

# Koskisen

## Company report

11/18/2024



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✓ Inderes corporate customer

This report is a summary translation of the report “Loivensimme odotuksiamme tulostulokäänteestä” published on 11/18/2024 at 11:35 pm EET

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# We moderated our expectations for a turnaround

We reiterate our Reduce recommendation for Koskisen and revise our target price to EUR 7.25 (previously EUR 7.50). Koskisen's Q3 report was overall weaker than we expected, and we made negative forecast changes after the report with an emphasis on the near term. In our view, Koskisen's stock is still fairly correctly priced at the one-year horizon, given the upward curve of the result, a reasonable dividend and the expectations already built into the stock. Thus, the expected return remains at the level of the required return in our estimates.

## Operational earnings performance in Q3 improved from weak comparison figures, but clearly missed forecasts

In the Q3, characterized by summer holiday and maintenance shutdowns, Koskisen's revenue of 68 MEUR generated an adjusted EBITDA of 3.7 MEUR. Due to the very weak comparison figures, revenue grew by as much as 22% on a volume-driven basis and adjusted EBITDA by up to 170%, driven by operating leverage. However, Q3's operational figures fell significantly short of our and consensus estimates, as profitability in the Panel Industry suffered badly, largely due to the high birch log prices. In the Sawn Timber Industry, performance was likely slightly better than expected, driven by the first efficiency gains from the Järvelä sawmill investment. We commented on the result [here](#) on Friday.

## Guidance unchanged, but downward adjustment of estimates for the Panel Industry in the short term

Koskisen reiterated its guidance for 2024 according to which revenue will grow from last year (2023: 271 MEUR revenue) and the adjusted EBITDA margin will be 8-12%. This reaffirmation of the broad guidance was to be expected. For the Sawn Timber Industry, the comments were in line with peers. The delayed recovery in construction and the still elevated price of softwood logs indicate that the subdued operating environment will continue into next year, but the gradual realization of efficiency gains from the new Järvelä sawmill should still be a strong counterforce. In the Panel Industry, the near-term outlook was weaker than we had expected, despite the ongoing war-related supply constraints in the birch plywood segment, as the weakness in the Central European economy curbed orders in late Q3 and likely in Q4 as well. The high price of logs is a problem for the Panel Industry, at least in the current demand situation. While we made no significant changes to our near-term estimates for the Sawn Timber Industry, we lowered our estimates for the Panel Industry for Q4 and next year in terms of volumes and raw material costs. We also increased our forecasts for depreciation, which we had lowered in connection with the Q2 report, but this was a technical change. At the group level, our adjusted EBITDA forecasts were significantly reduced this year and by 3-7% in 2025-2026. We expect the company to end this year at the lower end of its profitability guidance range. In the coming years, we expect Koskisen's adjusted EBITDA to continue the upward trend that started in Q3, despite the earnings disappointment, as lower interest rates and a return of confidence gradually revive demand, especially in the construction sector and in Europe.

## Valuation more or less at the right level in our view, and expected return reflects required return

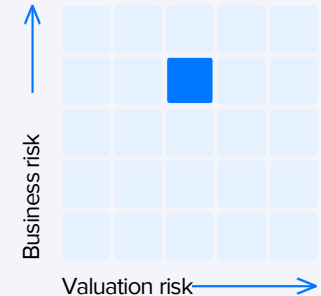
Koskisen's 2024 and 2025 EV/EBITDA ratios that consider the strong balance sheet are around 7x and 6x and the P/B ratio is around 1.1x (2024e). The multiples are largely within the ranges we accept, taking into account the company's estimated return on capital and risk profile. The DCF value is also around the current share price level with our current conservative parameters. Thus, Koskisen's expected return based on earnings growth, falling multiples (Q3'24 LTM P/E 18x) and a dividend of around 4% is, in our view, in line with the required return over the 12-month horizon. We maintain our cautious stance on the stock, although there could be leverage in the medium term if the European construction and economic recovery were to surprise positively in the years 2025-2026.

## Recommendation

**Reduce**  
(was Reduce)

**EUR 7.25**  
(was EUR 7.50)

**Share price:**  
7.08



## Key figures

	2023	2024e	2025e	2026e
<b>Revenue</b>	271.2	288.7	331.4	363.3
<b>growth-%</b>	-15%	6%	15%	10%
<b>EBIT adj.</b>	24.4	13.9	21.0	26.5
<b>EBIT-% adj.</b>	9.0 %	4.8 %	6.3 %	7.3 %
<b>Net Income</b>	20.2	8.9	15.1	19.6
<b>EPS (adj.)</b>	0.88	0.39	0.66	0.85
<b>P/E (adj.)</b>	6.8	18.4	10.8	8.3
<b>P/B</b>	0.9	1.1	1.0	1.0
<b>Dividend yield-%</b>	5.0 %	4.2 %	4.5 %	4.5 %
<b>EV/EBIT (adj.)</b>	6.0	13.5	9.0	6.9
<b>EV/EBITDA</b>	4.4	7.5	5.6	4.6
<b>EV/S</b>	0.5	0.7	0.6	0.5

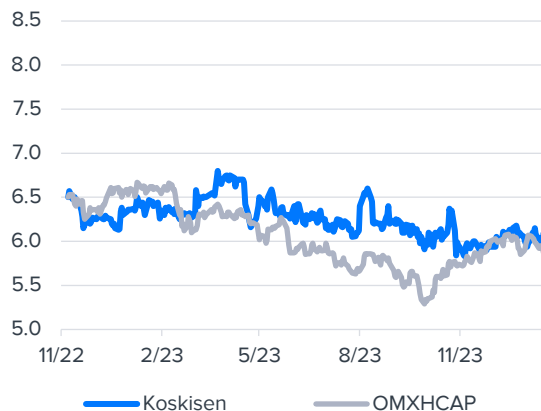
Source: Inderes

## Guidance

(Unchanged)

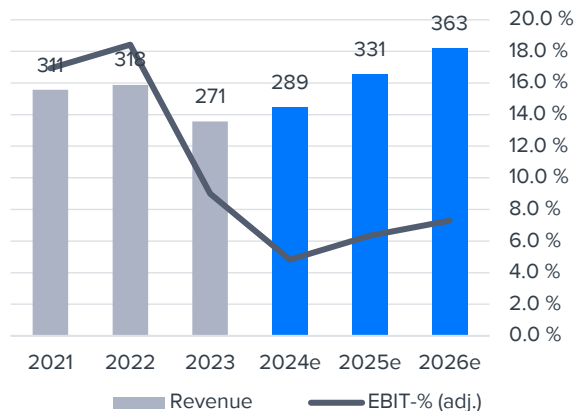
Koskisen Group's revenue for 2024 is expected to grow from the 2023 level. The adjusted EBITDA margin is expected to be 8-12%.

## Share price



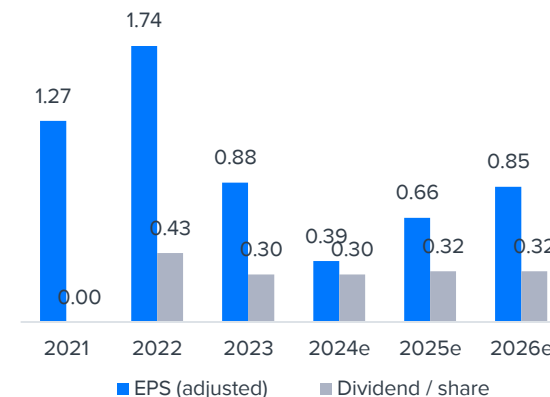
Source: Millstream Market Data AB

## Revenue and EBIT-%



Source: Inderes

## EPS and dividend



Source: Inderes



## Value drivers

- Healthy long-term demand trends
- Increasing exports and finding customers who appreciate customization
- Potential for improvement in the level of profitability
- Business generates value (ROIC>WACC) in a favorable cycle
- War-related supply disruptions help the Panel Industry for the foreseeable future



## Risk factors

- Cyclical demand
- Tight competition situation in the sawmill industry.
- Removal of the supply disruptions in the Panel Industry
- Tight timber market in Finland

Valuation	2024e	2025e	2026e
Share price	7.08	7.08	7.08
Number of shares, million:	23.0	23.0	23.0
Market cap	163	163	163
EV	188	189	182
P/E (adj.)	18.4	10.8	8.3
P/E	18.5	10.8	8.3
P/B	1.1	1.0	1.0
P/S	0.6	0.5	0.4
EV/Sales	0.7	0.6	0.5
EV/EBITDA	7.5	5.6	4.6
EV/EBIT (adj.)	13.5	9.0	6.9
Payout ratio (%)	78.2 %	48.6 %	37.5 %
Dividend yield-%	4.2 %	4.5 %	4.5 %

Source: Inderes

# Q3 proved difficult again, although performance turned upwards

## Performance improved less than expected from very weak Q3'23

Koskisen's Q3 revenue increased by 22% from the weak Q3'23 to 68 MEUR, below our and consensus forecasts. The underperformance was mainly due to lower volumes than our projections for both businesses, which were affected not only by the sluggish market situation but also by lower deliveries due to the summer holiday and maintenance shutdowns. In the Sawn Timber Industry, revenue grew by as much as 39% due to the additional capacity of the new sawmill line in Järvelä and slight price increases. Revenue in the Panel Industry increased by 9%, mainly driven by volumes. In both units, the development of average prices was slightly better than expected.

Koskisen's adjusted EBITDA was 3.7 MEUR in Q3. The operating result rose by as much as 170% from Q3'23, although the relative change is of course partly due to

the very weak comparison figure. However, the operating result was well below our and consensus estimates. In the Sawn Timber Industry, the operating result improved from a loss in the comparison period to positive and above our forecasts, thanks to volume growth and probably also the first efficiency gains from the Järvelä investment. However, due to high log prices, profitability (Q3: adj. EBITDA-% 4.8%) was still sluggish. The disappointing operating result thus originated from the Panel Industry, where the rise in birch log prices in particular severely hampered the result in Q3, pushing the unit's operating result below even the modest benchmark in a seasonally quiet quarter. The Panel Industry's profitability in Q3 was the lowest in Koskisen's recent history (Q3: adj. EBITDA-% 5.3%). Contrary to our expectations, the contribution from other activities was slightly positive.

At the lower end of the income statement, depreciation and finance costs exceeded our forecast and taxes

were slightly positive after PTP turned negative. As a result, Koskisen's Q3 EPS was negative, as in the comparison period, and well below estimates. The cash flow report was also sluggish, with free cash flow clearly in the red due to the weak result, working capital commitment and moderate investments.

## Balance sheet still strong

Koskisen's net gearing at the end of Q3 was 17% (Q3'23: net gearing -6%). The still strong balance sheet gives the company a buffer against cyclical risks and creates leeway for implementing the growth strategy. We expect the implementation of the strategy to lead to further major investments at some point in the future, although no new major investment projects have been announced for the coming years so far. Koskisen also still has an ongoing log yard investment of 15 MEUR in Järvelä and an investment in the Kore business of 3 MEUR in Poland, but we estimate that the majority of these investments have already been paid for.

Estimates MEUR / EUR	Q3'23	Q3'24	Q3'24e	Q3'24e	Consensus		Difference (%)	2024e
	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. inderes	Inderes
Revenue	55.5	67.8	71.7	70.5			-5%	289
EBITDA (adj.)	1.3	3.7	6.1	6.5			-40%	25.1
EBIT	-1.0	0.4	3.5	-			-89%	13.9
EPS (reported)	-0.97	-0.02	0.11	0.13			-119%	8.83
Revenue growth-%	-17.6 %	22.3 %	29.3 %	27.1 %			-7 pp	2.0 %
EBITDA-% (adj.)	2.4 %	5.5 %	8.6 %	9.2 %			-3.1 pp	8.7 %

Source: Inderes & Koskisen, 3 estimates (consensus)

# Operational forecasts down, driven by Panel Industry

## Guidance remained unchanged as expected

Koskisen reiterated its guidance for 2024 according to which revenue will grow from last year (2023: 271 MEUR revenue) and the adjusted EBITDA margin will be 8-12%. This reaffirmation of the broad guidance was to be expected. After 9 months, the company was slightly ahead of its guidance, with revenue up 3% and an adjusted EBITDA-% of 8.9%.

For the Sawn Timber Industry, the comments were in line with peers. The delayed recovery in construction and the notably high price of logs indicate that the subdued operating environment will continue well into next year, but the gradual realization of efficiency gains from the new Järvelä sawmill should still counteract the already sluggish recent comparison figures. In addition, during the winter heating season, by-product sales may provide stronger seasonal support to the Sawn Timber Industry. In the Panel Industry, the near-term outlook was weaker than we had expected, despite the ongoing war-

related supply constraints in the birch plywood segment, as the weakness in the European economy put a damper on orders in late Q3 and probably also in Q4 (the company is e.g. preparing for prolonged weak demand in the Panel Industry by negotiating a layoff option for the near future). The high price of logs is a problem for the Panel Industry, at least in the current demand situation, and pricing to compensate would require a much better demand than today (incl. consumption and inventory effects in the value chain).

## We trimmed our estimates operationally; adjustment of depreciation forecasts weighed heavily on lower lines

While we made no significant changes to our near-term estimates for the Sawn Timber Industry, we lowered our estimates for the Panel Industry for Q4 and next year in terms of volumes and raw material costs. We also increased our depreciation forecasts, which we had lowered in the previous quarter, but this was mainly a technical change. At the group level, our adjusted

EBITDA forecasts were reduced by 3-17% for 2024-2026. We now expect Koskisen to grow by 6% this year, with an adjusted EBITDA-% of 8.7%. Our margin forecast is therefore at the lower end of the company's range, but with a head start at the beginning of the year, we believe the guidance is achievable.

In the coming years, we expect Koskisen's adjusted EBITDA to continue on the upward trajectory that started in Q3, despite the earnings disappointment, as lower interest rates and a return of confidence gradually revive demand in the construction sector and in Europe for both units. Our forecasts are still well below Koskisen's target of over 15% EBITDA-% (2025e-2027e 10-11%), and reaching the target in terms of growth (500 MEUR revenue in 2027) will require acquisitions. Our projections for the coming years are also well below the consensus forecasts of aggressive earnings growth.

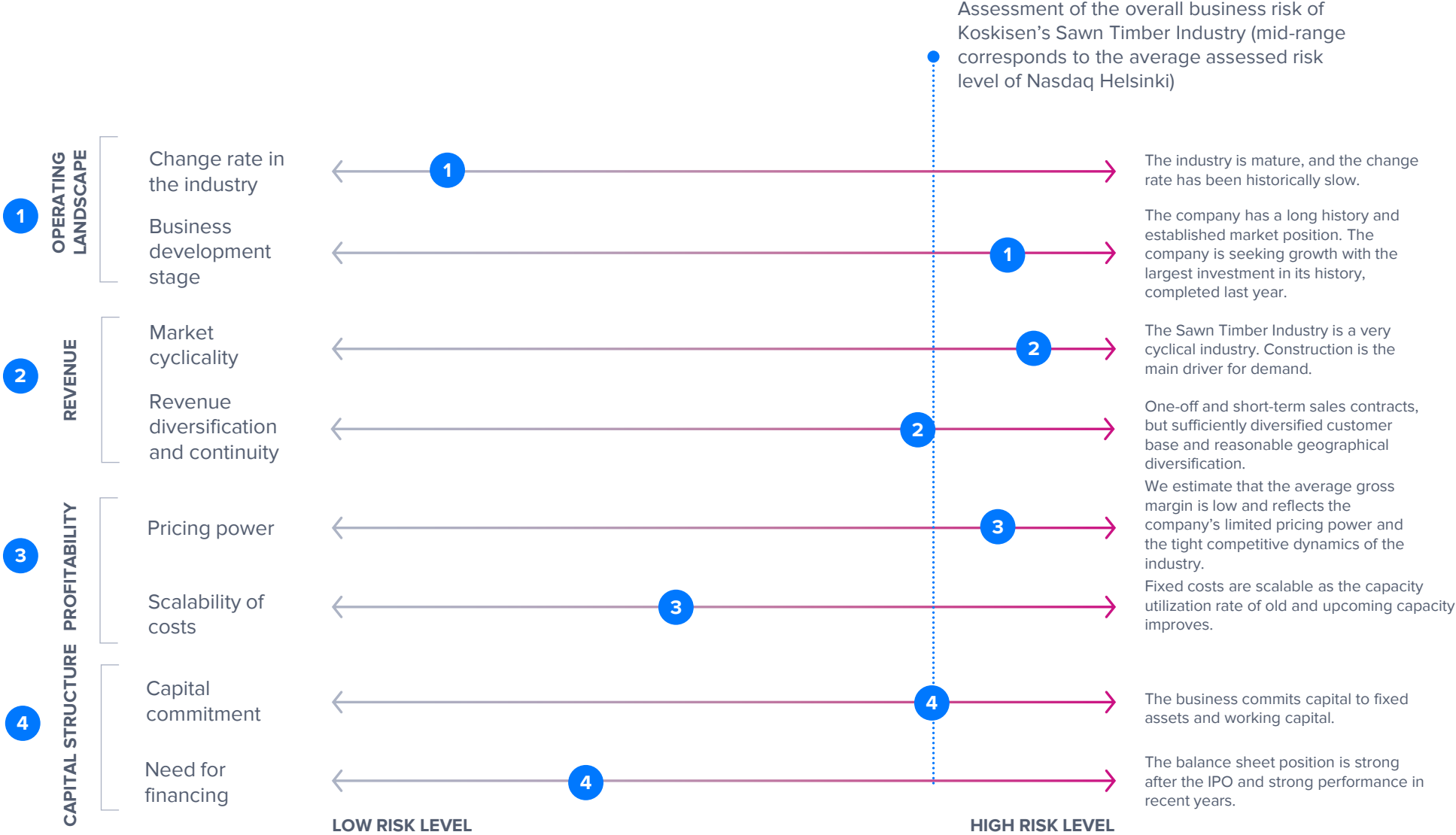
Estimate revisions	2024e	2024e	Change	2025e	2025e	Change	2026e	2026e	Change
MEUR / EUR	Old	New	%	Old	New	%	Old	New	%
Revenue	296	289	-2%	334	331	-1%	361	363	1%
EBITDA	30.2	25.1	-17%	35.9	33.5	-7%	40.7	39.4	-3%
EBIT (excl. NRIs)	20.1	13.9	-31%	25.0	21.0	-16%	28.5	26.5	-7%
EBIT	20.1	13.9	-31%	25.0	21.0	-16%	28.5	26.5	-7%
PTP	18.1	11.1	-39%	23.2	18.9	-18%	26.9	24.6	-9%
EPS (excl. NRIs)	0.63	0.39	-39%	0.81	0.66	-18%	0.93	0.85	-9%
DPS	0.32	0.30	-6%	0.32	0.32	0%	0.32	0.32	0%

Source: Inderes

## Koskisen Q3'24



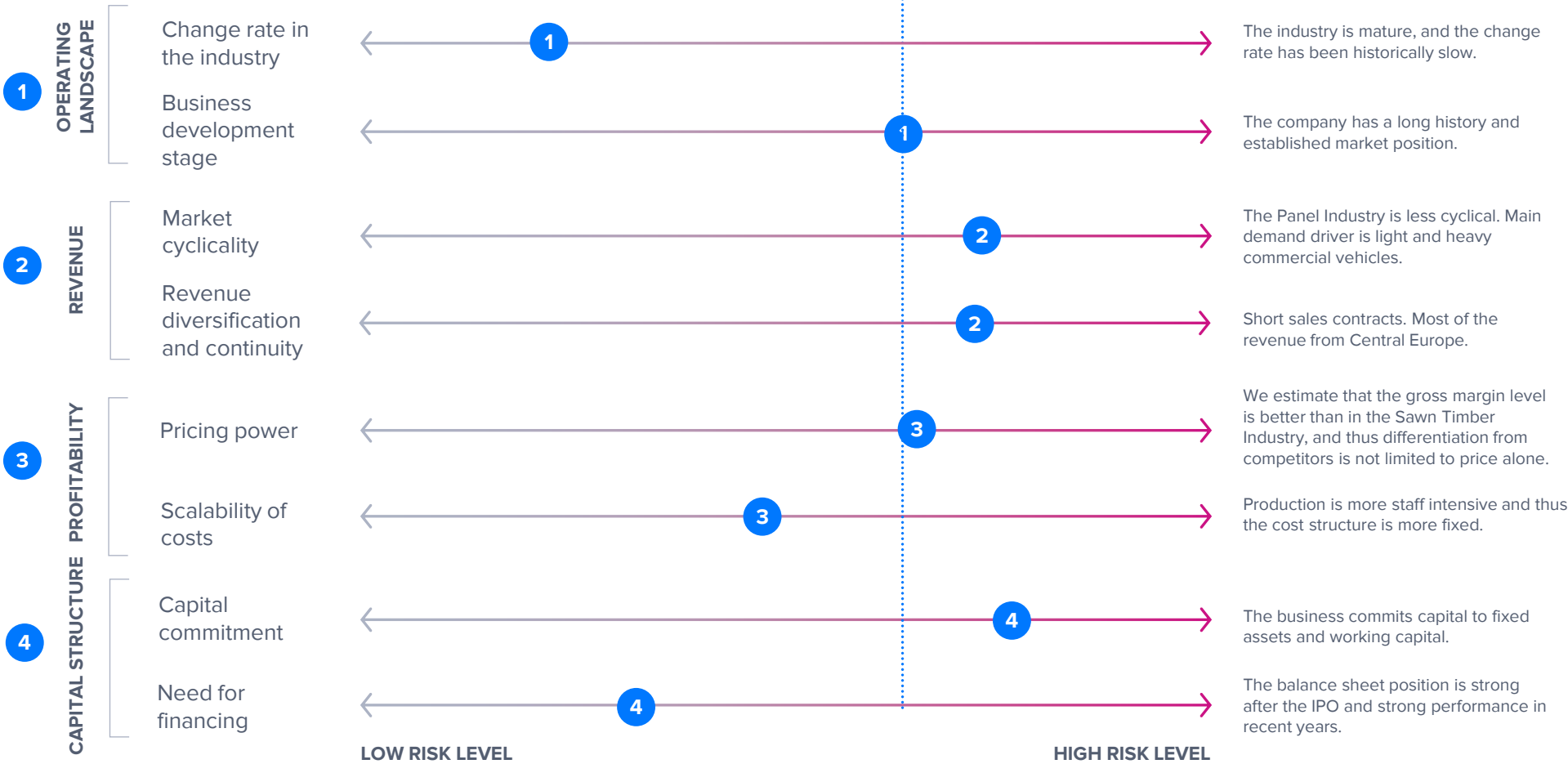
# Risk profile of Koskisen' Sawn Timber Industry



Source: Inderes

# Risk profile of Koskisen's Panel Industry

Assessment of the overall business risk of Koskisen's Panel Industry (mid-range corresponds to the average assessed risk level of Nasdaq Helsinki)



Source: Inderes

# Share price level still about right

## Main focus on earnings multiples

We focus on earnings-based multiples in Koskisen's valuation. We feel acceptable EV/EBITDA ratios for Koskisen are roughly 3.5-6.5x, considering the growth and profitability levels of the business and the risk profile. The acceptable P/E based valuation range is 10x-14x in our opinion. On an annual basis, the multiples may occasionally stretch to a wide range, due to the strong cyclical nature of the Sawn Timber Industry.

## Valuation picture balanced

With our 2024 and 2025 estimates, Koskisen's P/E ratios are around 18x and 11x and corresponding EV/EBITDA ratios are around 7x and 6x. As a result, the stock is priced above the valuation ranges we accept with multiples based on this year's weak earnings, and around the midpoint of the ranges with multiples based on next year's more normalized but still uncertain earnings. As a result, we still see the valuation as neutral, and we also believe that the forecast risks are somewhat balanced in both directions.

The balance sheet-based P/B of 1.1x (2024e) is also fairly neutral, as our forecasts for Koskisen's average ROCE and ROE narrowly exceed our estimate of the company's cost of capital, which we believe reflects a reasonable pricing of the stock. So far, we have kept our required return unchanged, although we are aware that there may be some room for a slight reduction in the relatively high required return if interest rates continue to fall. We believe that the balance sheet value of equity provides certain support for the share, even though balance sheet valuations below the balance sheet value of equity are no exception in the industry. However, a more

pronounced increase in the balance sheet valuation would require more robust value creation than our current projections (i.e. ROCE-% > WACC-%).

Given this overall picture, we estimate that the stock's expected return, consisting of a fairly clear earnings growth, a valuation downside (Q3'24 LTM P/E 18x) and a dividend yield of just over 4x%, is roughly in line with the required return over the next 12 months. The expected return would become positive if the company exceeded our forecasts, especially next year. The expected return would turn more clearly positive if Koskisen could raise its profitability to its target of over 15% adj. EBITDA-% (cf. our estimates of adj. EBITDA-%: 10-11%). At best, this will only be possible when a better cycle arrives, beyond our target price horizon of more than 12 months, as there are still no signs of a rapid recovery in construction. Overall, we believe that the share's risk/reward picture is neutral, as downside risks cannot be ruled out either, given the still difficult situation in the construction sector and the tight timber market in Finland.

## DCF value at around the exchange rate

In relative terms, with 2024 and 2025 estimates Koskisen is priced at a discount relative to the loosely connected peer group with high earnings multiples. On a balance sheet basis, valuation is at a premium. The overall picture of the relative valuation is therefore ambiguous and, in our view, does not support a strong view in either direction.

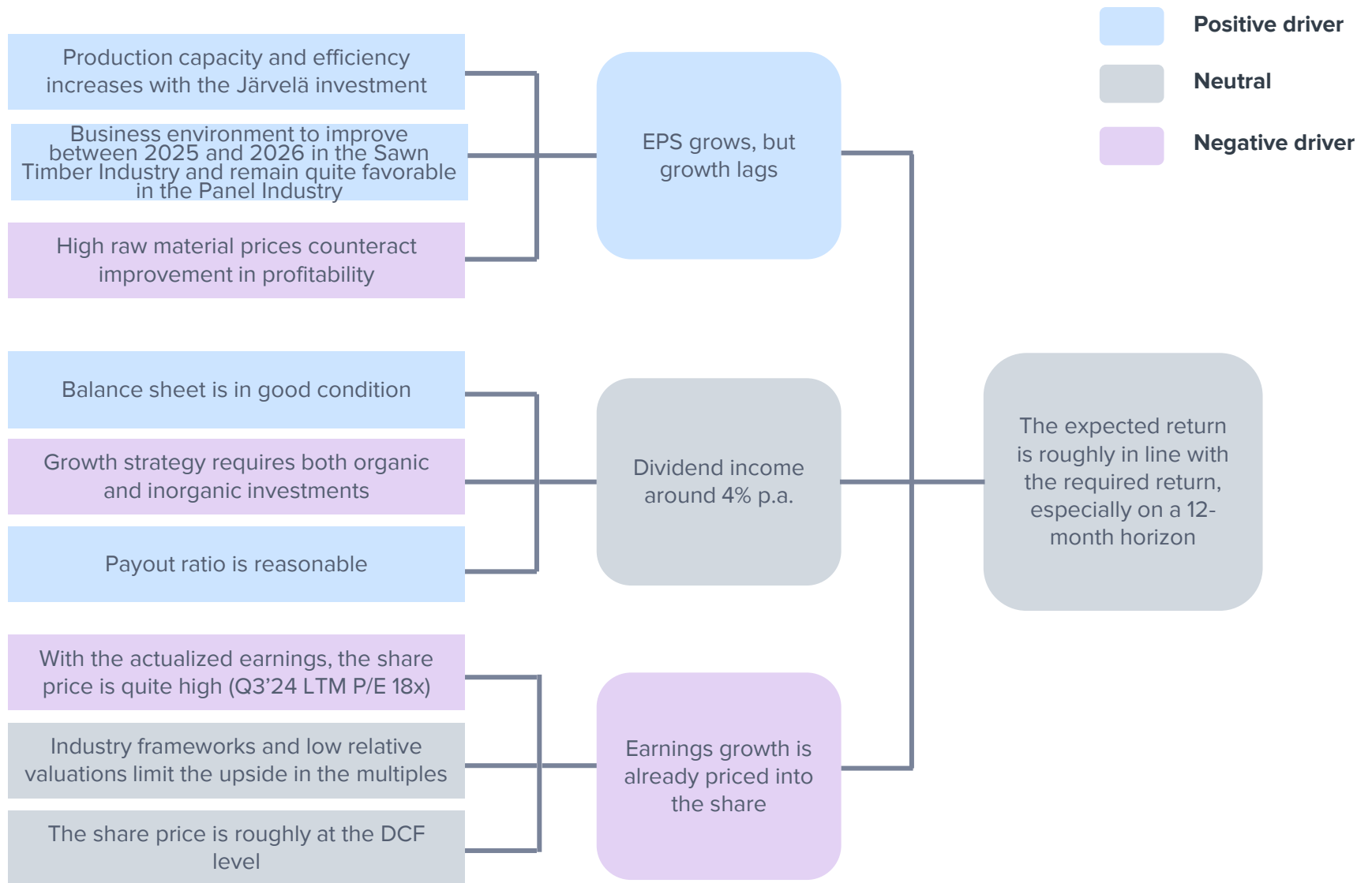
We give weight to the DCF model in our valuation despite it being sensitive to the variables of the terminal period. According to our DCF model, the share value is just over EUR 7 per share, which supports our view based on the other methods that the share is still fairly neutrally priced.

Valuation	2024e	2025e	2026e
Share price	7.08	7.08	7.08
Number of shares, millions	23.0	23.0	23.0
Market cap	163	163	163
EV	188	189	182
P/E (adj.)	18.4	10.8	8.3
P/E	18.5	10.8	8.3
P/B	1.1	1.0	1.0
P/S	0.6	0.5	0.4
EV/Sales	0.7	0.6	0.5
EV/EBITDA	7.5	5.6	4.6
EV/EBIT (adj.)	13.5	9.0	6.9
Payout ratio (%)	78.2 %	48.6 %	37.5 %
Dividend yield-%	4.2 %	4.5 %	4.5 %

Source: Inderes



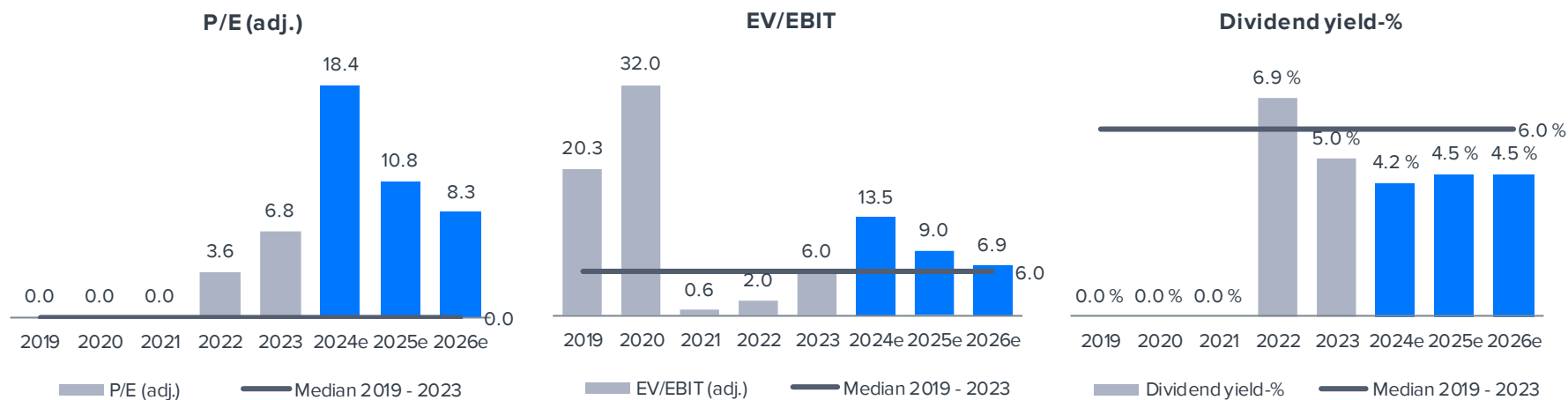
# TSR drivers Q3'24 ACT-2026e



# Valuation table

Valuation	2019	2020	2021	2022	2023	2024e	2025e	2026e	2027e
Share price				6.28	6.00	<b>7.08</b>	<b>7.08</b>	<b>7.08</b>	<b>7.08</b>
Number of shares, millions				23.0	23.0	<b>23.0</b>	<b>23.0</b>	<b>23.0</b>	<b>23.0</b>
Market cap				145	138	<b>163</b>	<b>163</b>	<b>163</b>	<b>163</b>
EV				116	146	<b>188</b>	<b>189</b>	<b>182</b>	<b>172</b>
P/E (adj.)				3.6	6.8	<b>18.4</b>	<b>10.8</b>	<b>8.3</b>	<b>7.7</b>
P/E				3.6	6.8	<b>18.5</b>	<b>10.8</b>	<b>8.3</b>	<b>7.7</b>
P/B				1.1	0.9	<b>1.1</b>	<b>1.0</b>	<b>1.0</b>	<b>0.9</b>
P/S				0.5	0.5	<b>0.6</b>	<b>0.5</b>	<b>0.4</b>	<b>0.4</b>
EV/Sales				0.4	0.5	<b>0.7</b>	<b>0.6</b>	<b>0.5</b>	<b>0.5</b>
EV/EBITDA				1.8	4.4	<b>7.5</b>	<b>5.6</b>	<b>4.6</b>	<b>4.1</b>
EV/EBIT (adj.)				2.0	6.0	<b>13.5</b>	<b>9.0</b>	<b>6.9</b>	<b>6.0</b>
Payout ratio (%)				25.1 %	34.2 %	<b>78.2 %</b>	<b>48.6 %</b>	<b>37.5 %</b>	<b>38.1 %</b>
Dividend yield-%				6.9 %	5.0 %	<b>4.2 %</b>	<b>4.5 %</b>	<b>4.5 %</b>	<b>4.9 %</b>

Source: Inderes



# Peer group valuation

Peer group valuation Company	Market cap MEUR	EV MEUR	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%		P/B
			2024e	2025e	2024e	2025e	2024e	2025e	2024e	2025e	2024e	2025e	2024e
Interfor Corp	657	1257			21.2		0.6	0.6					0.5
Boise Cascade	5107	4835	8.0	10.5	6.7	8.1	0.8	0.8	11.4	14.6	6.2	4.2	2.5
West Fraser Timber	7199	6755		355.8	12.5	10.9	1.1	1.2	9189.3	178.4	1.3	1.4	1.0
Canfor	1354	1795			92.9		0.5	0.5					0.5
Stora Enso	7749	11269	44.5	18.8	12.0	9.5	1.2	1.3	51.7	21.7	2.9	2.8	0.7
STEICO	282	437	14.4	8.2	7.3	5.2	1.2	1.2	16.1	9.7	2.1	2.8	1.0
<b>Koskisen (Inderes)</b>	<b>163</b>	<b>188</b>	<b>13.5</b>	<b>9.0</b>	<b>7.5</b>	<b>5.6</b>	<b>0.7</b>	<b>0.6</b>	<b>18.4</b>	<b>10.8</b>	<b>4.2</b>	<b>4.5</b>	<b>1.1</b>
<b>Average</b>			<b>22.3</b>	<b>98.3</b>	<b>25.4</b>	<b>8.4</b>	<b>0.9</b>	<b>0.9</b>	<b>2317.1</b>	<b>56.1</b>	<b>3.1</b>	<b>2.8</b>	<b>1.0</b>
<b>Median</b>			<b>14.4</b>	<b>14.7</b>	<b>12.3</b>	<b>8.8</b>	<b>0.9</b>	<b>1.0</b>	<b>33.9</b>	<b>18.2</b>	<b>2.5</b>	<b>2.8</b>	<b>0.8</b>
<b>Diff-% to median</b>			<b>-6%</b>	<b>-39%</b>	<b>-39%</b>	<b>-36%</b>	<b>-30%</b>	<b>-41%</b>	<b>-46%</b>	<b>-41%</b>	<b>72%</b>	<b>60%</b>	<b>31%</b>

Source: Refinitiv / Inderes

# Income statement

Income statement	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24	Q2'24	Q3'24	Q4'24e	2024e	2025e	2026e	2027e
<b>Revenue</b>	<b>318</b>	<b>73.2</b>	<b>73.9</b>	<b>55.5</b>	<b>68.7</b>	<b>271</b>	<b>63.7</b>	<b>77.8</b>	<b>67.8</b>	<b>79.4</b>	<b>289</b>	<b>331</b>	<b>363</b>	<b>374</b>
Sawn Timber Industry	166	32.1	29.6	24.9	35.8	122	29.0	47.2	23.9	41.7	142	169	185	189
Panel Industry	152	41.1	44.2	30.6	32.9	149	34.7	30.6	43.9	37.7	147	162	178	185
Other / Eliminations	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	0.0
Depreciation	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	0.0
Adjustments	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	0.0
<b>EBITDA</b>	<b>66.3</b>	<b>12.6</b>	<b>13.8</b>	<b>1.3</b>	<b>5.3</b>	<b>33.0</b>	<b>5.5</b>	<b>9.4</b>	<b>3.6</b>	<b>6.6</b>	<b>25.1</b>	<b>33.5</b>	<b>39.4</b>	<b>41.8</b>
Depreciation	-8.1	-2.0	-2.1	-2.3	-2.3	-8.6	-2.4	-2.5	-3.2	-3.2	-11.3	-12.5	-12.9	-13.1
<b>EBIT (excl. NRI)</b>	<b>58.5</b>	<b>10.7</b>	<b>11.8</b>	<b>-1.0</b>	<b>3.0</b>	<b>24.4</b>	<b>3.1</b>	<b>6.9</b>	<b>0.4</b>	<b>3.4</b>	<b>13.9</b>	<b>21.0</b>	<b>26.5</b>	<b>28.7</b>
<b>EBIT</b>	<b>58.2</b>	<b>10.7</b>	<b>11.7</b>	<b>-1.0</b>	<b>3.0</b>	<b>24.4</b>	<b>3.1</b>	<b>6.9</b>	<b>0.4</b>	<b>3.4</b>	<b>13.9</b>	<b>21.0</b>	<b>26.5</b>	<b>28.7</b>
Sawn Timber Industry (EBITDA)	41.6	1.6	1.6	-1.0	1.0	3.3	0.7	1.6	1.7	2.0	5.8	12.8	16.5	17.7
Panel Industry (EBITDA)	29.3	9.8	12.2	2.6	4.7	29.3	5.3	8.1	1.8	4.8	19.9	22.0	24.2	25.4
Other / Eliminations	-4.3	1.2	-0.1	-0.3	-0.4	0.4	-0.4	-0.3	0.2	-0.1	-0.6	-1.3	-1.3	-1.3
Depreciation	-8.1	-2.0	-2.1	-2.3	-2.3	-8.6	-2.4	-2.5	-3.2	-3.2	-11.3	-12.5	-12.9	-13.1
Adjustments	-0.3	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
Net financial items	-0.4	-0.4	0.6	-0.3	-0.2	-0.3	-0.4	-0.7	-1.0	-0.7	-2.7	-2.0	-1.9	-2.2
<b>PTP</b>	<b>57.8</b>	<b>10.3</b>	<b>12.3</b>	<b>-1.3</b>	<b>2.8</b>	<b>24.0</b>	<b>2.8</b>	<b>6.2</b>	<b>-0.6</b>	<b>2.7</b>	<b>11.1</b>	<b>18.9</b>	<b>24.6</b>	<b>26.4</b>
Taxes	-11.8	-1.5	-2.5	0.4	-0.2	-3.8	-0.5	-1.3	0.1	-0.5	-2.2	-3.8	-4.9	-5.3
Minority interest	-6.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net earnings</b>	<b>1.7</b>	<b>8.8</b>	<b>9.8</b>	<b>-1.0</b>	<b>2.6</b>	<b>0.9</b>	<b>2.3</b>	<b>4.9</b>	<b>-0.5</b>	<b>2.2</b>	<b>8.8</b>	<b>15.1</b>	<b>19.6</b>	<b>21.1</b>
<b>EPS (adj.)</b>	<b>1.74</b>	<b>0.38</b>	<b>0.43</b>	<b>-0.04</b>	<b>0.11</b>	<b>0.88</b>	<b>0.10</b>	<b>0.22</b>	<b>-0.02</b>	<b>0.09</b>	<b>0.39</b>	<b>0.66</b>	<b>0.85</b>	<b>0.92</b>
<b>EPS (rep.)</b>	<b>0.08</b>	<b>0.38</b>	<b>0.43</b>	<b>-0.04</b>	<b>0.11</b>	<b>0.04</b>	<b>0.10</b>	<b>0.21</b>	<b>-0.02</b>	<b>0.09</b>	<b>0.38</b>	<b>0.66</b>	<b>0.85</b>	<b>0.92</b>
<b>Key figures</b>	<b>2022</b>	<b>Q1'23</b>	<b>Q2'23</b>	<b>Q3'23</b>	<b>Q4'23</b>	<b>2023</b>	<b>Q1'24</b>	<b>Q2'24</b>	<b>Q3'24</b>	<b>Q4'24e</b>	<b>2024e</b>	<b>2025e</b>	<b>2026e</b>	<b>2027e</b>
<b>Revenue growth-%</b>	2.1 %	0.0 %	0.0 %	0.0 %	-78.4 %	-14.6 %	-13.0 %	5.3 %	22.3 %	15.6 %	6.4 %	14.8 %	9.6 %	3.0 %
<b>EBITDA-%</b>	20.9 %	17.2 %	18.7 %	2.4 %	7.6 %	12.2 %	8.7 %	12.0 %	5.4 %	8.3 %	8.7 %	10.1 %	10.8 %	11.2 %
<b>Adjusted EBIT-%</b>	18.4 %	14.5 %	15.9 %	-1.8 %	4.4 %	9.0 %	4.9 %	8.9 %	0.6 %	4.3 %	4.8 %	6.3 %	7.3 %	7.7 %
<b>Net earnings-%</b>	0.5 %	12.0 %	13.3 %	-1.8 %	3.8 %	0.3 %	3.6 %	6.3 %	-0.8 %	2.7 %	3.1 %	4.6 %	5.4 %	5.7 %

# Balance sheet

Assets	2022	2023	2024e	2025e	2026e
<b>Non-current assets</b>	<b>105</b>	<b>130</b>	<b>142</b>	<b>147</b>	<b>149</b>
Goodwill	0.0	0.0	0.0	0.0	0.0
Intangible assets	0.9	1.3	1.7	2.1	2.5
Tangible assets	99.0	124	135	140	142
Associated companies	0.0	0.0	0.0	0.0	0.0
Other investments	4.5	4.6	4.6	4.6	4.6
Other non-current assets	0.1	0.0	0.0	0.0	0.0
Deferred tax assets	0.1	0.1	0.1	0.1	0.1
<b>Current assets</b>	<b>154</b>	<b>140</b>	<b>141</b>	<b>142</b>	<b>152</b>
Inventories	34.2	37.5	37.5	43.1	47.2
Other current assets	9.9	22.9	22.9	22.9	22.9
Receivables	25.5	23.4	31.8	35.8	38.5
Cash and equivalents	84.4	55.8	49.1	39.8	43.6
<b>Balance sheet total</b>	<b>259</b>	<b>269</b>	<b>283</b>	<b>288</b>	<b>301</b>

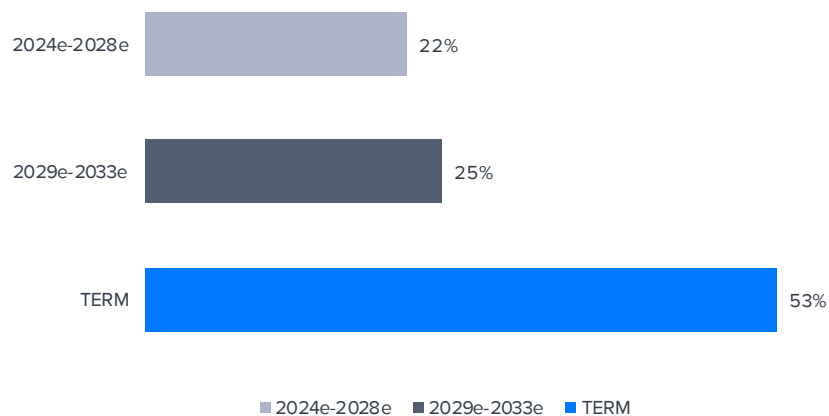
Source: Inderes

Liabilities & equity	2022	2023	2024e	2025e	2026e
<b>Equity</b>	<b>136</b>	<b>147</b>	<b>149</b>	<b>157</b>	<b>170</b>
Share capital	1.5	1.5	1.5	1.5	1.5
Retained earnings	60.6	51.5	53.4	61.7	73.9
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	0.0	0.0	0.0	0.0	0.0
Other equity	73.7	94.2	94.2	94.2	94.2
Minorities	0.0	0.0	0.0	0.0	0.0
<b>Non-current liabilities</b>	<b>56.3</b>	<b>64.1</b>	<b>75.4</b>	<b>68.0</b>	<b>65.3</b>
Deferred tax liabilities	3.7	5.7	5.7	5.7	5.7
Provisions	0.1	0.2	0.2	0.2	0.2
Interest bearing debt	49.4	55.2	66.5	59.0	56.4
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	3.0	3.1	3.1	3.1	3.1
<b>Current liabilities</b>	<b>66.5</b>	<b>57.8</b>	<b>58.4</b>	<b>62.9</b>	<b>66.4</b>
Interest bearing debt	6.5	8.5	7.0	6.3	6.0
Payables	59.1	32.8	34.9	40.1	43.9
Other current liabilities	0.9	16.5	16.5	16.5	16.5
<b>Balance sheet total</b>	<b>259</b>	<b>269</b>	<b>283</b>	<b>288</b>	<b>301</b>

# DCF calculation

DCF model	2023	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	TERM
Revenue growth-%	-14.6 %	6.4 %	14.8 %	9.6 %	3.0 %	3.0 %	2.5 %	2.5 %	2.5 %	2.5 %	2.0 %	2.0 %
EBIT-%	9.0 %	4.8 %	6.3 %	7.3 %	7.7 %	7.5 %	7.0 %	6.5 %	6.0 %	5.5 %	5.5 %	5.5 %
<b>EBIT (operating profit)</b>	<b>24.4</b>	<b>13.9</b>	<b>21.0</b>	<b>26.5</b>	<b>28.7</b>	<b>28.9</b>	<b>27.6</b>	<b>26.3</b>	<b>24.9</b>	<b>23.4</b>	<b>23.9</b>	
+ Depreciation	8.6	11.3	12.5	12.9	13.1	13.2	13.4	13.6	13.7	13.8	13.9	
- Paid taxes	-1.8	-2.2	-3.8	-4.9	-5.3	-5.4	-5.2	-5.0	-4.7	-4.4	-4.5	
- Tax, financial expenses	-0.1	-0.7	-0.5	-0.5	-0.6	-0.5	-0.4	-0.4	-0.4	-0.4	-0.4	
+ Tax, financial income	0.0	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.2	
- Change in working capital	-24.9	-6.3	-4.4	-3.0	-1.2	-1.3	-1.1	-1.1	-1.2	-1.2	-1.0	
<b>Operating cash flow</b>	<b>6.2</b>	<b>16.1</b>	<b>24.9</b>	<b>31.1</b>	<b>34.8</b>	<b>35.1</b>	<b>34.4</b>	<b>33.5</b>	<b>32.4</b>	<b>31.3</b>	<b>32.0</b>	
+ Change in other long-term liabilities	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-33.7	-23.4	-17.4	-15.4	-15.4	-15.4	-15.4	-15.4	-15.4	-15.4	-14.3	
<b>Free operating cash flow</b>	<b>-27.3</b>	<b>-7.3</b>	<b>7.5</b>	<b>15.7</b>	<b>19.4</b>	<b>19.7</b>	<b>19.0</b>	<b>18.1</b>	<b>17.0</b>	<b>15.9</b>	<b>17.7</b>	
+/- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	-27.3	-7.3	7.5	15.7	19.4	19.7	19.0	18.1	17.0	15.9	17.7	229
<b>Discounted FCFF</b>		<b>-7.2</b>	<b>6.7</b>	<b>12.8</b>	<b>14.5</b>	<b>13.4</b>	<b>11.7</b>	<b>10.2</b>	<b>8.7</b>	<b>7.4</b>	<b>7.5</b>	<b>97.0</b>
Sum of FCFF present value		183	190	183	170	156	143	131	121	112	104	97.0
<b>Enterprise value DCF</b>		<b>183</b>										
- Interest bearing debt		-63.7										
+ Cash and cash equivalents		55.8										
-Minorities		0.0										
-Dividend/capital return		-6.9										
<b>Equity value DCF</b>		<b>167</b>										
<b>Equity value DCF per share</b>		<b>7.3</b>										

## Cash flow distribution

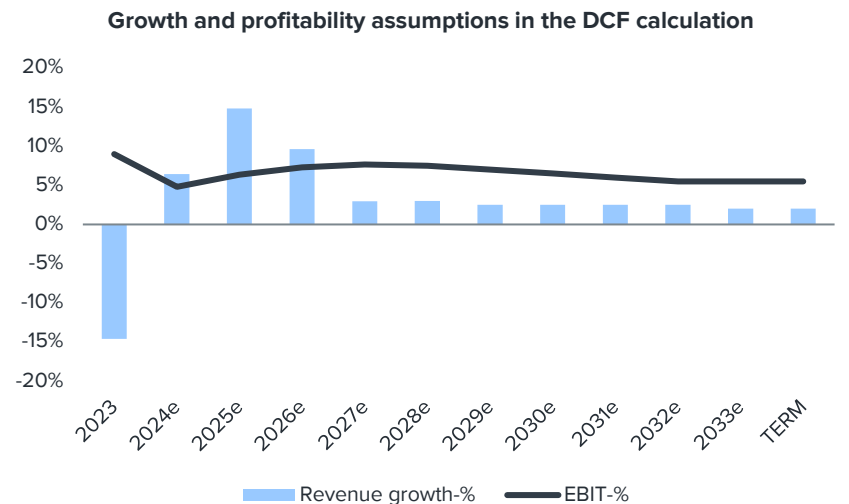
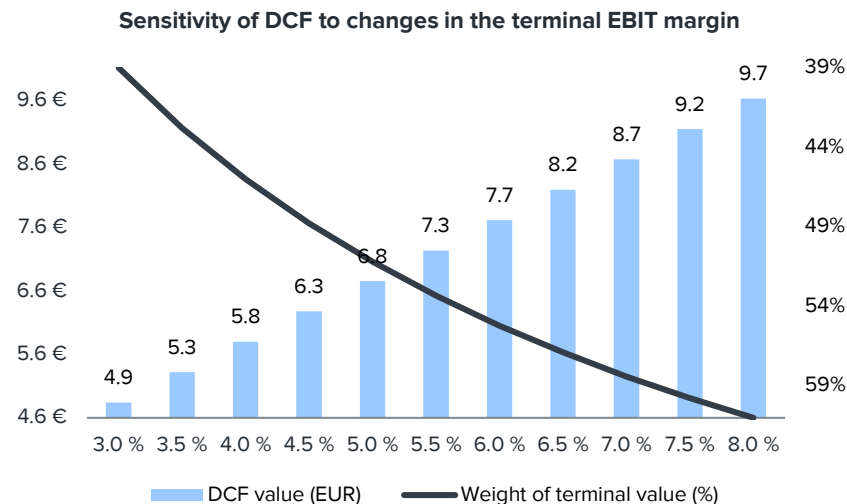
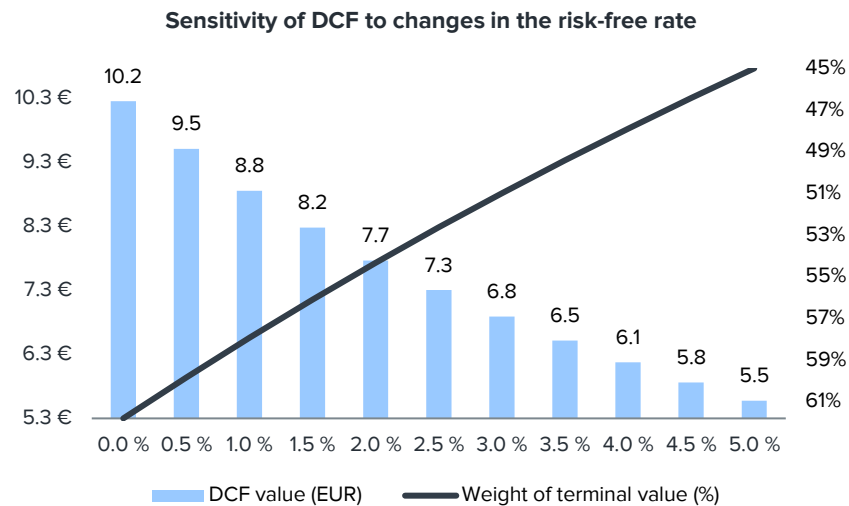
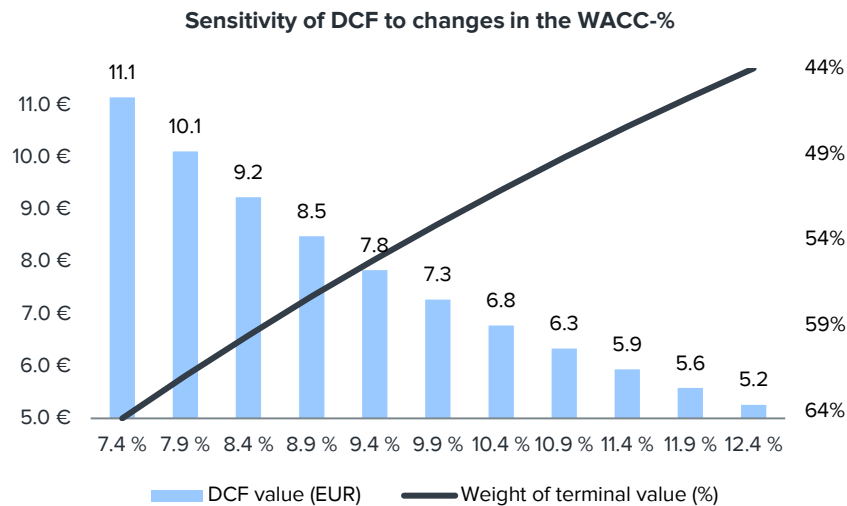


## WACC

Tax-% (WACC)	20.0 %
Target debt ratio (D/(D+E))	17.5 %
Cost of debt	5.0 %
Equity Beta	1.50
Market risk premium	4.75%
Liquidity premium	1.50%
Risk free interest rate	2.5 %
<b>Cost of equity</b>	<b>11.1 %</b>
<b>Weighted average cost of capital (WACC)</b>	<b>9.9 %</b>

Source: Inderes

# DCF sensitivity calculations and key assumptions in graphs



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

# Summary

Income statement	2021	2022	2023	2024e	2025e	Per share data	2021	2022	2023	2024e	2025e
Revenue	311.3	317.7	271.2	<b>288.7</b>	<b>331.4</b>	EPS (reported)	1.27	1.73	0.88	<b>0.38</b>	<b>0.66</b>
EBITDA	62.2	66.3	33.0	<b>25.1</b>	<b>33.5</b>	EPS (adj.)	1.27	1.74	0.88	<b>0.39</b>	<b>0.66</b>
EBIT	52.7	58.2	24.4	<b>13.9</b>	<b>21.0</b>	OCF / share	2.29	2.07	0.27	<b>0.70</b>	<b>1.08</b>
PTP	47.9	57.8	24.0	<b>11.1</b>	<b>18.9</b>	FCF / share	1.44	2.43	-1.19	<b>-0.32</b>	<b>0.32</b>
Net Income	29.2	39.8	20.2	<b>8.8</b>	<b>15.1</b>	Book value / share	1.55	5.90	6.40	<b>6.48</b>	<b>6.84</b>
Extraordinary items	0.0	-0.3	0.0	<b>0.0</b>	<b>0.0</b>	Dividend / share	0.00	0.43	0.30	<b>0.30</b>	<b>0.32</b>
Balance sheet	2021	2022	2023	2024e	2025e	Growth and profitability	2021	2022	2023	2024e	2025e
Balance sheet total	200.3	258.6	269.2	<b>283.0</b>	<b>288.2</b>	Revenue growth-%	0%	2%	-15%	<b>6%</b>	<b>15%</b>
Equity capital	58.8	135.8	147.2	<b>149.2</b>	<b>157.4</b>	EBITDA growth-%		7%	-50%	<b>-24%</b>	<b>33%</b>
Goodwill	0.0	0.0	0.0	<b>0.0</b>	<b>0.0</b>	EBIT (adj.) growth-%		11%	-58%	<b>-43%</b>	<b>51%</b>
Net debt	34.1	-28.5	7.9	<b>24.4</b>	<b>25.5</b>	EPS (adj.) growth-%		37%	-50%	<b>-56%</b>	<b>71%</b>
Cash flow	2021	2022	2023	2024e	2025e	EBITDA-%	20.0 %	20.9 %	12.2 %	<b>8.7 %</b>	<b>10.1 %</b>
EBITDA	62.2	66.3	33.0	<b>25.1</b>	<b>33.5</b>	EBIT (adj.)-%	16.9 %	18.4 %	9.0 %	<b>4.8 %</b>	<b>6.3 %</b>
Change in working capital	-6.1	12.3	-24.9	<b>-6.3</b>	<b>-4.4</b>	EBIT-%	16.9 %	18.3 %	9.0 %	<b>4.8 %</b>	<b>6.3 %</b>
Operating cash flow	52.7	47.6	6.2	<b>16.1</b>	<b>24.9</b>	ROE-%	0.0 %	46.4 %	14.3 %	<b>6.0 %</b>	<b>9.9 %</b>
CAPEX	-9.7	-22.0	-33.7	<b>-23.4</b>	<b>-17.4</b>	ROI-%	0.0 %	35.8 %	12.1 %	<b>6.7 %</b>	<b>9.7 %</b>
Free cash flow	33.0	55.9	-27.3	<b>-7.3</b>	<b>7.5</b>	Equity ratio	29.4 %	52.5 %	54.7 %	<b>52.7 %</b>	<b>54.6 %</b>
Valuation multiples	2021	2022	2023	2024e	2025e	Gearing	57.9 %	-21.0 %	5.4 %	<b>16.3 %</b>	<b>16.2 %</b>
EV/S	0.1	0.4	0.5	<b>0.7</b>	<b>0.6</b>						
EV/EBITDA	0.5	1.8	4.4	<b>7.5</b>	<b>5.6</b>						
EV/EBIT (adj.)	0.6	2.0	6.0	<b>13.5</b>	<b>9.0</b>						
P/E (adj.)	0.0	3.6	6.8	<b>18.4</b>	<b>10.8</b>						
P/B	0.0	1.1	0.9	<b>1.1</b>	<b>1.0</b>						
Dividend-%		6.9 %	5.0 %	<b>4.2 %</b>	<b>4.5 %</b>						

Source: Inderes



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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

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## Recommendation history (>12 mo)

Date	Recommendation	Target	Share price
2/24/2023	Reduce	6.00 €	6.35 €
3/17/2023	Reduce	6.00 €	6.29 €
----- Analyst changed -----			
5/25/2023	Reduce	6.75 €	6.40 €
8/11/2023	Accumulate	6.75 €	6.19 €
8/25/2023	Accumulate	7.50 €	6.40 €
11/20/2023	Accumulate	7.00 €	6.35 €
2/13/2023	Accumulate	6.75 €	6.05 €
2/19/2024	Accumulate	6.75 €	6.18 €
4/12/2024	Reduce	6.75 €	7.18 €
5/15/2024	Reduce	7.00 €	7.60 €
8/19/2024	Reduce	7.50 €	7.50 €
11/18/2024	Reduce	7.25 €	7.08 €

# Climate target and taxonomic analysis

## Core activities are outside the taxonomy classification

Among Koskisen's businesses eligible for taxonomy in 2023 in terms of revenue were forest management and manufacturing of energy efficiency equipment for buildings. Other eligible items in terms of capital expenditure and operating costs included remediation of contaminated sites and land, renovation of existing buildings, electricity generation using photovoltaic technology, production of heat/cool from bioenergy, cogeneration of heat/cool and power from bioenergy, construction, extension and operation of water collection, treatment and supply systems, installation, maintenance and repair of energy efficiency equipment, provision of IT/OT data-driven solutions, and manufacture of other low carbon technologies. Consequently, the sawn timber, plywood and chipboard products, which account for the majority of Koskisen's revenue, are not taxonomically classified.

As a result, the taxonomy rate of Koskisen's revenue, operating costs and investments remains low. Furthermore, the taxonomy rates are unlikely to rise in the coming years if the future taxonomy definitions won't include a much larger share of the company's external sales-generating products. We do not believe that the low taxonomy rate will put immediate upward pressure on, for example, Koskisen's cost or availability of financing, or pose other challenges to the business.

## Businesses contain a political element

So far, taxonomy does not cover much of the forest industry's main products and value chain, but we think there is a certain political element to Koskisen's business, as there is a general awareness of the role

of forests in climate change mitigation and biodiversity issues in particular. Of course, Koskisen has focused exclusively on so-called long-cycle wood products, which also have significant and widely recognized positive elements in reducing climate emissions from construction. However, regulations and policies, especially those related to forest use, may come from different regulatory frameworks. This is important for Koskisen's business, as wood is by far the company's most important raw material. So far, we do not believe that forest-related regulation has materially undermined Koskisen's long-term business conditions.

## The company set emission reduction targets in 2024

Koskisen aims to reduce Scope 1 and Scope 2 emissions by 50% and Scope 3 emissions by 20% by 2027 compared to 2022. We consider the targets to be realistic, especially since the company's own emissions are quite moderate as the business is not particularly energy-intensive. Koskisen's products also bind carbon significantly and over the long term, which is why the carbon handprint of Koskisen's products is positive (i.e. more carbon is bound than the production of the products generates).

We estimate that progress towards the stated climate targets will not result in significant additional direct costs for the company in the short term. In the medium term, the climate targets are likely to require investments or cost investments by the company, at least in the production of the energy needed to manufacture the end products, in the energy efficiency of production, and possibly also in reducing the emission load of logistics.

Taxonomy eligibility	2022	2023
Revenue	7.5%	9.9%
OPEX	11%	20%
CAPEX	7.5%	11%

Taxonomy alignment	2022	2023
Revenue	0%	0%
OPEX	0%	0%
CAPEX	0%	4.0%

## Climate

Climate target	No	No
Target according to the Paris Agreement (1.5 °C warming scenario)	No	No

We will begin to increase the visibility of sustainability metrics by looking at the company's climate target and taxonomy impacts, as we believe these are currently the clearest contributors on average to the company's value creation. We aim to gradually increase the visibility of other factors. The analyst will consider the impact of all sustainability issues on the company's growth and profitability potential and risk (i.e. required return) as part of forming an investment view.

Note: Taxonomy eligibility-% is shown in the table without taxonomy-aligned activities



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