Solwers

Company report

9/2/2024

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Inderes corporate customer

This report is a summary translation of the report “Kysynnän vaisuin jakso lienee ohitettu” published on 8/30/2024 at 10:02 pm EEST

Slowest period of demand likely over

The H1 results published by Solwers on Friday were slightly below our forecasts, but this was mainly due to non-recurring items. We have made only minor downward revisions to our organic forecasts, while also taking into account the recent acquisitions. Against this background, the overall changes made to our forecasts were not large. In our view, the stock has clear upside, provided the company manages to improve its balance sheet efficiency and execute successful acquisitions in line with its strategy. Therefore, we reiterate our EUR 5.0 target price and Buy recommendation.

Top line beat, but result misses our forecast mainly due to one-offs that increase cost structure

Thanks to acquisitions, Solwers' H1 revenue jumped 20% year-on-year to 39.9 MEUR. According to the company, organic growth has been slightly positive, while we expected organic revenue to decline in H1 reflecting the sluggish market situation. Despite exceeding top-line forecasts, Solwers' EBITA remained at 3.3 MEUR, below our forecast of 3.6 MEUR. However, it should be noted that the contingent consideration for the acquisitions increased the cost structure by approximately 0.2 MEUR and the costs for the transition to the main list by just under 0.1 MEUR. In practice, these are of the same magnitude as the forecast miss, and so the operative underperformance is largely driven by non-recurring items. Overall, we estimate that the weakest period of reduced demand due to subdued economic activity was experienced in the early part of the year, which is likely to have been reflected in efficiency losses in some group companies. Taking this and the non-recurring items into account, we do not draw any major conclusions about the unsatisfactory level of profitability in H1.

Outlook unchanged, no major changes to forecasts

In its H1 report, Solwers reiterated its previous outlook and expects the business environment to improve towards the end of 2024. This was in line with our expectations, and we have maintained our forecast of stable organic revenue for the rest of the year. We expect this year to be the market bottom but reflecting the sluggish residential construction market and its indirect impact on Solwers' business, we have slightly eased our organic growth forecast for next year. We have also factored the two recent acquisitions into our forecasts. Overall, we have slightly lowered our earnings forecasts for this year and the next, while raising our earnings forecast for 2026 somewhat. The financial position at the end of H1'24 allows for further inorganic growth, which Solwers also mentioned in the report.

Room for improvement in balance sheet utilization

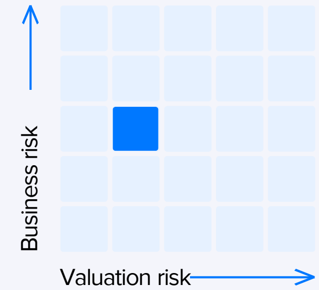
Overall, we believe that the earnings-based multiples based on our estimates for the current year are elevated, but on the other hand, they do not fully take into account the acquisitions already made. We believe that the valuation multiples for 2025 are quite reasonable (2025 P/E ratio 13x and EV/EBIT 12x). The same earnings-based valuation picture is also reflected in the relative valuation, where the company is valued at a discount to its peers. Our cash flow model, which is at our target price level, also points to an undervaluation. In our view, the key driver of value growth is a more efficient use of balance sheet capital, as the stock is moderately valued on a balance sheet basis. On the other hand, this presupposes that the capital revenue, which has weakened in recent years, and thus the return on capital can be raised to a higher level through successful capital allocation.

Recommendation

Buy
(was Buy)

5.00 EUR
(was 5.00 EUR)

Share price:
3.74



Key figures

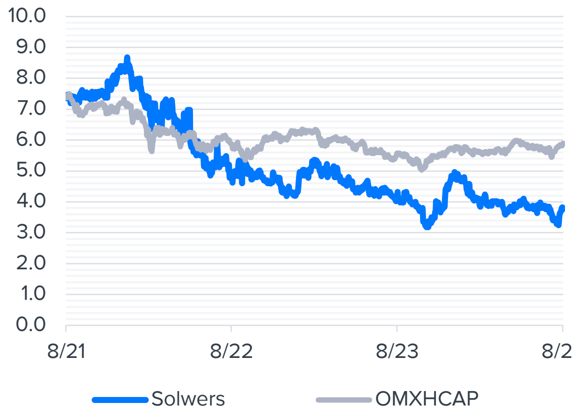
	2023	2024e	2025e	2026e
Revenue	66.0	80.3	83.7	86.6
growth-%	5%	22%	4%	3%
EBIT adj.	4.8	4.4	5.0	5.4
EBIT-% adj.	7.3 %	5.5 %	5.9 %	6.2 %
Net Income	3.2	2.2	2.9	3.3
EPS (adj.)	0.32	0.22	0.29	0.32
P/E (adj.)	15.1	17.1	13.1	11.6
P/B	1.2	0.9	0.9	0.8
Dividend yield-%	1.3 %	2.0 %	2.1 %	2.4 %
EV/EBIT (adj.)	13.5	13.9	12.0	10.7
EV/EBITDA	8.2	7.7	6.8	6.2
EV/S	1.0	0.8	0.7	0.7

Source: Inderes

Guidance (Unchanged)

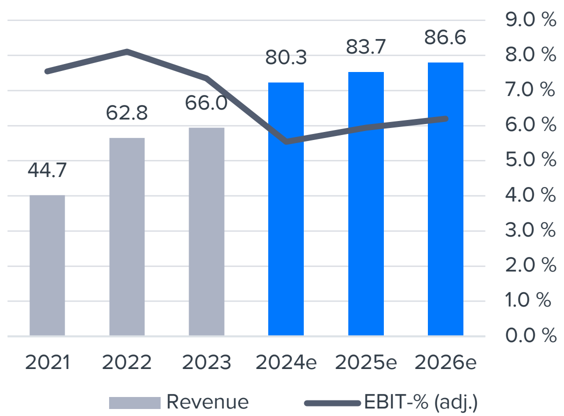
Solwers' business environment is expected to improve toward the end of 2024 with the general market pick up.

Share price



Source: Millistream Market Data AB

Revenue and EBIT-%



Source: Inderes

EPS and dividend

Source: Inderes

Value drivers

- Long-term organic growth supported by market growth
- Good preconditions to continue the rapid and value creating inorganic growth strategy
- Effective acquisition process
- Success in capital allocation determines the level of long-term value creation

Risk factors

- The cyclical nature of customer industries and a weaker investment outlook
- Uncertainty and low visibility related to the development of billable utilization and thus profitability
- Risks related to inorganic growth
- Personal dependence
- Low liquidity of the share

Valuation	2024e	2025e	2026e
Share price	3.74	3.74	3.74
Number of shares, millions	10	10	10
Market cap	38	38	38
EV	62	60	57
P/E (adj.)	17.1	13.1	11.6
P/E	17.1	13.1	11.6
P/B	0.9	0.9	0.8
P/S	0.5	0.5	0.4
EV/Sales	0.8	0.7	0.7
EV/EBITDA	7.7	6.8	6.2
EV/EBIT (adj.)	13.9	12.0	10.7
Payout ratio (%)	34.2 %	27.9 %	28.0 %
Dividend yield-%	2.0 %	2.1 %	2.4 %

Source: Inderes

Top line exceeded and bottom line missed our forecasts

Revenue overshoot from organic growth again

In H1'24, Solwer's revenue grew by around 20% from the comparison period to 32.8 MEUR. This exceeded our forecast of around 15% growth, which was based on inorganic growth of around 19% and a decline in organic revenue. According to the company's comments, its organic growth turned slightly positive, which explains why it outperformed our forecast. In our view, positive organic development is a good achievement, as we estimate that the worst of the economic slowdown and the resulting decline in investment activity probably occurred at the beginning of the year.

Profitability declined more than expected, but partly driven by non-recurring items

Solwers' EBITA margin fell to 8.2%, below our forecast of 9.5%. This also reflects a decline of up to 1.5 percentage points year-on-year. We believe that the sharp decline in profitability will result in some group companies suffering from lack of demand and the resulting inefficiencies, even though there have been layoffs in the companies. In addition, profitability was burdened by non-recurring items of just under 0.3 MEUR related to the possible transition to the main list and the contingent considerations of the acquisitions made. Against this background, we do not believe that the current unsatisfactory level of profitability is the new normal for the company.

On the lower lines, the company's net financial expenses were higher than our forecast, but we believe that this included exchange rate differences of around 0.2 MEUR. Thus, the cash-flow financing costs were in line with our forecasts, although reflecting this and the operational forecast miss, the H1 earnings per share of EUR 0.07 were below our forecast.

Typical working capital commitment in H1 hampered cash flow

In H1, Solwers generated only 1.1 MEUR in cash flow from operating activities, while the corresponding amount of net working capital was committed in the period. Historically, this seasonality seems typical, and we expect the cash flow ratio to strengthen in the second half of the year. Organic investments were peanuts in H1, but on the other hand, acquisitions and the acquisition of non-controlling interests drained cash by 2.8 MEUR.

At the end of H1'24, the company's net debt stood at 23.6 MEUR (excluding IFRS 16 liabilities 17.4 MEUR), which corresponds to a 2.6x ratio relative to EBITDA for the previous 12 months. It should be noted, however, that net debt includes contingent considerations, which are not guaranteed to be paid. In addition, the company has already made two acquisitions in H2, which we estimate to have reduced cash by around 2.6 MEUR.

Estimates	H1'23	H1'24	H1'24e	H1'24e	Consensus		Difference (%)	2024e
MEUR / EUR	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. inderes	Inderes
Revenue	33.2	39.9	38.1				5%	80.3
EBITA	3.5	3.3	3.6				-9%	7.3
PTP	2.0	1.1	1.5				-27%	3.0
EPS (reported)	0.15	0.07	0.12				-40%	0.22
Revenue growth-%	1.9 %	20.2 %	14.7 %				5.6 pp	21.7 %
EBITA-%	10.7 %	8.2 %	9.5 %				-1.3 pp	9.0 %

Source: Inderes

Solwers H1'24: Growth is buoyant (English subtitles)

Forecast changes not large overall

Outlook unchanged

Solwers kept its outlook unchanged in H1, so the company still expects its business environment to improve toward the end of 2024 through a general market upturn. In addition, the company repeated its comments that it has a good order book in the public sector and infrastructure projects and long assignments also in hospital and school design projects.

This overall picture of market developments was in line with our expectations, as our forecast for the current year prior to the H1 report was for organic revenue to decline in the first half of the year, reflecting market weakness. Similarly, our organic growth forecast for the second half of the year was zero, as we expected the slowest period of the recent economic weakness to occur in early 2024.

Changes to organic forecasts, including acquisitions in forecasts

We believe the recovery in the operating environment and the upturn in investment activity will continue in 2025, although reflecting the still sluggish outlook for residential construction, we have slightly lowered our forecast for organic growth in 2025 and correspondingly raised our forecast for 2026. We now forecast organic growth of 2% next year and 3.5% in 2026. Solwers is not active in residential construction, but we believe that softness in this sector will cascade through to other parts of the industry.

Another driver of the forecast change was the inclusion of the acquisitions made over the summer of Siren Architects and Spectra Consult in our forecasts.

All in all, forecast changes were moderate

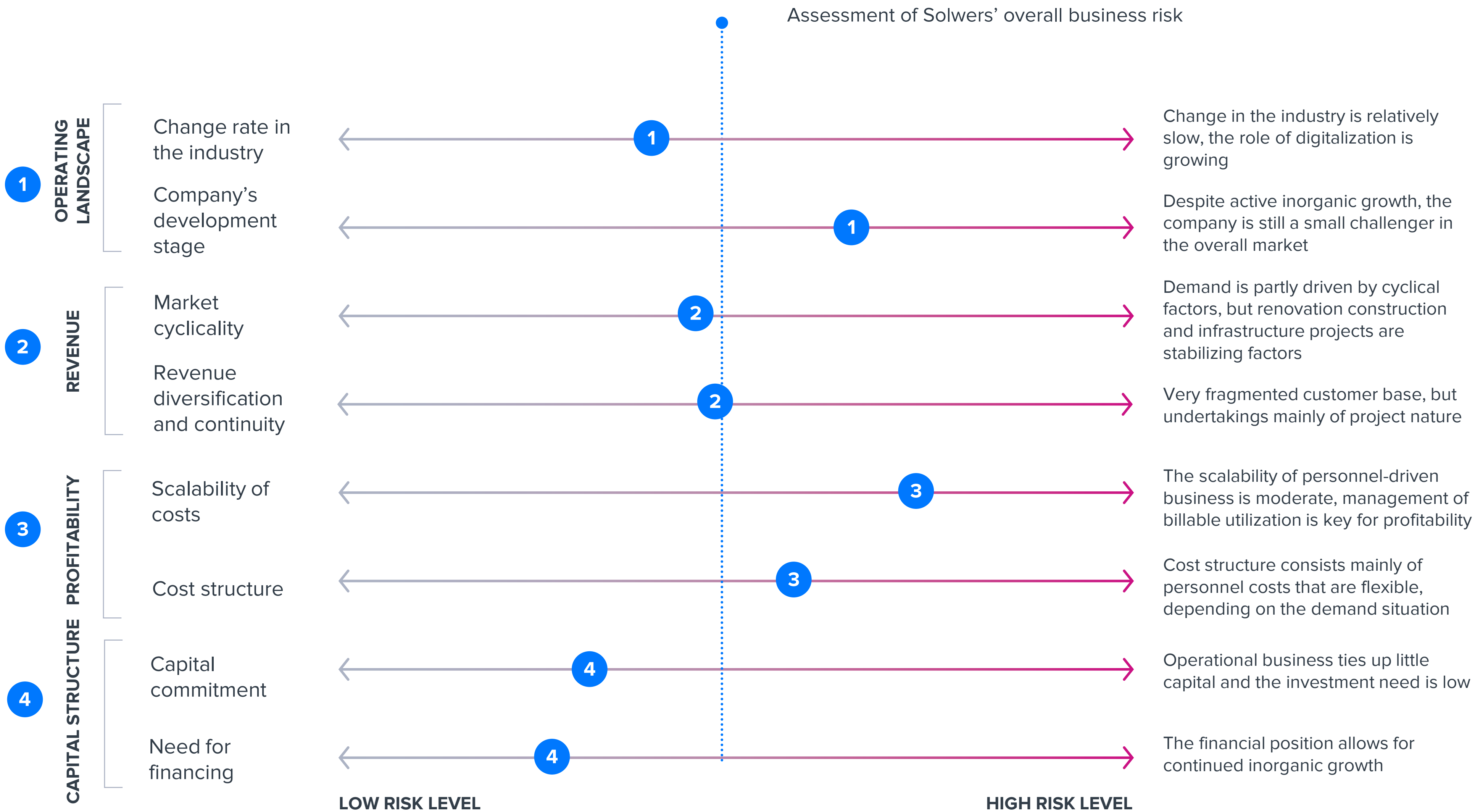
In light of the forecast drivers mentioned above, the changes to our earnings forecasts for the coming years were relatively small in absolute terms. We have included small costs from recent acquisitions in the current year's forecasts, which together with the H1 outcome weighed on the earnings forecasts.

Our 2025 forecasts were lowered by a slightly lower revenue growth forecast and marginal adjustments to the cost structure, which outweighed the earnings impact of the small acquisitions. Accordingly, our 2026 earnings forecast rose slightly, reflecting the slightly higher growth forecast. It is also worth noting that below EBITDA, the forecasts were burdened by slightly higher depreciation forecasts, reflecting inorganic growth.

Estimate revisions	2024e	2024e	Change	2025e	2025e	Change	2026e	2026e	Change
MEUR / EUR	Old	New	%	Old	New	%	Old	New	%
Revenue	77.1	80.3	4%	79.4	83.7	5%	81.4	86.6	6%
EBITDA	8.5	8.0	-5%	9.0	8.8	-3%	9.0	9.2	2%
EBIT (exc. NRIs)	4.9	4.4	-9%	5.2	5.0	-5%	5.3	5.4	2%
EBIT	4.9	4.4	-9%	5.2	5.0	-5%	5.3	5.4	2%
PTP	3.7	3.0	-18%	4.0	3.7	-8%	4.2	4.2	1%
EPS (excl. NRIs)	0.29	0.22	-24%	0.32	0.29	-9%	0.32	0.32	-1%
DPS	0.075	0.075	0%	0.08	0.08	0%	0.09	0.09	0%

Source: Inderes

Risk profile of the business model



Source: Inderes

Room for improvement in balance sheet utilization

We examine the valuation through earnings-based valuation multiples

We are pricing Solwers through earnings-based valuation multiples, which we also compare with the peer group valuation. We favor EV/EBIT and P/E multiples in the valuation. The use of EV-based multiples is supported by them considering the balance sheet structure, as the balance sheet contains cash and cash equivalents that are unnecessarily high for the operational management of the business. In addition to the earnings-based valuation, we also use the DCF model.

Absolute valuation multiples for the coming years

Solwers' P/E ratios for 2024 and 2025 according to our estimates are 17x and 13x. Corresponding EV/EBIT ratios that consider the balance sheet structure are 14x and 12x. The valuation multiples for the current year are inflated as they do not fully reflect the impact of the acquisitions made in the current year, and on the other hand, we estimate that the current year's result will also come under some pressure due to the market situation. In our view, valuation multiples for the current year as a whole are too high, while multiples for 2025 are on the moderate side. With the current balance sheet structure, the company still has considerable leeway for acquisitions on its balance sheet, which, if allocated effectively, could be used to substantially increase earnings levels. This would also lead to a more moderate earnings-based valuation.

The duality in valuation described above is reflected, among other things, in the balance sheet-based valuation, as the current year's enterprise value-based valuation in relation to the company's invested capital corresponds to a multiple of 0.8x. We consider this to be a moderate level, given that the average return on capital invested over the past five years has been around 10%. However, the level has fallen in recent years as the company's balance sheet usage, or capital revenue, has been in need of improvement.

Our target price corresponds to an EV/IC multiple of around 1x, which we believe is justified as we expect the company to strengthen its capital revenue through future acquisitions. However, if capital efficiency declines chronically and pushes return on capital invested back to last year's level (2023: ROIC-% 8%), the upside for the stock will be limited.

Relative valuation and DCF model support an upside in the valuation

With EV/EBITDA ratios for the next few years, Solwers is valued at a discount of just under 20% and with P/E ratios at a clear discount to its peer group. At the median level, the valuation multiples of the peers for the current year are quite high, but we believe that the median valuation multiples for 2025 are at a reasonable level. Relative to these, the stock is also valued at a significant discount. As such, we believe the relative valuation supports our view of a moderate valuation for the stock. The overall valuation picture presented above is also supported by our DCF model, which stands at EUR 5/share.

We consider the risk/reward ratio sound

Overall, the current valuation of the stock does not require the company to achieve major successes, but if the capital allocation is successful, there is considerable upside in the valuation. These factors make the risk/reward ratio of the stock quite attractive in our view. At the same time, earnings risks are offset by a bullish market outlook, which should be a tailwind rather than a headwind for earnings development.

Valuation	2024e	2025e	2026e
Share price	3.74	3.74	3.74
Number of shares, millions	10	10	10
Market cap	38	38	38
EV	62	60	57
P/E (adj.)	17.1	13.1	11.6
P/E	17.1	13.1	11.6
P/B	0.9	0.9	0.8
P/S	0.5	0.5	0.4
EV/Sales	0.8	0.7	0.7
EV/EBITDA	7.7	6.8	6.2
EV/EBIT (adj.)	13.9	12.0	10.7
Payout ratio (%)	34.2 %	27.9 %	28.0 %
Dividend yield-%	2.0 %	2.1 %	2.4 %

Source: Inderes

Investment profile

1. **Strong growth-orientation and efficient acquisition process**

2. **Business portfolio that balances cyclical fluctuations and good profitability**

3. **The low capital requirement of the business provides prerequisites for value creation organically and inorganically**

4. **Risks related to inorganic growth and personnel dependency**

5. **Managing billable utilization is key**

Potential

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

Risks

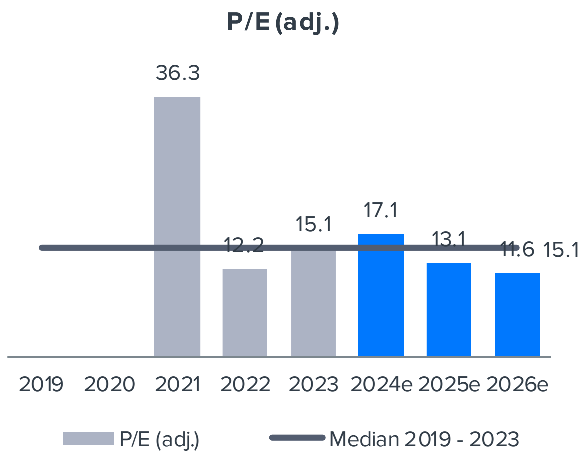
- Typical risks associated with acquisitions
- Dependency on the availability and commitment of staff in an industry suffering from expert shortage
- We estimate that changes in billable utilization are reflected relatively strongly in profitability

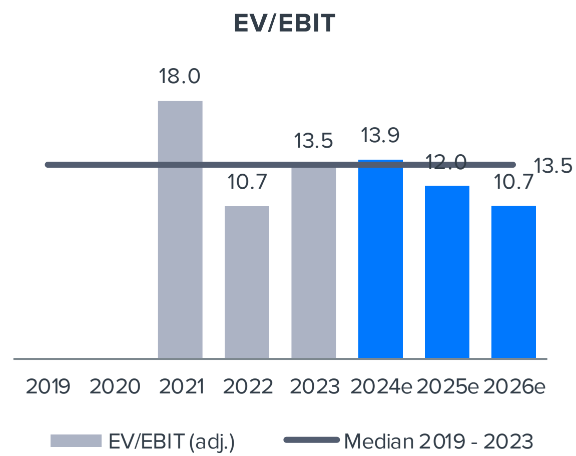
Source: Inderes

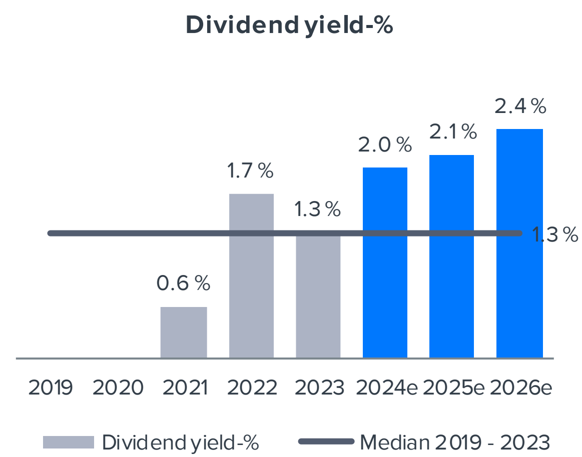
Valuation table

Valuation	2019	2020	2021	2022	2023	2024e	2025e	2026e	2027e
Share price			7.20	4.22	4.82	**3.74**	**3.74**	**3.74**	**3.74**
Number of shares, millions			7.24	9.83	9.9	**10**	**10**	**10**	**10**
Market cap			52	41	48	**38.0**	**38.0**	**38.0**	**38.0**
EV			61	54	66	**61.9**	**59.8**	**57.3**	**55.0**
P/E (adj.)			36.3	12.2	15.1	**17.1**	**13.1**	**11.6**	**11.5**
P/E			36.3	12.2	15.1	**17.1**	**13.1**	**11.6**	**11.5**
P/B			1.7	1.1	1.2	**0.9**	**0.9**	**0.8**	**0.8**
P/S			1.2	0.7	0.7	**0.5**	**0.5**	**0.4**	**0.4**
EV/Sales			1.4	0.9	1.0	**0.8**	**0.7**	**0.7**	**0.6**
EV/EBITDA			11.0	6.7	8.2	**7.7**	**6.8**	**6.2**	**6.3**
EV/EBIT (adj.)			18.0	10.7	13.5	**13.9**	**12.0**	**10.7**	**10.6**
Payout ratio (%)			20.2 %	21.1 %	20.1 %	**34.2 %**	**27.9 %**	**28.0 %**	**30.7 %**
Dividend yield-%			0.6 %	1.7 %	1.3 %	**2.0 %**	**2.1 %**	**2.4 %**	**2.7 %**

Source: Inderes







Peer group valuation

Peer group valuation	Market cap	EV	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%		P/B
Company	**MEUR**	**MEUR**	**2024e**	**2025e**	**2024e**	**2025e**	**2024e**	**2025e**	**2024e**	**2025e**	**2024e**	**2025e**	**2024e**
Sitowise	86	171	22.8	12.7	8.6	6.7	0.9	0.8	43.8	13.4	0.4	3.5	0.7
Sweco AB	5343	5899	21.9	19.1	17.0	14.6	2.2	2.0	27.1	23.1	2.0	2.2	5.3
Afry AB	1836	2455	13.8	11.8	9.5	8.4	1.0	1.0	15.1	12.1	3.4	3.9	1.6
Rejlers AB	315	372	13.2	11.5	8.3	7.6	1.0	0.9	15.2	13.0	3.1	3.5	1.9
WSP Global	18690	21539	22.1	24.5	14.9	12.8	2.7	2.4	27.9	23.8	0.7	0.7	4.0
Etteplan	303	383	21.3	12.9	8.7	7.6	1.0	1.0	17.3	14.3	2.5	3.2	2.5
Arcadis NV	5960	6966	17.0	14.6	12.7	11.3	1.5	1.4	21.7	18.1	1.6	1.8	4.7
Solwers (Inderes)	**38**	**62**	**13.9**	**12.0**	**7.7**	**6.8**	**0.8**	**0.7**	**17.1**	**13.1**	**2.0**	**2.1**	**0.9**
Average			**18.9**	**15.3**	**11.4**	**9.8**	**1.5**	**1.4**	**24.0**	**16.8**	**1.9**	**2.7**	**3.0**
Median			**21.3**	**12.9**	**9.5**	**8.4**	**1.0**	**1.0**	**21.7**	**14.3**	**2.0**	**3.2**	**2.5**
Diff-% to median			***-35%***	***-7%***	***-19%***	***-19%***	***-26%***	***-29%***	***-21%***	***-9%***	***3%***	***-34%***	***-63%***

Source: Refinitiv / Inderes

Income statement

Income statement	2022	H1'23	H2'23	2023	H1'24	H2'24e	2024e	2025e	2026e	2027e
Revenue	**62.8**	**33.2**	**32.8**	**66.0**	**39.9**	**40.4**	**80.3**	**83.7**	**86.6**	**88.3**
Group	62.8	33.2	32.8	66.0	39.9	40.4	80.3	83.7	86.6	88.3
EBITDA	**8.2**	**4.0**	**3.9**	**8.0**	**3.8**	**4.3**	**8.0**	**8.8**	**9.2**	**8.7**
Depreciation	-3.1	-1.5	-1.6	-3.1	-1.8	-1.8	-3.6	-3.8	-3.8	-3.5
EBIT	**5.1**	**2.5**	**2.4**	**4.8**	**2.0**	**2.5**	**4.4**	**5.0**	**5.4**	**5.2**
EBITA	**7.2**	**3.5**	**3.5**	**7.0**	**3.3**	**4.0**	**7.3**	**8.2**	**8.6**	**8.4**
Net financial items	-0.5	-0.5	-0.5	-1.0	-0.8	-0.6	-1.4	-1.2	-1.2	-0.9
PTP	**4.6**	**2.0**	**1.9**	**3.9**	**1.1**	**1.9**	**3.0**	**3.7**	**4.2**	**4.2**
Taxes	-1.0	-0.5	-0.2	-0.7	-0.4	-0.4	-0.8	-0.8	-0.9	-0.9
Minority interest	-0.2	0.0	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0
Net earnings	**3.4**	**1.5**	**1.7**	**3.2**	**0.8**	**1.5**	**2.2**	**2.9**	**3.3**	**3.3**
EPS (adj.)	**0.35**	**0.15**	**0.17**	**0.32**	**0.07**	**0.15**	**0.22**	**0.29**	**0.32**	**0.33**
EPS (rep.)	**0.35**	**0.15**	**0.17**	**0.32**	**0.07**	**0.15**	**0.22**	**0.29**	**0.32**	**0.33**

Key figures	2022	H1'23	H2'23	2023	H1'24	H2'24e	2024e	2025e	2026e	2027e
Revenue growth-%	40.6 %	1.9 %	8.5 %	5.1 %	20.2 %	23.1 %	21.7 %	4.2 %	3.5 %	2.0 %
EBITDA-%	13.0 %	12.1 %	12.0 %	12.1 %	9.4 %	10.6 %	10.0 %	10.5 %	10.6 %	9.9 %
EBITA-%	11.5 %	10.7 %	10.7 %	10.7 %	8.2 %	10.0 %	9.0 %	9.8 %	10.0 %	9.6 %
Net earnings-%	5.4 %	4.5 %	5.0 %	4.8 %	1.9 %	3.7 %	2.8 %	3.5 %	3.8 %	3.8 %

Source: Inderes

Balance sheet

Assets	2022	2023	2024e	2025e	2026e
Non-current assets	**49**	**55**	**58**	**57**	**57**
Goodwill	37.8	42.0	46.8	46.8	46.8
Intangible assets	1.3	1.0	0.2	0.6	0.9
Tangible assets	5.7	7.3	7.7	6.7	5.7
Associated companies	0.0	0.0	0.0	0.0	0.0
Other investments	1.9	1.9	1.9	1.9	1.9
Other non-current assets	1.5	1.3	1.4	1.4	1.4
Deferred tax assets	0.9	1.2	0.0	0.0	0.0
Current assets	**33**	**32**	**38**	**40**	**41**
Inventories	0.2	0.1	0.2	0.2	0.2
Other current assets	4.7	5.3	5.3	5.3	5.3
Receivables	9.3	10.9	20.1	20.9	21.7
Cash and equivalents	18.5	16.0	12.8	13.4	13.9
Balance sheet total	**82**	**87**	**96**	**97**	**98**

Source: Inderes

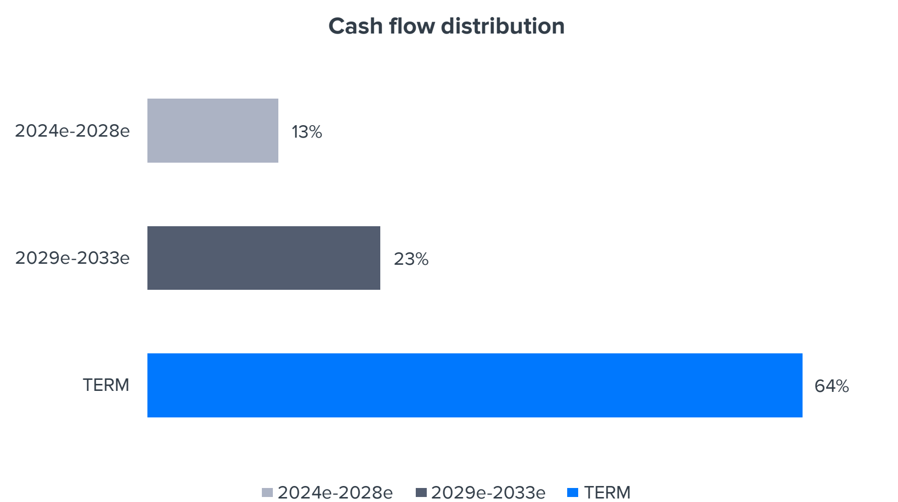
Liabilities & equity	2022	2023	2024e	2025e	2026e
Equity	**38**	**40**	**42**	**44**	**46**
Share capital	1.0	1.0	1.0	1.0	1.0
Retained earnings	0.6	2.4	4.0	6.1	8.6
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	0.0	0.0	0.0	0.0	0.0
Other equity	35.9	36.5	36	36	36
Minorities	0.6	0.5	0.6	0.6	0.6
Non-current liabilities	**28**	**29**	**28**	**27**	**23**
Deferred tax liabilities	0.0	0.0	0.0	0.0	0.0
Provisions	0.0	0.0	0.0	0.0	0.0
Interest bearing debt	27.2	28.3	25.0	24.0	20.0
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	0.8	0.3	3.0	3.0	3.0
Current liabilities	**16**	**18**	**27**	**26**	**28**
Interest bearing debt	3.4	4.7	11.1	10.6	12.6
Payables	1.9	1.9	4.0	4.2	4.3
Other current liabilities	10.2	11.4	11.4	11.4	11.4
Balance sheet total	**82**	**87**	**96**	**97**	**98**

DCF calculation

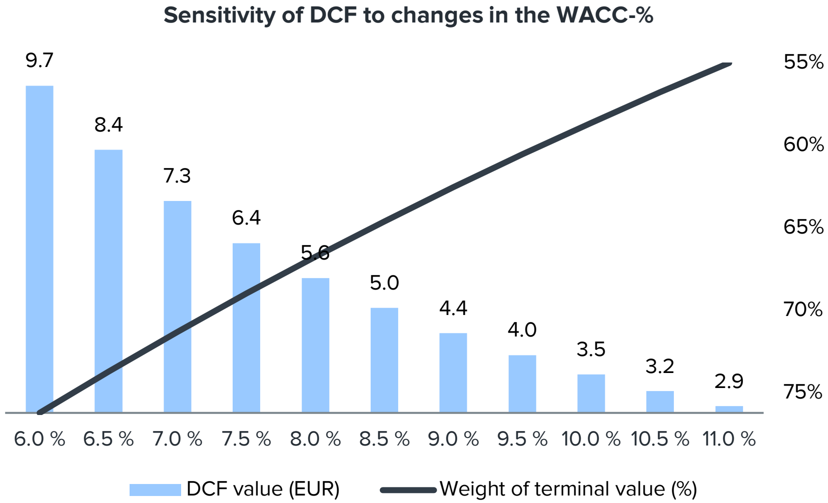
DCF model	2023	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	TERM
Revenue growth-%	5.1 %	21.7 %	4.2 %	3.5 %	2.0 %	2.5 %	2.0 %	2.0 %	2.0 %	2.0 %	2.0 %	2.0 %
EBIT-%	7.3 %	5.5 %	5.9 %	6.2 %	5.9 %	7.5 %	8.5 %	8.5 %	8.5 %	8.5 %	8.5 %	8.5 %
EBIT (operating profit)	**4.8**	**4.4**	**5.0**	**5.4**	**5.2**	**6.8**	**7.9**	**8.0**	**8.2**	**8.3**	**8.5**	
+ Depreciation	3.1	3.6	3.8	3.8	3.5	3.2	3.3	3.4	3.5	3.5	3.6	
- Paid taxes	-0.9	0.4	-0.8	-0.9	-0.9	-1.3	-1.6	-1.6	-1.7	-1.7	-1.8	
- Tax, financial expenses	-0.2	-0.4	-0.3	-0.3	-0.2	-0.2	-0.2	-0.2	-0.1	-0.1	-0.1	
+ Tax, financial income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Change in working capital	-1.0	-7.1	-0.7	-0.6	-0.3	-0.4	-0.4	-0.4	-0.4	-0.4	-0.4	
Operating cash flow	**5.9**	**1.0**	**7.0**	**7.4**	**7.2**	**8.1**	**9.1**	**9.2**	**9.5**	**9.6**	**9.8**	
+ Change in other long-term liabilities	-0.5	2.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-8.5	-8.1	-3.2	-3.2	-3.4	-3.5	-3.6	-3.7	-3.7	-3.8	-3.7	
Free operating cash flow	**-3.1**	**-4.3**	**3.8**	**4.2**	**3.9**	**4.6**	**5.5**	**5.5**	**5.8**	**5.8**	**6.1**	
+/- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	-3.1	-4.3	3.8	4.2	3.9	4.6	5.5	5.5	5.8	5.8	6.1	94.9
Discounted FCFF		**-4.2**	**3.4**	**3.5**	**3.0**	**3.2**	**3.5**	**3.3**	**3.2**	**2.9**	**2.8**	**44.2**
Sum of FCFF present value		68.8	73.0	69.6	66.1	63.1	59.9	56.4	53.1	49.9	47.0	44.2
Enterprise value DCF		**68.8**										
- Interest bearing debt		-33										
+ Cash and cash equivalents		16.0										
-Minorities		-0.5										
-Dividend/capital return		-0.6										
Equity value DCF		**51**										
Equity value DCF per share		**5.0**										

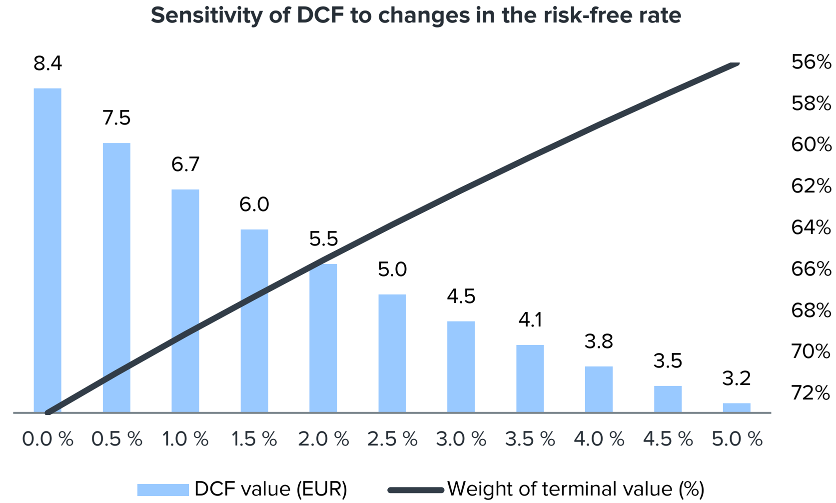
WACC	
Tax-% (WACC)	22.0 %
Target debt ratio (D/(D+E)	20.0 %
Cost of debt	5.0 %
Equity Beta	1.20
Market risk premium	4.75%
Liquidity premium	1.50%
Risk free interest rate	2.5 %
Cost of equity	**9.7 %**
Weighted average cost of capital (WACC)	**8.5 %**

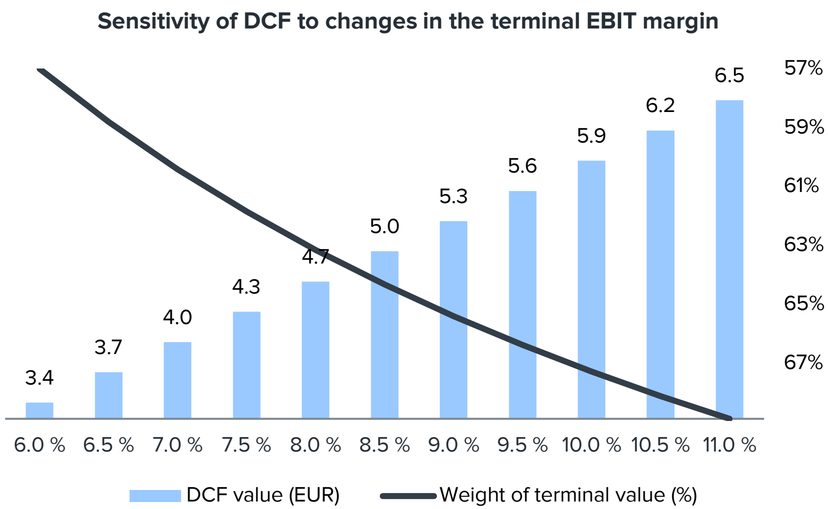
Source: Inderes

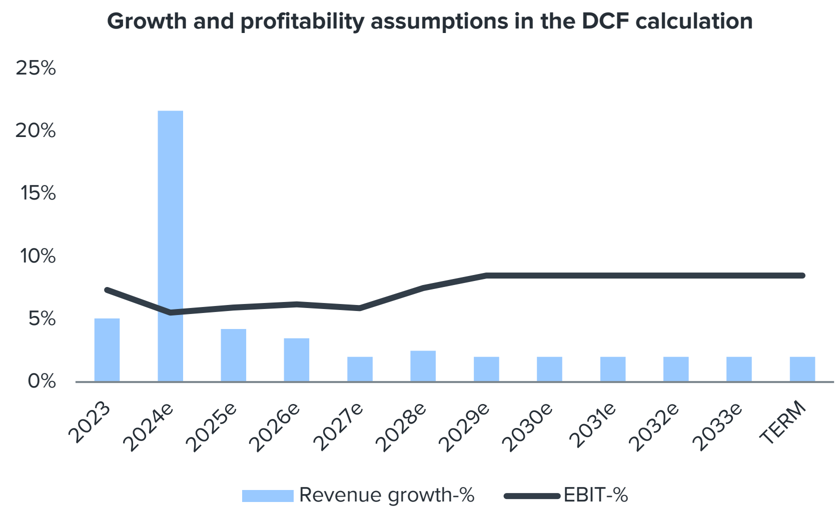


DCF sensitivity calculations and key assumptions in graphs









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

Summary

Income statement	2021	2022	2023	2024e	2025e
Revenue	44.7	62.8	66.0	**80.3**	**83.7**
EBITDA	5.5	8.2	8.0	**8.0**	**8.8**
EBIT	3.4	5.1	4.8	**4.4**	**5.0**
PTP	2.1	4.6	3.9	**3.0**	**3.7**
Net Income	1.4	3.4	3.2	**2.2**	**2.9**
Extraordinary items	0.0	0.0	0.0	**0.0**	**0.0**

Balance sheet	2021	2022	2023	2024e	2025e
Balance sheet total	70.3	81.7	87.0	**96.4**	**97.2**
Equity capital	31.9	38.1	40.4	**41.8**	**43.9**
Goodwill	16.6	37.8	42.0	**46.8**	**46.8**
Net debt	7.5	12.2	17.1	**23.3**	**21.2**

Cash flow	2021	2022	2023	2024e	2025e
EBITDA	5.5	8.2	8.0	**8.0**	**8.8**
Change in working capital	1.3	-2.9	-1.0	**-7.1**	**-0.7**
Operating cash flow	5.5	3.8	5.9	**1.0**	**7.0**
CAPEX	-21.8	-7.6	-8.5	**-8.1**	**-3.2**
Free cash flow	-13.4	-7.0	-3.1	**-4.3**	**3.8**

Valuation multiples	2021	2022	2023	2024e	2025e
EV/S	1.4	0.9	1.0	**0.8**	**0.7**
EV/EBITDA	11.0	6.7	8.2	**7.7**	**6.8**
EV/EBIT (adj.)	18.0	10.7	13.5	**13.9**	**12.0**
P/E (adj.)	36.3	12.2	15.1	**17.1**	**13.1**
P/B	1.7	1.1	1.2	**0.9**	**0.9**
Dividend-%	0.6 %	1.7 %	1.3 %	**2.0 %**	**2.1 %**

Source: Inderes

Per share data	2021	2022	2023	2024e	2025e
EPS (reported)	0.20	0.35	0.32	**0.22**	**0.29**
EPS (adj.)	0.20	0.35	0.32	**0.22**	**0.29**
OCF / share	0.76	0.39	0.59	**0.10**	**0.69**
FCF / share	-1.85	-0.71	-0.32	**-0.42**	**0.37**
Book value / share	4.32	3.81	4.02	**4.05**	**4.26**
Dividend / share		0.07	0.06	**0.08**	**0.08**

Growth and profitability	2021	2022	2023	2024e	2025e
Revenue growth-%	37%	41%	5%	**22%**	**4%**
EBITDA growth-%	11%	48%	-2%	**1%**	**9%**
EBIT (adj.) growth-%	-5%	51%	-5%	**-8%**	**12%**
EPS (adj.) growth-%	-98%	74%	-8%	**-31%**	**31%**
EBITDA-%	12.3 %	13.0 %	12.1 %	**10.0 %**	**10.5 %**
EBIT (adj.)-%	7.5 %	8.1 %	7.3 %	**5.5 %**	**5.9 %**
EBIT-%	7.5 %	8.1 %	7.3 %	**5.5 %**	**5.9 %**
ROE-%	6.9 %	9.9 %	8.2 %	**5.5 %**	**6.9 %**
ROI-%	8.3 %	8.4 %	6.8 %	**5.9 %**	**6.4 %**
Equity ratio	45.4 %	46.6 %	46.4 %	**43.4 %**	**45.2 %**
Gearing	23.6 %	32.0 %	42.3 %	**55.7 %**	**48.3 %**

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Recommendation history (>12 mo)

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

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