NYAB

Initiation of coverage

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Inderes corporate customer

This report is a summary translation of the report “Vauhdilla kasvava puhtaan tulevaisuuden rakentaja” published on 04/25/2023 at 08:35 am.

Contents

A rapidly growing builder of a clean future

NYAB is a builder of a clean future with a strong historical track record of profitable growth in the Swedish businesses that are more important for the group's current performance. We expect the company's rapid profitable growth to continue in the coming years, supported by the significant investments required by the green transition and urbanization. However, we estimate that this is already largely priced into the current share price. Thus, we initiate the coverage of NYAB with a Reduce recommendation and a target price of EUR 0.70.

Business focuses on less cyclical and counter-cyclical construction markets

NYAB took its current form in spring 2022 with the merger of the Finnish Skarta Group and the Swedish NYAB Group. The company's current business is focused on the less cyclical and counter-cyclical construction sectors: energy, infrastructure and industrial construction. Geographically, Sweden is a much more important market for the company than Finland, as Sweden accounts for about 3/4 of group revenue and an even larger share of operating profit. NYAB also has strong historical track record of significantly faster and more profitable growth in Sweden than its peers (NYAB Group 2018-2021 revenue CAGR ~17% and EBIT ~10% vs. Nordic infrastructure competitors CAGR ~8% and EBIT ~3%). The investment prospects created by the green transition and urbanization also offer the company a good growth outlook for the future. The main near-term risks we see are a weakening of the overall construction market (especially residential construction), which could increase competition in NYAB's sectors as well. In addition to its core businesses, NYAB owns 40% of a joint venture with CapMan, under which Skarta Energy has a rapidly growing renewable energy project development portfolio. Due to the joint venture being in a ramp-up phase, there is still considerable uncertainty about its development.

We expect the company's profitable growth to continue in the coming years

Despite the gloomy outlook for the overall construction market, NYAB's outlook is good and the company has guided its revenue to exceed EUR 325 million in the current year (22% growth on pro forma 2022 revenue). We expect NYAB to continue to grow in the medium term and also to exceed its long-term growth target (2024e-2026e CAGR ~10% vs. 7% annual organic growth) supported by green transition investments. Based in particular on Sweden's strong historical track record, we expect the company's operational profitability to be at an excellent level also relative to its peers (2023e-2026e EBITA% ~8-9%). In the longer term, we expect growth to slow and profitability to decline as size increases and competition intensifies, but profitability to remain above the industry average.

Continued profitable growth is already priced into the share

In particular, we look at the valuation of NYAB through earnings-based valuation multiples and a sum-of-the-parts calculation that takes into account the longer-term potential of Skarta Energy. Despite the company's good growth prospects and the value-creating growth we forecast, we don’t see much upside in the short-term valuation of the stock (2024e EV/EBITA 14x, P/E 17x). Similarly, our sum-of-the-parts model indicates a fair value of EUR 0.63-0.80 per share. Against this backdrop, we believe that NYAB's continued profitable growth and our assessment of Skarta Energy's potential are already largely priced into the stock. Thus, the risk-adjusted expected return on the stock remains insufficient for the next 12 months. The main positive near-term price driver for the stock is the faster-than-expected earnings growth.

Recommendation

Reduce
(previous -)

EUR 0.70
(previous -)

Share price:
0.71

Key figures

	2022	2023e	2024e	2025e
Revenue	247.7	335.7	382.7	421.0
growth-%	495%	36%	14%	10%
EBIT adj.	30.5	30.8	32.3	37.0
EBIT-% adj.	12.3 %	9.2 %	8.4 %	8.8 %
Net Income	7.5	4.1	5.6	10.0
EPS (adj.)	0.04	0.04	0.04	0.05
P/E (adj.)	23.1	18.4	17.4	15.1
P/B	2.3	1.9	1.9	1.9
Dividend yield-%	0.8 %	1.4 %	1.7 %	2.0 %
EV/EBIT (adj.)	20.3	15.5	14.3	11.9
EV/EBITDA	18.7	14.2	13.0	11.0
EV/S	2.5	1.4	1.2	1.0

Source: Inderes

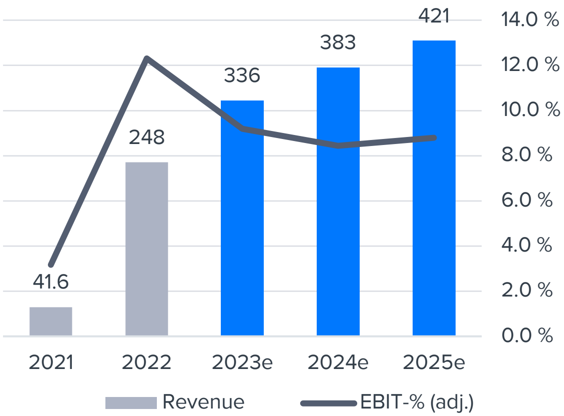
Guidance (Unchanged)

NYAB expects its revenue to exceed EUR 325 million in 2023. The company will provide more detailed financial guidance in the Q1'23 business review.

Share price

Source: Millistream Market Data AB

Revenue and EBIT %



Source: Inderes

EPS and dividend

Source: Inderes

Value drivers

- Continued growth and higher profitability than competitors
- Strong market position in target markets, especially in the Norrbotten region
- The company is well positioned in the green transition and urbanization it offers, with promising growth prospects well into the future
- Focus on less cyclical and counter-cyclical construction sectors
- Sustainable improvement in the profitability of Finnish businesses
- Potential of the renewable energy project development joint venture (Skarta Energy) if the strategy is successful
- Acquisitions that create value

Risk factors

- Fluctuations in demand in the construction market and general economic developments
- Pricing and project risks
- Tighter competition
- Personnel risks
- EUR/SEK currency pair (+/-) can cause fluctuations in the reported figures
- Failure in acquisitions

Valuation	2023e	2024e	2025e
Share price	0.71	0.71	0.71
Number of shares, millions	706.7	706.7	706.7
Market cap	500	500	500
EV	477	461	442
P/E (adj.)	18.4	17.4	15.1
P/E	>100	89.3	50.2
P/FCF	19.6	20.8	17.1
P/B	1.9	1.9	1.9
P/S	1.5	1.3	1.2
EV/Sales	1.4	1.2	1.0
EV/EBITDA	14.2	13.0	11.0
EV/EBIT (adj.)	15.5	14.3	11.9
Payout ratio (%)	174.5 %	151.4 %	99.3 %
Dividend yield-%	1.4 %	1.7 %	2.0 %

Source: Inderes

NYAB in brief

NYAB is a builder of a clean future, with a business focused on energy, infrastructure and industrial construction. In addition, Skarta Energy, operating under a joint venture, focuses on renewable energy project development

1990
Year of establishment of NYAB's predecessor Nyanlaggarna i Luleå

2021
Skarta Group becomes listed

2022
Merger of Skarta Group and NYAB Sverige Group

265 MEUR (248 MEUR)

Pro forma revenue 2022 (reported revenue 2022)

29.6 MEUR (30.5 MEUR)
Pro forma EBITA 2022 (reported EBITA 2022)

383
Personnel at the end of 2022

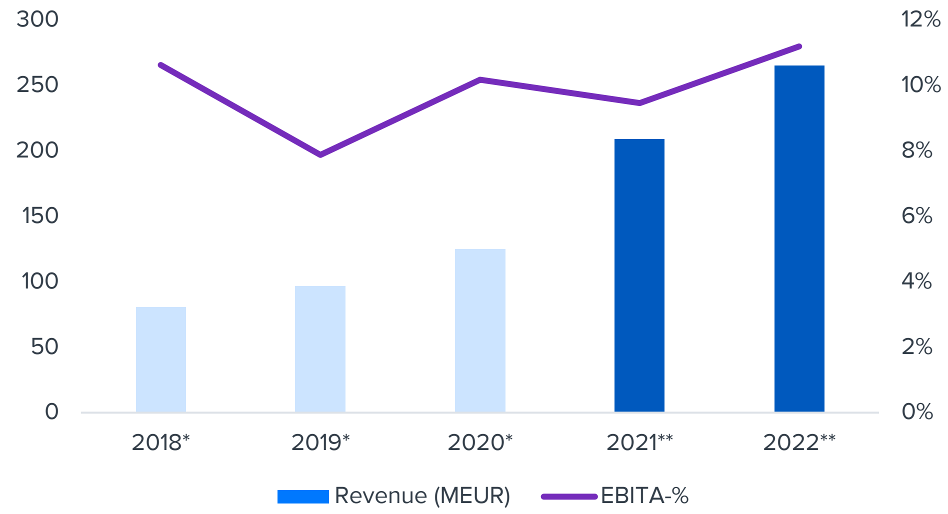
76% / 24%
Swedish / Finnish share of reported revenue in 2022

-2021

- Both NYAB Sverige and Skarta Group have long independent operating histories in the industry
- NYAB Sverige Group grows strongly and is very profitably in Sweden in the 2010s
- Skarta Group listed on the Helsinki First North market through share exchange with Privanet

2022-

- Company size increases with the merger of Skarta Group and NYAB Sverige
- Rapid organic growth continues
- Setting up a joint venture with a fund managed by CapMan to accelerate renewable energy project development
- Name change to NYAB (was SkartaNYAB)



*NYAB Sverige Group historical figures (revenue calculated at the annual average EUR/SEK exchange rate)
**Current NYAB Group's reported pro forma figures

Source: NYAB, Inderes

Company description and business model 1/7

Builder of a clean future

NYAB is a builder of a clean future that came into being through the merger of the Finnish Skarta Group and the Swedish NYAB Sverige Group (later referred to as NYAB Sverige). NYAB Group's (hereafter referred to as NYAB) business focuses on energy, infrastructure, and industrial construction. The company's main target markets are in the northern parts of Sweden and Finland. Furthermore, the Stockholm region is an important market for the company. In addition to its core businesses, NYAB owns 40% of a joint venture with CapMan Nordic Infrastructure II, established in 2022, under which Skarta Energy has a rapidly growing renewable energy project development portfolio.

The pro forma revenue for 2022 that considers the merger between NYAB Sverige and Skarta Group was EUR 265 million (2021: 209 MEUR). In turn, the pro forma operating profit before amortization and impairment of intangible assets (EBITA) was EUR 29.6 million (2021: 19.8 MEUR), corresponding to an EBITA margin of 11.2% (2021: 9.5%). However, the 2022 EBITA was significantly boosted by the Skarta Energy transaction, in which NYAB sold a 60% stake to a CapMan fund. The positive impact of the arrangement was approximately EUR 17.8 million. On the other hand, the figures were weighed down by the EUR 3.3 million write-downs made on items not related to current operations. Adjusted for these, the company's EBITA would have been around EUR 15.1 million, corresponding to an EBITA margin of 5.7%.

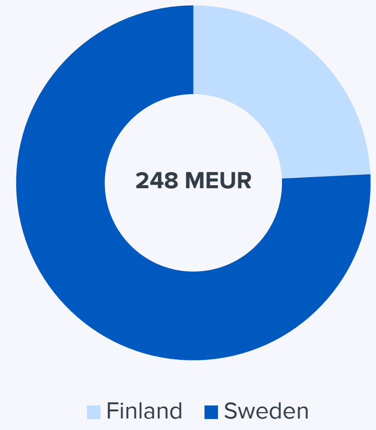
Similarly, the company's reported revenue (NYAB Sverige and Skarta Group figures combined from Q2'22 onwards) for 2022 was EUR 248 million and EBITA EUR 30.5 million.

NYAB is currently listed on the Nasdaq Helsinki First North Market, but the company has said it is exploring the possibility of a parallel listing on the Swedish market. The company has also announced that it has started the transition from FAS to IFRS accounting as part of the process. In our view, this could indicate an objective to move to the main list of the stock exchange, in which case the parallel listing in Sweden would be a logical timing.

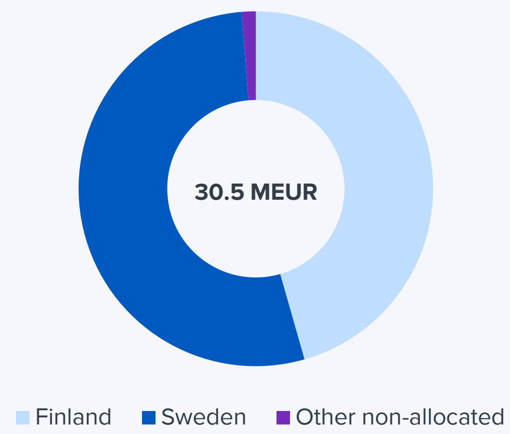
Sweden is the main geographic market

Based on the reported figures for 2022, geographically, Sweden accounted for ca. 76% of the company's revenue and Finland for the remaining 24% (cf. 2021 pro forma figures for Sweden ~70%). In turn, Sweden accounted for around 53% of last year's reported EBITA. However, this gives a slightly distorted picture, as Finland's EBITA was boosted by last year's Skarta Energy deal, without which Finland's EBITA would have fallen into the red. In our view, a better picture of the importance of Sweden for the company's performance is the pro forma EBITA for 2021, of which Sweden accounted for as much as 83%. Thus, from a geographical point of view, the Swedish market is significantly more important for the company than Finland. It's worth noting that the company is also exposed to exchange rate fluctuations, as the company reports in euros and a larger part of its revenue is in Swedish kronor. Last year, the company was negatively affected by the exchange rate as the Swedish krona weakened against the euro. However, the company has not reported the exact impact of this.

Geographical distribution of revenue (2022)



Geographical breakdown of reported EBITA (2022)



Source: NYAB, Inderes

Company description and business model 2/7

In turn, looking at the history of the merged companies, we can see that NYAB Sverige's revenue grew strongly between 2018 and 2021 (CAGR: ~17%) and amounted to SEK 1,332 million in 2021 (at the 2021 EUR/SEK average exchange rate: 131 MEUR). At the same time, the company's growth has also been very profitable, with an average operating profit margin of 10.1% over this period. We also believe that this period gives the most relevant picture of the development of NYAB Sverige's current business, even though the company had a business unit focused on more traditional residential construction during 2017-2020, which the company decided to close in 2019. At the time of the decision, we understand that the annual revenue of the business was around EUR 30 million, which in comparison to the growth of the current business has been even faster than the P&L figures in recent years.

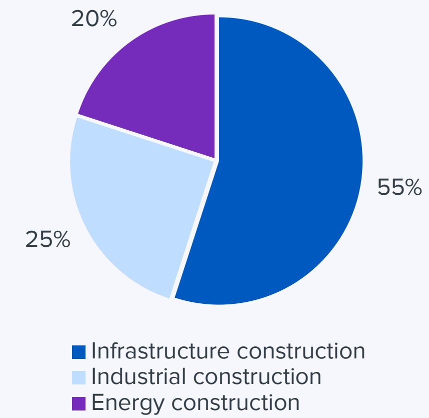
In practice, however, NYAB Sverige's growth story started in 2011, when NYAB's current CEO Johan Larsson and his brother Mikael Ritola bought NYAB's predecessor Nyanläggarna i Luleå. In 2013, the company's revenue rose to EUR ~5 million, compared to a previous annual revenue of EUR ~3 million in the company's history. In the early stages of growth, the company also made a few acquisitions to accelerate growth, but NYAB Sverige's historical growth has been largely organic. Against this backdrop, we think the company has a very strong track record of profitable growth in Sweden.

Similarly, long-term comparable figures for Finland (Skarta Group) are more challenging to calculate due to the restructuring of recent years and the varying length of financial years. In its history, the company (formerly Suomen Maastorakentajat) has, however, faced profitability challenges as project risks materialized in the late 2010s. In 2021, Skarta's pro forma revenue was EUR 77.4 million. On the other hand, based on the pro forma figures for 2020-2021, the EBITA margin of the Finnish businesses has been 5.0-5.4%, which can be considered a reasonable level.

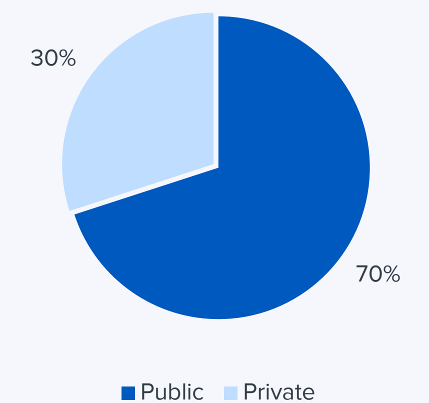
In 2022, the Swedish business continued its good development, but the group level profitability was burdened by the poor profitability of the Finnish business (excl. the Skarta Energy transaction). Profitability was hit by cost inflation, profitability challenges in a few projects as well as cancellations and postponements of investment decisions. As a result, the company took steps to improve the profitability of its Finnish business and, according to the company, a clear improvement in profitability of the Finnish business was seen in H2.

A good thing to note about NYAB's business is that, especially in Sweden, it focuses on project management roles (incl. site management, project engineers) and it usually subcontracts most of the labor required. Our rough estimate is that the company typically employs around 20% of its own people on projects, while the rest are subcontracted. However, in Finland, the company has previously also operated more in the role of a subcontractor but is now moving more strongly towards the Swedish model in Finland as well.

Breakdown of reported revenue by business area (2022)



Public and private sector share of reported revenue (2022)



Source: NYAB, Inderes

Company description and business model 3/7

The businesses form a comprehensive offering

NYAB's three existing businesses form a comprehensive infrastructure construction service offering. Although the company's business is mainly focused on construction, it also offers a range of engineering and consultancy services for, e.g., energy, real estate infrastructure and telecommunications. In addition, the company's joint venture Skarta Energy is responsible for renewable energy project development.

NYAB reports its financial performance only at group level. In connection with Q4, the company also disclosed last year's revenue shares of the different business areas, but the company has not disclosed the profitability of the businesses. However, we understand that there are no significant differences in the profitability of the business areas. The company's business areas are:

Infrastructure construction was the largest business area in 2022, bringing about ~55% of the group's revenue. In infrastructure construction, the company has a long history of demanding road, railway, water treatment, sewerage and bridge construction projects, focusing on both new and renovation work. It also maintains state and municipal infrastructure through multi-annual maintenance contracts. As a new initiative, NYAB has expanded its activities in Stockholm into underwater construction and won its first contracts for shipping routes.

Industrial construction was the second largest business area in 2022 (~25% of revenue). In industrial construction, the company builds industrial buildings for, e.g., manufacturing and logistics companies, machine shops, paper and mining industries. Under industrial construction, it also focuses on more challenging specialist construction projects, such as bio- and thermal power plants and challenging foundation and concrete work.

Energy construction was the company's smallest business last year (~20% of revenue). The business focuses on implementing carbon-neutral energy projects in partnership with industry and public authorities. In energy construction, the company focuses in particular on wind and solar energy, and in the future also on green hydrogen projects. In wind power construction, the company focuses on Balance of Plant (BoP) construction. This refers to ground surveys for wind farms, as well as design, civil engineering, foundation and electricity network works, to the extent specified in the contract. NYAB also offers projects for the construction of electricity grids, substations and transmission lines. As far as we can see, energy construction is heavily concentrated in Finland, at least for the time being. According to the company, energy construction is its fastest growing business area and as such, we believe it is likely that Finland's relative share of revenue will increase slightly in the future.

Development of renewable energy projects

NYAB owns 40% of the joint venture with CapMan Nordic Infrastructure II, under which Skarta Energy has a rapidly growing renewable energy project development portfolio.

Skarta Energy's most significant solar power projects

Utajärvi first phase

- Total investments: ~74 MEUR
- Grants and subsidies received: 13.3 MEUR
- Capacity: 80 MW
- Annual electricity production: ~80 GWh
- Electricity storage: 5 MW battery storage
- Vierivoima concept
- Operational permit: obtained in September 2022, expected to become final in Q1'23
- Agreement to connect to Fingrid's grid: signed in October 2022
- Target for the start of construction: summer 2023
- Builder not yet published

Utajärvi second phase

- Total investments: ~75 MEUR
- Capacity: 120 MW
- Annual electricity production ~120 GWh
- Schedule still uncertain

Callio-Hitura

- Total investments: 61 MEUR
- Grants and subsidies received: 12.1 MEUR
- Capacity: ~75 MW
- Annual electricity production: ~65 GWh
- Management: Skarta Energy and Solarigo Systems

Source: NYAB, Inderes

Company description and business model 4/7

In setting up the joint venture, the companies expressed their intention to engage in the development, ownership and operation of solar and other renewable energy projects. At this stage, the project development portfolio is mainly focused on solar power projects. The joint venture aims to build more than 800 MW of solar power over the next five years. In connection with the merger agreement, the companies also agreed that NYAB will act as the primary engineering, procurement and construction contractor for the joint venture. As such, the agreement will naturally support the development of NYAB's energy construction as the joint venture projects progress.

In addition, Skarta Energy has designed a concept for municipalities, cities and industry, called "Vierivoima", which aims to achieve carbon-neutral local electricity. In practice, the concept means nearby wind and/or solar power generated at competitive prices for local operators.

NYAB serves both the public and private sectors

The company's customer base consists of both public and private operators. According to NYAB's classification, ~70% of its revenue last year came from public sector clients and ~30% from private sector clients. The company hasn't disclosed the breakdown in more detail, but we expect infrastructure construction to be heavily concentrated on the public sector, while energy and industrial construction will be more on the private side. On the other hand, from a geographical point of view, we estimate that the Swedish business serves more the public sector, as we understand that the group's largest single customer is Trafikvärket (Swedish Transport Agency) by a quite clear margin. In Finland, we expect the company to serve the private sector more. We estimate that customers on the private side are largely made up of larger industrial players.

In terms of customer structure, a key factor in the success of a company is its success in public (and private) tenders and calls for tender, where not only price but also references from previous projects often play an important role. We also estimate that group companies have accumulated these from sectors relevant to NYAB during established operating histories.

Pricing

We understand that the company utilizes several different pricing models for contract and project bids, but most project contracts are based on fixed pricing. In this context, the company will estimate the time and resources (including raw materials, subcontracting) required to complete the project in question before submitting a tender and will prepare a cost estimate and timetable on this basis. Thus, the most significant risk for the company is also related to the success of tender calculations and project management (incl. material prices, human resources). We understand that some contracts also contain certain indexation clauses, but these don't fully protect against, for example, possible increases in material prices (cf. cost inflation in 2022). However, there is a difference between the countries, as we understand that in Sweden the project owner has structurally more responsibility in the project's contract terms, which allows for more extensive additional billing to cover cost overruns.

It's worth noting that as NYAB typically plays a project management role in projects, the activities of subcontractors also have a significant impact on the company's profitability. However, it's our understanding that NYAB tries to shift the cost risks in this respect to the subcontractors at the contract stage.

Cyclicality and seasonality of revenue

In the context of the construction industry, most of NYAB's revenue is generated from various projects, which creates cyclical features in the company's business. In addition, the construction sector is highly dependent on investment, making it vulnerable to economic cycles. However, in the case of NYAB, we believe that this is offset by the company's focus on less cyclical and counter-cyclical markets. For example, with the green transition and electrification, the prospects for energy and industrial construction are quite good. In addition, infrastructure construction can be considered more stable than other construction, as large infrastructure projects are often publicly funded. As such, their demand is less dependent on the economic cycle and infrastructure projects have historically been used as a means of stimulating the economy. We also believe that, e.g., the large infrastructure investment programs planned in Sweden (see the Industry and competitive field section for more details), will provide the company with the basis for further growth.

Company description and business model 5/7

The company's project portfolio also includes multi-year construction projects and ongoing revenue through framework and maintenance contracts, giving the company greater visibility in terms of demand. However, we don't believe that the company is completely immune to a weakening economy and rising interest rates. We therefore expect a weaker business cycle to at least tighten the competition in the company's market. In addition, the rise in interest rates has significantly increased financing costs, which we estimate may lead to the postponement or cancellation of at least some projects, which may also negatively affect the company's business opportunities.

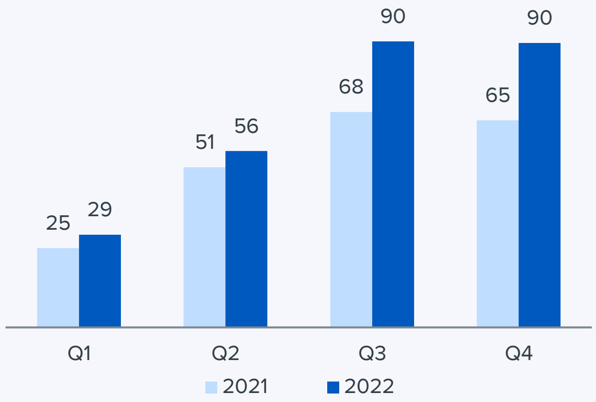
Within the year, the development of NYAB's revenue is characterized by significant seasonality. This is mainly due to the impact of weather conditions, which limit construction-related business opportunities during the winter season, making Q1 typically by far the quietest quarter for the company. This is also reflected in the timing of around 70% of the 2022 pro forma revenue for H2. In our view, this reflects the normal seasonality of revenue fairly well. The distribution of results within the year also follows this. However, in terms of cash flow, we expect Q1 to be the strongest, reflecting the revenue over the rest of the year.

An important indicator of future developments for investors is the order backlog reported by the company. The company started the current year in a good position, supported by an order backlog of EUR 239 million (2021 comparable order backlog: 193 MEUR). The company plans to start regular reporting of its order backlog during the current year.

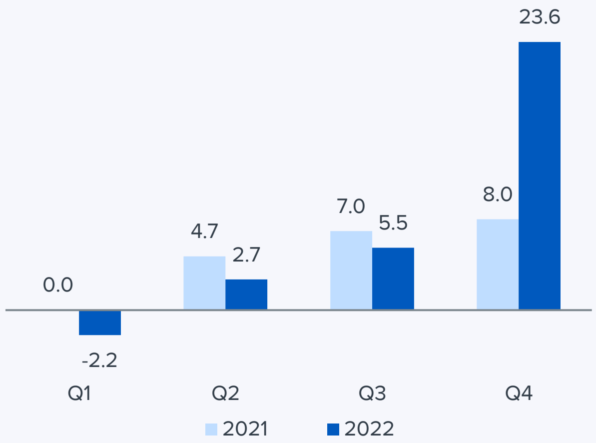
The order backlog provides predictability in the business and the company itself has a reasonably good visibility of short-term revenue trends for the next 12 months and, to some extent, even beyond. This helps to plan the use of resources, which is critical for profitability. NYAB hasn't disclosed the structure of the order backlog in detail, but we understand that the share of multi-year contracts is typically around 25-40%. Given this, the order backlog turns over rather quickly, which is because the average project size, especially in Sweden, is not very large compared to the company's revenue. We understand that the average project size in Sweden is around EUR 1-2 million, which also significantly lowers the risk levels of individual projects.

In Finland, the size of projects is typically slightly larger, and we estimate the average project size to be around EUR 4-5 million. Thus, we estimate that project risks are higher for Finnish businesses, also considering project risk realizations in the 2010s. However, we understand that the company has since improved its risk management and focused on progressively smaller projects, which should contribute to a significant reduction in the probability of project risks.

Quarterly development of revenue (MEUR, pro forma)



Quarterly development of EBITA (MEUR, pro forma)



Source: NYAB, Inderes

Company description and business model 6/7

Cost structure dominated by variable costs

We estimate NYAB's cost structure to be relatively light, with the majority (80-90%) of its costs estimated to be variable costs. By far the most significant expense item in the income statement is materials and services (including subcontracting), which have historically (2020-2021 pro forma, 2022 reported) accounted for around 75-80% of revenue. In line with the company's business model, this item includes material purchases required for various customer projects. In addition, subcontracted services increase costs. Thus, labor-related costs in the business are significantly higher than the company's own personnel costs. In recent years, the company's own personnel costs have been around 10% of revenue.

Similarly, the company's other costs have been only around 5% of revenue in recent years, consisting of typical administrative costs such as premises, administration and IT costs. Due to the limited capital requirements of the current business, depreciation as planned has only accounted for 1% of revenue. Thus, on one hand, the cost structure provides quite a lot of flexibility but, on the other one, limits the scaling of costs beyond a certain point.

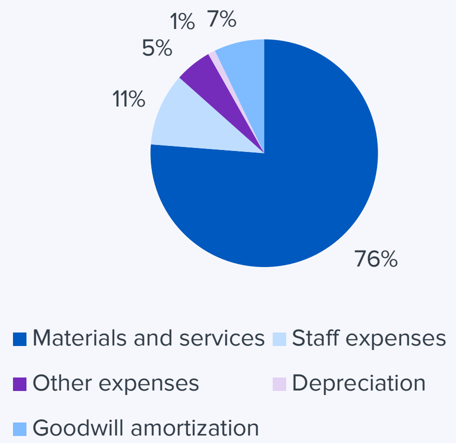
It's also worth noting that, especially with the merger between NYAB Sverige and Skarta Group, the company has significant goodwill on its balance sheet (207 MEUR at the end of 2022) and, as the company reports in accordance with FAS accounting rules, it will remove accumulated goodwill from its balance sheet annually. On an annual basis, the current level of goodwill amortization is significant (~7% of the lower end of the current year's revenue guidance), which undermines the reported figures. In light of this, the company justifiably uses the EBITA figure in its reporting.

Moderate level of capital commitment

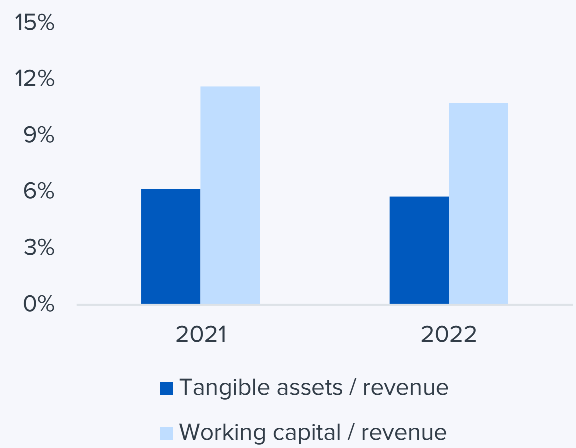
No longer historical time series has yet been accumulated on the capital commitment of the current NYAB, but we understand that the working capital commitment is quite limited. Based on pro forma revenue levels for 2021-2022, the working capital committed in these years is around 11-12%, which can be considered a reasonable level. This is because there are virtually no stock products in the business. Within a year, we estimate that there will be some seasonal variation in the working capital commitment simply due to business volumes. However, over time, current business growth should be moderate in terms of working capital growth and thus should not limit business growth. However, the still short history of the company's current form makes it challenging to accurately estimate the exact working capital commitment.

The investment needs of the current business are low, as the business doesn't require significant fixed assets and investments are mainly focused on the necessary equipment (e.g. vans and to a lesser extent excavators, etc.). Based on pro forma figures for 2021-2022, the ratio of fixed assets to revenue has been around 6%.

Cost structure 2022 (reported figures)



Capital commitment (pro forma)



Source: NYAB, Inderes

Company description and business model 7/7

The overall level of capital tied up in the business is limited, which supports NYAB's ability to generate cash flow. Similarly, limited capital requirements contribute to limiting the barriers to entry for the sector.

In contrast, the 800 MW of solar power targeted by the NYAB/CapMan joint venture will require a total investment of EUR 500-600 million, according to our rough estimate. From this point of view, NYAB's decision to join forces on renewable energy project development can be considered quite logical, as CapMan significantly increased the company's financial resources to accelerate project development. However, NYAB has not yet disclosed whether it may need to make further investments in the joint venture to reach the target level. The joint venture is reported as an associate of NYAB, so future investments won't appear directly on NYAB's balance sheet either.

Potential return on capital

The limited capital requirements of the services business also support the company's potential return on capital, as organic growth ties up capital mainly in terms of working capital. Thus, at historical profitability levels, NYAB Sverige has achieved remarkably high returns on capital (cf. 2018-2021 ROCE-% avg: 48%).

Similarly, in the case of inorganic growth, returns fall significantly as capital-intensive arrangements tend to accumulate significant goodwill on the balance sheet (e.g. the merger between NYAB Sverige and Skarta Group). In the case of the merger, it's also worth noting that since the arrangement was paid for almost entirely by a directed share issue, the equity on the balance sheet also increased significantly. This in turn causes a significant dilution of the rates of return on capital (cf. NYAB's 2022 ROCE-% pro forma EBITA ~11%).

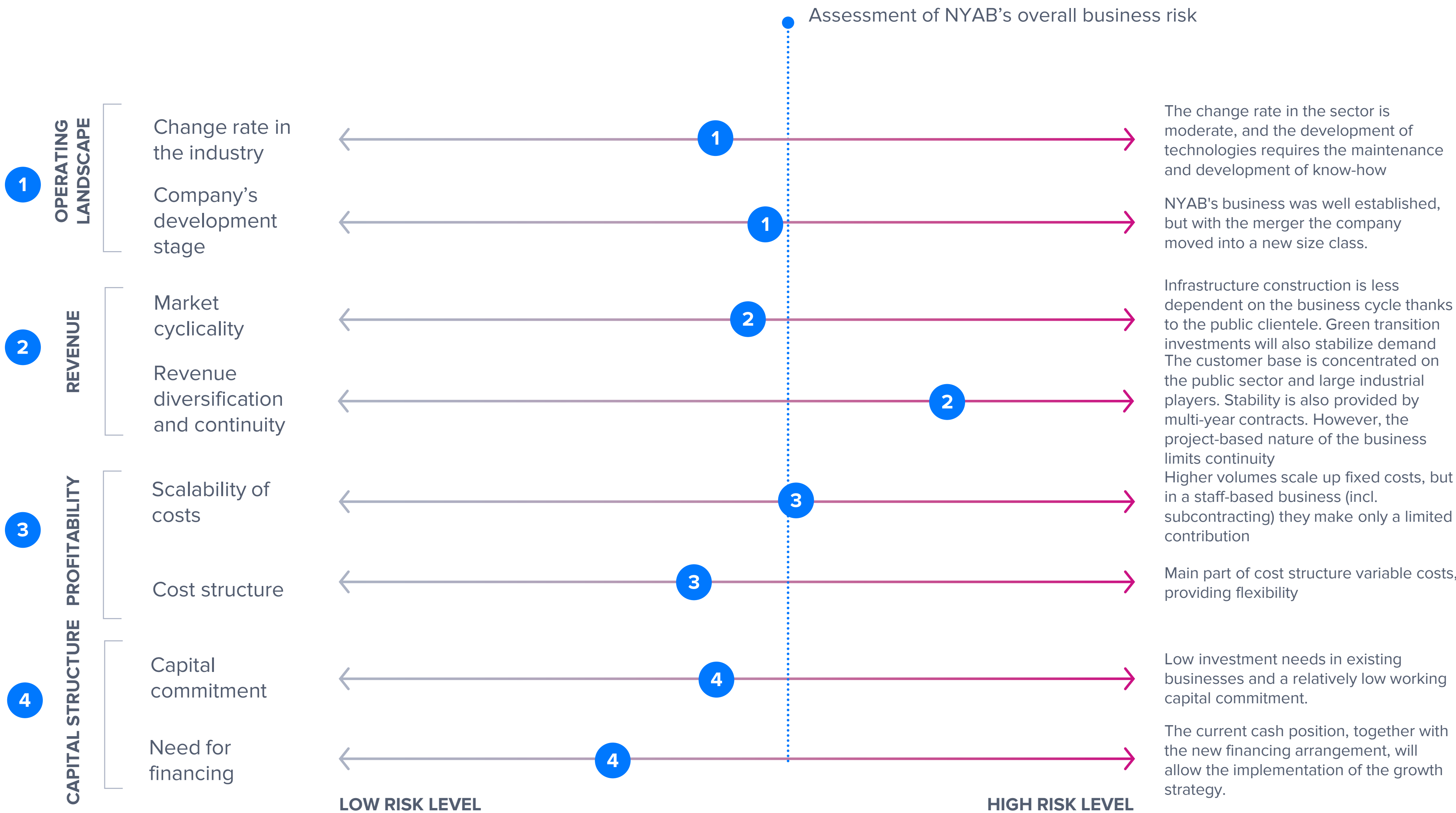
In a pure return on capital comparison, this implies that organic growth makes more sense for the service company in general, even though the arrangements may be value-creating. Therefore, in the case of NYAB, we are monitoring the development of profitability, because in principle, at NYAB Sverige's historical profitability levels, the company has the potential to create significant value.

Management, board and ownership

NYAB has a strong entrepreneurial tradition, and the majority of the company's management also has a long history in the construction industry. The company's management also has a very strong ownership in the company. NYAB's largest shareholders are CEO Johan Larsson and his brother Mikael Ritola (Country Manager for Finland), mainly through a joint investment company, with a combined ownership of just over 34% of NYAB. In addition, the Swedish country manager Magnus Granljung, who is a member of the company's management team, holds just over 3% of the company. As such, we believe that the management is quite committed to the company, which we see as a positive for investors.

The company's Board of Directors also includes significant NYAB shareholders. For example, through Andament Group, the company's second largest shareholder Markku Kankaala (~19% shareholding in Andament Group), Chairman of the Board, is a significant shareholder in the company. In addition to ownership, the Board as a whole has a lot of experience in the construction industry and in management positions in large companies (e.g. former General Counsel of the Peab Group Johan K. Nilsson, former CEO of the LKAB Group Lars-Eric Aaro and, as a new Board member candidate, former CFO of Industrivärden Jan Öhman), which we believe is important for the company's growth strategy.

Risk profile of the business model



Source: Inderes

Strategy and financial objectives 1/4

The strategy revolves around the green transition

NYAB's vision is to be a pioneer in clean energy solutions and a respected building partner for a carbon neutral society in the Nordic countries. It is also enabling the Nordic green transition by providing design, construction and maintenance services for renewable energy and sustainable infrastructure to public and private sector customers.

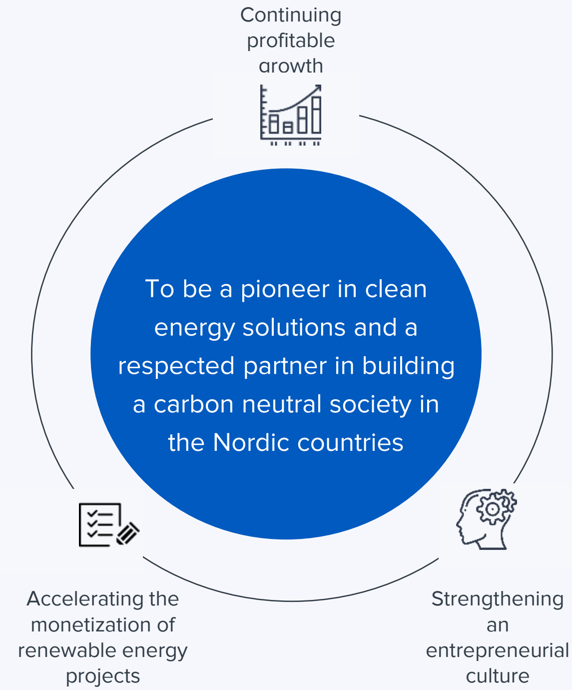
In order to achieve the company's long-term financial objectives (cf. the Financial objectives section), NYAB's Board of Directors has set strategic objectives for the period 2022-2024, which are briefly as follows:

Continued profitable growth: NYAB has a strong presence in the Swedish market, particularly in the Norrbotten region, where it is already well established, and also to an increasing extent in the Stockholm region. Investments in these regions (cf. In more detail in the Industry and competitive field section) offer the company significant long-term growth potential. In Finland, the company has made progress especially in energy construction, for which the market is also growing in Sweden. The company is also integrating its Finnish business model to match the Swedish model, where it is developing into a project management business and working closely with an extensive network of subcontractors. According to the company, the operating model enables it to have a leaner fixed cost structure and facilitates internal business processes within the group. In light of Finland's historically lower profitability level, we believe that the business efficiency measures are well justified. However, we do not believe that it is possible for the company to reach Swedish profitability levels in Finland. One important factor behind this is that in Sweden, the responsibility of project commissioners for the success of projects is significantly higher than in Finland, which allows for additional invoicing.

To ensure profitable growth, NYAB will continue to focus on building a diverse and carefully selected order backlog, with multiple multi-year contracts and a focus on non-cyclical and counter-cyclical markets. In our view, successful project selection is essential to achieve both the strategic objective and the financial targets. To support profitable growth, the company's toolbox also includes strategic mergers and acquisitions.

Accelerating the monetization of renewable energy projects: According to NYAB, the company has diversified expertise in engineering and consultancy services across the renewable energy value chain and a rapidly growing project development portfolio (Skarta Energy). In turn, energy market uncertainty and an unstable geopolitical situation have accelerated the need for domestic renewable energy projects to improve the Nordic energy self-sufficiency.

Priority areas for the strategy



Strategy and financial objectives 2/4

The company has made rapid progress towards this strategic goal, setting up a joint venture with CapMan at the end of last year to accelerate Skarta Energy's business. In our view, the establishment of the joint venture made a lot of sense from NYAB's point of view, as CapMan's involvement made it much easier to raise capital for the development work. We believe that this will in turn increase the speed of development and increases the likelihood of projects moving forward. In addition, the unbundling of the business will keep NYAB's own balance sheet much lighter in the future.

At the same time, NYAB will also act as the joint venture's primary engineering, procurement and construction contractor, which will naturally support the growth of NYAB's energy construction business as the projects progress. We expect the company to be able to apply the lessons learned from the joint venture to possible other solar power projects.

Strengthening an entrepreneurial culture: According to the company, its success is built on entrepreneurship, strong industry knowledge and diverse expertise. Thus, NYAB pays attention to these issues when recruiting and identifying potential acquisition targets. In addition, the company's management consists mainly of people with entrepreneurial backgrounds, who are also significant shareholders in NYAB and have long experience in the construction industry. Reflecting this, entrepreneurship is an important value for the group, which it wants to further strengthen throughout the organization, for example by increasing employee ownership and promoting a performance-based culture.

We believe that the objective of strengthening culture and employee engagement is well suited to a people-driven business. In line with this, the company also launched new share-based incentive schemes covering the entire group's staff last June. In addition, we believe that it is natural to take cultural factors into account as part of recruitment and acquisitions, as they can facilitate, e.g., the integration of acquired companies.

Acquisitions as part of the strategy

In addition to the merger, the company has made two acquisitions during the time as a listed company (incl. Skarta Group's independent history). Prior to the merger in October 2021, under the previous management, the then Skarta Group acquired Sitema Oy, a Finnish company providing engineering and consulting services for electricity grids, renewable energy solutions, real estate infrastructure and telecommunications. Sitema's revenue in 2021 was EUR 3.6 million and its operating profit around EUR 0.4 million. Compared to the purchase price of the acquisition (~5.2 MEUR), this corresponded to an EV/EBIT multiple of about 15x. In the current market environment (rising interest rates), we don't believe that the valuation of the deal is particularly favorable.

In turn, under the current management, NYAB has made one M&A transaction since the merger. In August 2022, the company announced the acquisition of Power Forze AB, a provider of electrical installation, construction and maintenance services for industrial and wind turbines, in particular in northern Sweden. Power Forze's projected revenue for 2022 was around EUR 8.4 million and operating profit EUR 0.5 million. The purchase price for Power Forze was SEK 38.5 million (~3.6 MEUR at the FX rate at the time of the transaction). Thus, the EV/EBIT ratio of the acquisition was around 7x, which can be considered quite reasonable.

With regard to the M&A transactions, it is worth noting that they were paid almost entirely in shares and in turn at the valuation level of the NYAB share (2022 act. EV/EBITA 20x), the acquisition of Power Forze in particular can be considered a bargain. In line with the company's current strategy, we assume that it will continue to use its own share as a means of payment, at least in part, for acquisitions. We believe that the use of the own share is strategically quite justified to engage new players in the company and to strengthen the entrepreneurial culture. However, the rationality of using own shares is influenced by the ratio of the current market value of the share to its fair value.

We expect the company to continue to make complementary acquisitions in the future and consider it possible that it could make 1-2 acquisitions on average per year. To date, its acquisitions have been relatively small in size compared to the current situation. However, we expect the company to be open to larger arrangements to complement its offering and strengthen its existing businesses.

Strategy and financial objectives 3/4

Financial objectives

NYAB's Board of Directors has set the following long-term financial objectives for the company:

- **Growth:** Annual organic growth > 7%
- **Profitability:** EBITA % > 10%
- **Balance sheet structure** Equity ratio > 45%
- **Dividend policy: Dividend** > 30% of adjusted net result

We believe the growth target is achievable

We believe the company's target of annual organic growth of over 7% is achievable, given NYAB Sverige's strong historical track record (2018-2021 CAGR: the expected strong growth in its target markets (see the Industry and competition section for more details) and the company's brand recognition in its strong geographic target areas. The company's management has commented that the growth target is moderate and expects to exceed it probably almost every year. At the same time, however, the company's focus is particularly on ensuring profitability through a meticulous selection of projects.

In practice, achieving this goal requires the company to regularly win sufficiently attractive projects and, of course, to carry them out as planned. However, we estimate that year-on-year variation in the growth rate may be caused by, for example, a weakening of the business cycle, which is likely to increase competition for projects. In addition, we believe that the recent rise in interest rates has slowed down the start-up of some projects. We estimate that a possible further rise in interest rates could postpone or cancel planned investments on a larger scale. However, the company's focus on countercyclical public sector projects partly dilutes the impact of current market uncertainties.

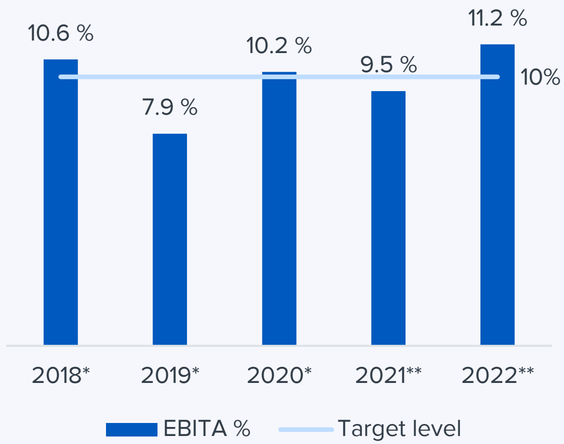
However, based on the current year's revenue guidance (325 MEUR), the target level should be well exceeded this year (+23% growth vs. 2022 pro forma revenue), and the company itself doesn't seem to be very concerned about the current situation. We expect growth in infrastructure and industrial construction to be generally faster in Sweden. Conversely, we expect growth in Finland to be supported by an increase in energy construction (including NYAB's potential role in the construction of Skarta Energy's solar farms).

Profitability target requires improved profitability of Finnish businesses

In terms of profitability, we believe the target is more challenging, although NYAB Sverige has a history of exceeding the target level. Reflecting this, we consider the profitability target for the Swedish business to be realistic. However, we believe that achieving the profitability target at the group level requires a clear improvement in the profitability of the Finnish businesses.

Historical growth and target level

EBITA-% development and target level



*NYAB Sverige figures

** Pro forma figures, revenue growth also includes some inorganic growth from the Sitema and PowerForze acquisitions

Source: NYAB, Inderes

Strategy and financial objectives 4/4

The profitability target can be viewed simply by assuming that Sweden's share of revenue would remain at around its current levels (~75% of group revenue). If the company were to exceed the target level of 11% in Sweden, which we don't believe is easily achievable, the company would have to reach an EBITA margin of 7% in Finland. Compared to Skarta Group's pro forma profitability for 2020-2021 (EBITA-%: 5.0-5.4%) and last year's clearly loss-making operating result without the Skarta Energy arrangement (Finnish EBITA without the arrangement 2022: -3.9 MEUR), there is still a long way to go to reach this level.

However, the company took measures last year to focus on its Finnish businesses, and demand drivers in energy construction also provide the company with opportunities to improve profitability. More generally, we consider it very unlikely that the company would achieve an EBITA margin of 10% in Finland, at least with the current structure of the businesses. Our rough estimate is that the upper limit of the EBITA margin potential of the Finnish business under the current structure is roughly 6-8%. In addition, based on history, we estimate that Finnish businesses (especially demanding and larger infrastructure and industrial projects) are clearly more exposed to project risks than those in Sweden. In Sweden, on the other hand, we roughly estimate the upper limit of the profitability potential at 11-12% after the strongest growth phase.

Given these factors, achieving this objective will require that the geographical distribution of revenue remains favorable. In addition, NYAB needs to continue its strong profitability in Sweden and raise the profitability of the current business in Finland close to the upper end of our estimated profitability potential.

The balance sheet structure target is relatively neutral

As for the balance sheet structure, we believe that the target level is relatively neutral. In relation to the currently very strong balance sheet (79% equity ratio in 2022), the target level clearly allows for an increase in the debt leverage. However, based on NYAB Sverige's history, we expect the company to continue to grow with a strong balance sheet. Also, it's worth noting that one of the covenants in the company's new financing package is an equity ratio of over 50% (the financing package was signed after the publication of the targets). Therefore, at least within the current financing package, the company should remain slightly above the target level, which we don't see as a problem for the company.

Profit distribution depends on performance

We believe that the company's strong balance sheet and business model, which requires relatively low capital commitment and moderate investments, provide the company with good conditions for profit distribution. However, the company's growth strategy also includes inorganic growth, but considering NYAB's strategy, we expect it to continue to use its own shares as a means of payment for acquisitions. This in turn partly limits capital requirements for acquisitions, which supports the company's ability to distribute profits. In this context, we believe that the dividend payout ratio floor (30%) is relatively low and that the business model would allow for a higher level. However, we estimate that the dividend payout ratio may fluctuate depending on the financial year's performance, as we expect the company to aim for a relatively stable payout ratio (cf. 19 % of the financial year's performance in 2022).

However, it should be noted that covenants imposed by the company's financiers (see the Financial position section) may limit the ability to pay dividends, for example in the event of major corporate restructuring or a deterioration in profitability. However, we don't consider this likely on our current estimates.

Regarding the dividend policy, it's noteworthy that the company refers to adjusted net income as net income adjusted from goodwill amortization in FAS accounting. With the company's potential transition to IFRS, we estimate that the target would be linked to reported net income.

Industry and competitive field 1/4

NYAB's target market

NYAB's target market consists mainly of the Swedish and Finnish infrastructure, industrial and energy construction markets, which are part of a huge overall construction market worth tens of billions of euros.

Prognoscentret, which analyses the Swedish construction market, estimated in December 2022 that total infrastructure investment in 2022 would be around SEK 217 billion (EUR ~20 billion). The market has grown by an average of around 4% between 2014 and 2022, according to Prognoscentret statistics. However, the size is significantly affected by the sub-industries to be included and the estimation is made challenging by the assessment of the amount of investment in maintenance and upkeep. However, it's our understanding that this estimated total market includes all the most relevant sectors for NYAB. It's worth noting that the company's focus in the Swedish market is mainly on the northern part of Sweden (especially Norrbotten) and Stockholm, which partly limits the relevant market for the company.

In Finland, the market for infrastructure construction in 2021 was around EUR 7 billion, according to data collected by the Finnish Construction Industry Association (RT). The Finnish infrastructure construction market has also grown quite nicely in the 2000s, with growth averaging 3.5% between 2000 and 2019, according to, e.g., a market study commissioned by KREATE. In contrast, Finnish industrial investment in recent years has been around EUR 7-8 billion, of which EUR 4-6 billion has been allocated to fixed investments.

NYAB hasn't published an estimate of the size of its relevant target markets. However, given the size of the markets, we don't expect their size to be an obstacle to the company's growth.

For the energy construction business, on the other hand, the size of the target market can be outlined through a study carried out by Enersense through an international consultancy. Based on the study, the total target market of Enersense's Power segment in Finland was just over EUR 500 million in 2020, consisting mainly of investments in transmission grid infrastructure, wind farm construction projects and related services. However, we expect the market to grow significantly from here with the increase in wind power construction. In our view, this also gives an indication of the size of NYAB's relevant market, although we don't believe that the company still has the capabilities to operate at the same scale in the power line or substation construction and maintenance business due to its short history.

However, the relevant market for the company is also significantly enlarged by a similar market in Sweden. We estimate that the company's business in this area is still relatively limited in Sweden, although the company has built electricity grids in several projects in northern Sweden and Stockholm. In December 2022, the company also signed a contract with Svenska kraftnät for the design of the first phase of one of Aurora Line's transmission links. Looking to the future, this may create growth opportunities for the company, also taking into account the large investment needs on the Swedish side to reinforce the transmission network. The acquisition of Power Forze will strengthen the business in Sweden.

Total investment in infrastructure in Sweden (SEK billion)

Source: Prognoscentret

Industry and competitive field 2/4

Market growth outlook

Outlook for infrastructure and industrial construction

According to Prognoscentret, Swedish infrastructure investment is expected to decline by around 3% this year after several years of growth. The decline is mainly due to new investments, while maintenance services are expected to develop positively. There are also significant regional differences, with investment in Norrbotten County (NYAB's main market) expected to continue to grow, according to industry association Byggföretagen, for example.

For Finland, the construction sector business group led by the Finnish Ministry of Finance predicts that industrial construction is expected to remain at last year's level. In addition, the outlook for public construction is positive, according to the business group. By contrast, civil engineering is expected to continue its downward trend this year.

The overall construction market is expected to decline in both Sweden and Finland, particularly as a result of the volumes of residential construction. In our view, this may also increase competition at least temporarily in other construction markets as companies seek to move to more attractive markets. The slowdown in construction is due to the rapid rise in inflation, especially last year, and the resulting sharp rise in interest rates. Our assessment is that the industry has been able to slowly adjust to the effects of inflation. We believe that the higher interest rates, which have clearly increased financing costs and project returns, are a greater risk to development. Therefore, we think i's possible that this may at least partly postpone the planned building investments.

However, in the longer term, the growth of the infrastructure market in Sweden is supported by the government's Transport Infrastructure Plan 2022-2033, published last year. The total value of the plan is around SEK 800 billion (EUR 71 billion at current exchange rates), of which ~55% is allocated to infrastructure development, ~25% to road maintenance and repair and ~21% to rail maintenance and repair. Green transition investments in the Norrbotten region are also estimated to be worth up to more than EUR 100 billion over the next 10-20 years. The investments consist, among others, of LKAB's published investment needs for CO2-free mining, Northvolt's battery plant and the HYBRIT project of SSAB, LKAB and Vattenfall to produce fossil-free steel. Furthermore, the urbanization of the Stockholm metropolitan area and population growth will increase the need for infrastructure investment in the area in the coming years.

In Finland too, very similar themes are underpinning the growth of infrastructure construction. The Transport System Plan for the whole of Finland covers the period 2021-2032, and according to the plan, the annual level of funding for basic road maintenance will be around EUR 1.4 billion from 2025 onwards, while the development of the road network would be around EUR 500 million per year. However, the budget for 2023 was reduced, but in the longer term, we believe that the prospects for stable growth in infrastructure construction are unchanged.

Swedish market outlook

	2022	2023e	2024e
Total construction market	↘	↘	↘
Infrastructure construction	↗	→	→
Industrial and energy construction (Northern Sweden)	↗	→	↗

Finnish market outlook

	2022	2023e	2024e
Total construction market	→	↘	→
Infrastructure construction	→	→	→
Industrial and energy construction	↗	↗	↗

Source: NYAB Q4 webcast, Byggföretagen, Prognoscentret, Raksu, EK, Statistikmyndigheten

Industry and competitive field 3/4

This is also supported by the expected urbanization in Finland over the next decades. In addition, Finland's infrastructure repair debt is estimated to be around EUR 6 billion, according to the ROTI 2017 report that assesses the state of built assets. Overall, there are different estimates of the investment needs for the green transition in Finland. According to the Finnish Ministry of Economic Affairs and Employment, the additional investments needed to meet the climate targets will amount to at least EUR 100 billion in industry between 2020 and 2050.

Outlook for energy construction

As NYAB's energy construction business is so far strongly geographically focused on the Finnish side, we estimate that growth in the target market will be driven by growth in investments by Fingrid and other grid companies and in wind and solar power construction. Fingrid has estimated its investments in the grid over the next decade at around EUR 3 billion, driven in particular by the electrification required by the energy transition and the acceleration of renewable energy production. Investments will also be boosted by the construction of new cross-border transmission lines to Sweden (Aurora Line 2) and Estonia in the early 2030s. Fingrid expects investments in the 2020s to be slightly front-loaded and in 2022-2025 grid investments are expected to be well above the EUR 200 million mark (2024: 400 MEUR). As a result, we estimate that the Finnish market can grow faster than in recent years. In turn, the combined investment in the grid by Fingrid and Svenska kraftnät will rise to around EUR 12 billion over the next 10 years.

The market for renewable energy production is also growing strongly as a result of environmental change. In addition, the Russian war of aggression against Ukraine and the resulting uncertainties about energy supplies have brought energy independence increasingly to the forefront of the political debate. Even before the war, Finland started to invest especially in wind power and, for example, the combined capacity of wind turbines completed last year was at a record level of ~2.4 GW, according to statistics from the Finnish Wind Energy Association. In the coming years, wind power production is expected to level off at around 1 GW. We understand that the construction costs of wind power can be roughly assumed to be just over EUR 1 million per plant. According to the Finnish Wind Power Association's figures (1/2023), 170-200 power plants are under construction in Finland for the period 2023-2024. Thus, the market for wind power construction in Finland could be expected to be around EUR 200-300 million in the coming years.

In the longer term, the growth outlook for wind power remains very strong, as Fingrid among others expects in its latest forecasts that Finland's wind power capacity could be around 24 GW in 2030 (cf. ~5.7 GW at the end of 2022). Last fall, the company still expects wind power generation to grow to around 15 GW over the same period, which we believe reflects the growth of renewable energy, but also the very high uncertainty surrounding this development. Solar power generation in Finland is also growing significantly: solar power capacity was just under 400 MW at the end of 2021, according to the Finnish Energy Agency, but according to Fingrid's latest estimates, solar power capacity could be around 7 GW in 2030 (previously 1.5-3.0 GW). In our view, these are a good indication of the rapidly growing renewable energy production in Finland alone.

Competitive field

There are many different types of players in the construction market, but NYAB's main competitors are the larger players with a wide product/service range and expertise. In general, there are also medium-sized players in the market, which are more specialized in certain areas of the market. In addition, there are smaller players in the market, operating only in a narrow segment of the overall market.

The company's competitors vary by business area and geographic region, although there is some overlap. In infrastructure and industrial construction, the company's main competitors are typically large Nordic players (e.g. Peab, NCC, Skanska and YIT) with a very broad offering (including residential construction) and large local players (e.g. NRC Group, Infrakraft, Svevia, GRK, Destia, Kreate, TerraWise and KSBR) more specialized in the infrastructure market. NYAB's competitors for design and consultancy services (incl. Sitema) include AFRY, Sweco, Ramboll and Sitowise. However, the share of these services in NYAB's revenue is currently limited.

In energy construction, where the company focuses in particular on the BoP construction of wind farms in Finland, competitors include Suvic (part of the Dovre group), KSBR, Destia, Infrabuilders, YIT, Enersense, Eltel, Omexom and VEO.

Industry and competitive field 4/4

However, we understand that the competitive situation varies under BoP construction, with some operators more focused on CBoP (Civil Balance of Plant) and others on EBoP (Eletrical Balance of Plant). On the transmission network side, however, the competitive landscape is relatively fragmented and market shares are relatively small. According to a study commissioned by Enersense, the four largest players shared around half of the total market in 2019, with the rest of the market divided into smaller parts for smaller players. The biggest players were Enersense and Eltel, and we don't think there have been any significant changes. However, we believe that the growing market for renewable energy will attract new players to the market, which may increase competition. We understand that competition is also quite cost-driven, which on the other hand limits the marginal potential of operators.

NYAB Sverige has been an industry leader in terms of growth and profitability

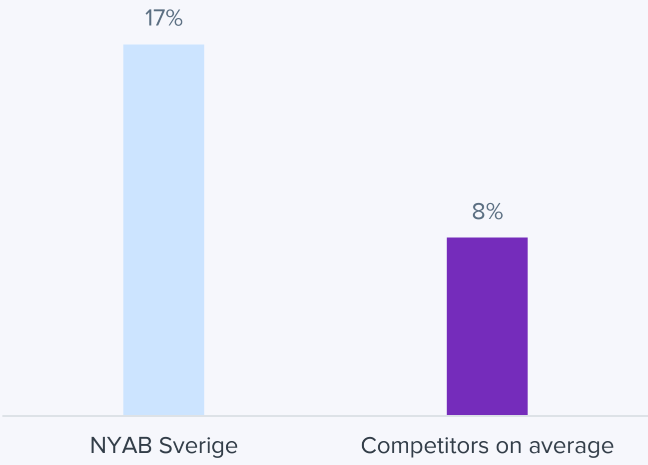
As mentioned above, the company's competitive field consists of several different players, of which the large players have a much broader overall offering than NYAB (e.g. residential construction). In general, there are also variations in the overall offerings and market areas of different operators. Nevertheless, we have compared the growth and profitability performance of NYAB and its competitors in recent years. For larger competitors, we have used the figures for their infrastructure segments. Given NYAB's current structure, we believe that the most relevant peer group is its competitors in infrastructure and industrial construction.

For the growth analysis, we have used historical figures for NYAB Sverige, as it's impossible to calculate comparable figures for the period for the current form of NYAB. However, we believe this is justified, as NYAB Sverige makes up about 3/4 of the current group. The company's average growth rate for 2018-2021 was about double that of the peer group. However, it's worth noting that NYAB Sverige was at the smaller end of the peer group, where relative growth is also typically faster and easier due to smaller size.

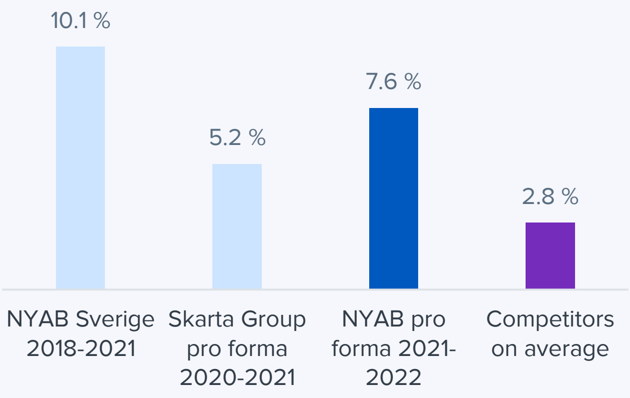
Competitors' operating profitability (EBIT-% or EBITA-%) has averaged around 2.8% over the last five years. However, there are big differences between competitors in terms of profitability. NYAB Sverige's profitability has been the highest in the peer group over the review period and of the competitors we have used, practically only two players (Infrakraft, KSBR) have reached the profitability levels of NYAB Sverige (incl. the current group).

We estimate that it's challenging to achieve sustainable competitive advantages in the industry. As such, we believe it's likely that these companies have been more successful in project selection and management and are better positioned in the value chain than average. In a personnel-driven business, we believe this also requires effective use of the company's own resources. These operators are also at the smallest end of the peer group, which we believe facilitated this. Overall, however, NYAB has been among the industry's elite in terms of profitability in recent years, although it has grown at a much faster pace than average.

Revenue growth (2018-2021 CAGR-%)



EBIT(A)-% (2018-2022 avg %).



NB: Competitors (Peab, NCC, YIT, NRC Group, Infrakraft, Svevia, GRK, Destia, Kreate, TerraWise and KSBR)
*If 2022 financial statement data were not publicly available, the average for 2018-2021 was used
Source: Companies, Inderes

Financial position

Significant goodwill on the balance sheet

We have reviewed NYAB's balance sheet based on end-2022 figures, which we believe gives a fairly up-to-date picture of its balance sheet structure. The company's balance sheet total was EUR 338 million at the end of 2022.

At the end of the year, well over half of the balance sheet assets consisted of goodwill (207 MEUR), which the company accumulated significantly in connection with the merger of Skarta and NYAB. As NYAB is currently reporting under FAS accounting standards, it amortizes goodwill from its balance sheet annually. Conversely, other intangible assets were very small (under 0.1 MEUR). NYAB had EUR 15.3 million of tangible assets on its balance sheet, consisting mainly of machinery and equipment required for business operations. The company's investments amounted to EUR 16.7 million, the most significant of which is the investment in the joint venture under which Skarta Energy operates.

In turn, current assets consisted mainly of receivables (83.0 MEUR) and liquid assets (13.9 MEUR). Of the receivables, around EUR 50.6 million consisted of trade receivables and EUR 26.8 million of accruals (especially project receivables), reflecting the strong growth of the business last year and the general seasonality towards the end of the year. In principle, we consider the company's assets to be liquid, and we don't believe that there are significant risks to the value of the assets on the balance sheet.

Near net debt-free balance sheet

Equity on the balance sheet amounted to EUR 263 million. The majority of this consists of a reserve of invested unrestricted equity, which was significantly increased in the merger when Skarta paid NYAB's EUR 200 million purchase price mainly through a directed share issue (197.5 MEUR). The issue was in turn paid in kind in NYAB Sverige shares. Reflecting this, the company's equity ratio was very strong at ~79% at the end of 2022.

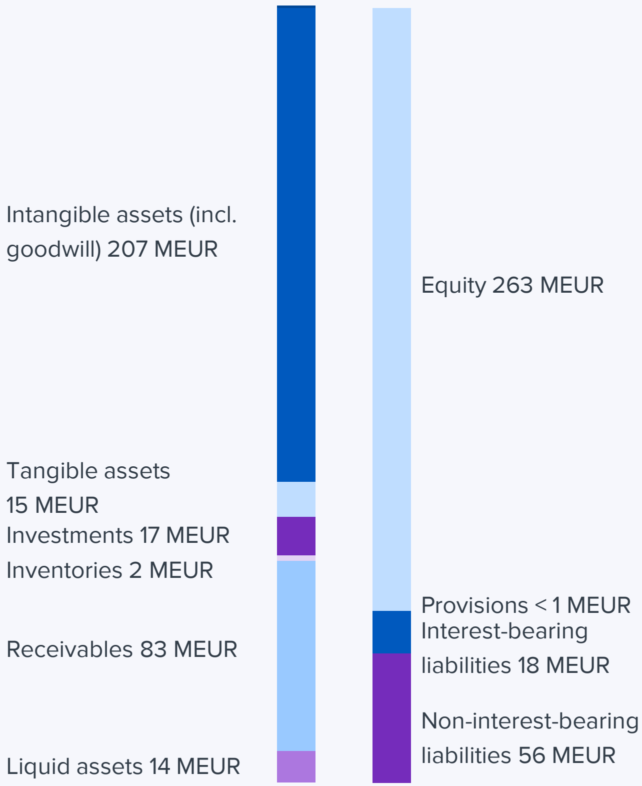
Interest-bearing debt on the balance sheet amounted to EUR 18.5 million. In comparison, the company had net debt of EUR 4.6 million at the end of 2022. Relative to the operating margin in 2022, this corresponds to a net debt/operating margin multiplier of around 0.1x. Similarly, NYAB's net gearing ratio was also low at 2%. Thus, we consider the company's overall financial position to be at a good level.

The company had roughly EUR 56.4 million in non-interest-bearing liabilities. The majority of these consisted of trade payables (24.4 MEUR) and other payables (17.8 MEUR), which chiefly comprise items related to projects (cf. current receivables).

The company renegotiated its debt financing at the end of the financial year

At the end of last year, NYAB restructured its debt financing by agreeing a loan of SEK 165 million (~15 MEUR) with a maturity of four years. It also agreed on a line of credit worth as much. However, the financial arrangements weren't implemented until the current year. According to the company, the arrangements prepared it for future growth and at the same time it repaid previous loans of group companies, which should reduce the group's relative interest costs in the future. The covenants in the financing agreement are an equity ratio of over 50% and a net debt to rolling 12-month EBITDA ratio of less than 2.0x. As it stands, the company clearly complies with the covenants.

NYAB's balance sheet at the end of 2022 (338 MEUR)



Source: NYAB, Inderes

Estimates 1/6

Estimate model

We forecast the development of NYAB's business revenue in the short term through the development of the order backlog, estimated market growth and the company's relative competitiveness and position. We model revenue at group level, as the company has not, at least so far, published quarterly developments by business area or operating country. In the longer term, our estimates for revenue growth are based on the expected level of investment, the long-term growth potential of the market and, to some extent, the company's historical performance. Similarly, we forecast the company's cost structure in proportion to revenue, based on historical levels and our estimates of future developments. Our estimates don't include possible acquisitions, as these are virtually impossible to model.

Our estimates for the associated company Skarta Energy are discussed in more detail at the end of this section.

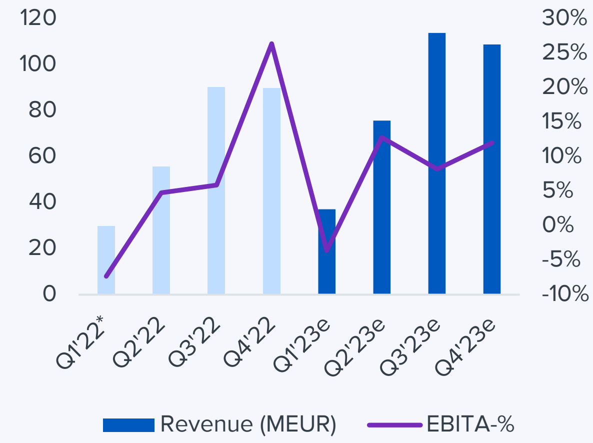
Economic growth outlook in target markets

The economic outlook remains subject to considerable uncertainty as a result of the rapid rise in inflation last year and the consequent sharp tightening of monetary policy. Given the persistent nature of inflation, future central bank rate hikes are not ruled out either, although the slight economic hiccups (incl. concerns about banks in Europe and the US) indicate that a peak in interest rates is more likely closer than in the past. Despite this, interest rates are currently expected to remain well above zero in the longer term.

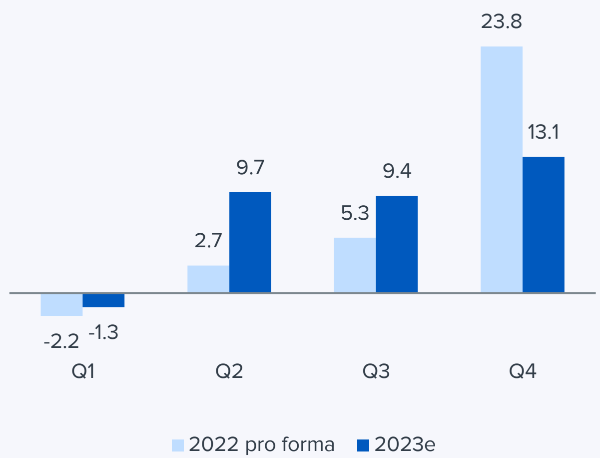
Looking at this overall picture, the Swedish and Finnish economies are expected to contract this year, according to Bloomberg consensus forecasts. Consensus forecasts expect Finland to grow by -0.3% this year and Sweden by -0.8%. In our view, the Swedish economic outlook is particularly affected by the sharp deterioration in the housing market and prices. Similarly, consensus forecasts expect economic growth in both countries to rise to 1.1% in 2024.

However, NYAB has focused its business on less cyclical and counter-cyclical construction sectors, which supports the company's performance despite the economic slowdown. In addition, confidence in the company's development is boosted by NYAB Sverige's strong historical track record of profitable growth. However, we see the most significant risk to the company's demand as coming from the macroeconomic direction of interest rate policy developments. We don't believe that the rise in interest rates experienced so far has had a significant impact on the company's activity in its target markets, but we believe that a possible further rise in interest rates could postpone or cancel investments on a larger scale.

Revenue and profitability development



Quarterly EBITA development



*Pro forma figures

Source: Inderes

Estimates 2/6

Estimates for 2023

For the current year, NYAB has so far only given a revneue guidance, according to which it expects its revenue to exceed EUR 325 million. In the context of the guidance, the company considered its market outlook to be strong, although it believes that continued high inflation and interest rates create some uncertainty in the operating environment.

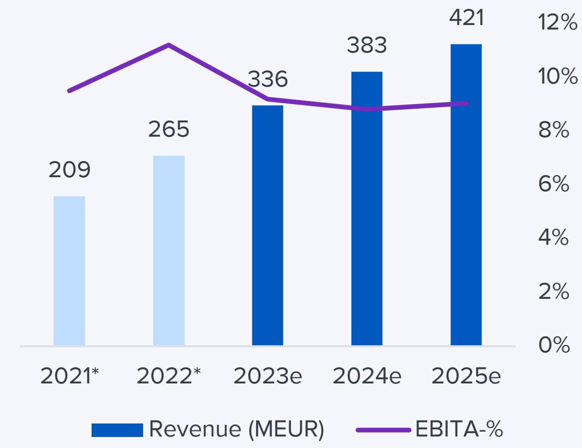
In turn, the group's strong comparable order backlog (239 MEUR vs. 2021 pro forma order backlog of 193 MEUR) and positive progress in renewable energy project development give NYAB a good outlook for the current year. However, we understand that the current guidance doesn't include significant expectations of potential future projects for NYAB energy construction through Skarta Energy's project development progress. Given the seasonal nature of the business, the company expects a significant part of its revenue and profit to be generated during H2. The company has said it will provide more detailed guidance in Q1'23.

Despite the economic slowdown and uncertainties (incl. inflation, interest rate developments), we believe that NYAB is well positioned for the current year with a strong order backlog and the expected developments in the target markets discussed earlier. However, it's worth noting that the company still needs to win significant new projects during the rest of the year, as we estimate that around 70-75% of the year-end order backlog will be for this year. This is roughly half of the revenue guidance for the current year. We understand that this is a slightly above-normal relative amount, which also provides additional support for the current year's development.

Against this backdrop, we expect revenue to reach EUR 336 million this year, which is above the current guidance. We expect Finland's relative share of revenue to increase slightly from last year to around 26%, driven by growth in energy construction. The main risk to revenue development is a possible rise in interest rates, which could cause projects to be postponed.

With the turnaround achieved in Finland during H2'22, we expect a clear improvement in operating profitability in the current year. Based on our estimated geographical distribution of revenue, we expect the group's operating EBITA to increase significantly this year to EUR 27.4 million, corresponding to an EBITA margin of around 8.1%. At the country level, we expect operating profitability to be around 5% in Finland and just over 9% in Sweden. In our view, profitability in both countries compared to last year will be supported by a leveling off of inflationary developments, and we expect the company to have been able to better reflect inflation in the pricing of its new projects. For its part, we expect the reported EBITA to be supported by the settlement agreement signed in April between NYAB and the City of Mikkeli in the dispute between NYAB and Mikkelin Vesilaitos, owned by the City of Mikkeli.

Revenue and profitability development



Development of key balance sheet figures

*Pro forma figures
Source: Inderes

Estimates 3/6

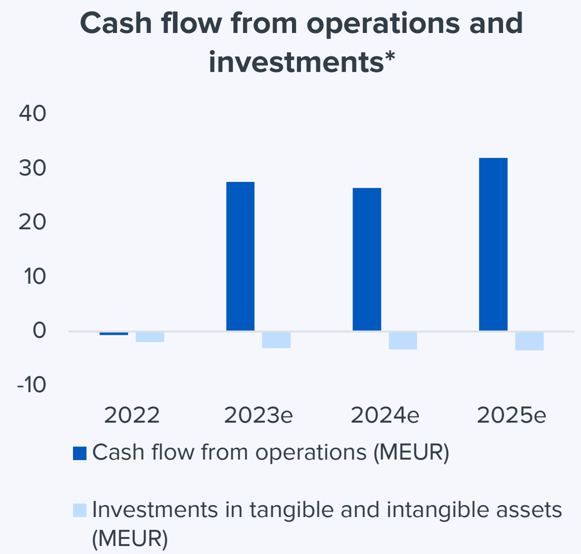
Under the agreement, Mikkelin Vesilaitos will pay a total compensation of EUR 9.2 million to NYAB, which is expected to have a positive one-off revenue effect of ca. EUR 3.6 million. The agreement is expected to enter into force in Q2'23. As a result, we expect the reported EBITA to reach EUR 30.8 million. We haven't adjusted for the impact of the one-off item in our estimates, as the company has not published adjusted figures to date and, to the best of our knowledge, has no plans to change its reporting policy, at least as long as it stays under FAS accounting. Thus, the adjusted operating profit in the tables corresponds to the EBITA reported by the company. However, we take the one-off income into account in the valuation.

For the estimate period as a whole, it's worth noting that the projections don't consider the IFRS conversion that is likely to take place this year. With the change in accounting standard, major changes are foreseen, especially for the profit and loss lines below the operating result (notably with the end of goodwill amortization).

We expect the operating profit reported under current FAS accounting to be burdened by goodwill amortization of EUR 23.1 million. In light of this, we forecast the reported operating profit to be EUR 7.7 million. On the bottom rows of the income statement, we expect the result of associates to weigh on the result by EUR 0.4 million. In turn, we expect financing costs to be around EUR -1.0 million. It's worth noting that, in addition to ordinary financial loans, these are boosted by guarantee fees paid to finance companies for project deliveries. The reported tax rate is increased by goodwill amortization, which is not deductible for tax purposes. However, we believe that the group's parent company has significant tax losses, which we believe will allow NYAB to push down its effective tax rate. In light of this overall picture, we expect reported EPS to settle at EUR 0.01. Similarly, we expect EPS adjusted for goodwill amortization to be EUR 0.04.

With continued strong growth, we estimate that working capital will be slightly tied up, and we expect operating cash flow (2023e: 27.6 MEUR) will be slightly below the operating result, despite the compensation payment. However, in light of moderate investment needs, we expect free cash flow to be EUR 24.5 million. Reflecting the dividend policy, we expect the company to pay a dividend of EUR 0.010 per share on its earnings, which we forecast to correspond to a dividend payout ratio of 26% of goodwill-adjusted earnings.

Regarding the development of the balance sheet ratios in the coming years, it's worth noting that the high goodwill amortization will push the reported net profit below the dividend payout in our estimates, which will lower the equity ratio on the balance sheet. Instead, we expect free cash flow to be higher than profit distribution, which in turn will reduce net debt. However, it's likely that with the IFRS conversion this year, the parameters would start to move back in line with our current projections (i.e. the equity ratio would strengthen together with a decline in net debt).



* Estimates of cash flow from operations are based on projected financing costs for the coming years. In addition, the figure for 2023 has been adjusted for the compensation payment. Thus, they may differ from the figures in the tables.

Source: Inderes

Estimates 4/6

Estimates for 2024-2025

We expect NYAB to remain well positioned into 2024, supported by recovering economic growth and the current outlook for target markets. However, we believe it's possible that the economic slowdown and rising interest rates could lead to delays in investment, especially on the private side, which could also affect NYAB's growth outlook. We expect the company's revenue growth to slow from the high levels of the current year as NYAB grows in size, but still land at a very good level of 14%. Thus, our revenue estimate for 2024 is EUR 383 million. We expect growth to continue in 2025 at a higher level than the company's target of 10%, which we expect to bring revenue to EUR 421 million in 2025. We expect the geographical revenue distribution to remain at around the same level as in 2023 in the coming years.

Similarly, we expect NYAB's operating profitability to increase slightly next year as growth slows down. We forecast the company's operating EBITA margin to increase to 8.4%, which implies an EBITA of EUR 32.3 million based on our revenue estimate. Geographically, we expect operating profitability to increase to 9.6% for the Swedish businesses and 5.2% for Finland.

In 2025, we forecast NYAB's EBITA to reach EUR 37.0 million, corresponding to an EBITA margin of 8.8%. Then, we expect Sweden's operating profitability to reach the group's target level of 10% and Finland's profitability to be around 5.4%. In our view, the company has the potential to achieve even higher profitability in both countries of operation, but this is largely dependent on the growth rate. Moreover, for the time being, we await further evidence on the development and sustainability of profitability levels, especially in Finland.

On the lower lines of the income statement, we expect financial costs and the results of associates to remain stable. The company's reported tax rate will continue to be driven up by goodwill amortization. However, we expect the company to be able to significantly depress its effective tax rate through consolidated losses, at least in the coming years. Reflecting this, we expect the company's reported EPS to settle at around EUR 0.01 in the coming years. Similarly, we expect EPS adjusted for goodwill amortization to be EUR 0.04-0.05.

In line with the earnings development, we also expect cash flow from operating activities to strengthen and reach EUR 26.4-32.0 million. With low investment needs, we forecast free cash flow in the range of EUR 23.1-28.5 million, which will also allow the company to increase its profit distribution. Our dividend projections for 2024-2025 are EUR 0.012-0.014 per share, corresponding to a dividend payout ratio of around 30% of goodwill-adjusted earnings.

Long-term estimates

We also believe that in the longer term, the company's growth will be supported by the infrastructure investments required by the green transition. In our view, the company's current businesses are very well positioned for this, and its main target markets can be expected to continue to grow, given the large infrastructure investment programs in Sweden, the large investments planned in the Norrbotten region and the expected growth in renewable energy. However, the strong growth prospects in the underlying markets can be expected to tighten the competitive situation in the longer term.

We expect NYAB's growth to slow gradually as the company enters its fastest growth phase and increases in size. However, we expect the company to reach its long-term revenue growth target still in 2026, but growth to decline to 3-6% between 2027 and 2031. For terminal growth, our forecast is 2%, in line with long-term economic growth expectations. We also expect the company's profitability to decline slightly in the longer term due to increased competition, but we still expect profitability to remain slightly above the industry average (2026e-2032e EBITA-%: 7.0-9.0%).

Skarta Energy estimates

We have prepared estimates for Skarta Energy based on the assumption that the company would build the 800 MW of solar energy it is aiming for over the next five years. For the sake of simplicity, we also assume that the company would then remain the owner of the solar parks. However, we think it's quite possible that the company will also sell the sites it develops, yet this is very difficult to predict with current data.

Estimates 5/6

Our projections also don't take into account the likely growth of the 800 MW project development portfolio and the potential revenues it could generate. In practice, industrial-scale solar power is still in its start-up phase in Finland, so there are few relevant benchmarks for Skarta Energy's projects. Furthermore, there is still considerable uncertainty about the final pace of construction. As such, there is considerable uncertainty in our estimates and the assumptions behind them. Because of this, in the Valuation section we have examined Skarta Energy's projections through different scenarios. For more detailed parameters of the calculation, see page 29.

It's also worth noting that the CapMan fund has a life cycle of about 10 years from inception (established in 2022), which means that there will probably be some sort of arrangement for ownership (e.g. sale of ownership, transfer to a new fund) by then at the latest. NYAB hasn't disclosed further details of the terms agreed with CapMan, but we believe it's possible that NYAB has a drag-along obligation to sell ownership, which is relatively typical in this type of structure with a private equity investor. In turn, if Skarta Energy were to be sold, this could also lead to a divestiture for NYAB. However, in our estimates we have assumed that NYAB will retain a 40% stake in the joint venture. At present, however, we estimate that NYAB's share of the joint venture's result is slightly below 40%, taking into account the joint ownership of the Callio-Hitura project with Solarigo. However, the exact ownership structure of this project company has not been disclosed.

Wind power vs. solar power

Renewable energy construction in Finland has so far been largely concentrated around wind power, but as noted earlier in the market review, solar power construction is also expected to grow significantly in the future. On the right-hand side, we have compiled what we consider to be the main economic differences between solar power and wind power, with Skarta Energy focusing on solar power development in particular.

Investment assumptions

So far, there is considerable uncertainty about the development of investment costs for solar power, but we have used a level of investment costs of 0.65 MEUR/MW in our estimates. However, the amount of capital required is limited, at least for the time being, by investment subsidies for solar power. To date, the company has received a total of over EUR 25 million in investment grants for the first phase of the Utajärvi and Callio-Hitura projects. These represent just under 20% of the total investment in the projects, which can be considered quite significant. However, we expect that the volume of subsidies will decrease in the future as the solar power capacity to be built increases and solar power generation becomes more market-based (cf. the development of wind power). In light of this, we have expected investment subsidies for the remaining projects to fall to 10% on average.

Main differences between solar power and wind power (Inderes estimate)

+ **Investment costs:** According to the Finnish Wind Power Association (STY), the investment costs for onshore wind power are between 1.2 and 1.5 MEUR/MW, with a slight margin for decline as the size of the plants increases. In contrast, we believe that the total investment in solar power in Finland can currently be expected to be around half of this (0.55-0.75 MEUR/MW), based on a study by consultancy Apricum and recently announced projects in the Nordic countries. In solar power, costs are also expected to fall as production volumes and the size of solar farms increase.

+ **Life cycle:** According to data from, e.g., ENS.dkk, the lifespan of solar panels is 40 years, while the average lifespan of newer wind turbines is over 30 years according to STY (we understand that maintenance contracts are concluded for a maximum of 35 years).

+ **Construction rate (incl. permit processes):** We understand that a solar farm takes about a year to build, depending on its size, while an onshore wind farm takes about two years. In addition, the planning and permitting processes for wind power are typically much longer (e.g. EIA processes).

- **Production volume:** In onshore wind power, the capacity factor of the rated output of a power plant was about 33% in Finland in 2019, according to STY. With technological developments and the increase in the height of the wind turbines' poles, we also estimate that the capacity factor may have increased slightly. Similarly, in solar power, we estimate that the capacity factor in Finland is currently around 10-15%, which means that solar power production volumes will be significantly lower.

+ **Operational costs:** According to STY, the annual maintenance and servicing costs of an onshore wind farm are typically around 2-3% of the investment cost. We estimate that there is a long-term downside here and the costs are very wind farm-specific. We understand the cost of a solar power plant to be around 0.5-1.0% of the investment cost, but there is considerable uncertainty in the Finnish context. In addition, the variations in the costs to be included between different calculations make comparisons difficult.

Estimates 6/6

Regarding investment costs, it's also worth noting that to our understanding, Skarta Energy has so far been in the habit of acquiring land on which solar farms are built on its own balance sheet (e.g. abandoned mining sites or peat bogs). This practice contributes to lowering the running costs of land use. However, the company hasn't disclosed a strategy for possible future land acquisitions.

We haven't commented on the capital structure at this point in our estimates, as the company hasn't yet disclosed its targets for the financial structure (incl. potential additional equity investments by NYAB and debt capacity ratio). In turn, this has a significant impact on future financing costs. However, we believe it is likely that the use of the debt leverage will be significant.

Revenue estimates

We have used a 12% capacity factor for solar power plants in our projections and with the capacity built we have calculated our projections for annual production. In turn, we have used 40 years as the life cycle (without residual value) for solar parks. However, in our calculation, we assume that after 15 years of operation, the capacity factor starts to decrease by 0.1 percentage point per year as the equipment ages.

However, the most significant variable in terms of revenue is the evolution of electricity prices. We believe that building renewable energy, which is currently growing strongly, will pose certain challenges for the market in the future, as overcapacity is likely to arise, especially during windy periods, which will drive down the price of electricity. Similarly, in the case of solar power, the highest production volumes occur in the summer months, when energy demand is naturally more limited. Thus, we see that energy storage solutions (e.g. battery technology, hydrogen), downstream processing (e.g. production of synthetic fuels using P2X technology) and/or the structure of future sales contracts (especially PPAs) will play an important role in ensuring sufficiently attractive sales prices. On the other hand, electricity price developments are supported by the green transition and the electrification of industry and transport in particular, which will naturally increase the demand for electricity. Due to the volatile electricity price developments especially over the past year, there is considerable uncertainty in the assessment of future electricity prices, but we have used a price level of EUR 50/MWh in our estimates. This is also relatively well aligned with the Nordic electricity price futures (2024-2027: 45-70 EUR/MWh) and the actualized spot price in 2019 (44 EUR/MWh).

Cost estimates

Our operational cost estimates are based on the European Network of Transmission System Operators for Electricity (ENTSO-E) TYNDP scenarios (10-year network development plan) and the ENS.dk data behind them. Based on the data, the annual operaiting costs of solar power is estimated to be between 6,000 and 9,000 EUR/MW (~1% of our estimated investment cost). We have used an annual cost level of EUR 7,000 per MW. In addition, we assume annual operational overheads (e.g. administrative costs related to staff and identification of potential sites) to be in the ballpark of EUR 1.0-1.5 million during the construction phase.

Our annual depreciation rate is assumed to be 7% of the residual cost of the built production capacity. In our estimates, we expect production to start in 2024, at which point depreciation will also start to roll off for the average output (80 MW). In our calculation, we haven't taken into account the likely financing costs that are expected to weigh on earnings. We expect the tax rate to be 20%, in line with the Finnish corporate tax rate.

Reflecting these dynamics, we expect Skarta Energy's operating profit for 2023-2025 to be around EUR -1.0-1.2 million. Of this, we estimate that slightly less than 40% will accrue to NYAB, considering the ownership of the joint venture and the ownership of the Callio-Hitura project together with Solarigo.

However, considering the bigger picture, from a cash flow perspective, we expect the internal rate of return (IRR) for the entire life cycle of energy production to be 6.5%, which we believe is quite in line with other renewable energy projects (IRR: 5-10%). Against this background, we estimate that under these assumptions the projects have the potential to achieve a ROE of roughly 10-20%, depending on the final capital structure and future financing costs.

Income statement

Income statement	2021	Q1'22	Q2'22	Q3'22	Q4'22	2022	Q1'23e	Q2'23e	Q3'23e	Q4'23e	2023e	2024e	2025e	2026e
Revenue	**41.6**	**11.6**	**55.7**	**90.4**	**89.9**	**248**	**37.2**	**75.8**	**114**	**109**	**336**	**383**	**421**	**450**
Group	41.6	11.6	55.7	90.4	89.9	248	37.2	75.8	114	109	336	383	421	450
EBITDA	**1.5**	**-1.0**	**3.4**	**6.2**	**24.5**	**33.1**	**-0.6**	**10.4**	**10.1**	**13.8**	**33.6**	**35.4**	**40.2**	**43.9**
Depreciation	-2.4	-1.4	-6.4	-6.4	-6.6	-20.9	-6.5	-6.5	-6.5	-6.5	-25.9	-26.2	-26.2	-26.3
EBIT (excl. NRI)	**1.3**	**-1.3**	**2.7**	**5.5**	**23.6**	**30.5**	**-1.3**	**9.7**	**9.4**	**13.1**	**30.8**	**32.3**	**37.0**	**40.7**
EBIT	**-0.8**	**-2.4**	**-3.0**	**-0.2**	**17.9**	**12.2**	**-7.1**	**3.9**	**3.6**	**7.3**	**7.7**	**9.2**	**13.9**	**17.6**
Group	-0.8	-2.4	-3.0	-0.2	17.9	12.2	-7.1	3.9	3.6	7.3	7.7	9.2	13.9	17.6
Share of profits in assoc. compan.	0.1	0.0	0.0	0.0	0.0	0.0	-0.1	-0.1	-0.1	-0.1	-0.4	-0.3	-0.5	-0.2
Net financial items	-4.0	-0.1	-1.1	-0.2	-0.2	-1.6	-0.3	-0.3	-0.3	-0.3	-1.0	-0.9	-0.8	-0.8
PTP	**-4.7**	**-2.5**	**-4.1**	**-0.5**	**17.6**	**10.6**	**-7.5**	**3.6**	**3.2**	**7.0**	**6.3**	**8.0**	**12.7**	**16.6**
Taxes	-0.1	-0.1	-1.2	-0.7	-1.0	-3.1	0.0	-0.8	-0.6	-0.9	-2.3	-2.4	-2.7	-6.0
Minority interest	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
Net earnings	**-4.9**	**-2.6**	**-5.3**	**-1.3**	**17.5**	**8.4**	**-7.5**	**2.8**	**2.6**	**6.1**	**4.1**	**5.6**	**10.0**	**10.6**
EPS (adj.)	**-0.01**	**0.00**	**0.00**	**0.01**	**0.03**	**0.04**	**0.00**	**0.01**	**0.01**	**0.02**	**0.04**	**0.04**	**0.05**	**0.05**
EPS (rep.)	**-0.02**	**0.00**	**-0.01**	**0.00**	**0.02**	**0.01**	**-0.01**	**0.00**	**0.00**	**0.01**	**0.01**	**0.01**	**0.01**	**0.02**

Key figures	2021	Q1'22	Q2'22	Q3'22	Q4'22	2022	Q1'23e	Q2'23e	Q3'23e	Q4'23e	2023e	2024e	2025e	2026e
Revenue growth-%						494.8 %	219.9 %	36.0 %	26.0 %	21.0 %	35.5 %	14.0 %	10.0 %	7.0 %
Adjusted EBIT growth-%						2215.0 %	4.6 %	264.1 %	71.1 %	-44.6 %	1.2 %	4.7 %	14.7 %	9.8 %
EBITDA-%	3.7 %	-8.5 %	6.1 %	6.8 %	27.2 %	13.4 %	-1.7 %	13.7 %	8.8 %	12.7 %	10.0 %	9.3 %	9.5 %	9.7 %
Adjusted EBIT-%	3.2 %	-11.1 %	4.8 %	6.1 %	26.3 %	12.3 %	-3.6 %	12.8 %	8.2 %	12.0 %	9.2 %	8.4 %	8.8 %	9.0 %
Net earnings-%	-11.7 %	-22.2 %	-9.5 %	-1.4 %	19.5 %	3.4 %	-20.1 %	3.7 %	2.3 %	5.6 %	1.2 %	1.5 %	2.4 %	2.4 %

Source: Inderes

Note: EBIT (excl. NRI) corresponds to the EBITA reported by the company and adjusted EBIT growth-% corresponds to reported EBITA growth-%

Skarta Energy estimates

	2023e	2024e	2025e	2026e	2027e	2028e	2063e	2064e	2065e	2066e	2067e
Revenue assumptions											
Average capacity (MW)	**0**	**80**	**240**	**470**	**750**	**800**	**800**	**720**	**560**	**330**	**50**
Capacity factor (%)		12%	12%	12%	12%	12%	9%	9%	9%	9%	9%
Annual production (GWh)		84	252	494	788	841	659	587	451	263	39
Price of electricity (EUR/MWh)		50	50	50	50	50	50	50	50	50	50
Revenue (MEUR)	**0**	**4**	**13**	**25**	**39**	**42**	**33**	**29**	**23**	**13**	**2**
Cost assumptions											
Fixed OPEX (EUR/MW)		7000	7000	7000	7000	7000	7000	7000	7000	7000	7000
Annual OPEX (MEUR)		1	2	3	5	6	6	5	4	2	0
Overheads in the construction phase (MEUR)	1	1	2	2	2	0					
Total costs (MEUR)	**1**	**2**	**3**	**5**	**7**	**6**	**6**	**5**	**4**	**2**	**0**
Investment assumptions											
Total investments (MEUR)	-26	-78	-127	-166	-107	-16					
Investment subsidies (MEUR)	25	0	8	17	11	2					
Net investments	**-1**	**-78**	**-119**	**-149**	**-97**	**-15**					
Income statement and cash flow											
Revenue (MEUR)	0	4	13	25	39	42	33	29	23	13	2
EBITDA (MEUR)	-1	3	9	20	33	36	27	24	19	11	2
EBIT (MEUR)	-1	-1	-1	0	1	5	25	22	16	9	0
Taxes (MEUR)	0	0	0	0	0	-1	-5	-4	-3	-2	0
NOPLAT (MEUR)	**-1**	**-1**	**-1**	**0**	**1**	**4**	**20**	**18**	**13**	**7**	**0**
Net investments (MEUR)	-1	-78	-119	-149	-97	-15	0	0	0	0	0
Depreciation (MEUR)	0	4	11	20	32	32	3	2	2	2	2
Free cash flow (MEUR)	**-2**	**-75**	**-109**	**-129**	**-64**	**21**	**22**	**20**	**15**	**9**	**2**
EBITDA-%		63%	75%	81%	83%	87%	83%	83%	83%	82%	82%
IRR	**6.5%**										

Investment profile 1/2

NYAB profiles as a growth company

We believe that the investments required for the green transition will provide the company with excellent long-term growth prospects in its target markets. Together with a strong historical track record and growth targets, we believe NYAB clearly profiles itself as a growth company. In addition, the company has a strong historical track record of high profitability and return on capital in Sweden, which bodes well for further value creation. Given its low capital requirements, the company is also well placed to complement its offering and accelerate growth through acquisitions, although we expect it to use mainly its own shares as a means of payment. Given NYAB's dividend policy and cash flow performance, we also expect the investor to receive a base return through the dividend. However, we expect the company to focus primarily on growth (incl. M&A) in the coming years, which is likely to slightly limit the payout ratio.

Strengths and value drivers

Track record in Sweden: NYAB has a very strong track record of profitable growth in Sweden, which we believe supports an acceptable valuation of the company and adds credibility to its growth strategy.

Strong market position in target markets: NYAB is a well-known player with a strong foothold, especially in the Norrbotten region. We expect this to support the company's growth opportunities in the future as green transition investments accelerate in the region.

Cash flow potential: Low capital requirements and historically good profitability support the company's potential cash flow generation capacity.

Investment outlook for the market: The investment prospects created by the green transition and urbanization offer very promising growth prospects for the company well into the future. In addition, the company is largely focused on less cyclical and counter-cyclical sectors, which makes it less exposed to economic fluctuations.

Stable customer base: NYAB's customer base consists mainly of public sector operators and large industrial players, which creates stability in demand.

Expansion into new markets: NYAB's main target markets are currently located in northern Sweden and Finland and the Stockholm area. Thus, geographic expansion into new regions in the current operating countries or into a new country would increase the size of the company's target market.

Development of renewable energy projects: Skarta Energy, a joint venture between NYAB and CapMan, has a significant renewable energy project development portfolio focused on solar power. If the project development is successful, the company has the potential to create significant value through it. So far, however, the project development is only in the acceleration phase, which means that there is considerable uncertainty about future developments. However, NYAB will be the primary contractor for the design, procurement and construction of the joint venture, which is likely to support the development of NYAB energy construction as the projects progress.

Acquisitions: The company's growth strategy also includes acquisitions, which enable the company to accelerate its growth and complement its offering.

Risks

Fluctuations in demand in the construction market and general economic developments: The construction market as a whole is cyclical in nature. However, more than half of NYAB's revenue comes from infrastructure construction, which is less exposed to economic cycles. Moreover, the investments required for the green transition will create good long-term growth prospects for the company's industrial and energy construction. However, we believe that a weaker business cycle could increase market competition as more cyclical players shift their focus to better performing sectors. In addition, we believe tighter monetary policy due to inflation and a possible further rise in interest rates could lead to the postponement or cancellation of projects on a larger scale. This would likely increase competition even further and make it more difficult to manage resources, which in turn could affect the company's growth and profitability performance. However, with NYAB's virtually net debt-free balance sheet, the company isn’t directly exposed to rising financing costs.

Investment profile 2/2

Pricing and project risks: The company's most typical pricing model is fixed pricing, which places a cap on the compensation NYAB can receive for its projects. Thus, successful project planning and on-time delivery are essential for profitable project implementation. However, in Sweden, the risk is offset by the greater responsibility of the subscribers in the projects, which allows the company to invoice extra in the event of cost overruns. However, this doesn't completely remove the company's responsibility and it's good to note that in Finland, additional invoicing is in principle much more challenging and quite project-specific. In addition, the company has historically realized project risks in Finland.

Tougher competition: The promising growth prospects in the target market are likely to attract new players to the industry, which may lead to fiercer price competition for projects. This would likely have an impact on the company's growth and profitability performance.

Personnel risks: For profitable growth of a personnel-driven business (incl. subcontractors), it's particularly important to find and keep the right people in the company. Our assessment is that there is a shortage of skilled personnel in a tight labor market. As a result, a spillover of skills outside the company and/or a failure to find new resources could make it more difficult to achieve the company's objectives. However, the company seeks to mitigate this risk through share-based engagement.

Exchange rates: The company's reporting currency is the euro, but about 3/4 of the group's revenue comes from Sweden. This exposes the company to EUR/SEK translation risk (income statement conversion into euros and equity translation differences), which may have an impact on the company's results. However, the company has little exposure to transaction risks.

Failure in M&A: In our view, the risks in M&A are related to the success of their integration and/or the increase in transaction prices. In addition, we believe there are key personnel risks associated with the acquisition of employee-owned companies, but the company seeks to mitigate these through share-based engagement.

Valuation 1/7

Valuation methods

In particular, we approach the valuation of NYAB using absolute valuation multiples and the sum-of-the-parts calculation, as this also takes into account the longer-term potential of Skarta Energy. However, it's worth noting that with Skarta Energy still in its start-up phase, there is considerable uncertainty in both directions about its future development. In addition to these, we use a total expected return calculation for the coming years and a DCF calculation to support the valuation.

We believe that NYAB should be priced as a profitable growth company, primarily on earnings-based multiples. Therefore, we prefer a net income-based P/E multiple adjusted for non-cash goodwill amortization and an EV/EBITA multiple reflecting the company's strong balance sheet. With the IFRS conversion likely to take place in the near future, our attention will naturally shift to EV/EBIT as goodwill amortization comes to an end. Regarding EV-based multiples, it's worth noting that we have included the associate Skarta Energy in the calculation of the enterprise value of NYAB (value determined via the value of the 60% arrangement with CapMan of 21.6 MEUR to 14.4 MEUR). We primarily look at the multiple in absolute terms but also partly relative to the peer group. Based on the good and relatively stable growth prospects in the market and NYAB Sverige's strong historical track record, we place particular emphasis on multiples and prospects for the near and medium term. However, there is still considerable uncertainty about the longer-term trajectory of the company, which limits the weight of the DCF model in the valuation. The model also doesn't fully take into account the long-term potential of Skarta Energy but serves as a tool for valuing existing businesses.

Despite the good cash profile, we see the dividend yield mainly as a component supporting earnings expectations as the company pursues its growth strategy. Moreover, given the short history, visibility on the evolution of the dividend payout ratio is still very limited.

Factors influencing valuation

In our view, factors affecting the acceptable valuation level of NYAB in the short and medium term include:

+ NYAB Sverige's strong track record of clearly above-market growth and higher profitability

+ Good and relatively stable long-term investment prospects in the market (incl. the company's strong market position in the Norrbotten region)

+ We estimate that the company has a good cash flow profile due to low investment needs

+ Skarta Energy's potential success in renewable energy project development and portfolio growth

- Lack of strong competitive advantages in the sector and partly price-driven competition

- In a personnel-driven business, the potential for scaling up is limited

- Profitability challenges of the Finnish business in the recent history

Valuation	2023e	2024e	2025e
Share price	0,71	0,71	0,71
Number of shares, millions	706,7	706,7	706,7
Market cap	500	500	500
EV	477	461	442
P/E (adj.)	18,4	17,4	15,1
P/E	>100	89,3	50,2
P/FCF	19,6	20,8	17,1
P/B	1,9	1,9	1,9
P/S	1,5	1,3	1,2
EV/Sales	1,4	1,2	1,0
EV/EBITDA	14,2	13,0	11,0
EV/EBIT (adj.)	15,5	14,3	11,9
Payout ratio (%)	174,5 %	151,4 %	99,3 %
Dividend yield-%	1,4 %	1,7 %	2,0 %

Source: Inderes

NOTE: In the tables, the adj. EV/EBIT multiples correspond to EV/EBITA multiples

Source: Inderes

Valuation 2/7

Peer group and acceptable valuation

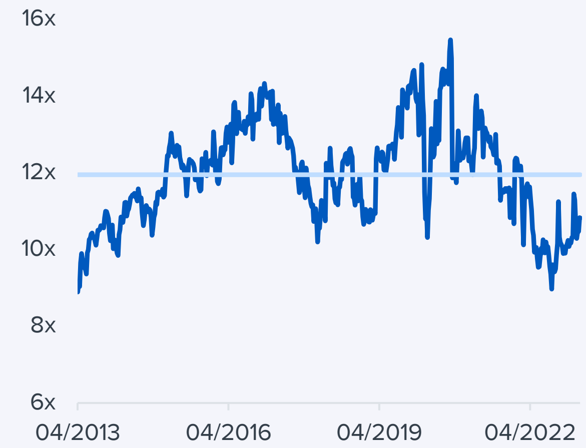
We have assembled a relatively broad peer group for NYAB, consisting of different types of listed Nordic construction and construction-related professional services providers. However, there are differences in the business profiles, focus areas, scope of services and, to some extent, geographical markets. Furthermore, the peer group consists of companies of very different sizes. However, we believe that the peer group provides a reasonable indication of the overall valuation picture for NYAB's various businesses. However, as noted earlier in the market review, we believe it's difficult to find fully direct peers for NYAB, particularly given the differences in overall offerings.

The EV/EBIT and P/E multiples for 2023 and 2024 of the peer group that we have defined are around 11x and 10x, respectively. The multiples are below the peer group's 10-year average, as the peer group has historically been priced at an average median EV/EBIT multiple of 12x and P/E multiple of 13x. Given the rise in interest rates over the past year and the weakening of the construction cycle, we think this is also quite justified (cf. zero interest rate period).

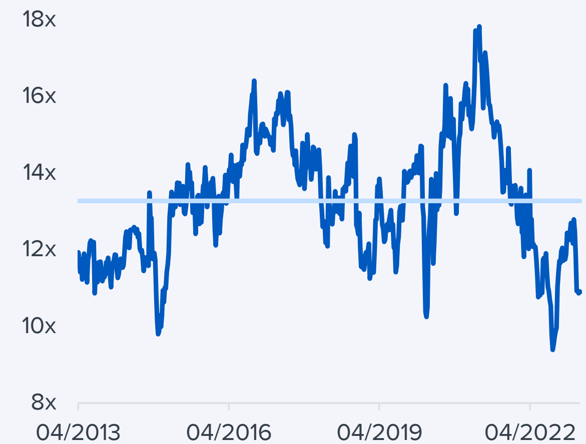
Given NYAB Sverige's very strong historical track record, we believe that the valuation of NYAB's Swedish businesses (80-85% of group earnings in the coming years in our estimates) is justified at a clear premium to peers. We also estimate that NYAB's business is focused on less cyclical markets than many of its peers (i.e. non-residential construction) and has a clearly superior growth profile, especially compared to its larger peers. In contrast, we believe that the historical profitability challenges of the Finnish businesses weigh slightly on the acceptable valuation for the time being. In addition, we believe that the dynamics of the industry (e.g. limited scalability) partly limit the acceptable multiples. Reflecting this overall picture and factors that have previously influenced valuation, we believe NYAB's acceptable valuation range is currently around 12x-16x at EV/EBITA and 13x-17x at P/E. The multiples are also somewhat in line with the longer-term averages of Nasdaq Helsinki (P/E 14x-15x and EV/EBIT 11x-14x), although we don't benchmark the company's valuation against the stock market average.

Given the company's guidance this year and the strong continued growth we foresee in the coming years, we believe that in the short term it's justified to value the stock between the midpoint and upper end of the range. However, it's good to note that the acceptable valuation relies heavily on continuously faster growth and higher profitability than the industry average. If there were to be greater disappointment in these areas, there would also be more room for a sharp fall in the acceptable valuation. In turn, we see evidence of a sustained improvement in the profitability of Finnish businesses as a mild positive driver for an acceptable valuation. Additionally, we believe that Skarta Energy's progress towards its strategic objectives could support NYAB's valuation multiples in the medium term through potentially realizable development premiums.

Peer group 12-month FW EV/EBIT (median)



Peer group 12-month FW P/E (median)



Source: Bloomberg, Inderes

Valuation 3/7

Absolute valuation

Based on our current estimates, NYAB's EV/EBITA multiple for the current year is 15x and the corresponding P/E multiple is 18x. It's worth noting that the multipliers are supported by a one-off compensation payment of EUR 3.6 million. Adjusted for this, the EV/EBITA multiple increases to 18x and the corresponding P/E multiple to 21x. Thus, looking at this year, we believe that earnings-based valuation is challenging. However, we expect continued strong growth and a slight increase in operating profitability to lower multiples to relatively neutral levels for next year (EV/EBITA 14x, P/E 17x).

However, if development continues on the path we expect, we believe there could be some upside in the 2025 multiples (EV/EBITA 12x, P/E 15x). Overall, however, we believe that the current share price has already priced in much of the continued profitable growth that we forecast. Thus, we see the stock's return driver as calling for faster earnings growth than our current expectations.

Sum-of-the-parts calculation

We believe that the sum-of-the-parts calculation is the most suitable way to value NYAB's various assets. The valuation of the whole can therefore be divided into the existing operational businesses and Skarta Energy. In addition, NYAB's net debt/net cash must be considered in the calculation when determining the fair value. We have included group expenses in our current operational estimates. However, the use of the model is made challenging by the ramp-up phase of Skarta Energy's business, which is why it hasn't yet been proven on a larger scale in terms of project development or operation.

Current businesses and net cash

In valuing the current businesses, we have used our EBITA estimates for 2023-2024, as we believe that this is the best way to reflect the company's strong growth profile. Employing the midpoint of our estimates (adjusted for the 2023 one-off item) and the midpoint and upper bound of our acceptable valuation range (EV/EBITA 14x-16x), we arrive at a debt-free value of the current businesses of around EUR 417-476 million or EUR 0.59-0.67 per share. When the net cash value of the company (2023e: 9.0 MEUR or EUR ~0.01 per share), the market value of NYAB's current businesses is calculated at EUR 426-485 million or around EUR 0.60-0.69 per share.

Background to the valuation of Skarta Energy

We believe that the valuation of Skarta Energy can be divided into two parts: energy production and project development. We have approached the valuation of energy production through both the DCF model and valuation multiples. Our baseline scenario builds on the projections that we presented in the Estimates section. Given the considerable uncertainty involved and the sensitivity of the DCF model to key parameters, we have also tested the value indicated by the DCF model through sensitivity analysis. We have not commented on the capital structure because, as stated earlier, neither Skarta Energy nor NYAB has yet disclosed the target capital structure (incl. the cost of financing), which will have a major impact on the outcome.

We have used a weighted average cost of capital (WACC) of 6% in our baseline scenarios, which we believe is a relatively neutral estimate for renewable energy production in the face of rising interest rates.

Similarly, we have approached the multiples-based valuation through the company's target (to build 800 MW of solar power over the next five years) and our baseline scenario projections (EBITDA in 2028). As a basis for an acceptable valuation, we have used a peer group of European companies focused on the development, construction, operation and ownership of renewable energy. The group consists of companies at different stages of development, in different markets and technologies, with slightly different business models. However, our assessment is that the group as a whole provides an adequate indication of the acceptable valuation of Skarta Energy as the strategy progresses as planned.

However, our estimate model hadn't taken into account the likely ongoing project development alongside the construction of 800 MW, which we also believe should be considered in the valuation of Skarta Energy. We have assigned a value to this through our estimated growth in the project development portfolio, the project completion rate, and the amount of development fees. It's worth noting that we consider it entirely possible that the company may sell properties it has developed or built during the estimate period, but it's not yet practical to model this.

Valuation 4/7

DCF model for the baseline energy production scenario and multiple-based valuation

By discounting our baseline projections presented in the Estimates section at a 6% cost of capital, we arrive at a present value of Skarta Energy's energy production of EUR 22.3 million. We have assumed that NYAB's ownership of the joint venture under which Skarta Energy operates (40%) will remain unchanged. Furthermore, we assume for simplicity that the ownership of the Callio-Hitura project (~75 MW) is split 50/50 between Skarta Energy and Solarigo Systems, giving NYAB an ownership of just over 38% of the total. Taking this into account, NYAB's share of the present value of energy production is EUR 8.7 million or EUR 0.01 per share.

In turn, using our 2028 EBITDA estimate (36 MEUR), assuming the full 800 MW in production, and the median 2023 EV/EBITDA ratio of peer companies (EV/EBITDA: ~13x) we arrive at a debt-free value of energy production of EUR 470 million. Assuming that Skarta Energy would use 50% debt (260 MEUR) to finance gross investments and that the company has not yet repaid its debt by 2028 (i.e. revenue financing used for investments and interest payments) we get a market value of energy production of EUR ~210 million in 2028. Discounting this to the present at a WACC of 6%, the present value of energy production is EUR ~150 million, of which the value of NYAB's stake is EUR ~57 million or about EUR 0.08 per share.

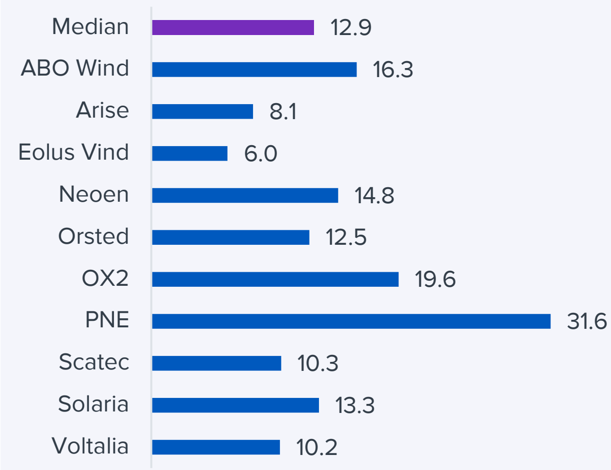
The difference between the calculations is mainly because the multiple-based valuation doesn't consider the substantial up-front investments required for energy production. However, it gives an idea of how energy production could be valued after the construction phase under our current assumptions.

Valuation of project development

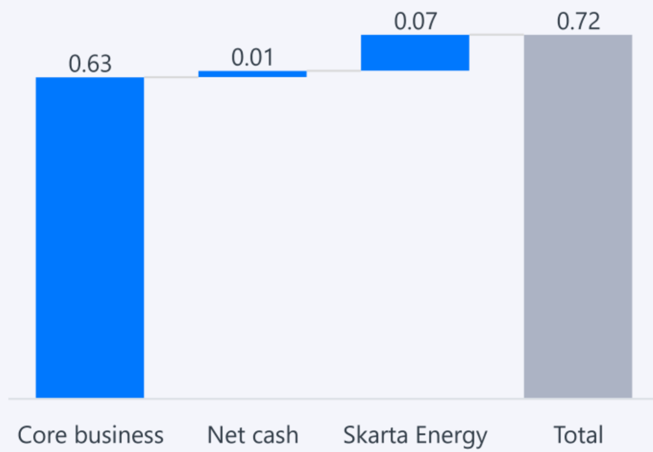
In addition to power generation, we have taken into account the growth of Skarta Energy's non-energy project development portfolio (800 MW) in our valuation. For this, we have assumed that the project development portfolio would have the potential to grow much faster than energy production, as the amount of capital required for project development is much more limited. As such, we have assumed that the size of the project development portfolio would be twice the size of the power generation portfolio at the end of 2028 (1,600 MW). However, this estimate is subject to considerable uncertainty. In turn, we have expected the average completion rate of the project portfolio to be 50% for the sake of simplicity.

We have gauged out the value of development fees through a study commissioned by the consultancy Apricum. Based on the study, we have estimated that the value of ready-to-construct projects in Finland could be roughly EUR 50,000-120,000 per MW. We believe that this is quite in line with the wind development premiums. However, we estimate that there are significant differences in development fees between projects. Taking these factors into account, we estimate the value of the project development portfolio at the end of 2028 at EUR 40-96 million. Of this, NYAB's share is 40%, or EUR 16-38 million.

Skarta Energy peer valuation (EV/EBITDA 23e)



Midpoint of the baseline scenario SOTP value



Source: Refinitiv, Inderes

Valuation 5/7

A value several years in the future should still be discounted to the present. In discounting the project development portfolio, we have used the average cost of capital we determined for NYAB (WACC 8.5%), as we estimate that the required return on project development is higher than the stable cash flow profile of energy generation. Thus, the present value of NYAB's share of the project development portfolio is EUR 10-24 million or EUR 0.01-0.03 per share.

Value of Skarta Energy in the baseline scenario

Combining our values for energy production in the baseline scenario with the values of the project development portfolio, we arrive at a present value of NYAB's stake in Skarta Energy of EUR 19-82 million or EUR 0.03-0.12 per share.

Sum of parts under the baseline scenario

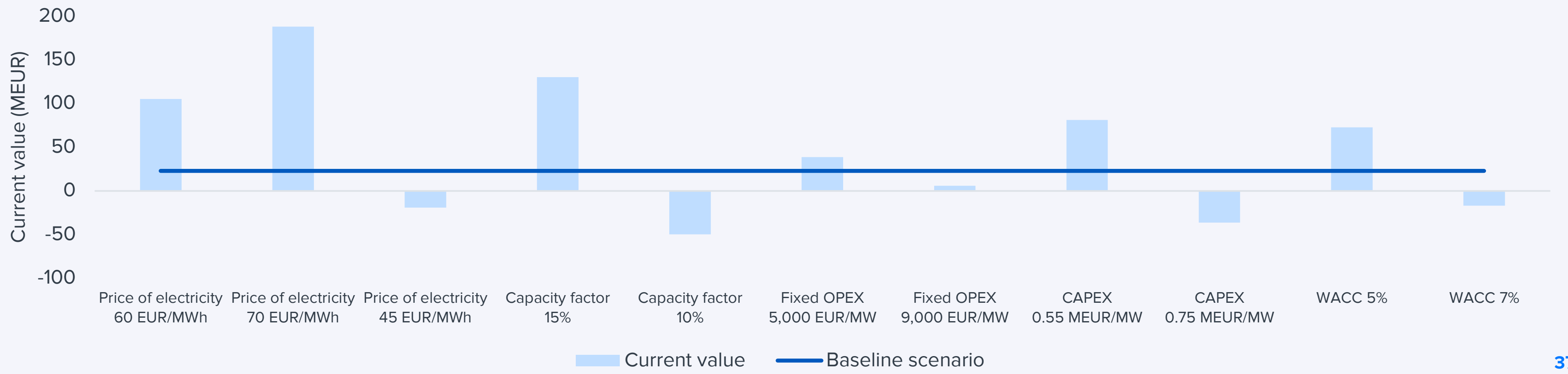
In turn, by adding up the values of our current business and Skarta Energy, in our baseline scenario, the fair value of NYAB's stock is EUR 445-567 million, corresponding to a value of EUR 0.63-0.80 per share. From this perspective, we believe that the share is largely correctly priced at the current price level of EUR 0.73. However, it's worth noting that there is considerable uncertainty in our current assumptions, especially for Skarta Energy.

Sensitivity analysis of the DCF calculation

In the sensitivity analysis below, we have changed the estimate parameters of our baseline scenario one by one (incl. electricity price, capacity factor, OPEX, CAPEX, WACC), which allows us to consider different scenarios in the key assumptions. However, the sensitivity analysis should be viewed critically, as just one parameter changing is unlikely. However, we believe that this gives an indication of the impact of the main parameters on long-term value creation.

From the sensitivity analysis, we see that the calculation reacts most strongly to the sales-based parameters. The most significant upside in our baseline scenario would come from a more permanent upward adjustment in electricity prices. Also, higher-than-expected production levels would lead to a much higher value even at our current electricity price assumption (50 EUR/MWh). Similarly, the most significant individual risks would be production levels below our expectations or a more significant fall in electricity prices. We believe this is natural given the high front-loaded investments and relatively low operating costs. Reflecting this, changes in operating costs have a much more limited impact on the outcome of the calculation.

Sensitivity analysis of Skarta Energy's DCF calculation for energy production



Source: Inderes

Valuation 6/7

Lower investment costs (CAPEX) or lower return on capital (WACC) could also be important positive drivers compared to the baseline scenario. In contrast, a higher-than-expected CAPEX level or an increase in the required rate of return would turn the present value of the calculation negative.

This overall picture is a good indication of how sensitive the calculation is to the assumptions made, and the range of the final results is very wide. Overall, however, we think it's worth noting that the present value of energy production can rise above the current baseline scenario in several different ways. However, when production levels and/or electricity prices fall well short of our expectations, other factors make it much more difficult to compensate.

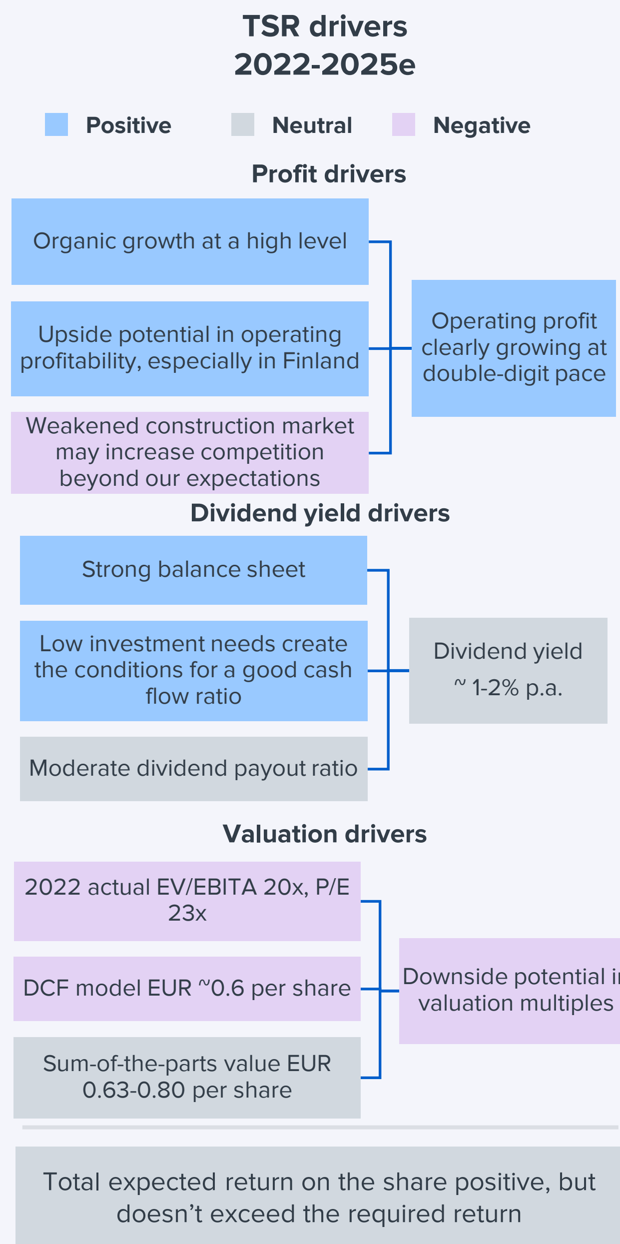
The sensitivity of energy production to the assumptions can also be examined by looking at the 2028 multiple-based valuation through the most sensitive parameters of the DCF calculation (electricity price, capacity factor). Assuming a longer-term electricity price level of 70 EUR/MWh, the operating margin of energy production would rise to EUR 53 million in 2028 with other parameters remaining unchanged. This would bring the debt-free value of energy production at the EV/EBITDA ratio we used earlier to EUR 687 million and the market value to EUR 427 million. This, discounted to present value, would correspond to EUR 306 million. NYAB's share of this is EUR 117 million or EUR 0.17 per share.

Similarly, if the capacity factor of energy production remained at only 10%, the operating margin of energy production would decrease to EUR 29 million at the assumed price of electricity of our baseline scenario. This would leave the debt-free value of energy production at EUR 379 million and the market value at EUR 119 million. Discounted to the present, this would amount to EUR 86 million, of which NYAB's share would be EUR 33 million or EUR 0.05 per share. In our view, these examples illustrate very well the high degree of uncertainty in both directions associated with the valuation of Skarta Energy to date.

Total expected return in the coming years

We have also looked at an investor's expected return over the next few years by simplifying the acceptable valuation and our 2025 earnings estimates. In our view, NYAB's businesses could be valued at 13x-15x EV/EBITA and around 14x-16x P/E at the end of 2025 on our current estimtes, once the company's strongest growth phase is behind it. The multiples would still be well above the current and historical median of peer companies and pricing would naturally require the company to maintain profitability well above the industry average.

Based on this and our current estimates, we believe that the current business could be valued at roughly EUR 0.70-0.84 per share at the end of 2025. At the current share price of EUR 0.71, we estimate the expected annual return to be in the range of 0-7%. On top of this, we expect the investor to receive a low base return of 1-2% through dividends, but this still doesn't bring the annual expected return above the 9.6% return on equity that we use. However, the calculation doesn't take into account Skarta Energy's potential or the development premiums that may be realized from it, which is why the total expected return only serves as a supporting element for the valuation.



Valuation 7/7

However, as there is still considerable uncertainty about Skarta Energy's potential, we also believe it is justified to approach the medium-term expected return through established businesses. Overall, we believe that the expected return over the next few years reflects the fact that the stock is already priced for continued high growth and profitability that we forecast and/or the potential of Skarta Energy above our current baseline scenario.

In a positive medium-term scenario, the expected return rises to an attractive level

Assuming that NYAB's growth continues on the path we forecast until the end of 2026 and the company achieves an EBITA margin of 10% in line with its financial targets, the company's operating profit would be EUR 45.0 million. If the company's growth prospects were still as strong, we believe the stock could be priced at an EV/EBITA of 15x. This would give the company a debt-free value of EUR 676 million. Similarly, with our net debt assumptions adjusted for the increase in profitability, this would correspond to a market value of EUR 741 million or EUR 1.05 per share. Translated into an annualized return, this would instead mean around 11%, on top of which the investor would receive an additional 1-2% base return on the dividend. In this scenario, the investor's expected annual return would be higher than the 9.6% cost of equity we used, and the investor would also have the option of a potential increase in the value of Skarta Energy. However, the visibility to this scenario materializing is still quite limited, yet we don't consider it impossible, especially given NYAB Sverige's strong historical track record.

Cash flow-based valuation

We also give partial weight to the DCF model in the valuation. It's worth noting that the model is very sensitive to terminal period variables, but we believe we have used sufficiently conservative estimates for these. In addition, NYAB Sverige's historically high growth rate coupled with its recent acquisition means that longer-term growth and profitability assumptions are subject to considerable uncertainty. Furthermore, as previously stated, the model doesn't fully take into account the long-term potential of Skarta Energy (only for 14.4 MEUR). Nevertheless, we see that the model does provide support for the other methods we use.

Our DCF model indicates a value of EUR 0.60 per share. Thus, the DCF value is below the current share price, but roughly in line with the value of the current business as determined in our sum-of-the-parts model, which supports our valuation.

Our cash flow model is based on our long-term assumptions discussed in the Estimates section. As previously stated, we expect revenue growth for the terminal period to be 2% and we have set our EBITA margin at 7%. The weight of the terminal section in the model is 53%, which we consider to be a reasonable level. We estimate that our current cost of capital (WACC% 8.5% and CoE 9.6%) is around the median required rate of return of the stock market In our view, there could still be room for a gradual decline in the required rate of return as the profitability turnaround of the Finnish business holds and/or interest rates fall slightly.

Recommendation and target price

We have assessed NYAB's valuation from several angles and believe the stock is currently relatively correctly priced given the good growth prospects of the current business and the longer-term potential of Skarta Energy. However, it's worth noting that the valuation of Skarta Energy in particular is challenging, which means that there is considerable uncertainty in both directions when assessing its potential.

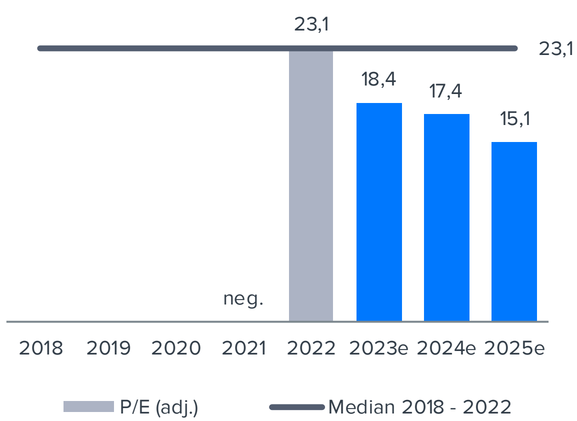
However, despite the good growth prospects and value-creating growth, we don't believe that there is upside potential in the short-term valuation of the stock relative to our current estimates. We believe the company has the potential to accelerate its growth through acquisitions already in the short term, but it's still too early to comment on the value creation potential of these. Moreover, the stock is quite justifiably priced well above its peers, but there would be a clearer downside in the stock's valuation multiples if growth or profitability expectations were to fail. Thus, we believe that the risk-adjusted expected return on the stock will remain inadequate over the next 12 months. Reflecting this overall picture, we initiate the coverage of NYAB with a Reduce recommendation and a target price of EUR 0.70, which is close to the midpoint of the sum-of-the-parts calculation in our baseline scenario.

Valuation table

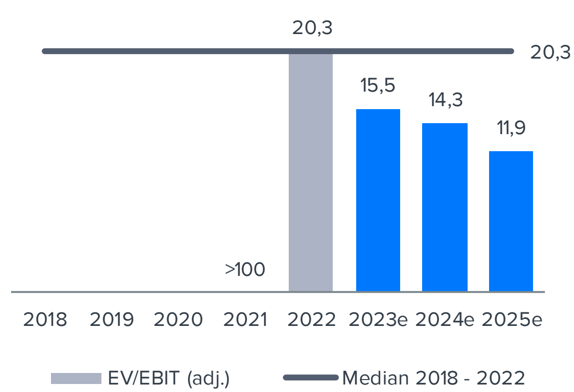
Valuation	2018	2019	2020	2021	2022	2023e	2024e	2025e	2026e
Share price				0,85	0,87	**0,71**	**0,71**	**0,71**	**0,71**
Number of shares, millions				288,4	706,7	**706,7**	**706,7**	**706,7**	**706,7**
Market cap				245	615	**500**	**500**	**500**	**500**
EV				247	620	**477**	**461**	**442**	**422**
P/E (adj.)				neg.	23,1	**18,4**	**17,4**	**15,1**	**14,8**
P/E				neg.	73,2	**>100**	**89,3**	**50,2**	**47,1**
P/FCF				neg.	neg.	**19,6**	**20,8**	**17,1**	**16,3**
P/B				4,4	2,3	**1,9**	**1,9**	**1,9**	**1,9**
P/S				5,9	2,5	**1,5**	**1,3**	**1,2**	**1,1**
EV/Sales				5,9	2,5	**1,4**	**1,2**	**1,0**	**0,9**
EV/EBITDA				>100	18,7	**14,2**	**13,0**	**11,0**	**9,6**
EV/EBIT (adj.)				>100	20,3	**15,5**	**14,3**	**11,9**	**10,4**
Payout ratio (%)				0,0 %	58,9 %	**174,5 %**	**151,4 %**	**99,3 %**	**106,5 %**
Dividend yield-%				0,0 %	0,8 %	**1,4 %**	**1,7 %**	**2,0 %**	**2,3 %**

Source: Inderes

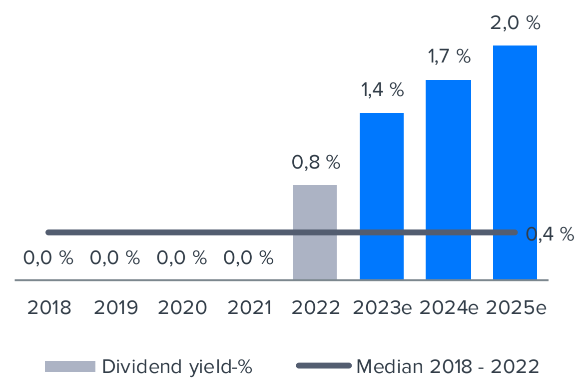
P/E (adj.)



EV/EBIT



Dividend yield-%



Peer group valuation

Peer group valuation	Market cap	EV	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%		P/B
Company	**MEUR**	**MEUR**	**2023e**	**2024e**	**2023e**	**2024e**	**2023e**	**2024e**	**2023e**	**2024e**	**2023e**	**2024e**	**2023e**
Peab	1401	3013	14,0	13,5	8,6	8,4	0,6	0,6	8,2	7,9	7,7	8,0	1,1
NCC	889	1175	9,3	8,2	4,9	4,6	0,2	0,2	8,1	7,1	6,9	7,6	1,2
Skanska	5947	5886	9,6	9,2	7,4	6,8	0,4	0,4	11,3	10,9	4,8	5,1	1,2
YIT	484	1209	13,6	11,3	10,9	9,0	0,5	0,5	9,9	8,1	7,4	7,9	0,6
AF Gruppen	1443	1631	12,1	10,6	9,0	8,2	0,6	0,6	12,3	10,9	9,4	9,4	4,3
NRC Group	70	152	7,7	5,7	4,2	3,5	0,3	0,2	6,0	4,0	5,4	7,6	0,3
Veidekke	1345	1151	9,1	8,7	5,5	5,3	0,3	0,3	14,3	13,7	6,8	7,1	5,1
MT Hoejgaard Holding	147	197	5,0	4,0	3,2	2,7	0,2	0,1	6,7	4,2			1,2
Kreate	73	106	10,1	11,3	6,9	6,2	0,4	0,4	9,9	9,1	5,8	6,1	1,6
Sitowise	142	228	12,7	10,4	8,0	7,1	1,1	1,0	11,4	9,1	3,0	3,5	1,1
Sweco	4147	4465	20,4	18,6	15,6	14,5	1,9	1,8	25,1	22,8	2,2	2,3	4,3
AFRY	1834	2920	18,5	16,2	12,1	11,1	1,3	1,3	16,2	14,0	3,1	3,6	1,6
Enersense	82	95	16,7	8,9	6,5	4,9	0,3	0,3	62,4	15,5	2,0	2,4	1,4
Eltel	125	255	46,5	16,5	7,5	5,5	0,3	0,3		159,4		0,6	0,6
Dovre Group	64	61	6,8	6,8	6,8	6,1	0,3	0,3	15,1	12,1	1,7	1,7	1,7
Netel	146	209	9,5	8,4	7,4	6,8	0,7	0,6	9,5	8,2	4,0	4,8	1,3
NYAB (Inderes)	**500**	**477**	**15,5**	**14,3**	**14,2**	**13,0**	**1,4**	**1,2**	**18,4**	**17,4**	**1,4**	**1,7**	**1,9**
Average			**13,8**	**10,5**	**7,8**	**6,9**	**0,6**	**0,6**	**15,1**	**19,8**	**5,0**	**5,2**	**1,8**
Median			**11,1**	**9,8**	**7,4**	**6,5**	**0,4**	**0,4**	**11,3**	**10,0**	**5,1**	**5,1**	**1,2**
Diff-% to median			***40 %***	***46 %***	***92 %***	***101 %***	***264 %***	***221 %***	***63 %***	***74 %***	***-72 %***	***-67 %***	***54 %***

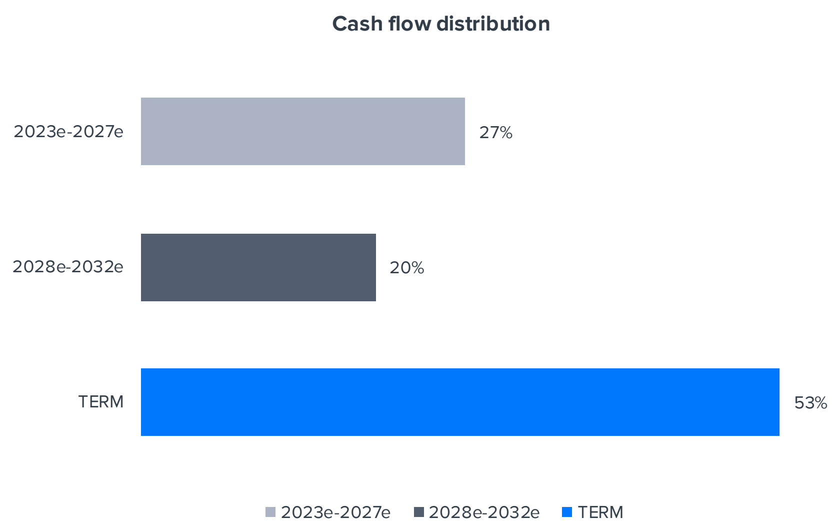
Source: Refinitiv / Inderes

DCF calculation

DCF model	2022	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	TERM
Revenue growth-%	494,8 %	35,5 %	14,0 %	10,0 %	7,0 %	6,0 %	5,0 %	5,0 %	4,0 %	3,0 %	2,0 %	2,0 %
EBIT-%	4,9 %	2,3 %	2,4 %	3,3 %	3,9 %	3,9 %	3,9 %	3,7 %	3,9 %	3,7 %	6,0 %	6,0 %
EBIT (operating profit)	**12,2**	**7,7**	**9,2**	**13,9**	**17,6**	**18,6**	**19,6**	**19,5**	**21,4**	**20,9**	**34,5**	
+ Depreciation	20,9	25,9	26,2	26,2	26,3	26,0	26,1	25,8	23,5	23,7	9,6	
- Paid taxes	-3,1	-2,3	-2,4	-2,7	-6,0	-8,3	-8,5	-8,4	-8,3	-8,2	-8,1	
- Tax, financial expenses	-0,2	-0,1	-0,1	-0,1	-0,1	-0,2	-0,2	-0,2	-0,2	-0,2	-0,2	
+ 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	-19,4	-8,3	-5,6	-4,6	-3,5	-3,2	-2,9	-3,0	-2,5	-2,0	-1,4	
Operating cash flow	**10,4**	**23,0**	**27,3**	**32,8**	**34,2**	**33,0**	**34,2**	**33,7**	**33,9**	**34,2**	**34,5**	
+ Change in other long-term liabilities	0,1	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	
- Gross CAPEX	-212	-3,1	-3,3	-3,5	-3,6	-3,7	-3,9	-4,1	-4,3	-4,5	-4,0	
Free operating cash flow	**-201**	**19,9**	**24,0**	**29,3**	**30,6**	**29,3**	**30,3**	**29,6**	**29,6**	**29,7**	**30,6**	
+/- Other	191	5,6	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	
FCFF	-10,4	25,5	24,0	29,3	30,6	29,3	30,3	29,6	29,6	29,7	30,6	482
Discounted FCFF		**24,1**	**21,0**	**23,5**	**22,7**	**20,0**	**19,1**	**17,2**	**15,8**	**14,7**	**13,9**	**219**
Sum of FCFF present value		411	387	366	342	320	300	281	263	248	233	219
Enterprise value DCF		**411**										
- Interesting bearing debt		-18,5										
+ Cash and cash equivalents		13,8										
-Minorities		0,0										
-Dividend/capital return		0,0										
Equity value DCF		**421**										
Equity value DCF per share		**0,60**										

WACC	
Tax-% (WACC)	20,5 %
Target debt ratio (D/(D+E)	20,0 %
Cost of debt	5,0 %
Equity Beta	1,20
Market risk premium	4,75 %
Liquidity premium	1,40 %
Risk free interest rate	2,5 %
Cost of equity	**9,6 %**
Weighted average cost of capital (WACC)	**8,5 %**

Source: Inderes



Balance sheet

Assets	2021	2022	2023e	2024e	2025e
Non-current assets	**47.7**	**239**	**216**	**193**	**170**
Goodwill	36.4	207	183	160	137
Intangible assets	0.4	0.0	0.1	0.2	0.3
Tangible assets	5.5	15.3	15.5	15.6	15.9
Associated companies	0.0	0.0	0.0	0.0	0.0
Other investments	5.4	16.7	16.7	16.7	16.7
Other non-current assets	0.0	0.0	0.0	0.0	0.0
Deferred tax assets	0.0	0.0	0.0	0.0	0.0
Current assets	**29.1**	**99.1**	**137**	**170**	**203**
Inventories	1.8	2.3	3.4	3.8	4.2
Other current assets	0.0	0.0	0.0	0.0	0.0
Receivables	23.2	83.0	114	130	143
Cash and equivalents	4.1	13.8	20.0	35.7	55.4
Balance sheet total	**76.8**	**338**	**353**	**363**	**373**

Source: Inderes

Liabilities & equity	2021	2022	2023e	2024e	2025e
Equity	**55.5**	**263**	**262**	**260**	**262**
Share capital	0.1	0.1	0.1	0.1	0.1
Retained earnings	-19.7	-10.6	-11.5	-12.9	-11.4
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	0.0	0.0	0.0	0.0	0.0
Other equity	75.1	273	273	273	273
Minorities	0.0	0.0	0.0	0.0	0.0
Non-current liabilities	**4.1**	**11.4**	**10.1**	**10.1**	**10.1**
Deferred tax liabilities	0.0	0.0	0.0	0.0	0.0
Provisions	0.0	0.1	0.1	0.1	0.1
Long term debt	4.1	11.3	10.0	10.0	10.0
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	**17.2**	**63.6**	**81.3**	**92.2**	**101**
Short term debt	1.6	7.2	1.0	1.0	1.0
Payables	15.6	53.3	77.2	88.0	96.8
Other current liabilities	0.0	3.1	3.1	3.1	3.1
Balance sheet total	**76.8**	**338**	**353**	**363**	**373**

Summary

Income statement	2021	2022	2023e	2024e
Revenue	41,6	247,7	**335,7**	**382,7**
EBITDA	1,5	33,1	**33,6**	**35,4**
EBIT	-0,8	12,2	**7,7**	**9,2**
PTP	-4,7	10,6	**6,3**	**8,0**
Net Income	-4,9	8,4	**4,1**	**5,6**
Extraordinary items	-2,2	-18,2	**-23,1**	**-23,1**

Balance sheet	2021	2022	2023e	2024e
Balance sheet total	76,8	337,7	**353,3**	**362,6**
Equity capital	55,5	262,7	**261,9**	**260,4**
Goodwill	36,4	206,5	**183,4**	**160,3**
Net debt	1,6	4,7	**-9,0**	**-24,7**

Cash flow	2021	2022	2023e	2024e
EBITDA	1,5	33,1	**33,6**	**35,4**
Change in working capital	-10,4	-19,4	**-8,3**	**-5,6**
Operating cash flow	-8,8	10,4	**23,0**	**27,3**
CAPEX	-39,7	-211,8	**-3,1**	**-3,3**
Free cash flow	-54,8	-10,4	**25,5**	**24,0**

Valuation multiples	2021	2022	2023e	2024e
EV/S	5,9	2,5	**1,4**	**1,2**
EV/EBITDA (adj.)	>100	18,7	**14,2**	**13,0**
EV/EBIT (adj.)	>100	20,3	**15,5**	**14,3**
P/E (adj.)	neg.	23,1	**18,4**	**17,4**
P/B	4,4	2,3	**1,9**	**1,9**
Dividend-%	0,0 %	0,8 %	**1,4 %**	**1,7 %**

Source: Inderes

Per share data	2021	2022	2023e	2024e
EPS (reported)	-0,02	0,01	**0,01**	**0,01**
EPS (adj.)	-0,01	0,04	**0,04**	**0,04**
OCF / share	-0,03	0,01	**0,03**	**0,04**
FCF / share	-0,19	-0,01	**0,04**	**0,03**
Book value / share	0,19	0,37	**0,37**	**0,37**
Dividend / share	0,00	0,01	**0,01**	**0,01**

Growth and profitability	2021	2022	2023e	2024e
Revenue growth-%	1041041 %	495 %	**36 %**	**14 %**
EBITDA growth-%		2073 %	**2 %**	**5 %**
EBIT (adj.) growth-%		2215 %	**1 %**	**5 %**
EPS (adj.) growth-%		-498 %	**2 %**	**6 %**
EBITDA-%	3,7 %	13,4 %	**10,0 %**	**9,3 %**
EBIT (adj.)-%	3,2 %	12,3 %	**9,2 %**	**8,4 %**
EBIT-%	-2,0 %	4,9 %	**2,3 %**	**2,4 %**
ROE-%	-16,7 %	5,3 %	**1,5 %**	**2,1 %**
ROI-%	-2,3 %	7,1 %	**2,7 %**	**3,3 %**
Equity ratio	72,3 %	78,8 %	**74,1 %**	**71,8 %**
Gearing	2,9 %	1,8 %	**-3,4 %**	**-9,5 %**

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Date	Recommendation	Target	Share price
4/25/2023	Reduce	0.70 €	0.71 €

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