part of its strategy. As a result, we find it likely that in future, Partnera will divest its current other investments, such as Finda and securities trading, and concentrate its assets on strategic targets. However, it is still difficult to assess the timing for the exits and, in principle, we do not believe that full exits will take place in the short term.

## We expect M&A transactions to continue

We understand that Partnera is actively investigating potential acquisition targets and also receives many contacts about potential investment targets. We assume that the company will continue building the business group with acquisitions, as it has been thus far. The company has not indicated any potential gearing targets, but we estimate that the company can use debt financing for possible acquisitions even in the short term. In addition, the company can release significant capital from its balance sheet (illiquid investments) to acquire strategic targets in the longer term.

We currently believe that Partnera aims to expand its business group into new industries built around sustainable development in the future. However, we consider it possible that in the initial phase the company will focus on increasing the activities of existing companies through acquisitions, as we have seen in the case of Foamit Group (3 acquisitions in 2018-21).




Source: Finnish Venture Capital Association (FVCA), Inderes

# Partnera's history

**1882**
Albert and Frans Nordfors opened a telephone line to the public in downtown Oulu

**1918**
Oulun Puhelin Oy starts operating

**2007**
Oulun Puhelin sold its phone business to DNA and the telecom business was merged into DNA

**2013**
Phone business ended when the company sold its DNA shares

**2014**
The company acquired a stake in Nordic Option (previously Teknoventure)

**2015**
The name Partnera is adopted

**2017**
Partnera's current strategy is implemented

**2018**
Foamit Group is established when Partnera acquires Uusioaines in co-operation with Tesi

**2018**
A majority of the Hoivatilat holding is sold, whose growth Partnera was supporting in 2015-2018

**2019**
Foamit Group expands by acquiring Hasopor and Reiling Green Tech

**2020**
Listing on the First North marketplace

**2020**
Foamit Group name adopted (previously Partnera Glass Recycling)

**2021**
Partnera expands its business group by acquiring 70% of KPA Unicon Group

**2021**
Foamit Group acquires Glasopor

# Foamit Group 1/5

### Glass recycling and foam glass manufacturing company

Foamit Group is a glass recycling and foam glass manufacturing company. Foamit Group consists of its 100% owned operational subsidiaries Uusioaines, Hasopor and Glasopor, acquired by the company in September 2021. In addition, the Group includes the associated company Reiling Green Tech (holding around 24%), which currently does not have operational activities. Foamit Group with its operational subsidiaries, operate quite independently within the framework set by Partnera. Partnera owns 63% of the company and Tesi has a 32% stake in the company.

The pro forma net sales (calculated by Inderes) of the Glasopor acquisition announced in September 2021 would have been EUR 42.4 million in 2020 (reported net sales in 2020: 30.9 MEUR). According to our calculation the company's pro forma EBITDA was EUR 8.2 million, which corresponds to a margin of 19.2% (reported EBITDA % 2020: 22.5%). According to our estimates, after the deal over 85% of Foamit Group's net sales comes from foam glass operations that is a growing business. This also makes Foamit Group one of Europe's leading foam glass manufacturers. The company's main market is currently in Finland, Sweden and Norway and we estimate that around 40% of the company's current net sales come from Finland and the rest from the other Nordic countries. By contrast, the glass business (glass cleaning), which accounts for just under 15% of net sales, is a very stable business and is formed entirely in Finland.

A majority of Foamit Group's foam glass business net sales is generated from various project deliveries to infrastructure operators, such as construction companies or other construction operators. In addition, the company has a small share of retail sales, where hardware stores act as resellers. We believe that the company 's customer base is fragmented and that the risk related to losing individual customers is small. For the company's construction industry customers, material security is important and therefore Foamit Group also delivers the material to customers.

### Glass recycling and production of foam glass

Glass can be endlessly recycled without any deterioration in quality or purity. In the Nordic countries, glass recycling is quite advanced. For example, in Finland the recycling rate of container glass in 2019 was around 98% according to RINKI Ltd. This is well above the EU recycling rate and target of 70% of all glass containers by 2025.

Most of the recycled glass ends up as raw material for the glass industry and thus returns to glass containers. Over 70% of collected container glass is used as cullet to manufacture new glass containers, e.g., for the beverage and food industry, and nearly one-fifth for building material manufacturers for glass wool. However, glass waste (smallest cullet) is generated in the cleaning process of recycled glass, utilization of which is not ecologically sensible in the container glass industry. However, other materials such as foam glass can be manufactured from this side stream. Foam glass aggregates are non-combustible lightweight and environmentally friendly insulation and lightening material that can be used in infrastructure and housing construction.

### Foamit Group's group structure and key figures

**Uusioaines**
Acquisition year: 2018
Net sales (2020): 17.1 MEUR
EBITDA % (2020): 22.5%
Holding: 100%
Production facilities: 1 (Forssa)
Number of personnel: ~35

**Hasopor**
Acquisition year: 2019
Net sales (2020): ~14 MEUR
EBITDA % (2020): Uusioaines' level
Holding: 100%
Production facilities: 1 (Hammar)
Number of personnel: ~25

**Glasopor**
Acquisition year: 2021
Net sales (2020): 11.5 MEUR
EBITDA % (2020): 10.4%
Holding: 100%
Production facilities: 2 (Skjåk, Fredrikstad)
Number of personnel: ~35

**Reiling Green Tech**
Acquisition year: 2019
Holding: 24%
Not relevant for the whole

Source: Uusioaines, Partnera, Foamit Group, Inderes

# Foamit Group 2/5

### Raw material from own production and partners

In Foamit Group's current operating countries it is cooperating with all major glass recycling operators. In Finland, Uusioaines is the only industrial recycling glass company and foam glass manufacturer. It receives over 70% of Finnish recycled glass. Most of Uusioaines' raw materials come from Palpa, beverage wholesalers, municipalities, waste management companies and environmental industry companies. In 2020, Uusioaines' recycled material supply chain and position as Finland's largest recycling glass handler were strengthened by the agreement with Finnish Packaging Recycling RINKI Ltd concerning further treatment of non-refundable glass container waste. Uusioaines produces foam glass from the side streams of its own cleaning process.

In Sweden, the majority of recycled glass used by Hasopor comes from Svensk Glasåtervinning that operates in the same industrial park and is the only recycling glass collection and treatment company in Sweden. Around 90% of all glass containers in Sweden are recycled through the company. In connection with the acquisition of Hasopor, Foamit Group also purchased the industrial property and land area where it and its partner, Svensk Glasåtervinning, operate.

In September 2021, Foamit Group announced that it had acquired the Norwegian foam glass manufacturer Glasopor from Sirkel Materialgjenvinning, which will now focus on glass recycling business. After the transaction, Glasopor and Sirkel will continue their long-term cooperation and Sirkel will continue to be a major raw material supplier to Glasopor. The continued cooperation is significant, as Sirkel has the only sorting facility for glass and metal containers in Norway. Glasopor itself has two factories in Norway.

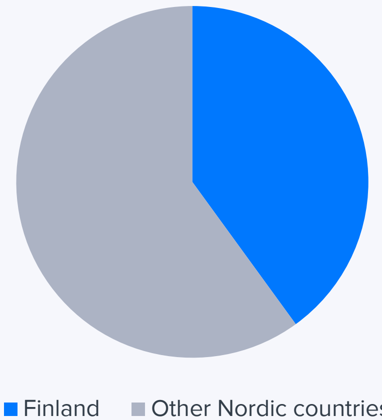
### Foamit Group's vision and strategy

Foamit Group's vision is to be a strong supplier of foam glass and recycled glass solutions. At the same time, the company aims to reduce the carbon footprint with its actions and to contribute sustainably to the surrounding society.

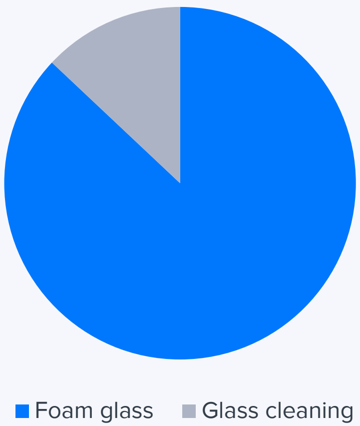
In its strategy for 2021-2023, the company aims for strong growth and internationalization. We believe that the Glasopor acquisition announced in fall fits the company's growth strategy perfectly. The 2020 net sales of the acquired business was about EUR 11.5 million, which clearly strengthens Foamit Group's growth (Foamit Group net sales 2020: 30.9 MEUR). The acquisition expands the company's operations to the Norwegian market and at the same time strengthen its position as the leading foam glass manufacturer in the Nordic countries and as one of the largest players in the industry worldwide.

We assume that in the future, internationalization will continue to take place mainly through acquisitions based on the company's historical activities. However, we do not believe that Foamit Group seeks growth at the expense of profitability, as this would be contrary to Partnera's ROE target. In the short term we do, however, find it possible that acquisitions may be below Foamit Group's current profitability level.

**Estimate of geographical distribution of net sales***




**Estimate of net sales distribution by business***




* Inderes' estimate of net sales distribution after the Glasopor acquisition

Source: Partnera, Inderes

# Foamit Group 3/5

We consider expansion into a new operating country with a greenfield investment less likely, as building a competitive production facility will require significant capital on Foamit Group's scale even if it is not impossible. In addition, expansion would require the presence of a significant glass recycler in the country, with whom Foamit Group could establish a long-term partnership for the supply of raw materials.

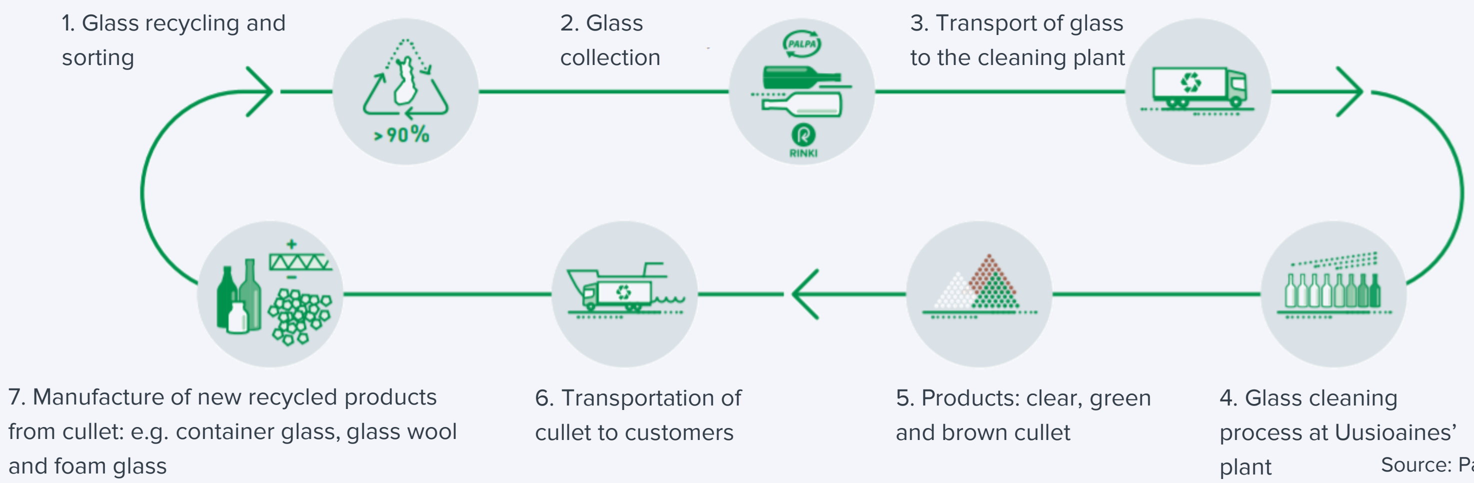
On the other hand, expansion to a country which already has foam glass production can prove challenging, since partnerships are likely to have already been established between local actors. We believe, however, that the company's existing production facilities still have capacity to produce larger volumes and that capacity can also be increased with reasonable investments. Thus, we do not exclude investments in increasing the capacity of existing plants if the company builds new raw material supplier relationships in current or new operating countries. We believe that current production plants are relatively modern and only require moderate maintenance investments.

### Competitive landscape

In its current operating area in the Nordic countries, Foamit Group has a strong market position thanks to its own plants. In the case of foam glass, the company competes to a small extent against imported products. However, competing solutions are primarily made of different materials. In many infrastructure projects, rock aggregates such as coarse aggregate are used instead of foam glass. The advantage of foam glass compared to rock aggregates are the light weight of the material, which makes logistics costs significantly lower, and it is also clearly easier to handle. In addition, the use of foam glass increases the share of recycled materials and reduces the amount of virgin materials, thereby increasing the environmental friendliness of construction. However, due to the current volume of foam glass manufacturing, its use is limited.

Major manufacturers of foam glass at European level include the German Glapor, Swiss MISAPOR, Spanish Polydros S.A. and Czech Refaglass. We believe, however, that the European glass recycling and foam glass market is very fragmented, which gives Foamit Group the opportunity to expand its activities inorganically. In a global context significant foam glass manufacturers are found especially in the USA (e.g. big business Owens Corning) and China (e.g. Zhejiang Dehe Insulation Technology).

**Example of glass circulation**




Source: Partnera, Foamit Group, Inderes

# Foamit Group 4/5

## Pandemic did not have a significant impact on last year

Foamit Group’s net sales increased in 2020 supported by inorganic growth (Hasopor included from 6/2019) to EUR 30.9 million (2019: 21.6 MEUR). However, the EBITDA margin decreased slightly from the comparison period to 22.5% (2019: 24.2%). We believe the weaker profitability is explained at least partly by the restrictions caused by the pandemic, which reduced glass waste produced by restaurants, which in turn contributed to weaker availability of raw materials in the glass business.

The impact of the COVID pandemic on the foam glass business as a whole was limited. The net sales of the foam glass business comes largely from stably developing infrastructure construction, which was not affected significantly by the pandemic. The pandemic did have a negative impact on building construction toward the end of the year.

## Market outlook

The company has reported that it believes the demand for recycled glass to recover from the temporary drop caused by the COVID pandemic and that demand for foam glass business will remain strong. For the foam glass business, it should be noted that the business is partly cyclical, as especially infrastructure construction is affected by weather conditions (e.g. long/short winters).

In 2021, the prolonged winter and the pandemic postponed projects planned for the first half of the year. However, moving toward summer, the demand for foam glass began to develop positively and we believe the situation has remained good in the second half of the year. We believe the price inflation of raw materials that hit several companies has had little effect on Foamit Group, as the glass raw material used in the production of foam glass is waste for glass cleaners, which cleaners want to get rid of and increase their own recycling rates through this. For this reason, we expect the company's increase in raw material costs to remain moderate in the future. On the other hand, the increase in other production costs (e.g. energy) may have an impact on the company's profitability in the short term.

In terms of the short-term market outlook of construction, the Confederation of Finnish Construction Industries RT estimated in its latest update (spring 2021) that construction is expected to decline by about 2% in Finland in 2021 compared to 2020. In 2022, construction is expected to remain at the same level as 2021. The volume of infrastructure that is important for Foamit Group is expected to fall by about 1.5% in 2021 compared to 2020. In 2022, the volume of infrastructure construction is expected to fall further by 1%. During the estimate period, Finland is characterized by the simultaneous end of major infrastructure projects and uncertainty about municipalities' investments as government COVID subsidies end. However, it is possible that with the promising economic growth seen in the spring and summer, these estimates prove to be too cautious if the COVID situation does not deteriorate clearly with new variants.

In the big picture and in the longer term, we expect that the outlook of Foamit Group’s other operating countries is also somewhat comparable to the situation in Finland, although there may be large differences between individual years. In the longer term, we expect construction outlooks to largely follow general GDP development.

Organic growth is supported by the ambitious climate targets in the company's current operating countries (Nordic countries) to increase the use of recycled building materials. For example, INFRA – Infra Contractors Association in Finland has through its member companies set targets for the environmental friendliness of infrastructure construction. The State of Sweden also has an investment program for infrastructure construction until 2029, which provides good preconditions for the company's growth. In addition, Hasopor's long-term cooperation with various design firms and customers has, in our opinion, strengthened the position of foam glass on the Swedish market. For example, in a significant number of projects requiring lighter material, foam glass is already defined as the material to be used in the design stage. We understand that foam glass also has a well-established position in Norway. We believe that the company's growth will be slightly stronger in the long term than the growth in construction as recycled materials slowly win over market shares from more conventional materials.

# Foamit Group 5/5

### Estimates

We expect the company's net sales to grow by 29% in H2'21 supported by the Glasopor acquisition (included for 4 months) and to rise to EUR 21.4 million. We estimate that the net sales for the whole year 2021 will be EUR 33.5 million. In 2022, due to the normalization of the operating environment and inorganic growth, we expect the company's net sales to increase by 30% to EUR 43.4 million. In 2023, we expect organic growth to be about 5% as foam glass increases its market share compared to more conventional materials, which is also supported by the sales synergies between the company's subsidiaries.

In terms to profitability, we expect that the inclusion of Glasopor will decrease the company's EBITDA margins slightly due to its weaker relative profitability. As a result, we predict that the company's EBITDA % in 2021 will be around the H1'21 level and the level of our 2020 pro forma calculation at around 19.1% We believe that company development and synergies will gradually raise profitability. We estimate that the company's EBITDA % will increase to 20.5-21.2% in 2022-2023 through synergies from acquisitions. In our view, synergies between subsidiaries are available on the cost side, particularly in procurement and production.

### Valuation

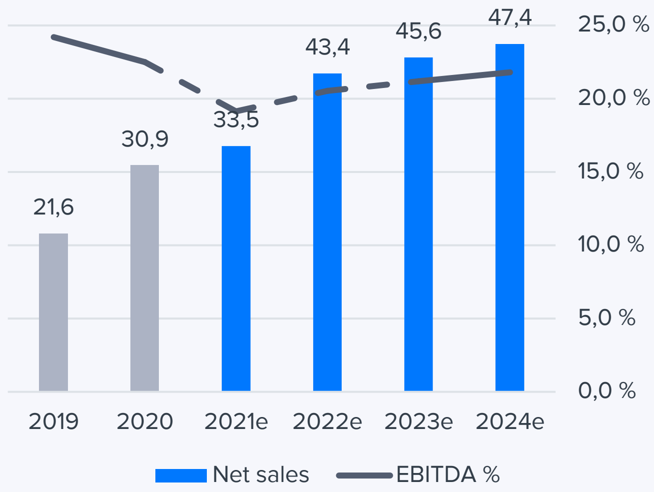
We believe that Foamit Group should be valued at an 8x-10xEV/EBITDA ratio, which is also roughly in line with the average valuation of Nasdaq Helsinki although we do not find this to be a guiding indicator for Foamit Group. The valuation we accept is also somewhat in line with the peer group consisting of Nordic construction material companies (p. 34) (2021-2022e EV/EBITDA: 9x-10x).

In determining the acceptable valuation, we also use the valuation of the Glasopor acquisition carried out by the company, which with the actual 2020 result gives an EV/EBITDA ratio of 8.8x. We believe that the purchase price can be considered reasonable considering the acquisition expanded the company to new markets and strengthened its market leadership in the Nordic countries.

When the average of our acceptable valuation level is combined with our 2020 pro forma calculation and our 2022 estimates Foamit Group's EV is EUR 73.4-80.3 million. This makes Partnera's share of Foamit Group's EV EUR 46.2-50.6 million. We use both the actual 2020 EBITDA and the estimated 2022 EBITDA that considers the acquisition in our valuation as our estimate for 2021 reported EBITDA is not comparable with these years, and this limits the uncertainty related to next year's estimates.

The mid-point of our EV range (76.8 MEUR), in turn indicates and EV/Sales ratio of approximately 1.8x for 2022. This is also quite well in line with the peer group (EV/S 2021-2022e: 1.6x-1.9x). The EV/S ratio for the Glasopor acquisition was 0.9x, which also reflects the value creation potential of the transaction if the company's profitability is raised to a higher level.

**Foamit Group's estimates**




**Key valuation figures**

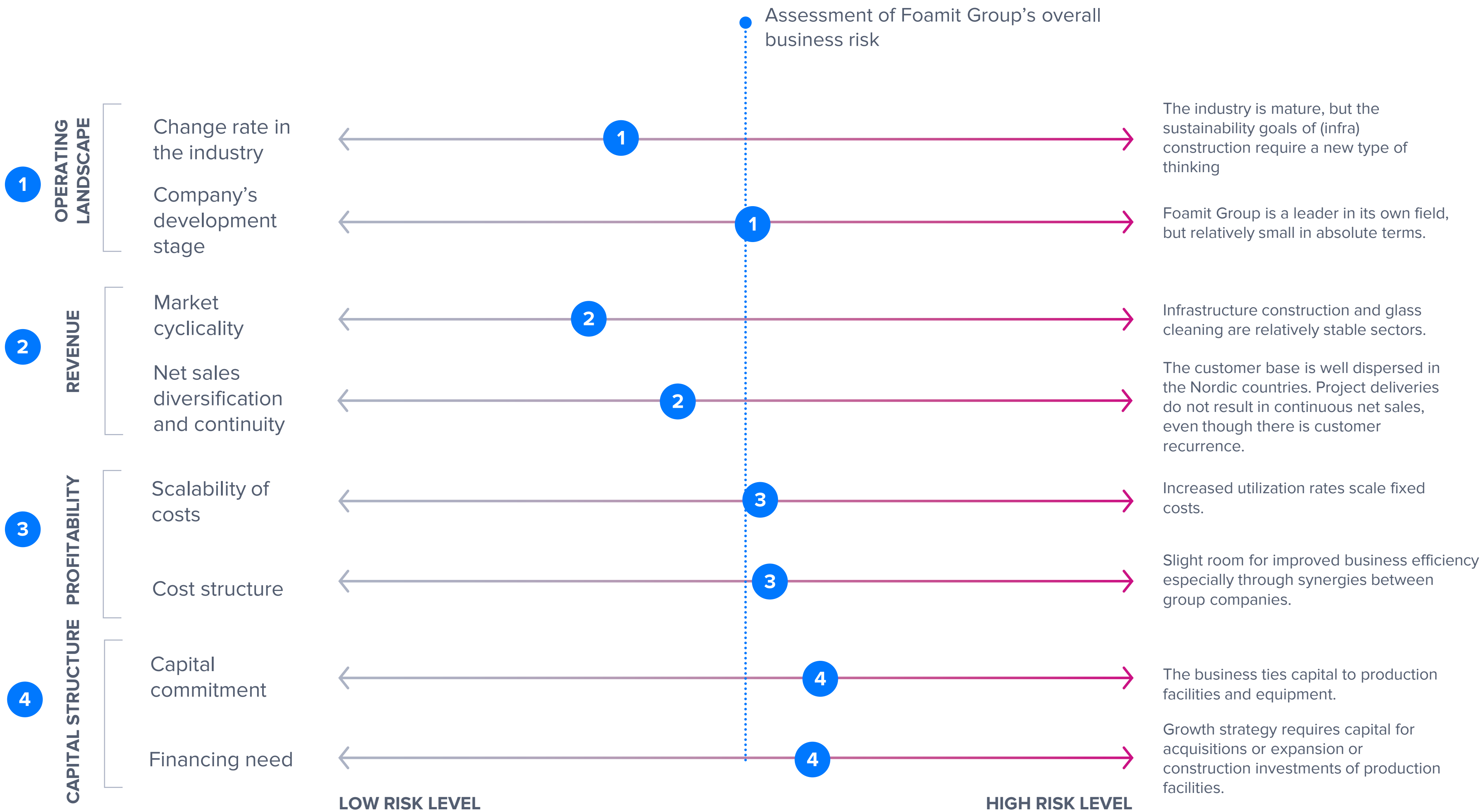
EV/EBITDA
**9x**
2020 actual 2022e

EV/S
**1.8x**
2022e

Estimated EV
**76.8**
MEUR

Partnera's holding
**63%**
H1'21

# The risk profile of Foamit Group's business model




Source: Inderes

# KPA Unicon 1/4

### Player in clean energy production

KPA Unicon is a supplier of clean energy production solutions founded in 1990. Its energy production solutions utilize biomass and by-product streams that reduce the use of fossil fuels. The company has long experience in international plant deliveries. Its portfolio includes energy production plants (e.g. bioenergy heating plant, steam production plant) designed and delivered as turnkey projects, where it focuses particularly on medium-sized plants. In addition, the company also produces, e.g., biomass boilers and flue gas scrubbers that reduce waste heat and particulate emissions, as well as heat recovery systems. Its production plants use biofuels such as bark, sawdust, pellets or bio-oils, as well as recycled fuels (e.g. industrial side streams and RDF). For example, peat or natural gas can also be used as fuels.

The company also modernizes, maintains and operates existing plants and provides capacity for energy production as a service (CaaS). It also offers digital tools for energy producers. Partnera's holding in Due2Energy, the company established for the acquisition of KPA Unicon, is 70%. The company's founders own the remaining 30% through Prounicon Service.

In 2020, the net sales of KPA Unicon remained roughly at the previous year's level and totaled EUR 69.4 million (2019: 68.7 MEUR). Comparable EBITDA amounted to EUR 5.4 million , which corresponds to an EBITDA margin of about 7.8% (2019 EBITDA %: 7.4%). The company operates on international markets and its customers include global industrial companies, as well as international and local energy companies. Last year, 48% of its net sales came from Finland, 40% from the rest of Europe and 12% from other regions. The company's headquarters and production facilities are in Finland. It also has staff in Sweden, France, Spain, Croatia, Bosnia and Herzegovina, Russia, and Chile. At the end of 2020, the company employed 202 people.

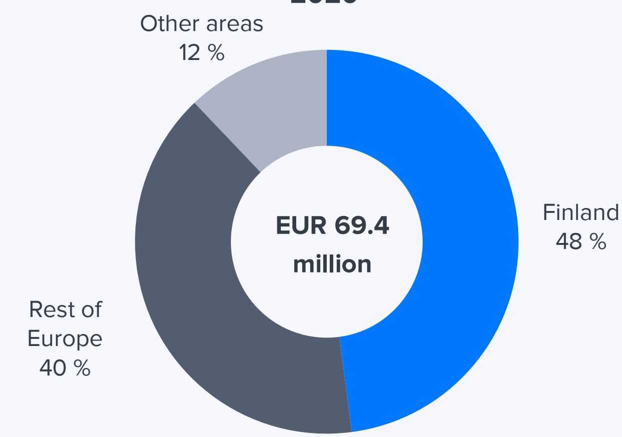
### Business model and segments

The company's largest business segment is **Create**, whose net sales consist of plant and boiler deliveries and supplying accessories such as flue gas scrubbers or heat recovery systems. The segment's net sales in 2020 was EUR 45.0 million, representing about 65% of KPA Unicon's net sales. According to our estimates, Create's business is somewhat cyclical, and the margin structure of projects can vary significantly.

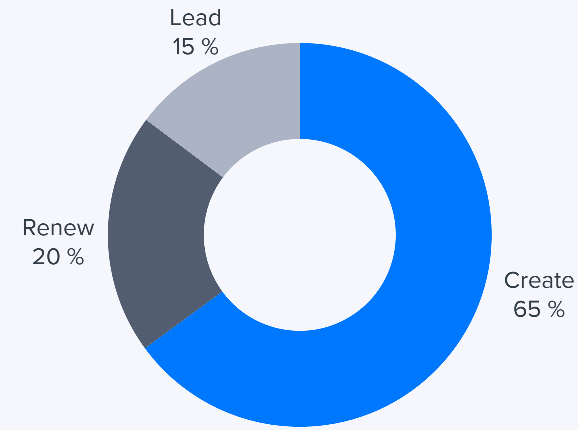
KPA Unicon's second largest segment measured by net sales was **Renew** in 2020. Its net sales was EUR 14.0 million last year, representing about 20% of the company's net sales. The segment's income comprises modernization, maintenance and spare part sales of old plants. We believe the company carries out maintenance both itself and through subcontractors. We estimate that Renew's demand is relatively stable and has good margins.

The third largest segment last year was **Lead** with a EUR 10.2 million net sales (15% of net sales). The segment's net sales consist of continuously billed service sales of energy production capacity (CaaS), which is offered to the Nordic municipal market and important international customers. We think CaaS is a

**Geographical distribution of net sales 2020**




**Net sales distribution by segment 2020**




Source: KPA Unicon, Inderes

# KPA Unicon 2/4

very interesting opening from the company. In this service, the company provides its customers with the design, construction, operation, and maintenance of a heating plant through a service company, which means that the equipment does not remain in KPA Unicon's or the customer's balance sheet. In addition, the model offers highly predictable returns to the company far into the future, as the CaaS contracts are several years long. The segment also provides comprehensive operating and maintenance contracts.

The smallest segment with a net sales share of below one percent is **Interact,** that sells digital services and its own PlantSys remote control software. This system is already used in more than 100 energy production plants. However, the segment's net sales was only EUR 0.1 million last year, which we believe suggests that due to the pandemic, new sales of the system was rather quiet and continuously billed net sales from these services are not recorded in Interact's net sales.

All in all, KPA Unicon's business is rather capital light. According to our calculations, its fixed assets relative to net sales in 2020 was some 4%. In addition, due to the prepayment-based logic of the project business, the company can operate with negative working capital and last year its ratio to net sales was -8%. Low capital intensity is positive as it enables good cash flow performance for the company and preconditions to generate excellent ROI. According to our calculations, the company reached approximately 45% ROI last year.

## Strategy

In the current strategy period, the company aims for international growth and especially strengthening its market position in the Swedish market. Historically, the company has also grown through acquisitions, so we do not consider this growth option impossible when the company is seeking a foothold on new markets. We believe that the company's target market is global, but it tries to avoid projects and areas where it feels risks are uncontrollable (e.g. politically or economically unstable developing countries). The company has not publicly announced specific numerical targets.

We also believe that the company is not fully satisfied with its current profitability level, although project profitability has improved in recent years, according to the company. We believe the company has the objective and preconditions for low double-digit EBITDA margins in the future. On the other hand, seizing the profitability potential is limited by the company's growth strategy in coming years.

## Competitive landscape

The competitive situation varies significantly depending on the size and scope of delivery. We believe the competitors for KPA Unicon's biggest power plant projects (about 50 MWh plant) can be the largest global players such as Valmet, Andritz and Sumitomo. The company's lower recognition and smaller resources can be considered weaknesses compared to larger players. On the other hand, large companies are not necessarily as agile, and their cost-effectiveness in medium-sized plants is not as good as for large deliveries.

### Examples of KPA Unicon's competitors*

Valmet

ANDRITZ

Sumitomo

ENERSTENA GRUPĖ

VKK

* Inderes' assessment of the competitors

Source: Inderes, companies

# KPA Unicon 3/4

In the company’s typical size-class of slightly smaller production plants the competitors include a wider group of local players depending on the geographical location of the project. We believe the company's competitive advantage here is a fairly wide range of products and services, as well as knowhow in several areas of clean energy production, and diversified energy production for different fuels. In our opinion, one of the most critical features in competition is the fuel used by the customer and the solutions offered by the players around it. We consider the sector to be highly competitive.

## Outlook for decentralized energy production and the energy sector

In decentralized energy production, on which KPA Unicon is focused, electricity or heat are produced locally in small production units, close to its consumer. Decentralized energy production avoids losses in energy transmission, which improves energy efficiency and reduces emissions while increasing cost-effectiveness. Decentralized solutions also enable implementation of various new technologies at a lower risk than in larger scale production due to their smaller size. In Finland, for example, the energy system is so far largely based on centralized production, which offers companies like KPA Unicon good growth potential.

EU level energy efficiency targets, as well as stricter regulation, bring new opportunities to the energy sector. According to a survey conducted by the Finnish Government’s Sustainable Development Company Motiva (2021), Finnish companies believe they will improve their energy use, increase investments in it and reduce emissions in coming years. Among KPA Unicon’s key customer segments around one-third of energy companies and good half of industrial companies found it possible that they would purchase energy solutions as a service. Large heat pumps that utilize waste heat were seen as the most popular future energy solution for both industrial and energy companies. In addition, the energy sector aims to phase out fossil fuels.

On a global scale, the energy technology transition already causes major changes in the energy sector in the near future, for example due to the concerns raised by the IPCC climate report. As a general assumption, the burning of fossil fuels will decrease significantly in the future, although there will be huge regional differences in this respect (cf. EU vs. China). On the other hand, we do not believe that incineration as a form of energy production will be completely abandoned for a long time to come. We do, however, believe that the incinerated materials will change in a less polluting direction in terms of $CO_2$ emissions and that harmful particulate emissions and waste heat management will become an increasingly important theme.

## Short-term market outlook

We estimate that KPA Unicon's short-term outlook can be compared to some extent to the outlook Valmet provides for its Energy business line in its interim reports. In its previous Q3 report, Valmet maintained its outlook for Energy for the next 6 months as weak (lowest level).

Partnera’s H1’21 report did not specify KPA Unicon’s order flow or outlook. However, in terms of the early part of the year it was stated that restrictions on movement and authorization processing have caused delays in customer decision-making, which is in line with Valmet's outlook. In addition, price increases in certain raw materials have delayed the launch of some customer projects. However, we assume that demand will start recovering as the uncertainty caused by the pandemic gradually recedes. We do, however, believe that the climate objectives of different countries/continents and changing regulation concerning different fuels increase uncertainty in energy investments for the time being.

## Estimates

KPA Unicon has been merged into Partnera since the beginning of May 2021. In connection with the acquisition, Partnera said that KPA Unicon's order book at the end of 2020 was EUR 71.4 million, which roughly corresponds to the company's net sales in the 2019-2020 calendar years and gave the company good visibility for 2021.

Partnera’s H1 report stated KPA Unicon’s net sales for May-July was EUR 10.9 million, which at a stable assumption would indicate EUR 32.7 million in net sales for six months. In the press release on the KPA Unicon acquisition, information was given on the division of the company's net sales for 2019, when some 47% of net sales was generated in H1 and 53% in H2.

# KPA Unicon 4/4

We do not believe the company's net sales to be significantly cyclical, but rather dependent on the timing of projects over the course of the year. For 2021 we start with this assumption and assume that the deliveries supposedly postponed in H1 by the pandemic, as well as several global deliveries that were still ongoing in H1 will support H2 net sales. We expect the company's H2'21 net sales to increase to EUR 37.3 million, and thus Partnera's reported net sales for the full year to be EUR 48.2 million.

In 2022, we expect the net sales reported by Partnera to grow by some 50% to EUR 72.1 million, when the company is consolidated for the whole year. Our organic growth forecast for 2022-2023 is about 3%, supported by gradually increasing investment levels.

In 5-6/2021, the company's reported EBITDA was EUR 0.9 million which corresponded with and EBITDA % of 8.3%. We expect profitability to remain at around the same level as in H1 in H2'21 and be 8.5%. Thus we expect the company's EBITDA in H2 to be EUR 3.2 million and EUR 4.1 million for 2021. Between 2022 and 2023, we expect the company's EBITDA % to improve slightly to 8.5-8.7%, with growing volumes and operational efficiency. While we feel that in terms of profitability the company has potential to reach even higher levels with the current business structure we wait for evidence from the company in this respect. Profitability could be raised especially if the company would increase its share of digital services to a significant level.

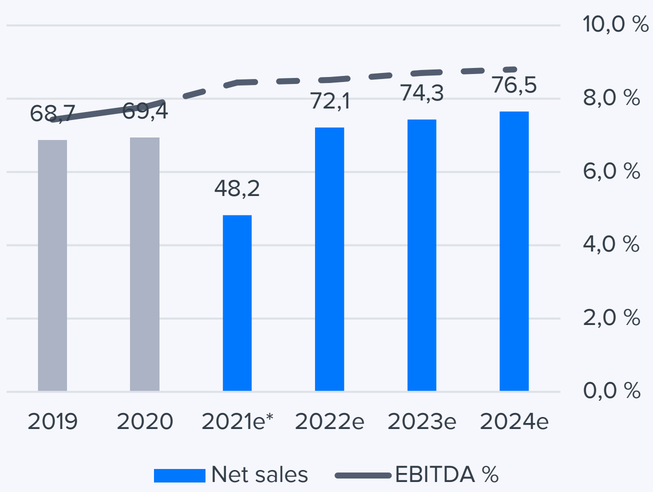
## Valuation

We have started examining KPA Unicon's acceptable valuation through our extensive peer group (p. 34), consisting of its largest competitors Valmet and Andritz, as well as other Nordic manufacturing and engineering companies. The EV/EBITDA ratios of the large peer group for 2021-2022 are 10x-14x, but we believe that due to KPA Unicon's smaller size class and more equipment-driven income distribution, as well as the smaller share of services, it should be valued at a clear discount compared to the peers. On the other hand, of the core peers Valmet has been valued for 2021-2022 with EV/EBITDA ratios of some 10x-11x and Andritz about 6x-7x. Thus we believe the acceptable EV/EBITDA range for KPA Unicon is around 5x-7x.

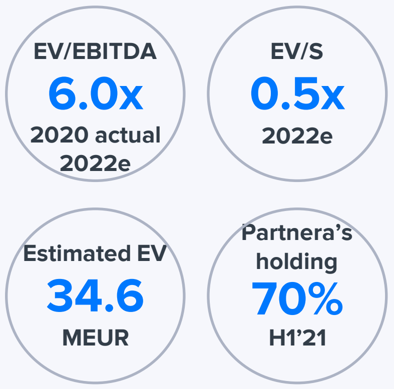
When the average of our acceptable valuation level is combined with our 2020 pro forma calculation and our 2022 estimates, KPA Unicon's EV is EUR 32.4-36.8 million. This makes Partnera's share of the EV EUR 22.7-25.8 million. We use both the actual 2020 EBITDA and the estimated 2022 EBITDA in the valuation, as our estimate for 2021 reported EBITDA is not comparable with these years, and this limits the uncertainty related to next year's estimates.

The mid-point of our EV range (34.6 MEUR), in turn indicates and EV/Sales ratio of approximately 0.5x for 2022. This is also quite well in line with the valuation of the core peer Andritz (EV/S 2021-2022e: 0.7x).

### KPA Unicon's estimates

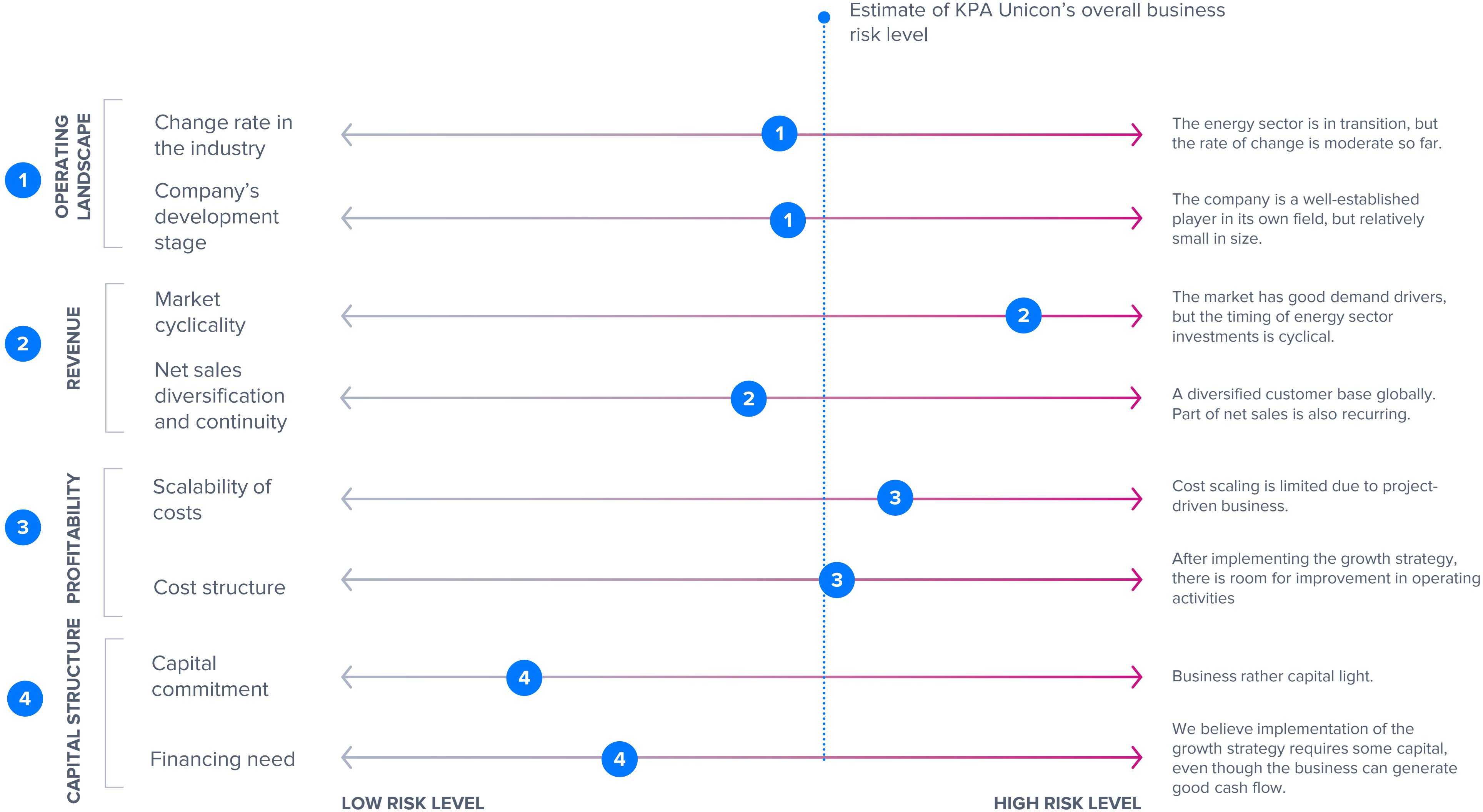



### Key valuation figures




* 2021 estimate for Partnera's 8-month holding period

# The risk profile of KPA Unicon's business model




Source: Inderes

# Nordic Option 1/2

## Fund established in the early 1990s

Nordic Option (previously Teknoventure Oy) is a private equity investment fund in the form of a limited liability company that was established by Finnvera together with the municipalities of Northern Finland. Finnvera sold its main holding in Nordic Option to Partnera and Arvo Sijoitusosuuskunta in 2014 (both have a 34.2% holding). Nordic Option's strategy was renewed in 2016 by the largest owners (Partnera, Arvo and the City of Oulu) and an external CEO was appointed to the company and in 2019 full-time investment manager was appointed. The development of the fund has turned positive after the strategy overhaul, but ROE has remained below 10% on average. Partnera is actively involved in Nordic Option's Board work.

## Investment policy of the fund

The fund invests from in its own balance sheet and the company’s equity ratio was 99% at the end of 2020. In its investment targets Nordic Option focuses on growing SMEs in Northern Finland and its investment strategy relies heavily on the development of its holdings and eventually on exits, so that return on capital investment is also realized. The company currently has a holding in 13 companies. The industry focus of the fund is clearly technology-dominated, which is partly affected by the high number of technology companies in the growth phase in the Oulu region.

The size of the initial investments is EUR 0.5-2.5 million, and further investments may be considered. A maximum of 15% of the fund's assets can be invested in one target. The company’s objective is to make new investments and exits from target companies annually. We believe that annual exits are partly mandatory for a relatively small fund to make new investments. It would certainly be possible to increase the size of the fund through capitalization, but it is difficult to assess the likelihood of this option and, in principle, we do not expect capitalization, at least in the near future. In our opinion, the dividends paid by Nordic Option are also at least partly dependent on exits.

## Current portfolio in brief

**Brightplus** is a renewable materials company whose solutions are based on patented BrightBio technology. The company's net sales was EUR 0.8 million in the financial period that ended in 6/2021 (6/2020: 0.5 MEUR). The investment was made in 2021.

**Rajobit** is a software robotics company that offers automation of routines for companies of all sizes in different industries. The company’s net sales was EUR 0.5 million in 2020 (2019: 0.2 MEUR). The investment was made in 2021.

**Sensorfu** is a cyber security company that manufactures corporate cyber security solutions. The company’s net sales was EUR 242,000 in 2020 (2019: EUR 152,000). The investment was made in 2021.

**Sensmet** is a company focused on utilizing water analysis technology and data. Its customer base is made up of companies in various industries. The company's net sales was EUR 168,000 in the financial period that ended in 3/2021 (3/2020: EUR 77,000). The investment was made in 2021.

**Owatec** is a water and industry environmental company from Oulu that provides its customers with technology and service solutions for water and waste treatment across a wide range of industrial sectors. In 2020, the company’s net sales was EUR 1.3 million (2019: 1.0 MEUR). The investment was made in 2021.

**Enhancell** is a software company from Oulu, focusing on testing and identifying wireless indoor networks. The company's offices are located in Oulu and Boston. Enhancell's net sales totaled EUR 2.4 million in 2020 (2019: 2.4 MEUR). The investment was made in 2020.

**Taitonetti** is Finland's largest retailer of second-hand computers. The company offers consumers and businesses refurbished business computers. Taitonetti’s net sales was EUR 9.1 million in the financial period that ended in 6/2021 (6/2020: 8.6 MEUR). The investment was made in 2020.

**Tactotek** is the market leader in in-mold structural electronics (IMSE), whose target markets are the automotive and household appliance industries. The company’s net sales was EUR 1.5 million in 2020 (2019: 2.8 MEUR). The investment was made in 2019.

**9Solutions** is a supplier of indoor location-based safety, communications and smart care solutions. The company’s net sales was EUR 5.5 million in 2020 (2019: 7.8 MEUR). The investment was made in 2019.

**Screentec** is a high-tech company that manufactures, e.g., printed electronics solutions for the medical sector. We believe the company's rapid response to the COVID pandemic and launching visor production increased its net sales for the past financial year significantly (net sales EUR 7.0 million in the financial period that ended in 3/2021 vs. 3/2020: 1.9 MEUR). The investment was made in 2018.

# Nordic Option 2/2

**Haltian** focuses on turnkey IoT solutions for building, bathroom and factory management. The company is also specialized in product development and works with its customers to develop early development ideas into commercial products. The company's net sales was EUR 9.0 million in 2020 (2019: 6.3 MEUR). The investment was made in 2017.

**Valtavalo** is a LED lighting manufacturer from Oulu. The company's net sales was EUR 3.9 million in the financial period that ended in 5/2021 (5/2020: 4.1 MEUR). The investment was made in 2015.

**Best glass** is a company manufacturing insulation glazing from Nivala. The company's customers are door, window and house factories. Best Glass Group's net sales was EUR 28.0 million in the financial period that ended in 4/2021(4/2020: 26.1 MEUR). The investment was made in 2011.

## The last exit was a success

Nordic Option made an excellent exit from the supplier of hyperspectral imaging cameras Specim in late 2020, which increased the balance sheet value of the company's equity to EUR 19.9 million (2019: EUR 16.3 million) and ROE% to a strong level of 23%.

After the Specim exit, two of the portfolio investments (Best Glass and Valtavalo) have been made in 2015 or before and we believe that exit from these is part of the company's objectives to improve portfolio circulation. Considering historical development, the last few years have been challenging for both, and we do not expect the company's current performance to lead to sales gains in case of exit.

In terms of Nordic Option's target companies, it is worth noting that due to the technology focus of the companies, other factors than purely economic figures (e.g. technology incl. patents and synergies acquired by the buyer) affect the sales price of potential divestments if the product/technology can be sold to a suitable buyer, as was the case for Specim.

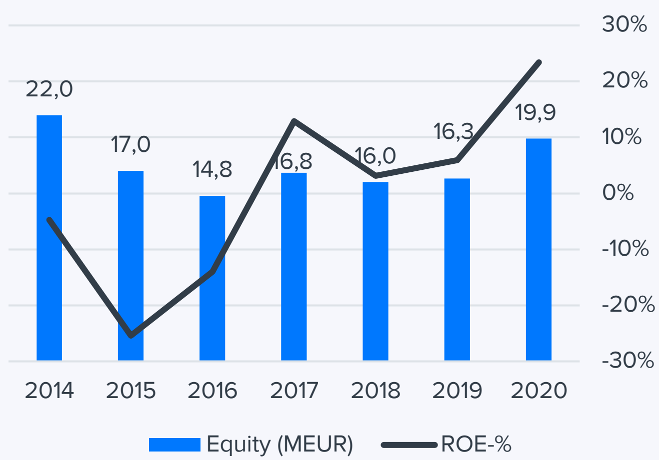
## Short track-record during the new strategy

We do not forecast Nordic Option's development because it is dependent on exit timing, and it is practically impossible to predict them. However, we believe that without them the company's result will turn negative.

For the time being, we value Nordic Option based on the equity in its balance sheet. Based on Partnera's share the value of the holding is approximately EUR 6.8 million. The ROE of the fund has developed positively after the strategic overhaul but has on average remained below 10%. Therefore, we do not consider it justified to value Nordic Option above its balance sheet value, at least for the time being, as we need a longer positive track-record on the development of the fund's investment targets and exits before we can accept a premium valuation for Nordic Option. In our opinion, the return requirement for this type of growth-stage technology portfolio is double-digit and premium pricing would therefore require a clearly double-digit ROE from Nordic Option, for example, calculated as a three-year rolling average.

In our opinion, the main risks of Nordic Option are the weak development of investment targets, increased competition for investment targets, failure in M&A transactions, and significant weakening of the Finnish economy.

### Equity and ROE % development




### Key valuation figures


Source: Nordic Option, Inderes

# Other investments

## Partnera is a significant owner in Finda

Partnera directly owns around 3.7% of the investment company Finda. In addition, Partnera owns almost 33% of Telebusiness InWest, which in turn owns 5% of Finda. As a result, Partnera's direct and indirect holding in Finda rises to around 5.5%. Finda carries out active investment activities based on the principles of value investment. At the end of 2020, in total 56% of Finda's portfolio was invested in direct shares, 33% in active funds and 11% in ETFs. At the end of the year, EUR 314 million was invested in these. In addition, Finda had significant unlisted investments and a large cash fund (Group cash and cash equivalents 461 MEUR) after it sold its DNA holding in 2019.

The dividend distributed by Finda is significant for Partnera's annual cash flow, as in 2021 Partnera received EUR 1.0 million in dividends from its direct investment. On the other hand, Telebusiness InWest has not distributed dividends in recent years and we expect the situation to remain unchanged.

We value Finda at its taxable value based on its 2020 tax decision, which was EUR 41.69 per share, which makes Finda holding worth close on EUR 570 million. This corresponds quite well to the EUR 600 million market price of Finda on Privanet last spring before the trading venue closed. The share price at the taxable value gives a EUR 31.1 million value for Partnera's holding. Finda Group's equity was EUR 936 million in 2020. This indicates a P/B valuation of around 0.6x. However, we believe using a safety margin is justified due to Finda's weak liquidity and Partnera's large holding.

## Other investments are not relevant

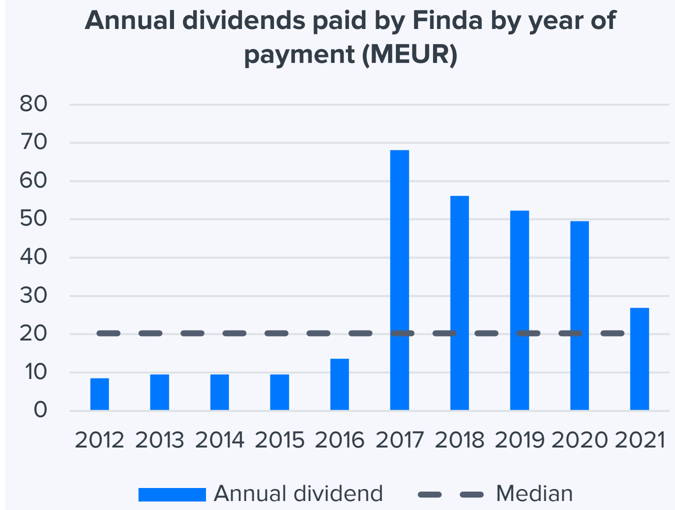
In our opinion , next to Finda, Telebusiness InWest does not have any other significant investments and we value it accordingly. In addition, Partnera has non-essential holdings in Omnitele and Oulu Innovation, which we do not recognize in the valuation.

## Project investments

In 2018, Partnera signed a letter of intent as the main financier of **the Oulu Ratapiha development project**. The development project includes the rezoning of Oulun Asemanseutu, which includes, e.g., the construction of a new multi-purpose arena, as well as new apartments, business premises and a hotel. The company is committed to finance the development phase of the project. The total budget of the development phase is estimated at EUR 3-5 million.

In 2018, Partnera signed a preliminary agreement for **a logistics center to be built in the Port of Oulu** with Satama Oy. Partnera's role would be to be the owner of a real estate company that builds and owns the logistics center and possibly to be involved in the operator company responsible for the operations of the center. Partnera is prepared to invest EUR 10-15 million in the project.

We believe that both projects have been put on hold and that Partnera has not committed much capital to them. In terms of the Ratapiha project, we expect decisions to be made in the near future, but the timetable for the logistics center is still open. In principle, we are slightly pessimistic about project investments, because their ultimate suitability for the company's strategy is still somewhat unclear.



# Financial position

## Balance sheet structure

Partnera's balance sheet total at the end of H1'21 was EUR 169 million (2020: 112 MEUR). The increase in the balance sheet at the turn of the year is explained in particular by KPA Unicon acquisition. Thanks to acquisitions in recent years, a lot of goodwill has accumulated in the balance sheet (H1'21: 22.3 MEUR), especially from the KPA Unicon and Hasopor transactions. Because Partnera reports under FAS accounting rules, it depreciates accumulated goodwill from its balance sheet. At the end of H1'21, Partnera had some EUR 5.5 million in other intangible assets in its balance sheet, consisting mainly of capitalized development costs. H1'21 figures did not include the effects of the Glasopor acquisition that took place in September 2021.

At the end of H1'21, the company had tangible assets of around EUR 24.5 million. This consisted mainly of the machinery and equipment of the operational subsidiaries and industrial properties where they operate.

Shares of non-current assets in associated companies (15.2 MEUR) consists of investments in Nordic Option and Telebusiness InWest (including indirect holding in Finda). Other investments (15.5 MEUR) consist of Partnera's direct holding in Finda, Omnitele and Oulu Innovation.

The company had inventories and receivables totaling EUR 67.4 million at the end of H1. At the end of H1, the Group had liquid assets of EUR 18.1 million, including financial securities (6.3 MEUR) and cash (11.8 MEUR).

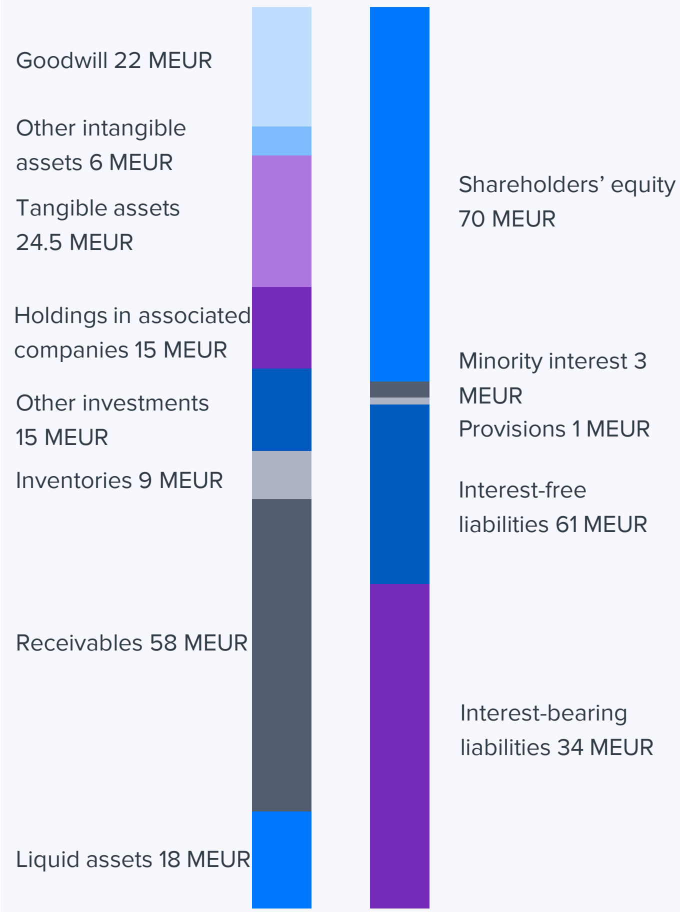
Partnera's equity was some EUR 70 million at the end of H1'21. Minority interests in the balance sheet stood around EUR 3 million due to the group structure. The value of minority interests can also be expected to increase in coming years if there are no changes in ownership structures and the subsidiaries' businesses progresses as expected.

Interest-bearing debt amounted to EUR 33.6 million (incl. 0.5 MEUR subordinated loan). At the end of H1, Partnera' net debt stood at EUR 15.5 million. We expect that the company's net debt will grow slightly at the end of the year due to the Glasopor transaction (2021e net debt: 19.7 MEUR). Interest-free debt stood at EUR 60.6 million, of which current liabilities was EUR 44.5 million. In addition, the balance sheet included mandatory provisions of EUR 1.3 million.

## Relatively strong balance sheet that ensures sound dividend distribution

At the end of H1'21, Partner's equity ratio was at a good level of about 46%. The company's net gearing was also at a moderate level of 21%. Overall, the company's balance sheet was relatively strong and we do not expect the Glasopor transaction to change this significantly. We believe that the strong balance sheet position and the cash flow generated by the operational subsidiaries will secure dividend distribution also in future together with the dividends received from Finda.

### Balance sheet structure at the end of H1'21



# Estimate summary 1/2

## Strong inorganic growth in 2021

Partnera's guidance for 2021 is that it expects net sales to increase significantly from the previous year (2020: 31.1 MEUR) and operating profit adjusted for non-recurring items will improve from the previous year (2020: 4.9 MEUR). The figures for 2020 take into account the change in the accounting method of the company, where it moved the income and expenses from securities trading to the financial items of the income statement. As this is an oral and first-time guidance from Partnera, there is still some uncertainty involved in interpreting the wording. However, through the inorganic growth from acquisitions, it is clear that the company will reach its net sales guidance. We expect the company's net sales for 2021 to increase by 163% to EUR 81.7 million, mainly due to inorganic growth.

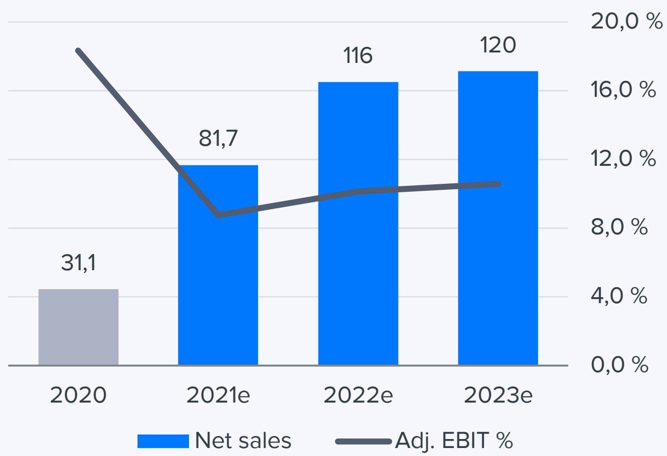
At Group level, we expect the company's reported operating profit, which also corresponds with the company's reported operational EBIT, to increase to EUR 5.1 million in 2021, corresponding to a 6.3% EBIT margin (2020: 15.8%). Thus, we also expect the company to achieve its operating profit guidance in 2021, albeit only slightly. The decrease in the margin is mainly due to the net sales increase caused by acquisitions and the lower profitability profile of the acquired companies. In addition, we estimate that the company's share of associated companies' earnings will decrease in 2021, because Nordic Option's excellent exit from Specim took place at the end of 2020. We do not include any possible exits by Nordic Option in our estimates, because it is not possible to predict their timing. Limited visibility into the company's earnings formation partially depresses our forecasts for 2021. With our current estimates, it is possible that any project postponements or increased cost pressures could cause the company not to meet its profitability guidance.

Since the company reports in accordance with FAS accounting, we also monitor the development of operating profit adjusted for goodwill amortization (EBITA), even though the company does not use the EBITA figure in its own reporting. This, however, improves the company's comparability with other listed companies, both in terms of earnings and valuation multiples. We estimate that the company's goodwill amortization will increase to EUR 2.0 million in 2021 due to recent acquisitions (H1'21: 0.7 MEUR). As a result, our 2021 EBITA estimate is EUR 7.4 million, which corresponds to a margin of 8.8%.

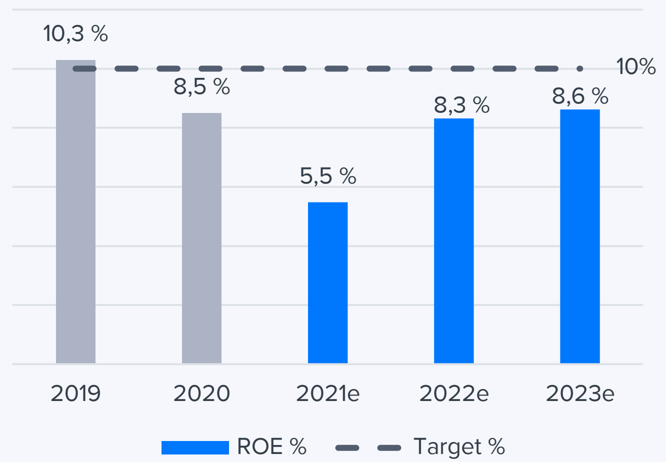
In the lower lines, we estimate that net financial expenses will be slightly positive due to dividends received from Finda and income from securities trading. We expect reported EPS to decrease in 2021 to EUR 0.11 (2020: EUR 0.17) despite the increase in the operating profit, due to the high non-recurring profits of 2020 (~2.5 MEUR). There are no non-recurring items in our 2021 estimates.

In line with the decreasing result but on the other hand the sound dividend policy, we expect the company to reduce its dividend to EUR 0.10 per share. We are also not assuming that the company will achieve its ROE target in 2021, but estimate it will remain at about 5.5% (H1'21 annualized ROE%: 4.5%).

**Net sales and profitability development**




**ROE % and target level**



# Estimate summary 2/2

**We expect a slight improvement in relative profitability in coming years**

We estimate that Partnera's net sales will grow by good 41% in 2022, and the engine for growth will still be the inorganic growth from the KPA Unicon and Glasopor acquisitions. In 2023, we expect organic growth to be close to 4% at Group level. We find it likely that the company will make acquisitions during the estimate period, but we have not included them because it is practically impossible to predict them.

We expect the company's reported operating profit to rise to EUR 8.9 million next year, which corresponds to a 6.3% EBIT margin. The leap in the absolute operating profit is primarily based on the companies acquired in 2021 being consolidated for the entire financial period. In 2023, we expect the company's reported operating profit to increase to 7.7%, reflecting the continued growth in net sales, improved operational efficiency and synergies achieved in Foamit Group. We also expect the costs of the parent company to be slightly scaled as the business group grows. EBITA% adjusted for largish goodwill amortization (at annual level ~2.9 MEUR) is expected to increase to 10.1-10.6% in 2022-2023.

The reported EPS for 2022 and 2023 are expected to increase to EUR 0.17 and EUR 0.18. We estimate that the dividends for 2022 and 2023 will remain stable at EUR 0.10 per share.

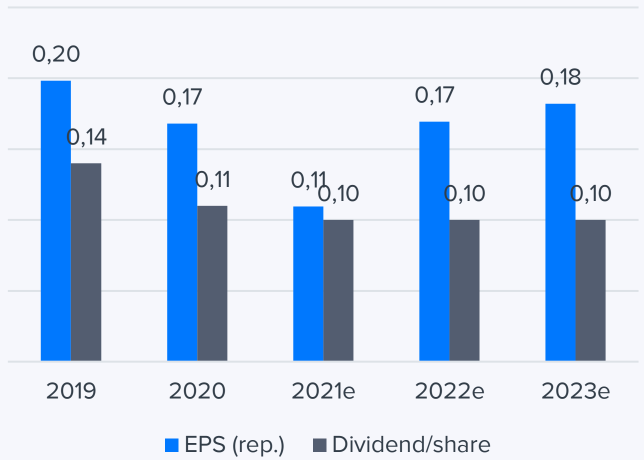
In our current estimates, the company's ROE will rise to 8.3-8.6% in 2022-2023, which is still below Partnera's ROE target. However, our estimates for the next few years are not very challenging, but the visibility into the company's market outlook, order flow and improvement of profitability profiles is currently very limited.

**Long-term earnings estimates**

In the long term, key drivers of Partnera's earnings development are the success of subsidiaries' growth strategies and likely M&A transactions.

With the current business structure, we expect the net sales of operational subsidiaries to grow on average slightly faster than the general GDP of Finland and/or Europe (CAGR 2024-2032: ~2.2%) due to the good growth outlook of the companies, which is supported by increasing demands for responsibility. We expect the company's reported EBIT margin to be 7.5-9.0% in the estimate period. We expect that tightening competition and new technologies, especially toward the end of the estimate period, will depress the company's growth and cut margins. On the other hand, we also see this development as an opportunity for Partnera to develop their existing processes or new technologies, which would raise our estimates in the future.

**EPS and dividend**



# Income statement

| Income statement | 2019 | H1'20 | H2'20 | 2020 | H1'21 | H2'21e | 2021e | 2022e | 2023e | 2024e |
|---|---|---|---|---|---|---|---|---|---|---|
| **Revenue** | **22.8** | **14.3** | **16.8** | **31.1** | **23.0** | **58.7** | **81.7** | **116** | **120** | **124** |
| Foamit Group | 21.6 | 14.2 | 16.7 | 30.9 | 12.1 | 21.4 | 33.5 | 43.4 | 45.6 | 47.4 |
| KPA Unicon | 0.0 | 0.0 | 0.0 | 0.0 | 10.9 | 37.3 | 48.2 | 72.1 | 74.3 | 76.5 |
| **EBITDA** | **10.6** | **3.8** | **6.9** | **10.8** | **3.4** | **7.0** | **10.4** | **15.6** | **16.6** | **17.5** |
| Depreciation | -2.5 | -1.6 | -1.7 | -3.4 | -2.3 | -3.0 | -5.3 | -6.8 | -6.8 | -6.7 |
| **EBIT (excl. NRI)** | **8.2** | **2.6** | **3.1** | **5.7** | **1.9** | **5.3** | **7.2** | **11.7** | **12.7** | **13.7** |
| **EBIT** | **8.1** | **2.2** | **5.2** | **7.4** | **1.2** | **4.0** | **5.1** | **8.8** | **9.8** | **10.8** |
| Net financial items | 1.0 | 0.0 | 0.3 | 0.4 | 0.5 | -0.4 | 0.1 | 0.3 | 0.2 | 0.3 |
| **PTP** | **9.2** | **2.2** | **5.5** | **7.8** | **1.7** | **3.6** | **5.3** | **9.1** | **10.1** | **11.1** |
| Taxes | -1.7 | -0.4 | -0.8 | -1.2 | -0.2 | -0.7 | -0.9 | -1.7 | -1.9 | -2.1 |
| Minority interest | -0.3 | -0.3 | -0.2 | -0.5 | 0.1 | -0.5 | -0.4 | -1.3 | -1.6 | -1.9 |
| **Net earnings** | **7.2** | **1.5** | **4.5** | **6.1** | **1.6** | **2.3** | **4.0** | **6.1** | **6.6** | **7.1** |
| **EPS (adj.)** | **0.20** | **0.05** | **0.07** | **0.12** | **0.06** | **0.10** | **0.17** | **0.25** | **0.26** | **0.28** |
| **EPS (rep.)** | **0.20** | **0.04** | **0.13** | **0.17** | **0.04** | **0.06** | **0.11** | **0.17** | **0.18** | **0.20** |

| Key figures | 2019 | H1'20 | H2'20 | 2020 | H1'21 | H2'21e | 2021e | 2022e | 2023e | 2024e |
|---|---|---|---|---|---|---|---|---|---|---|
| **Revenue growth-%** | 92.6 % | 67.7 % | 17.7 % | 36.4 % | 60.5 % | 250.3 % | 162.8 % | 41.4 % | 3.8 % | 3.4 % |
| **Adjusted EBIT growth-%** | -53.1 % | -65.8 % | 355.8 % | -30.8 % | -27.5 % | 69.5 % | 25.5 % | 63.2 % | 8.6 % | 8.0 % |
| **EBITDA-%** | 46.6 % | 26.8 % | 41.2 % | 34.6 % | 14.9 % | 11.9 % | 12.7 % | 13.5 % | 13.8 % | 14.1 % |
| **Adjusted EBIT-%** | 36.2 % | 18.0 % | 18.6 % | 18.3 % | 8.1 % | 9.0 % | 8.8 % | 10.1 % | 10.6 % | 11.1 % |
| **Net earnings-%** | 31.5 % | 10.8 % | 27.1 % | 19.5 % | 7.0 % | 4.0 % | 4.8 % | 5.3 % | 5.5 % | 5.7 % |

Source: Inderes

# Investment profile

## Toward a growth and dividend company

Partnera is currently at an interesting stage, as we believe it has the characteristics of a growth, value and dividend company. We believe that Partnera's operational subsidiaries have clear growth potential and that the company has the capacity to implement growth-enhancing business arrangements in the near future. On the other hand, Partnera's history and other balance sheet investments it has generated lock value outside strategic investments for the time being, even though Finda offers the company stable cash flow in the form of dividends. Releasing these assets to strategic targets could increase the company's acceptable valuation. However, we expect growth and value materialization to be gradual, so the company requires a degree of patience from investors. This combination, however, allows the company to pay stable dividends, as the current holdings, and especially KPA Unicon have the capacity to generate good cash flow. As a result, Partnera is currently suitable for investors that enjoy stable cash flow.

## Value drivers and potential

- **Concentration of assets on strategic holdings:** Thus far the company has several non-strategic investments that, we expect, make it difficult for investors to understand the strategy and balance sheet content of Partnera. We believe these factors limit the acceptable valuation of the company at the moment. In our opinion, cleaning up the balance sheet and allocating assets to sectors that support sustainable development would increase the valuation the market would accept for Partnera.
- **Acquisitions:** Partnera's business group is still in the construction stage and we expect the company to remain an active player on the acquisition front in the short and medium term. Through acquisitions, the company will be able to support inorganic growth of the business group and expand its operations to new industries or increase its current activities.
- **Earnings growth in current strategic holdings:** In the longer term, the key to the value development of the current form of Partnera is earnings growth in its strategic holdings. We believe that both operational subsidiaries have good growth outlook and that there is still room for improvement in the efficiency of the companies, which supports the earnings growth potential. In addition, Nordic Option owns interesting growth companies, exits from which offer means for creating shareholder value and increasing equity in the longer term.

## Risks and weaknesses

- **General economic development:** We estimate that the development of Partnera's subsidiaries is somewhat dependent on general economic development, although we expect their growth to exceed overall GDP growth in the near future. Especially investments in the energy sector are currently affected by uncertainty surrounding economic development and fuel solutions, increased raw material prices and supply chain challenges. On the other hand, we estimate that Foamit Group's infrastructure construction is relatively cyclically stable.
- **Failure in strategy implementation:** The company's history with the new strategy and in operating as a business group is still relatively short. Therefore, it is too early to assess the success of the strategy, which slightly raises Partnera's risk level. The business group is also still in the construction stage, which we believe indicates new acquisitions. However, there is always a risk of failure related to the integration of acquisition targets and increasing deal prices.
- **Concentrated ownership:** Partnera's ownership is rather concentrated, which lowers the liquidity and efficient price formation of the share. In addition, the interests of the owners may differ (profit distribution vs. growth investment).
- **Liquidity risk:** In our opinion, Finda (and other non-strategic investments) has a highish liquidity risk in terms of the selling price and exits becoming prolonged.
- **Capital market development:** Thus far, Partnera has short-term securities in its balance sheet, whose value development is influenced by the direction of capital markets. However, we believe that these investments are low-risk interest papers, so their impact is limited. In addition, the development of capital markets affects acceptable valuation levels and Finda's investment portfolio. However, as a result of Finda's large cash assets, we believe that its dividend payment is secured in the near future.

# Valuation 1/3

## Valuation methods

When valuing Partnera's shares, we currently weight our sum of the parts calculation highest as it best considers the value of the company's various asset items. In addition, we examine the value of the share through valuation multiples and the expected total return of the share. In valuation multiples, we favor a net profit-based P/E ratio, as it considers the dividends paid by Finda that play a key role in the formation of the company's result as well as other income from securities trading. In addition, contrary to EV-based earnings multiples, it recognizes significant minority interests in operational subsidiaries, which partially reduce the share of the profit attributable to Partnera's shareholders.

## Sum of the parts calculation

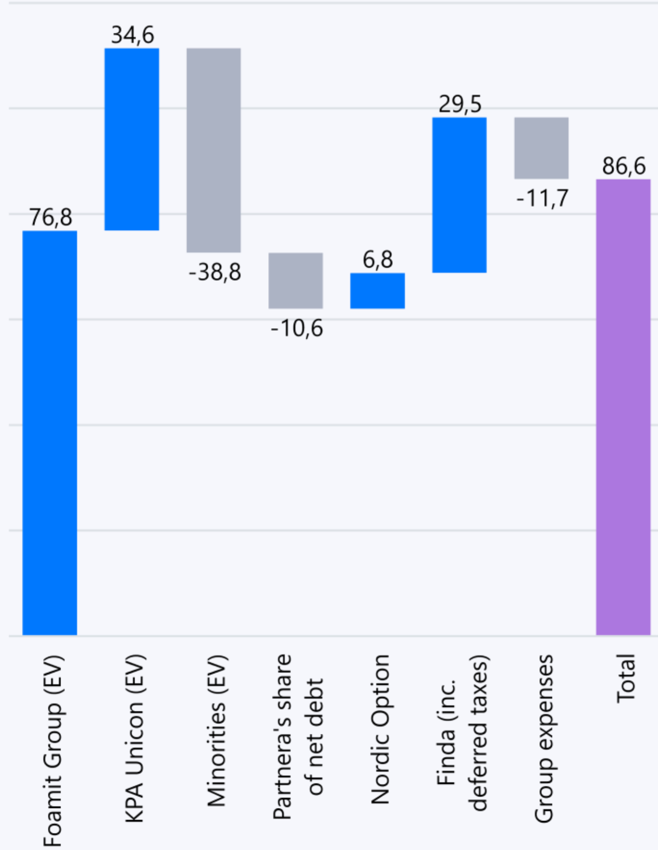
Partnera's sum of the parts calculation currently consists of several components. In previous sections, we have valued the company's strategic holdings and the Finda holding and here we will focus on evaluating the whole.

Of strategic holdings, we estimate Foamit Group's EV is EUR 76.8 million, of which the minority share is EUR 28.4 million. KPA Unicon's EV is set at EUR 34.6 million, of which the minority share is EUR 10.4 million. Since Partnera does not report net liabilities at company level, we have allocated our net liability estimate of EUR 19.7 million to Partnera and minorities based on their estimated shares. Our net liabilities estimate also include Partnera's parent company's liquid short-term financial securities valued at EUR 6.3 million at the end of H1'21. We do not expect any changes in these since the end of H1'21. Thus, we add these to our net liabilities estimate so that we can allocate the share of minorities properly. As a result, we estimate that the net liabilities share of minorities is EUR 9.0 million and Partnera's share is EUR 10.6 million. Thus, the combined total fair value of operational subsidiaries is EUR 62.0 million.

We valued Nordic Option at EUR 6.8 million. The Finda holding was valued at EUR 31.1 million. We assume, however, that the company will divest this holding in the medium term, so we apply deferred taxes to the holding for the share that exceeds our balance sheet value estimate (23.1 MEUR). After deferred taxes (1.6 MEUR), Finda's value is EUR 29.5 million.

In addition, the parent company's costs must be deducted from the sum of the parts. In 2018-2020, average parent company costs have amounted to some EUR 1.6 million per year. We believe the company's cost level has been raised during the group construction stage by the fact that the company has used a lot of external experts to support decision-making. We estimate that there is room to decrease parent company costs as the business group grows when most assets are invested in strategic holdings. This is naturally based on the assumption that the company does not need to hire more administrative staff to support growth.

**Sum of the parts calculation**



# Valuation 2/3

On the other hand, in the light of current data, we expect the company's cost level will remain fairly stable at the current active construction stage. We have thus calculated the current value of expected Group costs (some 1.6 MEUR) by discounting the expected costs of the next 10 years to today using a WACC of 7.9%. We have also used a moderate 1% annual cost increase in our calculation. As a result, the current value of Group costs is EUR 11.5 million. By adding all components together Partnera's sum of the parts is EUR 86.8 million or EUR 2.40 per share.

### Valuation multiples and total expected return

We believe that a neutral P/E ratio for Partnera’s current whole that still commits a significant amount of capital in non-strategic investments is 9x-11x. Considering this, the company's earnings-based valuation is elevated based on our 2021 estimates (2021e P/E adj. 13x). However, it should be noted that the full earnings impact of 2021 acquisitions will only be visible in the 2022 results. Thus, we recommend that investors look to 2022, when, if the earnings growth we expect materializes, the valuation would fall below the lower limit of the valuation range. Our current 2022 adjusted EPS estimate indicates Partnera's value per share to be around EUR 2.2-2.7, which would indicate a reasonable upside in the share in the short term.

If we look at the investor's return expectation through the P/E ratio over a slightly longer period using our 2024 adjusted EPS estimate and the average of the acceptable valuation range, we get an annual return expectation of about 10% at Partnera's current EUR 2.08 share price. In addition, we estimate that Partnera provides good and stable dividend yield of close on 5% over the next few years. Thus, the investor's total annual return expectation would be about 15%, which exceeds the 9.3% cost of equity we use. In addition, we find it likely that Partnera will make acquisitions in this period that can be used to accelerate earnings growth.

On the other hand , considering Partnera’s current form we can also examine the P/B ratio in the valuation, which with our current estimates is 1.0x for the next few years. We do not consider this to be a high valuation level for a company with some capital light business activities. On the other hand, the level cannot seen as significantly cheap either in the current form where assets are concentrated on financial investments, which normally are valued below their balance sheet value on the market. Similarly, considering the actual ROE of recent years and our estimates for the next few years, the valuation cannot be considered particularly advantageous (cf. cost of equity).

### Partnera’s valuation multiples

| Valuation | 2021e | 2022e | 2023e |
|---|---|---|---|
| Share price | 2.08 | 2.08 | 2.08 |
| Number of shares, millions | 36.2 | 36.2 | 36.2 |
| Market cap | 75 | 75 | 75 |
| EV | 97 | 91 | 85 |
| P/E (adj.) | 12.5 | 8.4 | 8.0 |
| P/E | 19.0 | 12.3 | 11.5 |
| P/FCF | neg. | 7.2 | 6.9 |
| P/B | 1.0 | 1.0 | 1.0 |
| P/S | 0.9 | 0.7 | 0.6 |
| EV/Sales | 1.2 | 0.8 | 0.7 |
| EV/EBITDA | 9.3 | 5.8 | 5.1 |
| EV/EBIT (adj.) | 13.6 | 7.8 | 6.7 |
| Payout ratio (%) | 91.2 % | 59.3 % | 55.1 % |
| Dividend yield-% | 4.8 % | 4.8 % | 4.8 % |

Source: Inderes

# Valuation 3/3

## DCF

The weight of the DCF calculation we use in Partnera's valuation is limited, as our model does not consider the cash flow of dividends paid by Finda. In the model, the minority interests of operational subsidiaries are also valued at book value and their significance is not reflected in the calculation on an appropriate scale. Therefore, we do not feel that DCF is the best valuation method for the company and that the results obtained should be subject to serious reservations.

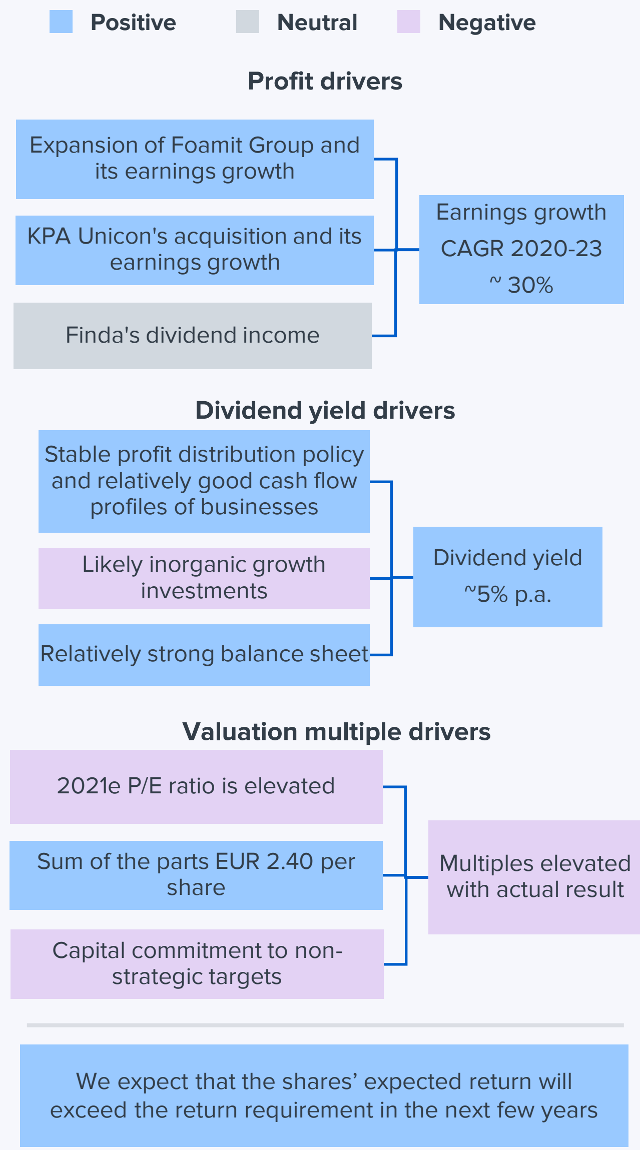
Our DCF model (p. 36) indicates a share value of EUR 3.2. As we explained in connection with the estimates, we expect the company's net sales to grow slightly faster than the general growth in Finnish and/or European GDP over the forecast period (CAGR 2024-2032: 2.2%) and the company's EBIT % to be 7.5-9.0%. On the other hand, terminal growth has been set at 2.0% and EBIT margin at 7.5%. The cost of capital we use in the DCF model (WACC) is 7.9% as mentioned above.

With a simplified alternative calculation, where we use the minority interests of the subsidiaries' EV (38.3 MEUR) and their share of group net liabilities (9.0 MEUR) we determined in the sum of the parts calculation as the fair value of minority interests, the market cap of the minorities is EUR 29.8 million. This would give us an equity value of just over EUR 89 million or some EUR 2.5 per share. However, this calculation does not consider, e.g., the dividends paid by Finda, so we only use it as a guiding element and a calculation that supports other valuation methods.

## Recommendation and target price

We have examined Partnera's valuation using various valuation methods (sum of the parts, valuation multiples, total expected return of the share and DCF), all of which indicated a moderate upside in the share price. Thus, we initiate coverage of Partnera with a target price of EUR 2.40 indicated by the sum of the parts and a Accumulate recommendation. We also believe our view is supported by the expected total return of the share, which earnings growth in the next few years and dividends will raise to a sufficient level, despite the slightly elevated 2022 valuation.

### Share's expected return 2021-2023

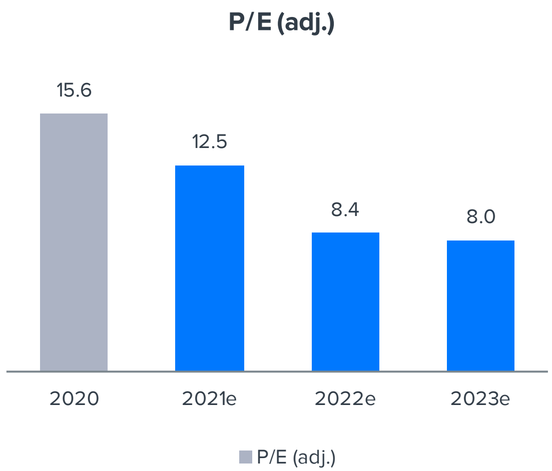


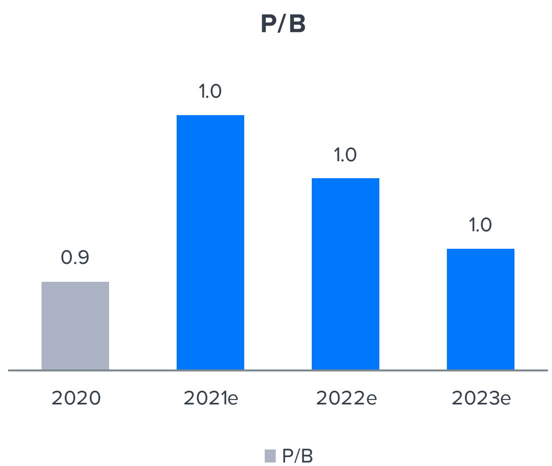

Source: Inderes

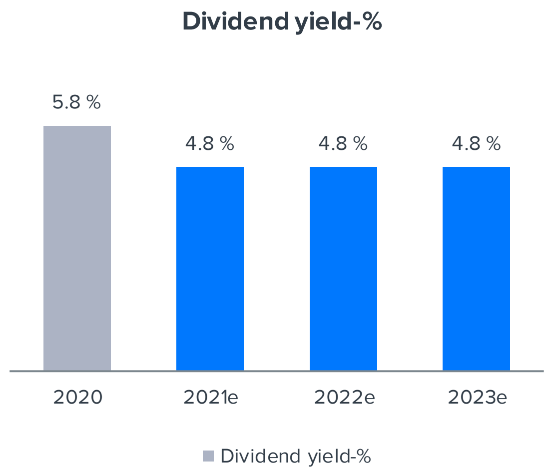
# Valuation table

| Valuation | 2016 | 2017 | 2018 | 2019 | 2020 | 2021e | 2022e | 2023e | 2024e |
|---|---|---|---|---|---|---|---|---|---|
| Share price | | | | | 1.90 | 2.08 | 2.08 | 2.08 | 2.08 |
| Number of shares, millions | | | | | 36.2 | 36.2 | 36.2 | 36.2 | 36.2 |
| Market cap | | | | | 69 | 75 | 75 | 75 | 75 |
| EV | | | | | 54 | 97 | 91 | 85 | 79 |
| P/E (adj.) | | | | | 15.6 | 12.5 | 8.4 | 8.0 | 7.5 |
| P/E | | | | | 11.3 | 19.0 | 12.3 | 11.5 | 10.6 |
| P/FCF | | | | | 1.9 | neg. | 7.2 | 6.9 | 6.4 |
| P/B | | | | | 0.9 | 1.0 | 1.0 | 1.0 | 0.9 |
| P/S | | | | | 2.2 | 0.9 | 0.7 | 0.6 | 0.6 |
| EV/Sales | | | | | 1.8 | 1.2 | 0.8 | 0.7 | 0.6 |
| EV/EBITDA | | | | | 5.1 | 9.3 | 5.8 | 5.1 | 4.5 |
| EV/EBIT (adj.) | | | | | 9.6 | 13.6 | 7.8 | 6.7 | 5.7 |
| Payout ratio (%) | | | | | 65.4 % | 91.2 % | 59.3 % | 55.1 % | 55.9 % |
| Dividend yield-% | | | | | 5.8 % | 4.8 % | 4.8 % | 4.8 % | 5.3 % |

Source: Inderes



# Peer group valuation

| Peer group valuation | Share price | Market cap | EV | EV/EBIT | | EV/EBITDA | | EV/S | | P/E | | Dividend yield-% | | P/B |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Company** | | **MEUR** | **MEUR** | **2021e** | **2022e** | **2021e** | **2022e** | **2021e** | **2022e** | **2021e** | **2022e** | **2021e** | **2022e** | **2021e** |
| Uponor Oyj | 20.56 | 1503 | 1546 | 10.1 | 10.1 | 7.6 | 7.6 | 1.2 | 1.2 | 15.7 | 14.7 | 3.7 | 4.1 | 3.7 |
| Balco Group AB | 129.40 | 277 | 284 | 25.6 | 16.2 | 19.4 | 13.3 | 2.6 | 1.9 | 33.7 | 20.9 | 2.0 | 2.6 | 4.1 |
| FM Mattsson Mora Group AB | 240.00 | 283 | 268 | 8.5 | 7.6 | 6.6 | 6.1 | 1.5 | 1.5 | 14.0 | 12.4 | 2.1 | 2.3 | 4.2 |
| Inwido AB (publ) | 166.10 | 940 | 1048 | 12.2 | 11.8 | 9.5 | 9.2 | 1.4 | 1.3 | 14.7 | 14.4 | 3.0 | 3.2 | 2.4 |
| H+H International A/S | 219.50 | 530 | 564 | 10.4 | 8.5 | 7.0 | 6.0 | 1.4 | 1.2 | 12.9 | 10.2 | | 1.7 | 2.4 |
| Lindab International AB | 299.00 | 2302 | 2472 | 19.5 | 18.3 | 14.7 | 14.0 | 2.6 | 2.5 | 30.0 | 22.6 | 1.3 | 1.8 | 4.1 |
| Munters Group AB | 65.25 | 1175 | 1397 | 18.7 | 15.6 | 13.6 | 11.8 | 2.0 | 1.8 | 20.5 | 18.2 | 1.5 | 2.0 | 2.8 |
| Rockwool International A/S | 2853.00 | 7627 | 7428 | 18.3 | 17.1 | 12.0 | 11.3 | 2.4 | 2.2 | 27.2 | 25.4 | 1.2 | 1.3 | 3.6 |
| EcoUp (Inderes) | 6.00 | 53 | 52 | 22.0 | 15.4 | 10.1 | 7.6 | 1.7 | 1.3 | 36.3 | 21.4 | 0.8 | 1.5 | 2.4 |
| **Foamit Group peers average** | | | **1673** | **16.1** | **13.4** | **11.2** | **9.7** | **1.9** | **1.7** | **22.8** | **17.8** | **2.0** | **2.3** | **3.3** |
| **Foamit Group peers median** | | | **1048** | **18.3** | **15.4** | **10.1** | **9.2** | **1.7** | **1.5** | **20.5** | **18.2** | **1.7** | **2.0** | **3.6** |
| Valmet Oyj | 37.28 | 5587 | 5539 | 13.3 | 11.8 | 10.7 | 9.6 | 1.4 | 1.3 | 18.2 | 16.6 | 2.7 | 3.0 | 4.3 |
| Wartsila Oyj Abp | 12.00 | 7089 | 7423 | 20.9 | 15.4 | 14.9 | 11.8 | 1.6 | 1.4 | 29.4 | 21.1 | 2.3 | 2.9 | 3.1 |
| Andritz AG | 44.36 | 4606 | 4503 | 9.5 | 8.8 | 6.6 | 6.3 | 0.7 | 0.7 | 13.9 | 12.5 | 3.2 | 3.5 | 3.0 |
| Alfa Laval AB | 355.80 | 14575 | 15417 | 23.8 | 20.2 | 18.9 | 16.4 | 3.9 | 3.4 | 29.4 | 25.5 | 1.7 | 1.8 | 4.9 |
| Raute Oyj | 20.80 | 68 | 59 | | 6.5 | 14.7 | 4.4 | 0.4 | 0.4 | | 12.0 | 4.0 | 4.3 | 2.4 |
| Robit Plc | 4.00 | 84 | 112 | 38.0 | 18.7 | 13.2 | 10.2 | 1.1 | 1.0 | 57.1 | 19.5 | | 2.3 | 1.7 |
| Kesla Oyj | 5.82 | 15 | 22 | 7.4 | 7.4 | 5.6 | 4.4 | 0.5 | 0.4 | 10.2 | 8.1 | 3.4 | 4.8 | 1.4 |
| Norrhydro (Inderes) | 3.56 | 39 | 39 | 22.3 | 22.6 | 15.3 | 16.6 | 1.7 | 1.6 | 29.9 | 31.4 | 0.3 | 0.6 | 1.1 |
| **Partnera (Inderes)** | **2.08** | **75** | **97** | **13.6** | **7.8** | **9.3** | **5.8** | **1.2** | **0.8** | **12.5** | **8.4** | **4.8** | **4.8** | **1.0** |
| **KPA Unicon peers average** | | | **4139** | **19.3** | **13.9** | **12.5** | **9.9** | **1.4** | **1.3** | **26.9** | **18.3** | **2.5** | **2.9** | **2.7** |
| **KPA Unicon peers median** | | | **2307** | **20.9** | **13.6** | **13.9** | **9.9** | **1.2** | **1.1** | **29.4** | **18.1** | **2.7** | **3.0** | **2.7** |

Source: Thomson Reuters / Inderes. NB: The market cap Inderes uses does not consider own shares held by the company.

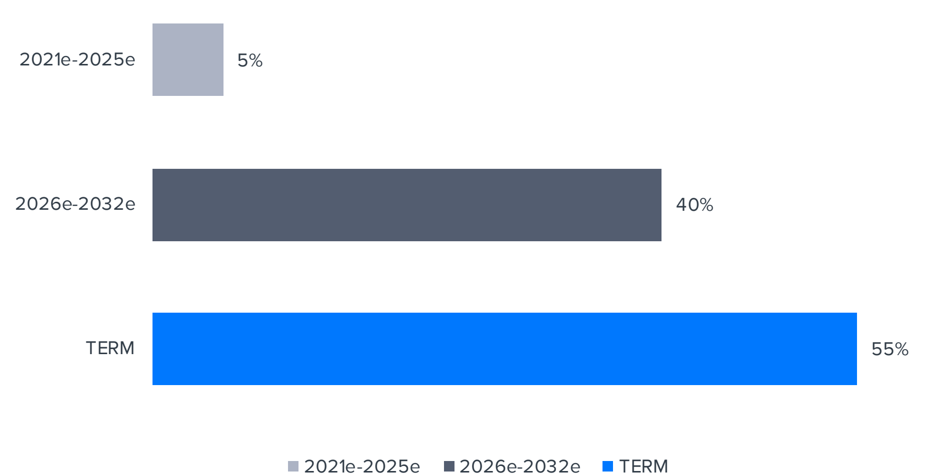
# DCF calculation

| DCF model | 2020 | 2021e | 2022e | 2023e | 2024e | 2025e | 2026e | 2027e | 2028e | 2029e | 2030e | 2031e | 2032e |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **EBIT (operating profit)** | **7.4** | **5.1** | **8.8** | **9.8** | **10.8** | **11.5** | **11.5** | **11.3** | **11.2** | **11.1** | **11.0** | **10.8** | **11.0** |
| + Depreciation | 3.4 | 5.3 | 6.8 | 6.8 | 6.7 | 6.6 | 6.5 | 6.4 | 6.4 | 6.3 | 5.3 | 4.1 | 3.3 |
| - Paid taxes | 0.0 | -0.9 | -1.7 | -1.9 | -2.1 | -2.2 | -2.3 | -2.2 | -2.3 | -2.3 | -2.2 | -2.2 | -2.2 |
| - Tax, financial expenses | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| + 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 | 0.0 | 0.0 |
| - Change in working capital | 30.0 | -6.8 | -0.1 | -0.7 | -0.6 | -0.6 | -0.5 | -0.4 | -0.4 | -0.4 | -0.4 | -0.3 | -0.5 |
| **Operating cash flow** | **40.8** | **2.7** | **13.9** | **14.0** | **14.8** | **15.3** | **15.2** | **15.1** | **14.9** | **14.7** | **13.7** | **12.4** | **11.6** |
| + Change in other long-term liabilities | -2.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| - Gross CAPEX | -2.5 | -34.4 | -3.4 | -3.1 | -3.0 | -3.0 | -3.0 | -3.1 | -3.0 | -3.1 | -3.0 | -3.0 | -3.7 |
| **Free operating cash flow** | **36.1** | **-31.7** | **10.5** | **10.9** | **11.8** | **12.3** | **12.2** | **12.1** | **12.0** | **11.7** | **10.8** | **9.4** | **7.9** |
| +/- Other | 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 |
| FCFF | 36.2 | -31.7 | 10.5 | 10.9 | 11.8 | 12.3 | 12.2 | 12.1 | 12.0 | 11.7 | 10.8 | 9.4 | 7.9 |
| **Discounted FCFF** | | **-31.7** | **9.8** | **9.4** | **9.4** | **9.1** | **8.3** | **7.7** | **7.0** | **6.3** | **5.4** | **4.4** | **3.4** |
| Sum of FCFF present value | | 107 | 139 | 129 | 120 | 111 | 102 | 93.3 | 85.6 | 78.6 | 72.2 | 66.8 | 62.4 |
| **Enterprise value DCF** | | **107** | | | | | | | | | | | |
| - Interesting bearing debt | | -19.0 | | | | | | | | | | | |
| + Cash and cash equivalents | | 35.2 | | | | | | | | | | | |
| -Minorities | | -2.2 | | | | | | | | | | | |
| -Dividend/capital return | | -4.0 | | | | | | | | | | | |
| **Equity value DCF** | | **118** | | | | | | | | | | | |
| **Equity value DCF per share** | | **3.2** | | | | | | | | | | | |

| Wacc | |
|---|---|
| Tax-% (WACC) | 21.0 % |
| Target debt ratio (D/(D+E) | 25.0 % |
| Cost of debt | 5.0 % |
| Equity Beta | 1.00 |
| Market risk premium | 4.75% |
| Liquidity premium | 2.50% |
| Risk free interest rate | 2.0 % |
| **Cost of equity** | **9.3 %** |
| **Weighted average cost of capital (WACC)** | **7.9 %** |

Source: Inderes

## Cash flow distribution



# Balance sheet

| Assets | 2019 | 2020 | 2021e | 2022e | 2023e |
|---|---|---|---|---|---|
| **Non-current assets** | **57.1** | **58.4** | **87.5** | **84.1** | **80.4** |
| Goodwill | 7.1 | 7.2 | 25.5 | 22.7 | 19.8 |
| Intangible assets | 0.2 | 0.3 | 5.3 | 5.1 | 4.9 |
| Tangible assets | 23.6 | 22.6 | 26.4 | 26.0 | 25.4 |
| Associated companies | 12.7 | 14.8 | 14.8 | 14.8 | 14.8 |
| Other investments | 13.5 | 13.5 | 15.5 | 15.5 | 15.5 |
| Other non-current assets | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Deferred tax assets | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Current assets** | **56.8** | **53.3** | **84.3** | **81.4** | **82.1** |
| Inventories | 33.1 | 3.7 | 9.8 | 10.4 | 10.8 |
| Other current assets | 1.0 | 0.5 | 0.5 | 0.5 | 0.5 |
| Receivables | 13.6 | 13.9 | 57.2 | 56.6 | 56.4 |
| Cash and equivalents | 9.1 | 35.2 | 16.7 | 13.9 | 14.4 |
| **Balance sheet total** | **114** | **112** | **172** | **166** | **162** |

Source: Inderes

| Liabilities & equity | 2019 | 2020 | 2021e | 2022e | 2023e |
|---|---|---|---|---|---|
| **Equity** | **73.1** | **74.5** | **74.5** | **77.0** | **79.9** |
| Share capital | 6.4 | 6.4 | 6.4 | 6.4 | 6.4 |
| Retained earnings | 57.7 | 60.0 | 59.9 | 62.4 | 65.4 |
| 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 | 7.3 | 6.0 | 6.0 | 6.0 | 6.0 |
| Minorities | 1.7 | 2.1 | 2.1 | 2.1 | 2.1 |
| **Non-current liabilities** | **31.9** | **27.7** | **26.8** | **23.7** | **21.5** |
| Deferred tax liabilities | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Provisions | 3.6 | 0.5 | 0.5 | 0.5 | 0.5 |
| Long term debt | 19.2 | 17.2 | 16.3 | 13.2 | 11.0 |
| Convertibles | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other long term liabilities | 9.0 | 10.0 | 10.0 | 10.0 | 10.0 |
| **Current liabilities** | **9.0** | **9.5** | **70.5** | **64.9** | **61.1** |
| Short term debt | 1.7 | 1.8 | 20.1 | 14.5 | 11.3 |
| Payables | 5.1 | 5.9 | 48.6 | 48.5 | 48.0 |
| Other current liabilities | 2.2 | 1.8 | 1.8 | 1.8 | 1.8 |
| **Balance sheet total** | **114** | **112** | **172** | **166** | **162** |

# Summary

| Income statement | 2018 | 2019 | 2020 | 2021e | 2022e |
|---|---|---|---|---|---|
| Revenue | 11.8 | 22.8 | 31.1 | **81.7** | **115.6** |
| EBITDA | 17.9 | 10.6 | 10.8 | **10.4** | **15.6** |
| EBIT | 17.6 | 8.1 | 7.4 | **5.1** | **8.8** |
| PTP | 19.6 | 9.2 | 7.8 | **5.3** | **9.1** |
| Net Income | 13.9 | 7.2 | 6.1 | **4.0** | **6.1** |
| Extraordinary items | 0.0 | -0.1 | 1.7 | **-2.0** | **-2.9** |

| Balance sheet | 2018 | 2019 | 2020 | 2021e | 2022e |
|---|---|---|---|---|---|
| Balance sheet total | 99.8 | 114.0 | 111.7 | **171.8** | **165.5** |
| Equity capital | 70.1 | 73.1 | 74.5 | **74.5** | **77.0** |
| Goodwill | 0.8 | 7.1 | 7.2 | **25.5** | **22.7** |
| Net debt | -21.8 | 11.8 | -16.2 | **19.7** | **13.8** |

| Cash flow | 2018 | 2019 | 2020 | 2021e | 2022e |
|---|---|---|---|---|---|
| EBITDA | 17.9 | 10.6 | 10.8 | **10.4** | **15.6** |
| Change in working capital | -6.9 | -33.5 | 30.0 | **-6.8** | **-0.1** |
| Operating cash flow | 6.0 | -24.4 | 40.8 | **2.7** | **13.9** |
| CAPEX | -35.4 | -11.8 | -2.5 | **-34.4** | **-3.4** |
| Free cash flow | -24.1 | -28.9 | 36.2 | **-31.7** | **10.5** |

| Valuation multiples | 2018 | 2019 | 2020 | 2021e | 2022e |
|---|---|---|---|---|---|
| EV/S | neg. | 0.5 | 1.8 | **1.2** | **0.8** |
| EV/EBITDA (adj.) | neg. | 1.1 | 5.1 | **9.3** | **5.8** |
| EV/EBIT (adj.) | neg. | 1.4 | 9.6 | **13.6** | **7.8** |
| P/E (adj.) | 0.0 | 0.0 | 15.6 | **12.5** | **8.4** |
| P/B | 0.0 | 0.0 | 0.9 | **1.0** | **1.0** |
| Dividend-% | | | 5.8 % | **4.8 %** | **4.8 %** |

Source: Inderes

| Per share data | 2018 | 2019 | 2020 | 2021e | 2022e |
|---|---|---|---|---|---|
| EPS (reported) | 0.38 | 0.20 | 0.17 | **0.11** | **0.17** |
| EPS (adj.) | 0.38 | 0.20 | 0.12 | **0.17** | **0.25** |
| OCF / share | 0.17 | -0.67 | 1.13 | **0.08** | **0.38** |
| FCF / share | -0.67 | -0.80 | 1.00 | **-0.88** | **0.29** |
| Book value / share | 1.91 | 1.97 | 2.00 | **2.00** | **2.07** |
| Dividend / share | 0.14 | 0.14 | 0.11 | **0.10** | **0.10** |

| Growth and profitability | 2018 | 2019 | 2020 | 2021e | 2022e |
|---|---|---|---|---|---|
| Revenue growth-% | | 93% | 36% | **163%** | **41%** |
| EBITDA growth-% | | -41% | 1% | **-3%** | **50%** |
| EBIT (adj.) growth-% | | -53% | -31% | **26%** | **63%** |
| EPS (adj.) growth-% | | -48% | -40% | **37%** | **49%** |
| EBITDA-% | 151.0 % | 46.6 % | 34.6 % | **12.7 %** | **13.5 %** |
| EBIT (adj.)-% | 148.6 % | 36.2 % | 18.3 % | **8.8 %** | **10.1 %** |
| EBIT-% | 148.6 % | 35.7 % | 23.8 % | **6.3 %** | **7.6 %** |
| ROE-% | 40.2 % | 10.2 % | 8.5 % | **5.5 %** | **8.3 %** |
| ROI-% | 41.7 % | 9.1 % | 7.9 % | **5.0 %** | **8.2 %** |
| Equity ratio | 70.2 % | 64.1 % | 66.7 % | **43.4 %** | **46.5 %** |
| Gearing | -31.2 % | 16.1 % | -21.8 % | **26.4 %** | **17.9 %** |

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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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| Date | Recommendation | Target price | Share price |
|---|---|---|---|
| 12-12-21 | Accumulate | 2.40 € | 2.08 € |

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