SOLWERS

2/28/2025 1:12 pm EET

This is a translated version of "Investointiaktiviteetin nousu on avainasemassa" report, published on 2/28/2025

Petri Gostowski
+358 40 821 5982
petri.gostowski@inderes.fi

INDERES CORPORATE CUSTOMER

COMPANY REPORT

Increased investment activity is key

Solwers' H2 figures did not contain any element of surprise given the preliminary data. However, the now sluggish profitability reflects the criticality of revenue growth, which is also a prerequisite for strengthening cash flow and thus the financial position. Relative to the subdued near-term earnings level, the valuation of the stock is elevated, which together with the financial position now constitutes a weak risk/reward ratio in our view. Therefore, we reiterate our Reduce recommendation and revise our target price to EUR 2.65 (previously EUR 2.80). The Q4 interview with Solwers' CEO can be viewed here (subtitled in English).

Surprise element reduced by preliminary data

Solwers' H2'24 revenue increased by 17% year-on-year, which was a rough estimate after the company released its preliminary data. This growth reflects the acquisitions made, while given the timing of the holidays and the market situation, we estimate that organic growth was clearly negative. EBITA of 2.2 MEUR was also well in line with expectations, as the company also provided preliminary information on the EBIT level. Beneath the surface, however, the cost structure included significant non-recurring items, at least to a large extent, the largest of which was the positive impact of the release of contingent consideration liabilities. This was offset by write-downs of receivables, the repayment of subsidies received by a subsidiary and administrative expenses, in particular related to the move to the main list. These roughly balance each other out, so that excluding these items, the result would also have been in line with our expectations. However, we estimate that the transfer to the main list and the growth of the group will lead to some increase in the cost structure along with the usual cost inflation. Revenue growth is therefore critical to improving profitability, which has fallen to a sluggish level. It is also critical for the company's cash flow, as the free cash flow for 2024 remained at only 0.7 MEUR, reflecting high net financial expenses and lease liabilities (premises expenses) relative to cash flow from operating activities.

Growth is key to improving profitability

In its outlook, Solwers expects to benefit from the general market upturn, which is expected to strengthen towards the end of the year. Our understanding is that the order books of the group companies are above the comparison period and that project starts in the sectors driving demand are also picking up. Nevertheless, in line with the level of activity, we expect price competition to remain tighter than usual this year, but for the market to strengthen next year in line with economic developments. We have made only minor refinements to our forecasts for revenue and operational profitability. We forecast the company's revenue to turn to organic growth in H2 of the current year. Therefore, the increase in revenue combined with the decrease in costs will increase our EBITA forecast to 6.3 MEUR in 2025 (2024: 5.5 MEUR). We expect earnings growth to accelerate in 2026, driven by demand-driven increases in invoicing rates and efficiency improvements. The main risk to the forecasts is the development of overall investment activity, which should be supported by falling interest rates but is vulnerable to possible changes in the geopolitical and macroeconomic situation, among others.

Value increase requires earnings growth

The valuation of the stock is high (2024 P/E ratio ~22x) given the actualized weak 2024 results. With the earnings growth we forecast, the P/E and EV/EBIT multiples for 2025 and 2026 are around 15x and 11x, and around 15x and 12x, respectively. The valuation multiples for the current year are quite high, while the 2026 projections show a somewhat neutral valuation in our view. Relative valuation paints a similar picture. This reflects the fact that the increase in share value requires faster earnings growth than we forecast. As a result, we feel that the current valuation level of the share, coupled with the increased indebtedness, creates a poor risk/reward profile.

Recommendation
Reduce
(was Reduce)

Target price:
EUR 2.65
(was EUR 2.80)

Share price:
2.50

Business risk

Valuation risk

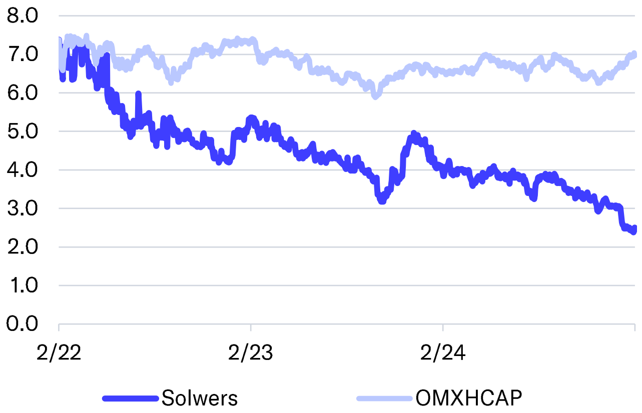
	2024	2025e	2026e	2027e
Revenue	78.3	81.0	83.8	85.9
growth-%	19%	3%	4%	2%
EBIT adj.	2.7	3.3	3.9	4.3
EBIT-% adj.	3.5 %	4.0 %	4.6 %	5.0 %
Net Income	1.1	1.7	2.2	2.5
EPS (adj.)	0.11	0.17	0.22	0.25
P/E (adj.)	28.2	14.9	11.4	9.9
P/B	0.8	0.6	0.6	0.5
Dividend yield-%	0.7 %	1.6 %	1.8 %	2.0 %
EV/EBIT (adj.)	21.0	14.8	11.9	10.4
EV/EBITDA	8.9	7.0	6.2	5.6
EV/S	0.7	0.6	0.6	0.5

Source: Inderes

Guidance (New guidance)

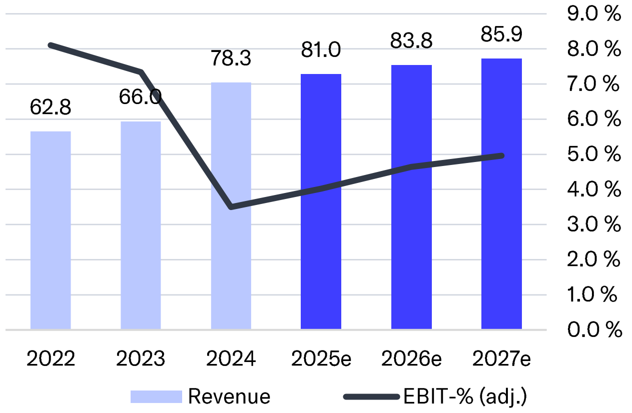
Market uncertainty is limiting future visibility. As Solwers' operations depend on investments, the company benefits from the general market recovery that is anticipated to strengthen towards the end of the year 2025.

Share price



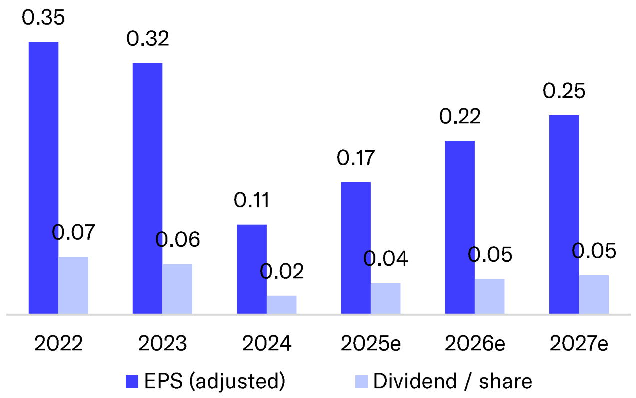
Source: Millistream Market Data AB

Revenue and EBIT-%



Source: Inderes

EPS and dividend



Source: Inderes

Value drivers

- Long-term organic growth supported by market growth
- Effective acquisition process
- Success in capital allocation determines the level of long-term value creation
- Capital-light business model

Risk factors

- The cyclical nature of customer industries
- Uncertainty and low visibility related to the development of billable utilization and thus, profitability
- Risks related to inorganic growth
- Personal dependence
- Low liquidity of the stock
- Increased indebtedness

Valuation	2025e	2026e	2027e
Share price	2.50	2.50	2.50
Number of shares, millions	10	10	10
Market cap	25	25	25
EV	48	46	44
P/E (adj.)	14.9	11.4	9.9
P/E	14.9	11.4	9.9
P/B	0.6	0.6	0.5
P/S	0.3	0.3	0.3
EV/Sales	0.6	0.6	0.5
EV/EBITDA	7.0	6.2	5.6
EV/EBIT (adj.)	14.8	11.9	10.4
Payout ratio (%)	23.9 %	20.4 %	19.8 %
Dividend yield-%	1.6 %	1.8 %	2.0 %

Source: Inderes

Surprise element reduced by preliminary data

Revenue development was in line with our expectations

Solwers' H2'24 revenue increased by 17% year-on-year to 38.4 MEUR, which was well in line with our forecast, based on the rough preliminary data provided by the company. Q4 revenue amounted to 21.7 MEUR, an increase of 14% from the comparison period. Revenue growth was driven by inorganic growth, while we estimate that organic revenue declined by around 6% in H2. We attribute this to the holiday season in December, fierce price competition that led Solwers to withdraw from certain projects, and a general market contraction reflecting the economic cycle.

Profitability was impacted by several non-recurring items

The EBITA margin decreased to 5.9%, corresponding to an EBITA of 2.2 MEUR. It should be noted that the result was affected by several non-recurring items. On the positive side, the company recorded other operating income of 2.3 MEUR in H2, related to the release of contingent consideration liabilities. On the other hand, the company also recorded write-downs of doubtful receivables and repayment of R&D-related expenses of a subsidiary in H2, which had a negative impact of 1.1 MEUR. Furthermore, the company explains that the 1.2 MEUR increase in administrative expenses over the comparison period is mainly due to the progress of the transfer to the main list. According to the company, the related costs are mainly external purchases of a project nature, which will end with the completion of the list change project. Overall, these positive and negative items virtually cancel each other out, but we believe that the move to the main list will lead to slightly higher expenses in the future, and the growth of the group is also likely to slightly increase the overall cost structure. On the bottom lines, the tax write-off in the income statement was slightly positive and the net financial expenses were also slightly lower than we had forecast, which allowed the H2 earnings per share to turn positive, contrary to our forecast, at EUR 0.04 per share. The company will pay a dividend of EUR 0.24 per share for 2024.

Free cash flow remains weak due to current performance

Solwers cash flow from operating activities amounted to 4.3 MEUR in 2024, reflecting the significant interest expenses compared to the operating result. As a result, free cash flow for the full year, reflecting normal organic investments and repayment of lease liabilities, remained at a low level of only 0.7 MEUR. In addition to the operating cash flow, free cash flow is also burdened by the fact that the decentralized operating model results in significant premises costs (lease liabilities) relative to the operating result.

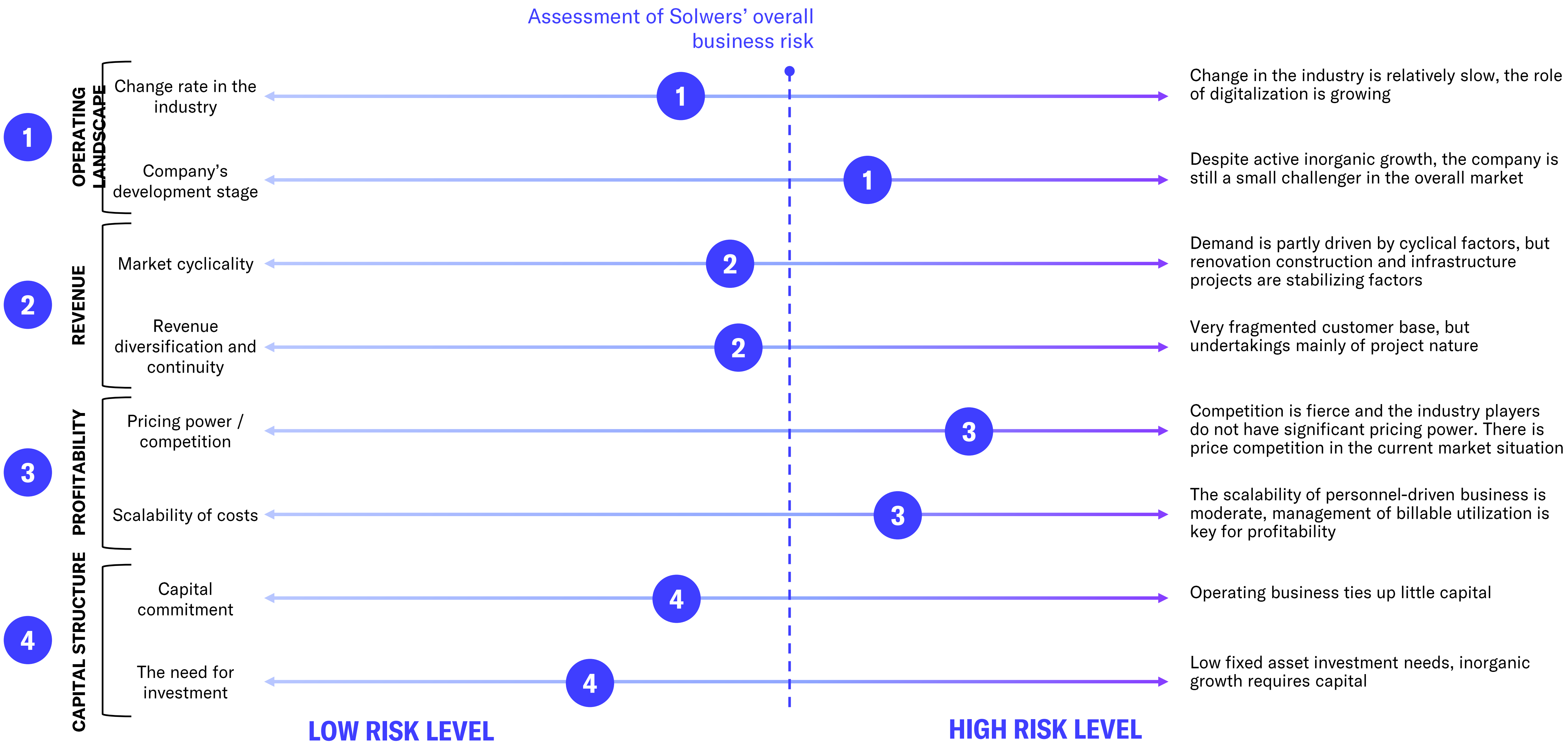
At the end of the year, Solwers' net debt was 25.5 MEUR, which corresponds to a high net debt level of 3.9 (last 12 months). However, net debt includes contingent consideration liabilities of 9.1 MEUR, of which approximately 6 MEUR are due for repayment in H1'25. Presumably, they will be financed by cash or interest-bearing debt. Overall, we consider the ratio of net debt to EBITDA, which reflects the financial position, to be high, which is why improving profitability is crucial.

Estimates	H2'23	H2'24	H2'24e	H2'24e	Consensus		Difference (%)	2024
MEUR / EUR	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. inderes	Actualized
Revenue	32.8	38.4	38.2				1%	78.3
EBITA	3.5	2.2	2.1				7%	5.5
EBIT	2.4	0.8	0.6				39%	2.7
EPS (reported)	0.17	0.04	-0.02				318%	0.11
DPS	0.064	0.024	0.02				60%	0.02
Revenue growth-%	8.5 %	17.0 %	16.4 %				0.6 pp	18.6 %
EBITA-%	10.7 %	5.9 %	5.5 %				0.4 pp	7.0 %

Source: Inderes

Solwers H2'24: "Challenging market situation" (English subtitles)

Risk profile of the business



Growth is key to improving profitability

Investment is expected to increase in the outlook

Solwers has not been in the habit of providing numerical guidance and, as expected, no such guidance was provided for 2025. In its outlook, the company noted that market uncertainty limits future visibility. At the same time, however, the company expects to benefit from a general market recovery, which is dependent on investment. The company anticipates the recovery to strengthen towards the end of the year 2025. In its own operations, Solwers says it will focus on growth through acquisitions in three countries (Finland, Sweden and Poland), improving organic growth where possible, increasing profitability and cutting costs.

According to management's comments, the order books of its companies were higher than in the comparison period. We understand that the improved order book development is to some extent also reflected in project starts, which we interpret as having picked up at least slightly.

Only minor refinements to estimates

We have made only minor refinements to our operating forecasts following the report. We expect Solwers' revenue to grow by just over 3%this year, a third of which will be organic, as we expect the company's revenue to turn around organically in H2. The bulk of the growth, on the other hand, comes in our forecasts from the acquisitions of Siren Architects and Spectra Consult. In 2026, we forecast growth to accelerate to 3.5% as investment activity picks up and price competition eases.

In our forecasts for the current year, operational earnings growth will be driven not only by slight revenue growth, but also by a slight reduction in the cost structure, as we expect some of the cost increases associated with the transition to the main list to disappear. More broadly, however, we expect the cost increases of recent years to be permanent, in line with the increased size of the group and general cost inflation. In 2026, we expect profitability to strengthen further (2026 EBITA-% 8.5%), particularly as growth is accompanied by higher invoicing rates. However, our profitability forecast is lower than the average of the previous five years (2019-2023), reflecting the change in the group's structure and administrative growth.

Financial position requires improvement in earnings level

Solwers also announced that it has expanded its financing agreement in December 2024. According to our calculations, it now allows for slightly more than 34 MEUR of debt, of which 28 MEUR was in use at the end of 2024. However, the assumed payment of the contingent consideration liabilities in H1 will in practice bring the amount of debt close to the maximum without the negotiated increase of the acquisition limit (5 MEUR). Thus, the company's short-term ability to make cash acquisitions (i.e. without using the share) is limited, unless the company uses cash assets (11.6 MEUR at the end of 2024). However, in our view, the current financial position would argue for caution on acquisitions until the company's earnings strengthen and the resulting high net debt/ EBITDA ratio can be reduced.

Estimate revisions	2024e	2024	Change	2025e	2025e	Change	2026e	2026e	Change
MEUR / EUR	Inderes	Actualized	%	Old	New	%	Old	New	%
Revenue	78.1	78.3	0%	81.0	81.0	0%	83.9	83.8	0%
EBITDA	6.1	6.5	6%	7.0	6.9	-2%	7.9	7.5	-5%
EBIT	2.5	2.7	9%	3.2	3.3	0%	4.1	3.9	-5%
PTP	1.1	1.4	30%	2.0	2.1	7%	2.9	2.8	-4%
EPS (excl. NRIs)	0.06	0.11	106%	0.15	0.17	11%	0.23	0.22	-3%
DPS	0.015	0.024	60%	0.04	0.04	0%	0.06	0.05	-25%

Source: Inderes

Solwers, Webcast, Q4'24

Investment profile

1. Strong growth-orientation and efficient acquisition process
2. Increased indebtedness has tightened financial position
3. The low capital requirement of the business provides prerequisites for value creation organically and inorganically
4. Risks related to inorganic growth and personnel dependency
5. Invoice rate management key to strengthening profitability

Potential

- Moderate organic and profitable growth in the core business
- An efficient and well-established acquisition process drives business growth
- Low investment needs and good cash flow enable value creation and allocation of capital to acquisitions
- Established customer relationships and large number of small projects

Risks

- Typical risks associated with acquisitions
- Dependency on the availability and commitment of staff in an industry suffering from expert shortage
- We estimate that changes in billable utilization are reflected relatively strongly in profitability
- Financial position stretched by acquisitions and weakening results

Value increase requires earnings growth

The elevated debt level should be noted

Solwers' 2024 results were significantly lower than in 2023, partly reflecting the challenging market conditions and at least partly non-recurring costs. Thus, the 2024 earnings level should not be the new normal, but there is uncertainty about the timing and magnitude of the earnings improvement, as the long-awaited pick-up in investment activity has yet to materialize in concrete terms.

At the same time, however, the company has made several acquisitions between 2023 and 2024 that have not had the expected impact on earnings growth. However, the acquisitions have increased the company's debt. The combination of these factors has led to a significant increase in the company's financial position indicator. In absolute terms, the level (3.9x) is quite high and not far from the usual covenant levels.

If we adjust the net debt for contingent consideration liabilities for acquisitions, the level is 2.5x, but on the other hand, according to the company's comments, these contingent consideration liabilities will be paid in H1'25. So, overall, we think the financial position is rather stretched and we see significant capital allocation to acquisitions in the current financial position as increasing the risk level too much, unless Solwers' earnings level shows clear signs of recovery at the same time.

Earnings-based valuation multiples are elevated

Solwers' revenue-based EV/S ratio is 0.6x for 2025. In our view, this is a moderate level given the profitability potential of this type of service business. However, relative to recent profitability levels, we do not consider this level to be unjustified, and we believe that a higher valuation on a revenue basis would require an increase in profitability from current levels.

The above thinking is well reflected in the earnings-based valuation of the stock, as our updated forecasts put Solwers' P/E multiples for 2025-2026 at 15x and 11x, respectively. The EV/EBIT ratios for these years are 15x and 12x. Thus, the current year's earnings-based valuation is quite high and, on a net-profit basis, reflects the fact that relatively high net financial expenses eat up a large part of the operating result. With the earnings improvement we expect, we believe that valuation multiples will come down to neutral levels next year. Against this backdrop, we believe that higher share values will require stronger earnings growth than we forecast, which in turn will in our view require a stronger-than-expected pick-up in investment activity.

Relative valuation

In relative terms, based on the 2025-2026 EV/EBITDA multiples, Solwers is valued at a discount of around 20% to its peers. Correspondingly, based on the P/E ratio, the valuation is neutralized to be in line with peers. Thus, the relative valuation reflects the same earnings-related challenge and the gap between the operating profit and net profit. Overall, however, the earnings-based relative valuation does not support an upside for the stock, as we believe the peer group valuation is at a reasonable level and we believe Solwers should be valued at most at the level of its peers, in line with its profitability trajectory.

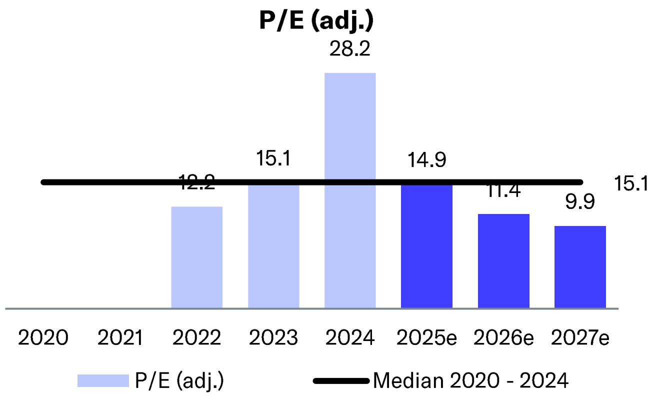
Valuation	2025e	2026e	2027e
Share price	2.50	2.50	2.50
Number of shares, millions	10	10	10
Market cap	25	25	25
EV	48	46	44
P/E (adj.)	14.9	11.4	9.9
P/E	14.9	11.4	9.9
P/B	0.6	0.6	0.5
P/S	0.3	0.3	0.3
EV/Sales	0.6	0.6	0.5
EV/EBITDA	7.0	6.2	5.6
EV/EBIT (adj.)	14.8	11.9	10.4
Payout ratio (%)	23.9 %	20.4 %	19.8 %
Dividend yield-%	1.6 %	1.8 %	2.0 %

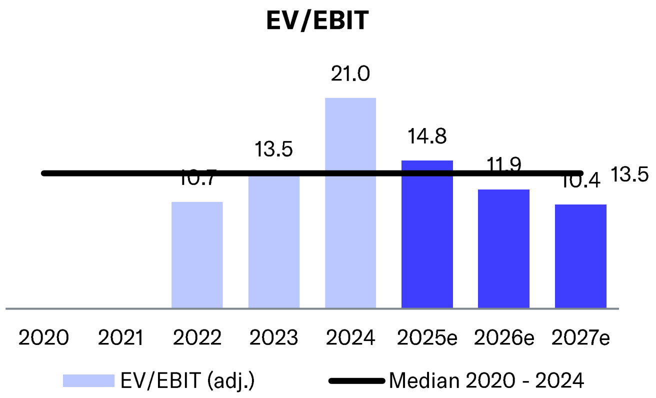
Source: Inderes

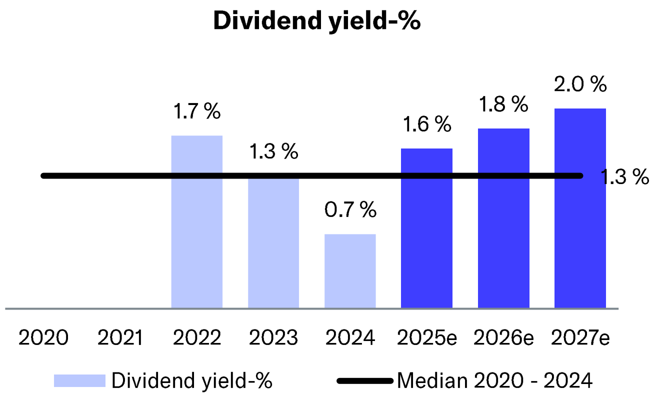
Valuation table

Valuation	2020	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Share price			4.22	4.82	3.22	2.50	2.50	2.50	2.50
Number of shares, millions			9.83	9.92	10	10	10	10	10
Market cap			41	48	32	25.1	25.1	25.1	25.1
EV			54	66	58	48.2	46.3	44.3	42.0
P/E (adj.)			12.2	15.1	28.2	14.9	11.4	9.9	8.3
P/E			12.2	15.1	28.2	14.9	11.4	9.9	8.3
P/B			1.1	1.2	0.8	0.6	0.6	0.5	0.5
P/S			0.7	0.7	0.4	0.3	0.3	0.3	0.3
EV/Sales			0.9	1.0	0.7	0.6	0.6	0.5	0.5
EV/EBITDA			6.7	8.2	8.9	7.0	6.2	5.6	4.9
EV/EBIT (adj.)			10.7	13.5	21.0	14.8	11.9	10.4	8.7
Payout ratio (%)			21.1 %	20.1 %	21.0 %	23.9 %	20.4 %	19.8 %	20.0 %
Dividend yield-%			1.7 %	1.3 %	0.7 %	1.6 %	1.8 %	2.0 %	2.4 %

Source: Inderes







Peer group valuation

Peer group valuation Company	Market cap MEUR	EV MEUR	EV/EBIT 2025e	 2026e	EV/EBITDA 2025e	 2026e	EV/S 2025e	 2026e	P/E 2025e	 2026e	Dividend yield-% 2025e	 2026e	P/B 2025e
Sitowise	94	171	28.4	15.7	9.2	7.4	0.9	0.8		23.7	1.9	2.7	0.8
Sweco AB	6136	6595	20.9	19.1	16.2	15.0	2.3	2.1	26.2	23.5	2.0	2.2	5.3
Afry AB	1970	2508	12.8	10.9	9.4	8.3	1.0	0.9	14.5	11.8	3.6	4.3	1.6
Rejlers AB	331	385	12.3	10.6	7.6	6.8	0.9	0.9	13.3	11.4	3.3	3.7	1.8
WSP Global	22409	24358	27.5	18.4	14.5	13.3	2.6	2.5	27.6	24.4	0.6	0.6	3.8
Etteplan	281	352	12.3	10.8	7.2	6.5	0.9	0.9	13.9	11.7	3.3	4.0	2.1
Arcadis NV	4453	5180	11.2	9.8	8.5	7.6	1.1	1.0	14.0	12.1	2.4	2.8	3.1
Solwers (Inderes)	**25**	**48**	**14.8**	**11.9**	**7.0**	**6.2**	**0.6**	**0.6**	**14.9**	**11.4**	**1.6**	**1.8**	**0.6**
Average			**17.9**	**13.6**	**10.4**	**9.3**	**1.4**	**1.3**	**18.2**	**16.9**	**2.4**	**2.9**	**2.6**
Median			**12.8**	**10.9**	**9.2**	**7.6**	**1.0**	**0.9**	**14.2**	**12.1**	**2.4**	**2.8**	**2.1**
Diff-% to median			***16%***	***9%***	***-24%***	***-19%***	***-40%***	***-41%***	***5%***	***-6%***	***-33%***	***-35%***	***-71%***

Source: Refinitiv / Inderes

Income statement

Income statement	2023	H1'24	H2'24	2024	H1'25e	H2'25e	2025e	2026e	2027e	2028e
Revenue	**66.0**	**39.9**	**38.4**	**78.3**	**41.7**	**39.3**	**81.0**	**83.8**	**85.9**	**88.0**
Group	66.0	39.9	38.4	78.3	41.7	39.3	81.0	83.8	85.9	88.0
EBITDA	**8.0**	**3.8**	**2.7**	**6.5**	**3.9**	**2.9**	**6.9**	**7.5**	**8.0**	**8.6**
Depreciation	-3.1	-1.8	-1.9	-3.7	-1.8	-1.8	-3.6	-3.6	-3.7	-3.8
EBIT	**4.8**	**2.0**	**0.8**	**2.7**	**2.1**	**1.1**	**3.3**	**3.9**	**4.3**	**4.8**
EBITA	**7.0**	**3.3**	**2.2**	**5.5**	**3.3**	**2.2**	**6.3**	**7.1**	**7.5**	**7.4**
Net financial items	-1.0	-0.8	-0.5	-1.3	-0.6	-0.6	-1.2	-1.1	-1.0	-1.0
PTP	**3.9**	**1.1**	**0.3**	**1.4**	**1.6**	**0.5**	**2.1**	**2.8**	**3.2**	**3.9**
Taxes	-0.7	-0.4	0.2	-0.2	-0.3	-0.1	-0.4	-0.6	-0.7	-0.9
Minority interest	-0.1	0.0	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0
Net earnings	**3.2**	**0.8**	**0.4**	**1.1**	**1.3**	**0.4**	**1.7**	**2.2**	**2.5**	**3.0**
EPS (adj.)	**0.32**	**0.07**	**0.04**	**0.11**	**0.13**	**0.04**	**0.17**	**0.22**	**0.25**	**0.30**
EPS (rep.)	**0.32**	**0.07**	**0.04**	**0.11**	**0.13**	**0.04**	**0.17**	**0.22**	**0.25**	**0.30**

Key figures	2023	H1'24	H2'24	2024	H1'25e	H2'25e	2025e	2026e	2027e	2028e
Revenue growth-%	5.1 %	20.2 %	17.0 %	18.6 %	4.5 %	2.3 %	3.4 %	3.5 %	2.5 %	2.5 %
EBITDA-%	12.1 %	9.4 %	7.1 %	8.3 %	9.5 %	7.4 %	8.5 %	9.0 %	9.3 %	9.8 %
EBITA-%	10.6 %	8.2 %	5.9 %	7.0 %	7.8 %	5.7 %	7.7 %	8.5 %	8.7 %	8.4 %
Net earnings-%	4.8 %	1.9 %	1.0 %	1.5 %	3.1 %	1.0 %	2.1 %	2.6 %	2.9 %	3.4 %

Balance sheet

Assets	2023	2024	2025e	2026e	2027e
Non-current assets	**55**	**63**	**62**	**62**	**61**
Goodwill	42.0	46.9	46.9	46.9	46.9
Intangible assets	1.0	3.0	3.1	3.2	3.3
Tangible assets	7.3	7.4	6.9	6.4	5.9
Associated companies	0.0	0.3	0.0	0.0	0.0
Other investments	1.9	1.9	1.9	1.9	1.9
Other non-current assets	1.3	1.2	1.2	1.2	1.2
Deferred tax assets	1.2	2.0	2.0	2.0	2.0
Current assets	**32**	**31**	**33**	**34**	**34**
Inventories	0.1	0.6	0.4	0.2	0.2
Other current assets	5.3	0.8	0.8	0.8	0.8
Receivables	10.9	18.3	18.6	19.3	19.8
Cash and equivalents	16.0	11.6	13.0	13.4	13.7
Balance sheet total	**87**	**94**	**95**	**95**	**96**

Source: Inderes

Liabilities & equity	2023	2024	2025e	2026e	2027e
Equity	**40**	**41**	**42**	**44**	**46**
Share capital	1.0	1.0	1.0	1.0	1.0
Retained earnings	2.4	1.7	3.2	5.0	7.0
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	36.5	38.0	38	38	38
Minorities	0.5	0.2	0.2	0.2	0.2
Non-current liabilities	**29**	**24**	**23**	**21**	**19**
Deferred tax liabilities	0.0	0.0	0.0	0.0	0.0
Provisions	0.0	0.0	0.0	0.0	0.0
Interest bearing debt	28.3	22.8	21.0	19.0	17.0
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	0.3	1.5	1.5	1.5	1.5
Current liabilities	**18**	**29**	**30**	**31**	**31**
Interest bearing debt	4.7	14.0	15.0	15.5	15.9
Payables	1.9	2.0	2.2	2.3	2.3
Other current liabilities	11.4	12.9	12.9	12.9	12.9
Balance sheet total	**87**	**94**	**95**	**95**	**96**

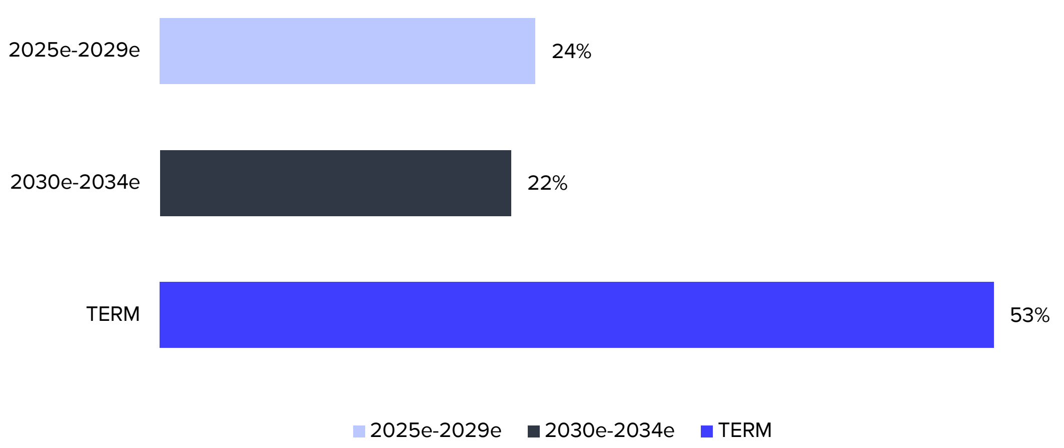
DCF-calculation

DCF model	2024	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	2034e	TERM
Revenue growth-%	18.6 %	3.4 %	3.5 %	2.5 %	2.5 %	2.0 %	2.0 %	2.0 %	2.0 %	2.0 %	2.0 %	2.0 %
EBIT-%	3.5 %	4.0 %	4.6 %	5.0 %	5.5 %	6.0 %	7.0 %	7.0 %	7.0 %	7.0 %	7.0 %	7.0 %
EBIT (operating profit)	**2.7**	**3.3**	**3.9**	**4.3**	**4.8**	**5.4**	**6.4**	**6.5**	**6.7**	**6.8**	**6.9**	
+ Depreciation	3.7	3.6	3.6	3.7	3.8	3.7	3.7	3.9	3.9	3.8	3.7	
- Paid taxes	-1.0	-0.4	-0.6	-0.7	-0.9	-1.0	-1.2	-1.3	-1.3	-1.4	-1.4	
- Tax, financial expenses	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.1	-0.1	-0.1	
+ Tax, financial income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Change in working capital	-1.8	0.0	-0.3	-0.4	-0.4	-0.4	-0.4	-0.4	-0.4	-0.4	-0.4	
Operating cash flow	**3.5**	**6.2**	**6.3**	**6.6**	**7.1**	**7.6**	**8.4**	**8.6**	**8.7**	**8.7**	**8.7**	
+ Change in other long-term liabilities	1.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-10.6	-3.2	-3.2	-3.4	-3.5	-3.6	-3.7	-3.7	-3.8	-3.8	-4.0	
Free operating cash flow	**-5.9**	**3.0**	**3.1**	**3.2**	**3.6**	**4.0**	**4.7**	**4.9**	**4.9**	**4.9**	**4.7**	
+/- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	-5.9	3.0	3.1	3.2	3.6	4.0	4.7	4.9	4.9	4.9	4.7	68.6
Discounted FCFF		**2.8**	**2.7**	**2.5**	**2.6**	**2.6**	**2.8**	**2.7**	**2.5**	**2.3**	**2.0**	**29.3**
Sum of FCFF present value		54.8	52.0	49.4	46.8	44.2	41.6	38.8	36.1	33.6	31.3	29.3
Enterprise value DCF		**54.8**										
- Interest bearing debt		-37										
+ Cash and cash equivalents		11.6										
-Minorities		-0.1										
-Dividend/capital return		0.0										
Equity value DCF		**30**										
Equity value DCF per share		**2.9**										

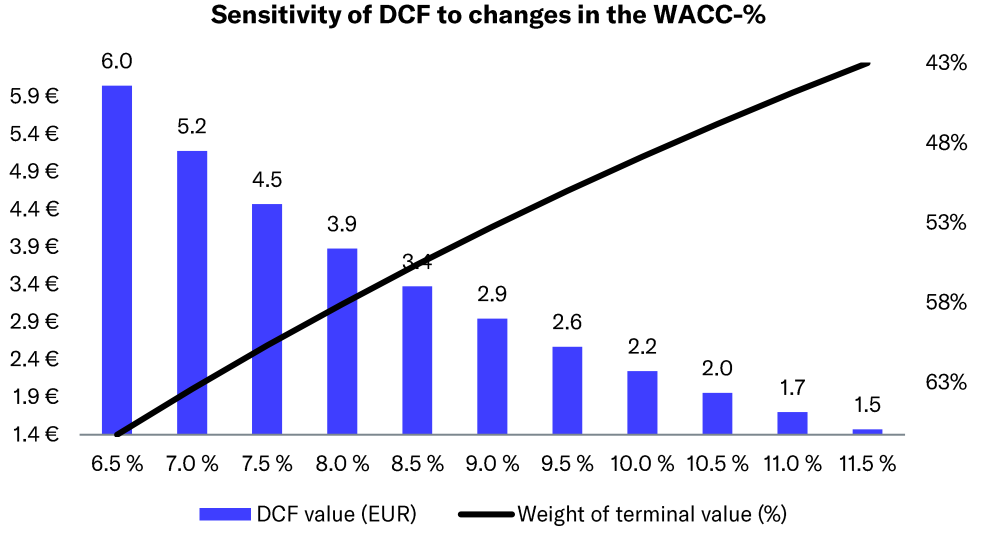
WACC	
Tax-% (WACC)	22.0 %
Target debt ratio (D/(D+E)	20.0 %
Cost of debt	4.5 %
Equity Beta	1.35
Market risk premium	4.75%
Liquidity premium	1.50%
Risk free interest rate	2.5 %
Cost of equity	**10.4 %**
Weighted average cost of capital (WACC)	**9.0 %**

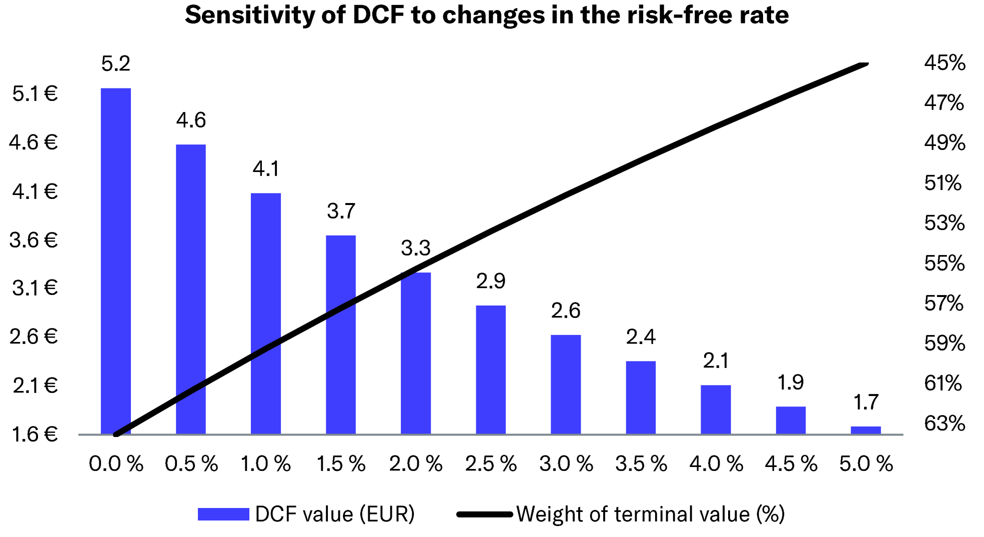
Source: Inderes

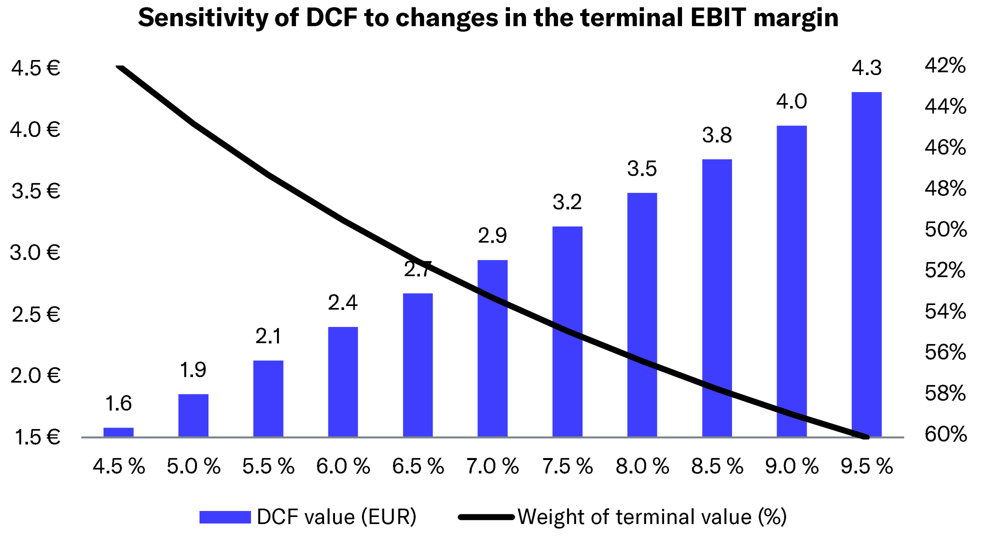
Cash flow distribution

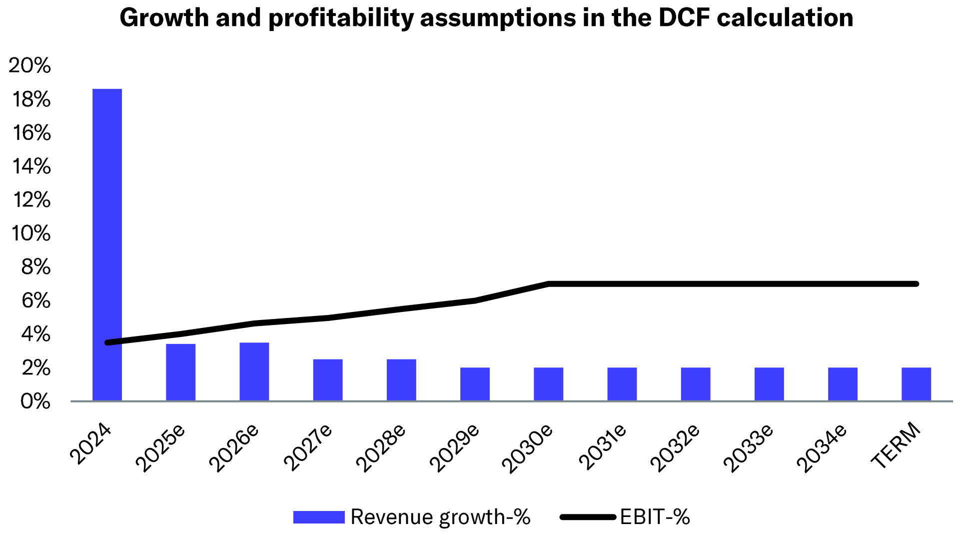


DCF sensitivity calculations and key assumptions in graphs









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

Summary

Income statement	2022	2023	2024	2025e	2026e
Revenue	62.8	66.0	78.3	**81.0**	**83.8**
EBITDA	8.2	8.0	6.5	**6.9**	**7.5**
EBIT	5.1	4.8	2.7	**3.3**	**3.9**
PTP	4.6	3.9	1.4	**2.1**	**2.8**
Net Income	3.4	3.2	1.1	**1.7**	**2.2**
Extraordinary items	0.0	0.0	0.0	**0.0**	**0.0**

Per share data	2022	2023	2024	2025e	2026e
EPS (reported)	0.35	0.32	0.11	**0.17**	**0.22**
EPS (adj.)	0.35	0.32	0.11	**0.17**	**0.22**
OCF / share	0.39	0.59	0.35	**0.62**	**0.63**
FCF / share	-0.71	-0.32	-0.59	**0.30**	**0.31**
Book value / share	3.81	4.02	4.05	**4.20**	**4.38**
Dividend / share		0.06	0.02	**0.04**	**0.05**

Balance sheet	2022	2023	2024	2025e	2026e
Balance sheet total	81.7	87.0	94.1	**94.9**	**95.3**
Equity capital	38.1	40.4	40.9	**42.3**	**44.1**
Goodwill	37.8	42.0	46.9	**46.9**	**46.9**
Net debt	12.2	17.1	25.1	**23.0**	**21.1**

Growth and profitability	2022	2023	2024	2025e	2026e
Revenue growth-%	41%	5%	19%	**3%**	**4%**
EBITDA growth-%	48%	-2%	-19%	**6%**	**9%**
EBIT (adj.) growth-%	51%	-5%	-44%	**19%**	**20%**
EPS (adj.) growth-%	74%	-8%	-64%	**47%**	**31%**
EBITDA-%	13.0 %	12.1 %	8.3 %	**8.5 %**	**9.0 %**
EBIT (adj.)-%	8.1 %	7.3 %	3.5 %	**4.0 %**	**4.6 %**
EBIT-%	8.1 %	7.3 %	3.5 %	**4.0 %**	**4.6 %**
ROE-%	9.9 %	8.2 %	2.8 %	**4.1 %**	**5.1 %**
ROI-%	8.4 %	6.8 %	3.6 %	**4.2 %**	**5.0 %**
Equity ratio	46.6 %	46.4 %	43.4 %	**44.6 %**	**46.3 %**
Gearing	32.0 %	42.3 %	61.5 %	**54.4 %**	**47.9 %**

Cash flow	2022	2023	2024	2025e	2026e
EBITDA	8.2	8.0	6.5	**6.9**	**7.5**
Change in working capital	-2.9	-1.0	-1.8	**0.0**	**-0.3**
Operating cash flow	3.8	5.9	3.5	**6.2**	**6.3**
CAPEX	-7.6	-8.5	-10.6	**-3.2**	**-3.2**
Free cash flow	-7.0	-3.1	-5.9	**3.0**	**3.1**

Valuation multiples	2022	2023	2024	2025e	2026e
EV/S	0.9	1.0	0.7	**0.6**	**0.6**
EV/EBITDA	6.7	8.2	8.9	**7.0**	**6.2**
EV/EBIT (adj.)	10.7	13.5	21.0	**14.8**	**11.9**
P/E (adj.)	12.2	15.1	28.2	**14.9**	**11.4**
P/B	1.1	1.2	0.8	**0.6**	**0.6**
Dividend-%	1.7 %	1.3 %	0.7 %	**1.6 %**	**1.8 %**

Source: Inderes

Disclaimer and recommendation history

The information presented in Inderes reports is obtained from several different public sources that Inderes considers to be reliable. Inderes aims to use reliable and comprehensive information, but Inderes does not guarantee the accuracy of the presented information. Any opinions, estimates and forecasts represent the views of the authors. Inderes is not responsible for the content or accuracy of the presented information. Inderes and its employees are also not responsible for the financial outcomes of investment decisions made based on the reports or any direct or indirect damage caused by the use of the information. The information used in producing the reports may change quickly. Inderes makes no commitment to announcing any potential changes to the presented information and opinions.

The reports produced by Inderes are intended for informational use only. The reports should not be construed as offers or advice to buy, sell or subscribe investment products. Customers should also understand that past performance is not a guarantee of future results. When making investment decisions, customers must base their decisions on their own research and their estimates of the factors that influence the value of the investment and take into account their objectives and financial position and use advisors as necessary. Customers are responsible for their investment decisions and their financial outcomes.

Reports produced by Inderes may not be edited, copied or made available to others in their entirety, or in part, without Inderes' written consent. No part of this report, or the report as a whole, shall be transferred or shared in any form to the United States, Canada or Japan or the citizens of the aforementioned countries. The legislation of other countries may also lay down restrictions pertaining to the distribution of the information contained in this report. Any individuals who may be subject to such restrictions must take said restrictions into account.

Inderes issues target prices for the shares it follows. The recommendation methodology used by Inderes is based on the share's 12-month expected total shareholder return (including the share price and dividends) and takes into account Inderes' view of the risk associated with the expected returns. The recommendation policy consists of four tiers: Sell, Reduce, Accumulate and Buy. As a rule, Inderes' investment recommendations and target prices are reviewed at least 2–4 times per year in connection with the companies' interim reports, but the recommendations and target prices may also be changed at other times depending on the market conditions. The issued recommendations and target prices do not guarantee that the share price will develop in line with the estimate. Inderes primarily uses the following valuation methods in determining target prices and recommendations: Cash flow analysis (DCF), valuation multiples, peer group analysis and sum of parts analysis. The valuation methods and target price criteria used are always company-specific and they may vary significantly depending on the company and (or) industry.

Inderes' recommendation policy is based on the following distribution relative to the 12-month risk-adjusted expected total shareholder return.

Buy	The 12-month risk-adjusted expected shareholder return of the share is very attractive
Accumulate	The 12-month risk-adjusted expected shareholder return of the share is attractive
Reduce	The 12-month risk-adjusted expected shareholder return of the share is weak
Sell	The 12-month risk-adjusted expected shareholder return of the share is very weak

The assessment of the 12-month risk-adjusted expected total shareholder return based on the above-mentioned definitions is company-specific and subjective. Consequently, similar 12-month expected total shareholder returns between different shares may result in different recommendations, and the recommendations and 12-month expected total shareholder returns between different shares should not be compared with each other. The counterpart of the expected total shareholder return is Inderes' view of the risk taken by the investor, which varies considerably between companies and scenarios. Thus, a high expected total shareholder return does not necessarily lead to positive performance when the risks are exceptionally high and, correspondingly, a low expected total shareholder return does not necessarily lead to a negative recommendation if Inderes considers the risks to be moderate.

The analysts who produce Inderes' research and Inderes employees cannot have 1) shareholdings that exceed the threshold of significant financial gain or 2) shareholdings exceeding 1% in any company subject to Inderes' research activities. Inderes Oyj can only own shares in the target companies it follows to the extent shown in the company's model portfolio investing real funds. All of Inderes Oyj's shareholdings are presented in itemised form in the model portfolio. Inderes Oyj does not have other shareholdings in the target companies analysed. The remuneration of the analysts who produce the analysis are not directly or indirectly linked to the issued recommendation or views. Inderes Oyj does not have investment bank operations.

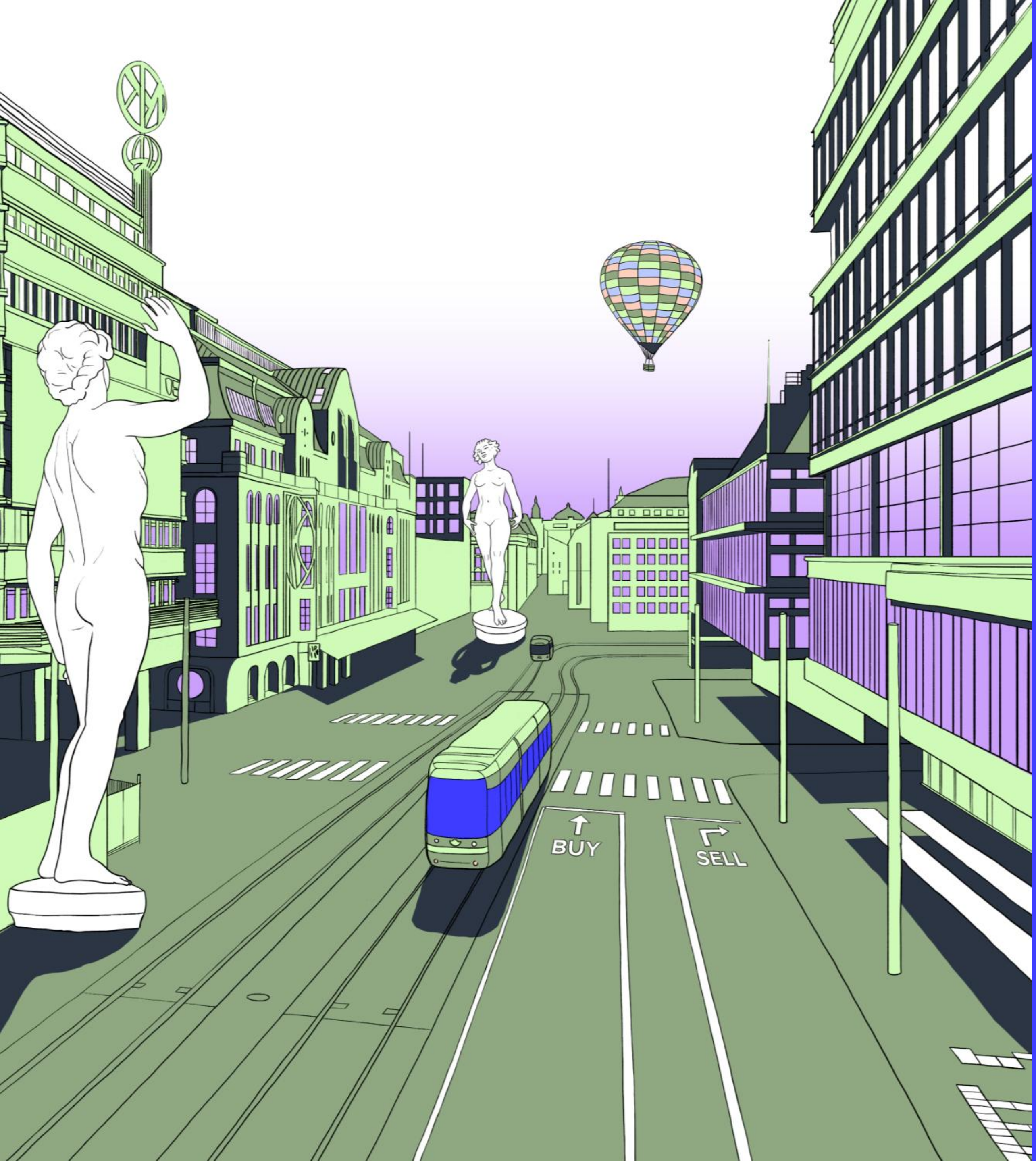
Inderes or its partners whose customer relationships may have a financial impact on Inderes may, in their business operations, seek assignments with various issuers with respect to services provided by Inderes or its partners. Thus, Inderes may be in a direct or indirect contractual relationship with an issuer that is the subject of research activities. Inderes and its partners may provide investor relations services to issuers. The aim of such services is to improve communication between the company and the capital markets. These services include the organisation of investor events, advisory services related to investor relations and the production of investor research reports.

More information about research disclaimers can be found at www.inderes.fi/research-disclaimer.

Inderes has made an agreement with the issuer and target of this report, which entails compiling a research report.

Recommendation history (>12 mo)

Date	Recommendation	Target	Share price
6/21/2021	Reduce	8.20 €	8.35 €
9/16/2021	Accumulate	8.20 €	7.40 €
11/3/2021	Accumulate	8.60 €	7.34 €
12/1/2021	Accumulate	9.00 €	7.90 €
3/9/2022	Accumulate	8.00 €	7.20 €
3/16/2022	Reduce	7.00 €	6.97 €
9/16/2022	Reduce	5.50 €	5.34 €
1/25/2023	Buy	5.50 €	4.39 €
3/1/2023	Accumulate	6.00 €	5.36 €
9/1/2023	Accumulate	5.00 €	4.32 €
9/15/2023	Buy	5.00 €	4.06 €
1/30/2024	Accumulate	5.00 €	4.60 €
3/11/2024	Accumulate	5.00 €	4.24 €
5/14/2024	Buy	5.00 €	3.70 €
6/3/2024	Buy	5.00 €	4.00 €
8/30/2024	Buy	5.00 €	3.74 €
12/2/2014	Accumulate	4.20 €	3.42 €
2/3/2025	Reduce	2.80 €	3.02 €
2/28/2025	Reduce	2.65 €	2.50 €



CONNECTING INVESTORS AND COMPANIES.

Inderes connects investors and listed companies.

We serve over 400 Nordic listed companies that want to better serve investors. The Inderes community is home to over 70,000 active investors.

We provide listed companies with solutions that enable seamless and effective investor relations. The Inderes service is built on four cornerstones for high-quality investor relations: Equity Research, Events, IR Software, and Annual General Meetings (AGM).

Inderes operates in Finland, Sweden, Norway, and Denmark and is listed on the Nasdaq First North Growth Market.

Inderes was created by investors, for investors.

Inderes Ab
Brunnsgatan
Stockholm
+358 10 219 4690

inderes.se

inderes.