

Kreate

Company report

2/1/2024



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✓ Inderes corporate customer

This report is a summary translation of the report “Tulostrendi kääntymässä” published on 2/1/2024

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Earnings trend about to reverse

We raise our target price for Kreate to EUR 8.50 (was EUR 7.30) but reiterate our Accumulate recommendation after the company's Q4 report. 2023 ended strongly for Kreate and the earnings trend seems to have turned in the right direction for the time being. The market is also showing signs of recovery, which bodes well for the delivery of profitable projects in line with Kreate's specialized expertise. The valuation is moderate relative to the earnings improvement in the coming years, and the 7% dividend, supported by strong cash flow, bolsters the expected return.

Profitability and cash flow delivered a dividend surprise

On Wednesday, Kreate reported its Q4 results, which were well ahead of our expectations. After a strong start to the year, revenue was down in Q4 (-3.5% y-o-y), but the operating result was clearly stronger than in the comparison period (EBITA %: 3.4% vs. 2.8%). The completion of old cost-intensive projects had a positive impact on the result, providing a good basis for the improvement in the current year. Due to the strong result and especially the strong operating cash flow (20 MEUR vs. 15 MEUR y-o-y), the dividend proposal stands at EUR 0.48 per share (2022: EUR 0.46). This already brings the dividend yield to around 7%. The order book at the end of the year decreased by 36% year-on-year but remains at a good level of 196 MEUR. The revenue recognition of the order book will also be stronger this year than in the past, which supports the development of the current year's revenue in addition to the outlook.

Outlook brightened and guidance expects earnings growth

In 2024, Kreate estimates that its revenue will amount to 270-300 MEUR and EBITA to 8.0-11.0 MEUR. The mid-point of the revenue range is expected to decrease by about 11% and EBITA is expected to increase by more than 20% to 9.5 MEUR (EBITA-%: 3.4%). Despite the decline in revenue, the outlook was positive in terms of market comments. According to KREATE, tender calculation is "very active" and demand is "surprisingly high". We are therefore slightly above the mid-point of the guidance range in our forecasts (2024e revenue: 290 MEUR, EBITA: 9.8 MEUR). Kreate is currently focused on improving its profitability, and we forecast revenue in the coming years to remain below the 2023 peak (2026e: 314 MEUR). We expect easing cost pressures, a better order book and higher volumes in 2025-2026 to bring profitability closer to Kreate's normalized level (2026e: EBITA-%: 3.9%). Targets are even higher (>5% EBITA), but inflationary developments (materials and wages) and the uncertain market situation (increased competition) still pose risks.

Expected return supported by upside in valuation and strong dividend

We forecast a clear recovery in Kreate's earnings in 2024 and relative to that, the stock is priced at a relatively neutral level (2024e: EV/EBIT: 10x, P/E: 13x). However, with the earnings improvement we have seen, we are already more confident about the longer-term potential. The 2025 valuation will already fall to a more attractive level (2025e: EV/EBIT: 9x, P/E: 10x). The earnings level in 2025 will be closer to a sustainable normalized earnings level (EBITA% 3.7%), which is also where we expect the market to gravitate as Kreate moves forward. At the mid-point of our acceptable valuation range (EV/EBIT: 10-12x, P/E: 10-12x) and based on the valuation of 2024-2025 (avg.), the stock would have upside of around 5-10%. The dividend yield of around 6-7%, supported by strong cash flow, also clearly bolsters the expected return, as Kreate has expressed its willingness to continue to pay a growing dividend. The DCF calculation is also clearly higher (EUR 11.1), supporting our positive recommendation.

Recommendation

Accumulate

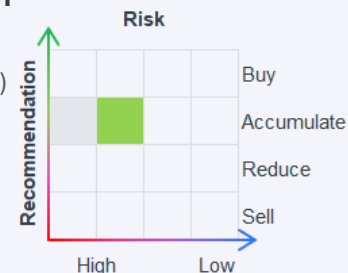
(previous Accumulate)

EUR 8.50

(previous EUR 7.30)

Share price:

7.94



Key figures

	2023	2024e	2025e	2026e
Revenue	320.0	289.7	304.5	313.9
growth-%	17%	-9%	5%	3%
EBITA (adj.)	7.8	9.8	11.3	12.2
EBITA-% (adj.)	2.4 %	3.4 %	3.7 %	3.9 %
Net Income	3.7	5.6	7.0	7.7
EPS (adj.)	0.44	0.63	0.79	0.87
P/E (adj.)	16.5	12.5	10.0	9.2
P/B	1.5	1.6	1.5	1.4
Dividend yield-%	6.6 %	6.2 %	6.3 %	6.4 %
EV/EBIT (adj.)	10.7	9.9	9.0	8.2
EV/EBITDA	5.8	6.0	5.7	5.2
EV/S	0.3	0.3	0.3	0.3

Source: Inderes

Guidance

(New guidance)

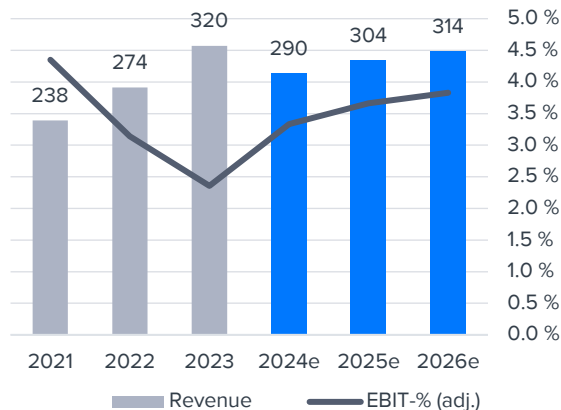
Kreate estimates that its revenue in 2024 will decline and be in the range of 270-300 MEUR (2023: 320 MEUR) and EBITA will increase and be in the range of EUR 8.-11 million (2023: 7.8 MEUR).

Share price



Source: Millstream Market Data AB

Revenue and EBIT-%



Source: Inderes

EPS and dividend



Source: Inderes



Value drivers

- Strong above-market growth in the medium term
- Strong potential for return on capital
- Infrastructure construction is more cycle-resilient than rest of the sector
- Competitive advantage through specialized expertise in demanding projects
- Urbanization, dense construction, sustainable development, renovation debt, infrastructure decommissioning underpin market growth prospects
- M&A for expansion at home and abroad



Risk factors

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

Valuation	2024e	2025e	2026e
Share price	7.94	7.94	7.94
Market cap	71	71	71
EV	95	100	98
P/E (adj.)	12.5	10.0	9.2
P/B	1.6	1.5	1.4
EV/Sales	0.3	0.3	0.3
EV/EBITDA	6.0	5.7	5.2
EV/EBIT (adj.)	9.9	9.0	8.2
Payout ratio (%)	77.2 %	63.2 %	58.8 %
Dividend yield-%	6.2 %	6.3 %	6.4 %

Source: Inderes

Earnings forecasts beat clearly

In Q4, Kreate's revenue decreased by 3.5% to around 80.2 MEUR, below our forecast of 86.5 MEUR. The decline in revenue was stronger than expected, but for the full year, Kreate's revenue grew strongly by 17% to 320 MEUR. This is already above Kreate's strategic target level for 2024 (300 MEUR). The growth in revenue has been driven by a strong order book and the rapid progress of ongoing projects. By business line, in Q4, revenue still increased in structural engineering by 7% to 60 MEUR (Q4'22: 56 MEUR), mainly due to a strong pull in Swedish (Sweden Q4: 7 MEUR vs. 3 MEUR y-o-y). Sweden showed very strong growth throughout the year (22.5 MEUR vs. 3.9 MEUR) and the company found it to be a very profitable business.

In transport infrastructure construction, revenue fell by more than 20% to 21 MEUR in Q4, due to delays in project start-ups and a more challenging market. The order book continued at a good level (196 MEUR) but was clearly down year-on-year (-36%) as expected. On a positive note, Kreate estimates that 168 MEUR of the order book will be recognized this year. This is

estimated to be proportionally more than what has historically been generated.

Very strong profitability

Kreate's EBITA increased clearly from the comparison period to 2.7 MEUR (Q4'22: 2.3 MEUR), exceeding our forecast of 2.2 MEUR by more than 20%. The EBITA margin rose to a strong 3.4% (Q4'22: 2.8%) and also clearly exceeded our forecast of 2.5%. Project costs fell clearly, and savings were also seen in other operating expenses. The completion of the company's legacy cost-intensive projects was also reflected in a good result for the quarter.

For the full year, Kreate achieved an EBITA of 7.8 MEUR, close to the mid-point of the guidance range of 7.0-8.5 MEUR. The dividend proposal for 2023 was EUR 0.48. This translates into a dividend yield of around 7% at the current share price. Contrary to our expectations, the company kept its dividend proposal on an upward trajectory (2022: 0.46) but split the dividend payment into two tranches to ease the cash flow impact. The higher dividend was helped by a

significant improvement in cash flow at the end of the year, as working capital was freed up from major projects. In Q4, operating cash flow amounted to MEUR 20 (Q4'22: 15 MEUR). The company's cash and cash equivalents increased to 24 MEUR (Q4'22: 9 MEUR) and net debt decreased to 17 MEUR (Q4'22: 33 MEUR). With the decrease in net debt, the company's indebtedness has already fallen to a very good level during the year (net debt/adjusted EBITDA: 1.2x < 2.0x target).

Outlook and guidance bode for a reasonably good year

The guidance and outlook were almost in line with our expectations. Kreate estimates that in 2024 revenue will decrease and amount to 270-300 MEUR (2023: 320 MEUR). EBITA is expected to grow to 8-11 MEUR (2023: 7.8 MEUR). There's potential for better too, with Kreate commenting that demand is "surprisingly high" and tender calculation activity is brisk. The report also suggests that the outlook for infrastructure is strong in Sweden.

Estimates MEUR / EUR	Q4'22	Q4'23	Q4'23e	Q4'23e	Consensus		Difference (%)	2023
	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. inderes	Inderes
Revenue	83.1	80.2	86.5				-7%	320
EBITA (adj.)	2.3	2.7	2.2				24%	7.8
EBIT	2.3	2.6	2.1				25%	7.6
PTP	1.4	1.9	1.7				14%	4.6
EPS (reported)	0.14	0.18	0.15				21%	0.44
DPS	0.46	0.48	0.30				60%	0.48
Revenue growth-%	9.8 %	-3.5 %	4.0 %				-7.5 pp	16.8 %
EBITA-% (adj.)	2.8 %	3.4 %	2.5 %				0.9 pp	2.4 %

Source: Inderes

Kreate's business

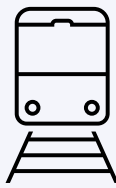
Structural engineering



78% of revenue 2023

- Operations in Finland and Sweden
- Bridge construction and repair play a major role
- Another important component is foundation and civil engineering construction, which suffered from a weaker new construction market
- Projects include Sulkavuori central sewage treatment plant, renewal of the Mt180 Kirjalansalmi and Hessundinsalmi bridges, Kruunusillat project, Tampere Deck

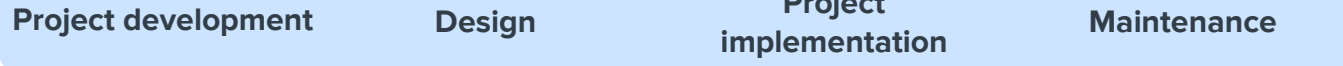
Transport infrastructure construction



22% of revenue 1-9/23

- Operations in Finland
- Construction of railways, roads and streets
- Focuses on road construction, especially on technically demanding projects (not basic road maintenance)
- Reduced share due to postponement of railway projects and weak market, but the market is improving
- Objects include several railway network repair projects, Syrjäsalmi railway bridge, Sompasaari Helsinki

Project lifecycle



Role of Kreate



Clients and customers often develop the project



Kreate partly involved in project design and studies



The main focus of Kreate's business is on the implementation



Maintenance and repair play a smaller role for Kreate

No major changes in estimates

We slightly lowered our revenue forecasts for the coming years but made only minor revisions to our earnings forecasts. The company's strong cash flow and clear desire to increase the dividend annually brought up our dividend forecasts. However, the dividend/earnings will now reach a high level (2024e: 77%) and the company will need to successfully turn earnings around in order to continue dividend growth.

Our forecasts see revenue falling in 2024

Given the lower order book and guidance, we expect revenue to decline by around 9.5% to 290 MEUR in 2024. We expect a decline in H1 in particular. We expect the order book level to improve towards the end of the year and the projects being launched to support revenue in H2. The early-year order intake already says a lot about the prospects for this year.

We expect a bigger improvement in performance in 2024, when the growth phase calms down, front-loaded investment costs (acquisitions, new rail business, recruitment) start to pay off and cost pressures ease. The negative effects of old projects will also be eliminated, which was already reflected in Q4. In personnel costs, we still see some pressure from salary increases, but Kreate has also been able to reflect these in its own prices. Overall, in 2024, we expect EBITA to increase by around 30% to 9.8 MEUR and the margin to rise to 3.4%. Between 2019 and 2023, the company has achieved an average profitability of around 4.0%, so we do not believe that the improvement will require the company to perform miracles.

Back to growth in 2025

Going into 2025, we expect order book accumulation to set the stage for another year of

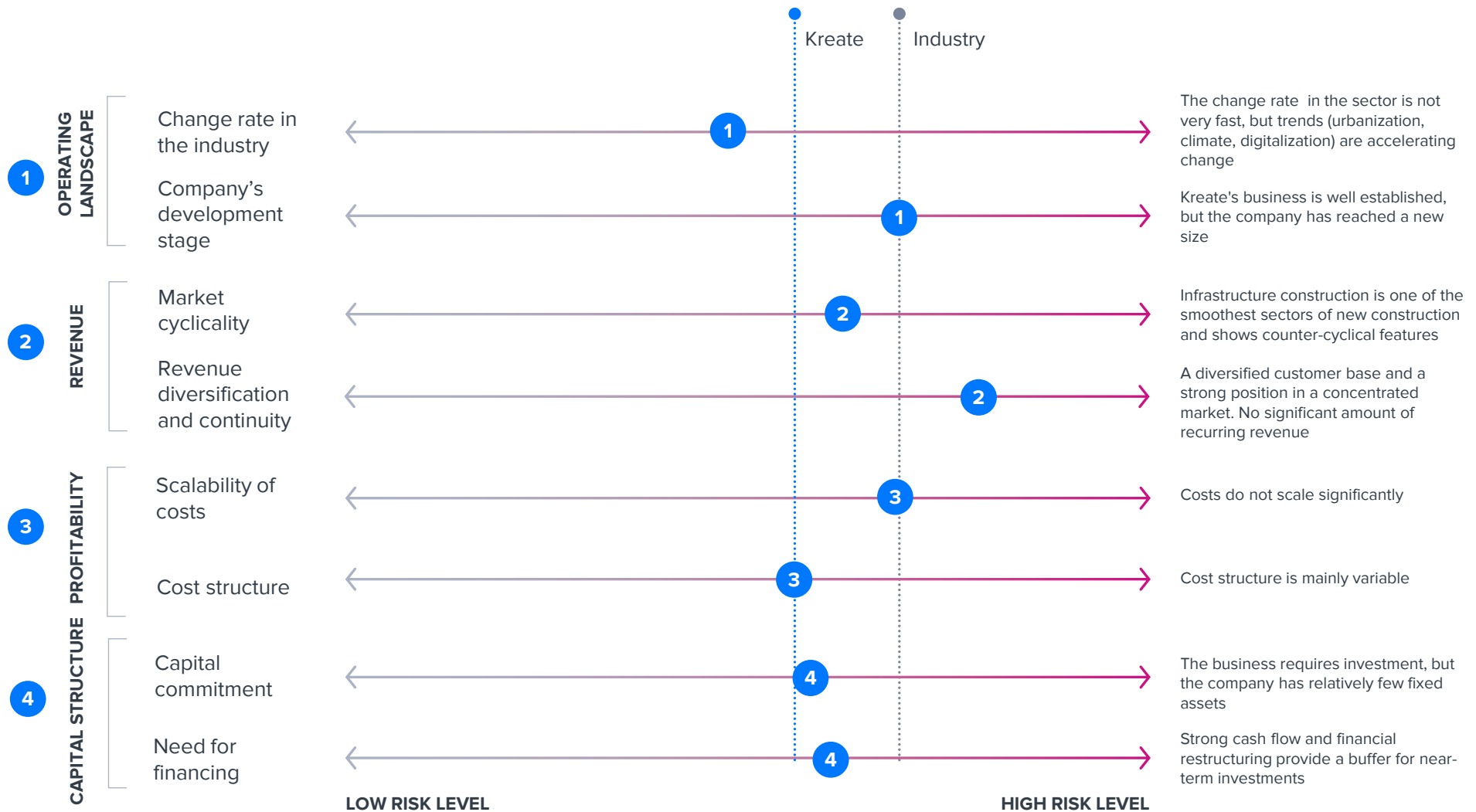
growth. We expect revenue to start growing again at around 5% and to continue growing at around 3% in 2026. We expect profitability to improve further between 2025 and 2026. The moderation of cost pressures and more optimal contract structures for new projects will allow growth to be accompanied by a small margin improvement (2025e: 3.7%, 2026e: 3.9%).

The main risks in our forecasts are a potentially permanently lower level of profitability. This would put Kreate's business potential well below our current long-term expectations (terminal EBIT: 4%). However, the turnaround in the earnings trend in Q4 increases our confidence in our long-term forecasts. In our view, market challenges have been more to blame for the poor profitability than the company's own operational challenges with project execution.

Estimate revisions MEUR / EUR	2023	2023	Change %	2024e	2024e	Change %	2025e	2025e	Change %
	Old	New		Old	New		Old	New	
Revenue	326	320	-2%	306	290	-5%	312	304	-2%
EBITA (excl. NRIs)	7.3	7.8	7%	9.6	9.8	2%	11.2	11.3	1%
EBIT	7.0	7.6	8%	9.4	9.7	2%	11.2	11.2	0%
PTP	4.5	4.7	4%	7.1	7.1	-1%	9.1	8.9	-2%
EPS (excl. NRIs)	0.40	0.44	9%	0.63	0.63	1%	0.80	0.79	-1%
DPS	0.30	0.48	60%	0.35	0.49	40%	0.40	0.50	25%

Source: Inderes

Risk profile of the business model



Expected return supported by strong dividend

Absolute multiples

We forecast a clear recovery in Kreate's earnings in 2024 and relative to that, the stock is priced at a reasonably neutral level (2024e: EV/EBIT: 10x, P/E: 13x). However, with the earnings improvement we have seen, we are already more confident about the longer-term potential. The 2025 valuation will already fall to an attractive level (2025e: EV/EBIT: 9x, P/E: 10x). The earnings level in 2025 will be closer to a sustainable normalized earnings level (EBITA% 3.7%), which is also where we expect the market to focus on as Kreate moves forward. At the mid-point of our acceptable valuation range (EV/EBIT: 10-12x, P/E: 10-12x) and based on the valuation of 2024-2025 (avg.), the stock would have upside of around 5-10%. At this point, we still give a little more weight to the 2024 valuation.

A dividend yield of 6-7% for the coming years, underpinned by strong cash flow, also clearly supports the expected return on the stock. We raised our dividend forecasts as Kreate clearly expressed its willingness to continue to pay a growing dividend. However, we also believe that it would be desirable for cash flow to be used for profitable growth investments (M&A, new businesses) in the coming years. However, the business does not require significant capital for investment, and now the company also has financing capacity, e.g., if a good takeover target comes on the radar.

Peer group

A good peer group of Nordic listed companies in the industry is available for Kreate. Looking ahead to 2024-2025, we believe the valuation level of peers is reasonably neutral (2024-25e median EV/EBIT: 11x,

P/E: 12x). Kreate is valued at a discount of just over 10% to its peer group. However, the valuation of peers varies between a clear premium and a discount as forecast uncertainty is high. Market uncertainty is high for companies in the sector and some valuations are already at relatively crisis levels. In that sense, we think relative valuation is not very important and we are not giving it much weight right now. However, the level of peers must be already considered to some extent in the absolute valuation of Kreate.

DCF valuation

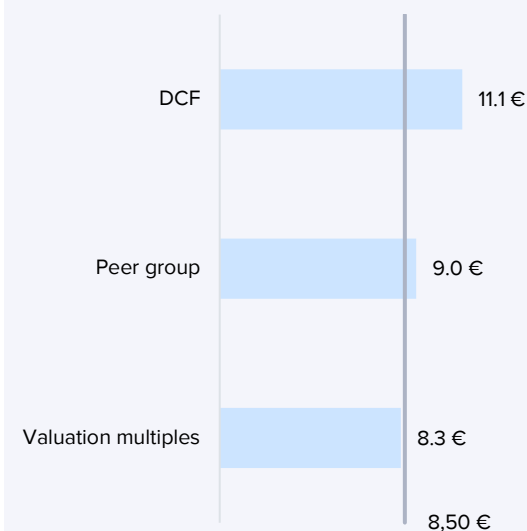
We also use DCF in the valuation. In our model, the company's revenue growth stabilizes at 1.5% in the terminal period after stronger medium-term growth, and the EBIT margin is 4.0% of revenue. This is below the company's target EBITA margin of over 5%, but we also do not see the company achieving this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

Our DCF model indicates a share value of EUR 11.1. The value indicated by the DCF is well above the current share price and our target price. However, we do not think our assumptions are too optimistic in the long run over a weaker market period. However, we do not see that the stock has the drivers over a 12-month time horizon to rise to reflect the longer-term potential we see in the company.

Valuation	2024e	2025e	2026e
Share price	7.94	7.94	7.94
Market cap	71	71	71
EV	95	100	98
P/E (adj.)	12.5	10.0	9.2
P/B	1.6	1.5	1.4
EV/Sales	0.3	0.3	0.3
EV/EBITDA	6.0	5.7	5.2
EV/EBIT (adj.)	9.9	9.0	8.2
Payout ratio (%)	77.2 %	63.2 %	58.8 %
Dividend yield-%	6.2 %	6.3 %	6.4 %

Source: Inderes

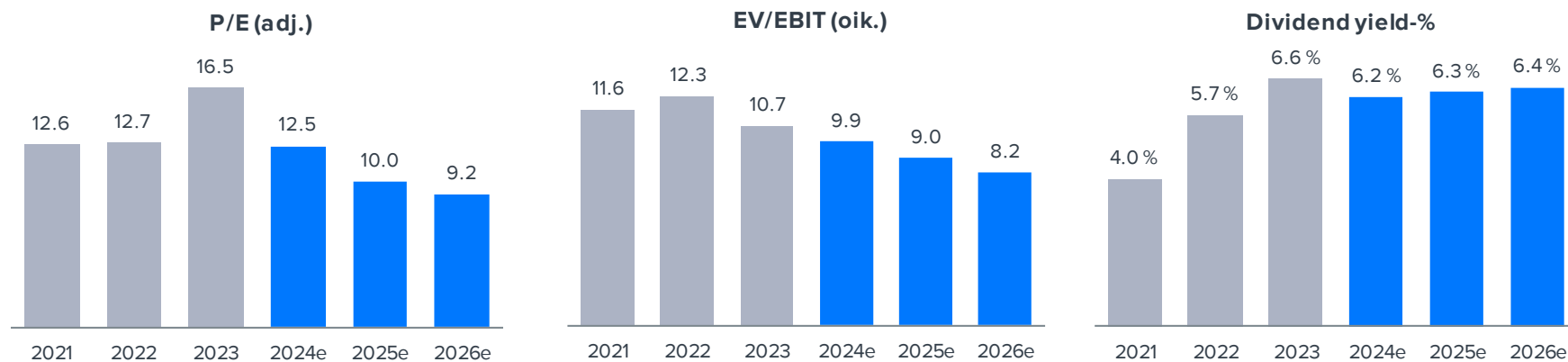
Breakdown of target price



Valuation table

Valuation	2019	2020	2021	2022	2023	2024e	2025e	2026e	2027e
Share price			11.4	8.09	7.22	7.94	7.94	7.94	7.94
Market cap			99	73	64	71	71	71	71
EV			120	106	81	95	100	98	95
P/E (adj.)			12.6	12.7	16.5	12.5	10.0	9.2	8.1
P/B			2.4	1.7	1.5	1.6	1.5	1.4	1.3
EV/Sales			0.5	0.4	0.3	0.3	0.3	0.3	0.3
EV/EBITDA			8.4	7.8	5.8	6.0	5.7	5.2	4.7
EV/EBIT (adj.)			11.6	12.3	10.7	9.9	9.0	8.2	7.2
Payout ratio (%)			56.4 %	72.4 %	109.7 %	77.2 %	63.2 %	58.8 %	53.2 %
Dividend yield-%			4.0 %	5.7 %	6.6 %	6.2 %	6.3 %	6.4 %	6.5 %

Source: Inderes



Peer group valuation

Peer group valuation Company	Market cap MEUR	EV MEUR	EV/EBIT		EV/EBITDA		EV/Liikevaihto		P/E		Dividend yield-%		P/B
			2024e	2025e	2024e	2025e	2024e	2025e	2024e	2025e	2024e	2025e	2024e
YIT Oyj	397	1378	29.5	21.2	20.4	15.7	0.6	0.7	117.6	17.8	6.1	6.4	0.5
NRC Group ASA	72	157	10.4	8.0	4.8	4.2	0.3	0.3	9.5	6.4	4.4	6.5	0.3
Veidekke ASA	1184	1063	9.5	8.7	5.3	5.0	0.3	0.3	14.4	13.1	7.7	7.4	4.7
Sdiptech AB (publ)	814	814	11.3	10.6	8.3	7.8	2.0	1.8	19.9	18.0			2.5
Ncc AB	1023	1432	10.8	9.7	5.4	5.6	0.3	0.3	7.8	8.4	5.6	6.0	1.4
Peab AB	1302	3088	13.6	17.3	8.8	9.9	0.6	0.6	7.4	10.6	5.5	5.5	1.0
Skanska AB	6135	6038	15.0	10.5	10.6	7.6	0.4	0.4	16.7	12.2	4.1	4.4	1.2
SRV Yhtiot Oyj	71	222		12.0	110.9	9.4	0.4	0.3		11.6		2.6	0.6
Consti Oyj	78	75	5.8	5.8	4.4	4.7	0.2	0.2	8.3	7.9	6.4	6.9	1.9
MT Hoejgaard Holding A/S	116	123	2.5	2.3	1.7	1.6	0.1	0.1	10.8	3.1			1.1
NYAB Group	540	530	27.8	22.2	23.4	19.3	1.8	1.6	36.7	29.0	1.1	1.3	2.7
Kreate (Inderes)	71	95	9.9	9.0	6.0	5.7	0.3	0.3	12.5	10.0	6.2	6.3	1.6
Average			13.6	11.6	18.5	8.2	0.6	0.6	24.9	12.5	5.1	5.2	1.6
Median			11.0	10.5	8.3	7.6	0.4	0.3	12.6	11.6	5.6	6.0	1.2
Diff-% to median			-10%	-14%	-28%	-25%	-6%	10%	0%	-13%	11%	5%	33%

Source: Refinitiv / Inderes

Income statement

Income statement	2021	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24e	Q2'24e	Q3'24e	Q4'24e	2024e	2025e	2026e	2027e
Revenue	238	274	65.8	85.8	88.3	80.2	320	59.2	74.5	80.3	75.8	290	304	314	323
EBITDA	14.2	13.6	1.0	4.1	4.0	4.8	14.0	2.4	4.1	4.9	4.4	15.8	17.6	18.9	20.4
Depreciation	-3.9	-5.0	-1.4	-1.6	-1.2	-2.2	-6.4	-1.4	-1.5	-1.4	-1.8	-6.1	-6.5	-6.9	-7.2
EBITA (adj.)	10.5	8.8	-0.4	2.6	2.9	2.7	7.8	1.0	2.7	3.6	2.7	9.8	11.3	12.2	13.3
EBIT (excl. NRI)	10.3	8.6	-0.4	2.5	2.8	2.6	7.6	0.9	2.6	3.5	2.6	9.7	11.2	12.0	13.2
EBIT	10.3	8.6	-0.4	2.5	2.8	2.6	7.6	0.9	2.6	3.5	2.6	9.7	11.2	12.0	13.2
Net financial items	-2.1	-1.9	-0.4	-0.6	-1.1	-0.8	-2.9	-0.6	-0.6	-0.8	-0.6	-2.6	-2.3	-2.3	-2.2
PTP	8.2	6.7	-0.9	1.9	1.7	1.9	4.7	0.3	2.0	2.7	2.0	7.1	8.9	9.8	11.0
Taxes	-1.3	-1.1	0.2	-0.4	-0.3	-0.2	-0.7	-0.1	-0.4	-0.5	-0.4	-1.4	-1.8	-2.0	-2.2
Minority interest	0.0	0.2	0.0	0.0	-0.1	0.0	-0.2	0.0	0.0	0.0	0.0	0.0	-0.1	-0.1	-0.1
Net earnings	6.9	5.8	-0.7	1.5	1.3	1.6	3.7	0.3	1.6	2.1	1.6	5.6	7.0	7.7	8.7
EPS (adj.)	0.90	0.64	-0.08	0.17	0.16	0.18	0.44	0.03	0.18	0.24	0.18	0.63	0.79	0.87	0.98
EPS (rep.)	0.80	0.64	-0.08	0.17	0.16	0.18	0.44	0.03	0.18	0.24	0.18	0.63	0.79	0.87	0.98
Key figures	2021	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24e	Q2'24e	Q3'24e	Q4'24e	2024e	2025e	2026e	2027e
Revenue growth-%	1.0 %	15.3 %	30.6 %	28.0 %	20.4 %	-3.6 %	16.8 %	-10.1 %	-13.2 %	-9.1 %	-5.4 %	-9.5 %	5.1 %	3.1 %	3.0 %
Adjusted EBITA growth-%	0.1 %	-17.0 %	-134.5 %	9.2 %	-2.4 %	17.8 %	-10.5 %	-353.0 %	2.8 %	22.6 %	-0.6 %	24.9 %	15.4 %	7.6 %	9.7 %
Adjusted EBITA-%	4.4 %	3.2 %	-0.6 %	3.0 %	3.3 %	3.4 %	2.4 %	1.6 %	3.6 %	4.4 %	3.6 %	3.4 %	3.7 %	3.9 %	4.1 %
Adjusted EBIT-%	4.4 %	3.1 %	-0.7 %	2.9 %	3.2 %	3.3 %	2.4 %	1.6 %	3.5 %	4.3 %	3.5 %	3.3 %	3.7 %	3.8 %	4.1 %

Balance sheet

Assets	2022	2023	2024e	2025e	2026e
Non-current assets	74.9	75.6	77.7	79.4	80.7
Goodwill	40.0	40.0	40.0	40.0	40.0
Intangible assets	0.7	0.5	0.5	0.6	0.6
Tangible assets	22.8	23.3	25.4	27.1	28.3
Associated companies	10.0	10.5	10.5	10.5	10.5
Other investments	0.0	0.0	0.0	0.0	0.0
Other non-current assets	0.2	0.3	0.3	0.3	0.3
Deferred tax assets	1.2	1.0	1.0	1.0	1.0
Current assets	59.6	59.0	53.7	58.5	60.3
Inventories	0.0	0.0	0.0	0.0	0.0
Other current assets	0.4	0.7	0.7	0.7	0.7
Receivables	49.8	34.6	37.7	45.7	47.1
Cash and equivalents	9.4	23.6	15.3	12.2	12.6
Balance sheet total	135	135	131	138	141

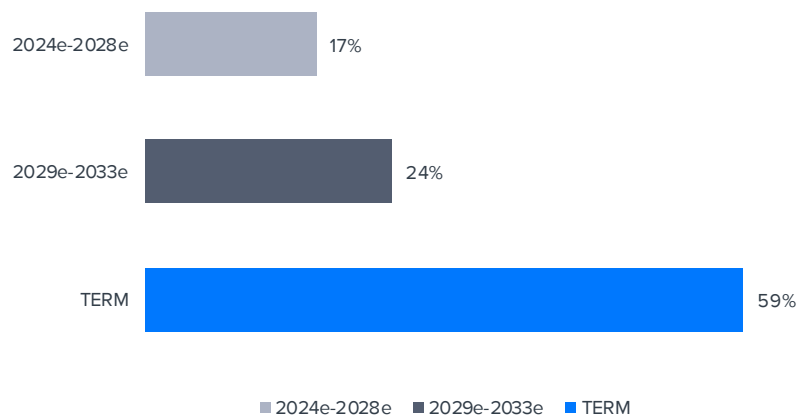
Source: Inderes

Liabilities & equity	2022	2023	2024e	2025e	2026e
Equity	42.6	42.7	44.1	46.7	50.0
Share capital	0.1	0.1	0.1	0.1	0.1
Retained earnings	23.4	24.0	25.4	28.0	31.3
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	0.0	0.0	0.0	0.0	0.0
Other equity	19.2	18.7	18.7	18.7	18.7
Minorities	-0.1	-0.1	-0.1	-0.1	-0.1
Non-current liabilities	35.4	34.0	33.8	25.0	33.8
Deferred tax liabilities	1.5	1.5	0.7	0.5	0.5
Provisions	1.9	3.1	3.1	3.1	3.1
Interest bearing debt	32.1	29.4	30.0	21.4	30.2
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	0.0	0.0	0.0	0.0	0.0
Current liabilities	56.6	57.9	53.5	66.2	57.2
Interest bearing debt	10.7	11.0	10.0	20.5	10.1
Payables	45.5	46.8	43.5	45.7	47.1
Other current liabilities	0.4	0.0	0.0	0.0	0.0
Balance sheet total	135	135	131	138	141

DCF calculation

DCF model	2023	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	TERM
Revenue growth-%	16.8 %	-9.5 %	5.1 %	3.1 %	3.0 %	4.0 %	2.0 %	2.0 %	2.0 %	2.0 %	1.5 %	1.5 %
EBIT-%	2.4 %	3.3 %	3.7 %	3.8 %	4.1 %	4.0 %	4.0 %	4.0 %	4.0 %	4.0 %	4.0 %	4.0 %
EBIT (operating profit)	7.6	9.7	11.2	12.0	13.2	13.4	13.7	14.0	14.3	14.6	14.8	
+ Depreciation	6.4	6.1	6.5	6.9	7.2	7.5	7.7	7.8	7.9	8.0	8.0	
- Paid taxes	-0.5	-2.2	-2.0	-2.0	-2.2	-2.2	-2.3	-2.4	-2.4	-2.5	-2.5	
- Tax, financial expenses	-0.5	-0.5	-0.5	-0.5	-0.4	-0.4	-0.4	-0.4	-0.4	-0.4	-0.4	
+ Tax, financial income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Change in working capital	15.9	-6.4	-5.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Operating cash flow	28.9	6.6	9.4	16.5	17.8	18.2	18.6	19.0	19.3	19.6	19.8	
+ Change in other long-term liabilities	1.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-6.8	-8.2	-8.2	-8.2	-8.2	-8.2	-8.2	-8.2	-8.2	-8.2	-8.1	
Free operating cash flow	23.3	-1.6	1.2	8.3	9.6	10.0	10.4	10.8	11.1	11.4	11.7	
+/- Other	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	23.5	-1.6	1.2	8.3	9.6	10.0	10.4	10.8	11.1	11.4	11.7	159
Discounted FCFF		-1.4	1.0	6.5	6.8	6.6	6.3	6.0	5.6	5.3	5.0	67.9
Sum of FCFF present value		116	117	116	110	103	96.1	89.8	83.9	78.2	72.9	67.9
Enterprise value DCF		116										
- Interest bearing debt		-40.4										
+ Cash and cash equivalents		23.6										
-Minorities		0.2										
-Dividend/capital return		0.0										
Equity value DCF		99.0										
Equity value DCF per share		11.1										

Cash flow distribution



WACC

Tax-% (WACC)	20.0 %
Target debt ratio (D/(D+E))	25.0 %
Cost of debt	3.5 %
Equity Beta	1.50
Market risk premium	4.75%
Liquidity premium	1.40%
Risk free interest rate	2.5 %
Cost of equity	11.0 %
Weighted average cost of capital (WACC)	9.0 %

Source: Inderes

Summary

Income statement	2022	2023	2024e	2025e	Per share data	2022	2023	2024e	2025e
Revenue	273.9	320.0	289.7	304.5	EPS (reported)	0.64	0.44	0.63	0.79
EBITDA	13.6	14.0	15.8	17.6	EPS (adj.)	0.64	0.44	0.63	0.79
EBIT	8.6	7.6	9.7	11.2	OCF / share	0.88	3.25	0.75	1.06
PTP	6.7	4.7	7.1	8.9	FCF / share	-0.63	2.64	-0.17	0.13
Net Income	5.7	3.9	5.6	7.0	Book value / share	4.75	4.81	4.97	5.27
Extraordinary items	0.0	0.0	0.0	0.0	Dividend / share	0.46	0.48	0.49	0.50
Balance sheet	2022	2023	2024e	2025e	Growth and profitability	2022	2023	2024e	2025e
Balance sheet total	134.5	134.6	131.4	137.9	Revenue growth-%	15%	17%	-9%	5%
Equity capital	42.6	42.7	44.1	46.7	EBITDA growth-%	-4%	3%	13%	12%
Goodwill	40.0	40.0	40.0	40.0	EBIT (adj.) growth-%	-17%	-12%	28%	16%
Net debt	33.4	16.8	24.7	29.7	EPS (adj.) growth-%	-29%	-31%	45%	25%
Cash flow	2022	2023	2024e	2025e	EBITDA-%	5.0 %	4.4 %	5.4 %	5.8 %
EBITDA	13.6	14.0	15.8	17.6	EBIT (adj.)-%	3.1 %	2.4 %	3.3 %	3.7 %
Change in working capital	-4.1	15.9	-6.4	-5.8	EBIT-%	3.1 %	2.4 %	3.3 %	3.7 %
Operating cash flow	7.9	28.9	6.6	9.4	ROE-%	13.6 %	9.1 %	13.0 %	15.5 %
CAPEX	-12.8	-6.8	-8.2	-8.2	ROI-%	11.2 %	9.0 %	11.5 %	12.9 %
Free cash flow	-5.7	23.5	-1.6	1.2	Equity ratio	31.6 %	31.7 %	33.5 %	33.9 %
					Gearing	78.5 %	39.3 %	56.0 %	63.6 %
Valuation multiples	2022	2023	2024e	2025e					
EV/S	0.4	0.3	0.3	0.3					
EV/EBITDA (adj.)	7.8	5.8	6.0	5.7					
EV/EBIT (adj.)	12.3	10.7	9.9	9.0					
P/E (adj.)	12.7	16.5	12.5	10.0					
P/B	1.7	1.5	1.6	1.5					
Dividend-%	5.7 %	6.6 %	6.2 %	6.3 %					

Source: Inderes

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Recommendation history (>12 mo)

Date	Recommendation	Target	Share price
11/22/2021	Buy	13.00 €	10.75 €
11/24/2021	Buy	13.00 €	11.45 €
1/27/2022	Accumulate	13.00 €	11.75 €
4/27/2022	Buy	12.00 €	9.00 €
7/28/2022	Buy	12.00 €	8.80 €
10/4/2022	Buy	11.00 €	8.02 €
10/27/2022	Buy	11.00 €	8.45 €
11/21/2022	Accumulate	10.50 €	8.92 €
1/12/2023	Accumulate	10.50 €	9.05 €
2/1/2023	Accumulate	10.50 €	9.30 €
5/2/2023	Accumulate	9.00 €	7.94 €
7/12/2023	Reduce	7.90 €	7.58 €
7/20/2023	Accumulate	7.90 €	7.44 €
10/26/2023	Accumulate	7.00 €	6.32 €
11/28/2023	Accumulate	7.30 €	6.84 €
2/1/2024	Accumulate	8.50 €	7.94 €



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