Solwers

Company report

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

Inderes corporate customer

This report is a summary translation of the report “Puhtaat paperit ensimmäiseltä tarkistuspisteeltä” published on 6/2/2024 at 7:44 pm EEST

Clean bill of health from the first checkpoint

The operative lines of Solwers' Q1 business review published on Friday significantly exceeded our forecast. However, we estimate that the main driver was a much more moderate seasonality than we predicted in the first quarter. As a whole, the demand situation seems to have developed largely in line with our expectations, and reflecting this, we made no forecast changes. Therefore, we reiterate our EUR 5.0 target price and Buy recommendation. Our recently published extensive report on Solwers is freely available here.

Revenue exceeded our forecast, profitability at the expected level

Solwers' Q1 revenue increased by nearly 19% from the comparison period to 19.2 MEUR, which exceeded our forecast of 16 MEUR by a clear margin. Our H1 growth forecast was 15% and our full-year forecast was 17%, with which the growth rate of Q1 was better aligned. This was the company's first quarterly review, and as we wrote in our preview, this made it difficult to assess the seasonality of the business as no comparison figures had been published. The growth rate also corresponded to the inorganic growth we estimated for the whole H1, so we estimated that the organic growth of Q1 was roughly around zero. Reflecting the revenue level exceeding our forecast, Q1's EBITA reached 1.5 MEUR, while the quarter's profitability (Q1'24 EBITA % 8.0%) met our expectations.

Outlook unchanged, we made no forecast changes

Solwers has not issued numerical guidance as usual, but according to them, the outlook for the current year has remained unchanged and it has a good order backlog in public sector and infrastructure projects, as well as long assignments in hospital and school planning projects. The company also expects further improvement in the business environment toward the end of the year due to a general market pick-up. In addition, the company commented at the end of the quarter that it had noticed a clear pick-up in the number of new projects and, consequently, billing rates. The company also expects to continue acquisitions in the current year, which we consider positive from the viewpoint of improved capital use efficiency, assuming that the acquisition targets are of high quality and the price paid is reasonable. Overall, the company's demand situation seems to have developed more or less in line with our expectations, and we did not see any reason to change our forecasts based on the Q1 report. We, thus, expect the most subdued period in the market situation to be largely over and the demand picture to pick up gradually, supported by a gradually improving economic environment and investment activity. The forecasted 17% revenue growth for the current year is based on inorganic growth, and reflecting this, we also expect EBITA in 2024 to increase to 7.9 MEUR (2023: 7.0 MEUR), in line with the relatively stable profitability trend.

We believe there is upside in the valuation

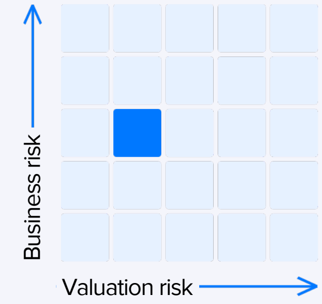
Based on our estimates, P/E ratios for 2024-2025 are 14-13x and the corresponding EV/EBIT ratios considering the balance sheet structure are 12x and 11x, respectively. In absolute terms, we find earnings-based valuation multiples to be relatively moderate, considering the assets in the balance sheet available for inorganic growth. In relative terms, the share is valued at a hefty discount compared to the peer group, which we feel is reasonably valued. We, therefore, believe that there is clear upside in the share's valuation, which our cash flow model also supports (EUR 5.0 per share).

Recommendation

Buy
(previous Buy)

EUR 5.00
(previous EUR 5.00)

Share price:
4.00



Key figures

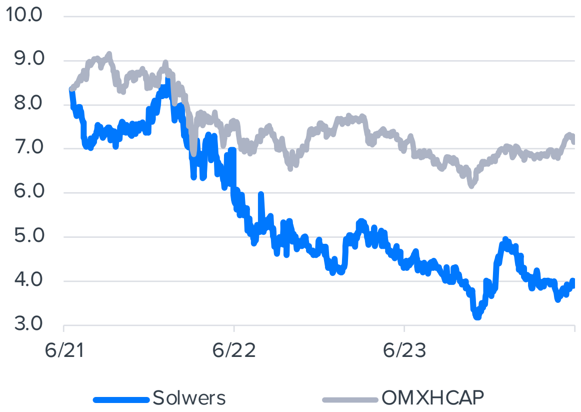
	2023	2024e	2025e	2026e
Revenue	66.0	77.1	79.4	81.4
growth-%	5%	17%	3%	3%
EBIT adj.	4.8	4.9	5.2	5.3
EBIT-% adj.	7.3 %	6.3 %	6.6 %	6.5 %
Net Income	3.2	2.9	3.2	3.2
EPS (adj.)	0.32	0.29	0.32	0.32
P/E (adj.)	15.1	13.9	12.7	12.3
P/B	1.2	1.0	0.9	0.9
Dividend yield-%	1.3 %	1.9 %	2.0 %	2.3 %
EV/EBIT (adj.)	13.5	12.4	11.1	10.5
EV/EBITDA	8.2	7.1	6.4	6.1
EV/S	1.0	0.8	0.7	0.7

Source: Inderes

Guidance (Unchanged)

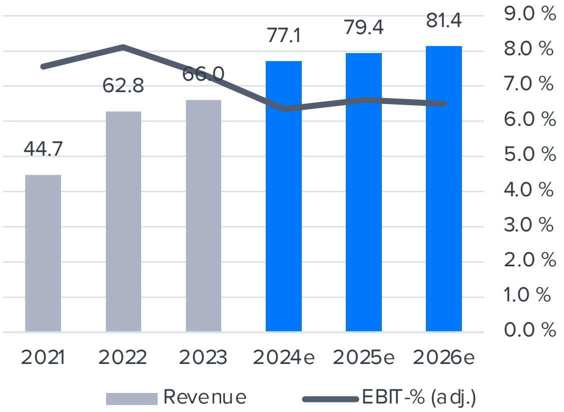
Solwers' business environment is expected to improve toward the end of 2024 with the general market pick up.

Share price



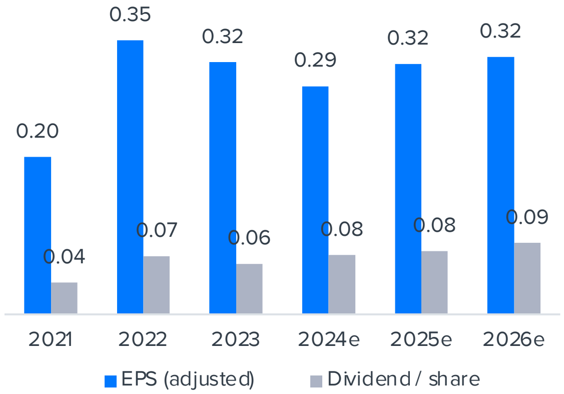
Source: Millistream Market Data AB

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	4.00	4.00	4.00
Number of shares, millions	10	10	10
Market cap	40	40	40
EV	61	58	55
P/E (adj.)	13.9	12.7	12.3
P/E	13.9	12.7	12.3
P/B	1.0	0.9	0.9
P/S	0.5	0.5	0.5
EV/Sales	0.8	0.7	0.7
EV/EBITDA	7.1	6.4	6.1
EV/EBIT (adj.)	12.4	11.1	10.5
Payout ratio (%)	26.1 %	25.4 %	27.7 %
Dividend yield-%	1.9 %	2.0 %	2.3 %

Source: Inderes

Revenue exceeded our forecast, profitability was in line

Estimates vs. outcome Q1'24

- Solwers' Q1 revenue clearly exceeded our forecast but corresponded to exactly half of our entire H1 forecast
- As comparison data had not been published, the assessment of seasonality was challenging and we had estimated that Q1 would be clearly the smallest quarter
- We suspect that the timing of Easter has slightly reduced Q1 revenue, but overall we estimate that organic development has been fairly stable in Q1 and the growth is purely a result of acquisitions
- We believe the billing rates as a whole have been below the comparison period in Q1, which is explained by, e.g., the timing of Easter
- We estimate that the decline in billing rates has slightly gnawed at the Q1 result, which exceeded our forecast, but was clearly below the level of even a surprisingly strong comparison period
- Lighter reporting does not provide visibility to the cost structure, but considering that personnel costs account for the majority of the company's costs (2023: 71%), and that Q1's average number of personnel was well in line with our forecast, we estimate that the development of the cost structure was reasonably well in line with our forecasts

Estimates	Q1'23	Q1'24	Q1'24e	Q1'24e	Consensus		Difference (%)	2024e
MEUR / EUR	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. inderes	Inderes
Revenue	16.2	19.2	16.0				20%	77.1
EBITA	1.9	1.5	1.3				17%	7.9
Revenue growth-%	4.3 %	18.6 %	-1.4 %				20 pp	16.8 %
EBITA-%	11.9 %	8.0 %	8.2 %				-0.2 pp	10.2 %

Source: Inderes

Outlook unchanged, no estimate revisions

Forecast changes 2024e-2026e

- In its outlook Solwers still expects the business environment to improve toward the end of 2024 with the general market pick up.
- We believe that this is a valid assumption as economic indicators indicate that the weakest period is behind us, although we consider the growth outlook to be fragile. We estimate that the economic activity has passed the bottom, but we expect the recovery in demand to be moderate this year
- Thus, we have not made any changes to our forecast for H1 which expects a slight organic decrease in revenue. Towards the end of the year, in H2, we expect Solwers' organic revenue development to be stable before picking up in 2025
- Reflecting our unchanged revenue forecasts, our earnings forecasts have also remained unchanged

Operational earnings drivers 2024-2026e:

- We forecast Solwers' 2024 revenue to grow by 17%, which is based on inorganic growth in line with acquisitions. Organically, we expect revenue to decline slightly (-2%) in line with H1's forecast
- In our forecasts, revenue growth drives earnings growth, while margin development is expected to be somewhat stable
- Our revenue growth forecast in the coming years is on average 2.5%, which reflects expectations of a pick-up in economic growth next year and estimated market growth
- At this growth rate, we expect that the company's profitability will remain stable, reflecting moderate profitability scaling potential
- We have discussed our estimates in more detail in our extensive report.

Estimate revisions MEUR / EUR	2024e Old	2024e New	Change %	2025e Old	2025e New	Change %	2026e Old	2026e New	Change %
Revenue	77.1	77.1	0%	79.4	79.4	0%	81.4	81.4	0%
EBITDA	8.5	8.5	0%	9.0	9.0	0%	9.0	9.0	0%
EBIT (exc. NRIs)	4.9	4.9	0%	5.2	5.2	0%	5.3	5.3	0%
EBIT	4.9	4.9	0%	5.2	5.2	0%	5.3	5.3	0%
PTP	3.7	3.7	0%	4.0	4.0	0%	4.2	4.2	0%
EPS (excl. NRIs)	0.29	0.29	0%	0.32	0.32	0%	0.32	0.32	0%
DPS	0.075	0.075	0%	0.08	0.08	0%	0.09	0.09	0%

Source: Inderes

Valuation 1/2

Basis of the valuation

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, but due to the minorities in the Group structure, the operating result does not flow to Solwers' shareholders in full. This in turn supports the use of P/E-based valuation multiples, although in recent years the share of minorities has been very low. In addition to the earnings-based valuation, we also use the DCF model. In the total expected return, the role of dividends is small considering the company's profit distribution policy and capital allocation strategy.

Absolute valuation multiples are moderate for the coming years

Solwers' adjusted P/E ratios for 2024 and 2025 according to our estimates are 14x and 13x. Corresponding adjusted EV/EBIT ratios that consider the balance sheet structure are 12x and 11x. In our opinion, these earnings-based valuation multiples for the coming years are, as a whole, rather reasonable, especially considering the assets in the balance sheet that can be allocated to inorganic and thus earnings growth. We see a clear upside in the stock's valuation that we expect to be driven by inorganic growth.

Relative valuation picture is also moderate

The group of peer companies we established consists of companies with similar business models, whose organic growth and profitability potential are quite well in line with Solwers. Of the peer group companies especially Sitowise, Sweco and AFRY, compete with Solwers on the same markets. Similarly, the target market for Etteplan, for example, differs from that of Solwers, but the convergence of the business model of the expert service company supports including them in the peer group.

The peer group companies are also characterized by pursuing inorganic growth, but Solwers' value creation model also compares with so-called serial consolidators. On the other hand, the track record of serial consolidators of value-creating M&A transactions are clearly longer and their historical ROCE is also significantly higher than in Solwers' own history. Thus, we do not believe that it is justified at this stage to value Solwers at the same level as the peer group consisting of serial consolidators. If the company succeeds in systematically creating value through inorganic growth, increase its return on capital and strengthen the scalability of its value creation model in the medium term, we believe that the valuation could rely more strongly on the valuation levels of serial consolidators.

The median P/E ratios for the peer group for 2024-2025 are 17x and 13x and corresponding EV/EBITDA ratios are around 9x. We apply the EBITDA ratio in the peer group valuation because different depreciation practices can distort EBIT-based multiples.

Valuation	2024e	2025e	2026e
Share price	4.00	4.00	4.00
Number of shares, millions	10	10	10
Market cap	40	40	40
EV	61	58	55
P/E (adj.)	13.9	12.7	12.3
P/E	13.9	12.7	12.3
P/B	1.0	0.9	0.9
P/S	0.5	0.5	0.5
EV/Sales	0.8	0.7	0.7
EV/EBITDA	7.1	6.4	6.1
EV/EBIT (adj.)	12.4	11.1	10.5
Payout ratio (%)	26.1 %	25.4 %	27.7 %
Dividend yield-%	1.9 %	2.0 %	2.3 %

Source: Inderes

Valuation 2/2

With key earnings-based valuation multiples, Solwers is valued at a discount of approximately 20% relative to its peers with this year's valuation multiples and a 14% discount with 2025 valuation multiples. Also based on the volume-based EV/S ratio the relative valuation is at a discount of around 25 %, although the profitability levels and potentials of the companies are fairly similar.

Solwers' clearly smaller size and shorter history than for the peers would favor a discount relative to the peers but considering the company's historical development and fragmentation of the business portfolio, we consider it justified to value the company in line with the industry peers. In our view, the valuation multiples of the peer group are reasonable in absolute terms. We believe the relative valuation indicates an upside for the share.

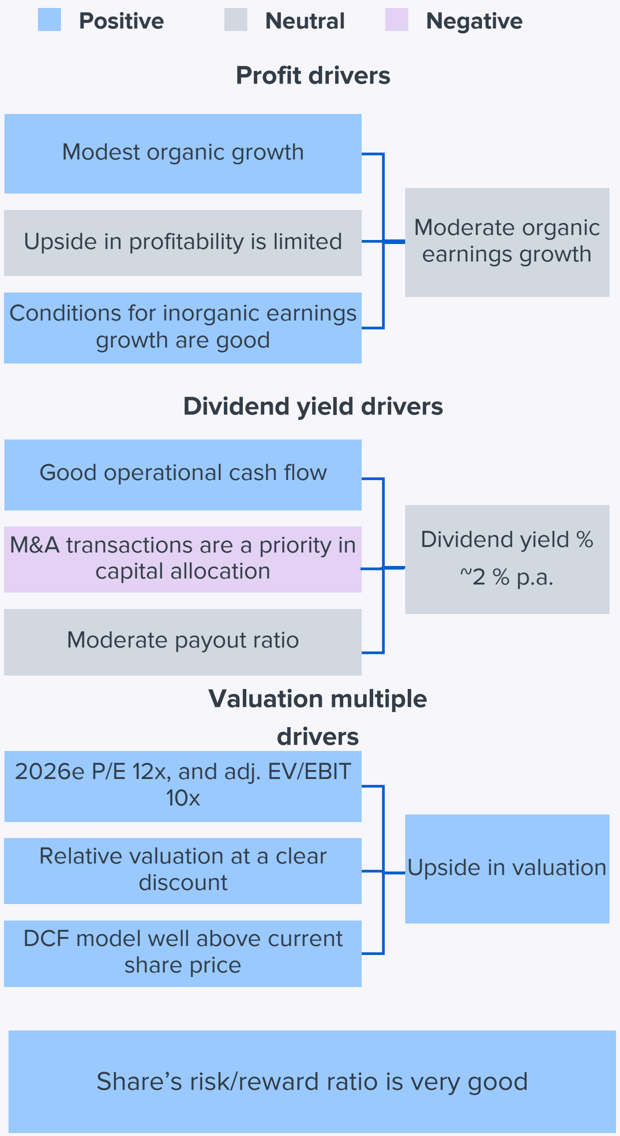
DCF model

In our view, the DCF model is well suited for the valuation of Solwers' business operations although it should be noted that it does not consider potential value creation through inorganic growth. Our DCF model is based on our medium- and long-term estimates, the terminal revenue growth estimate is 2% and the corresponding EBIT margin estimate is 8.5%. In our DCF model, the cost of equity is 9.7 % while the average cost of capital (WACC-%) is 8.5%. With these assumptions, the value of the share indicated by our DCF model is EUR 50 million or EUR 5.0 per share. 60% of the value of the model consists of the terminal, which we consider an acceptable level.

Expected return in next few years

Based on our organic revenue growth and profitability estimates, we have gauged the expected return for the next few years. Based on our estimates, organic earnings growth in 2023-2026 will be low, as we expect market growth to be moderate in the next few years and do not see a clear upside in the company's profitability considering the scaling potential of the business model. The expected return receives some support from the average dividend yield of around 2% in our estimates for the next couple of years. However, we believe that the upside in the valuation is the biggest driver of the expected return by far. In line with the company's business model, we expect that the acquisitions we find likely in the next few years and already in the next 12 months will largely control investors' expected return. In our view, the company's current financial position provides good conditions for creating value through M&A transactions We estimate that the company had a roughly 10 MEUR financing capacity for inorganic growth at the end of 2023, without an excessive increase in indebtedness. This leeway further increases the cash flow generated by the business. To investors, allocating capital to acquisitions should appear as more efficient use of balance sheet capital and higher ROCE.

TSR drivers 2023-2026e



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

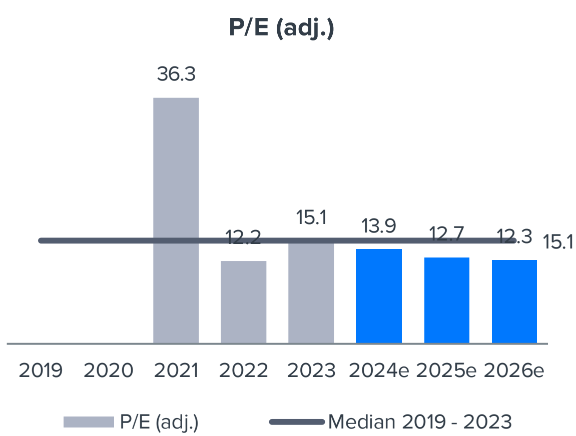
- Typical risks associated with acquisitions
- Dependency on the availability and commitment of staff in an industry suffering from expert shortage
- We estimate that changes in billable utilization are reflected relatively strongly in profitability

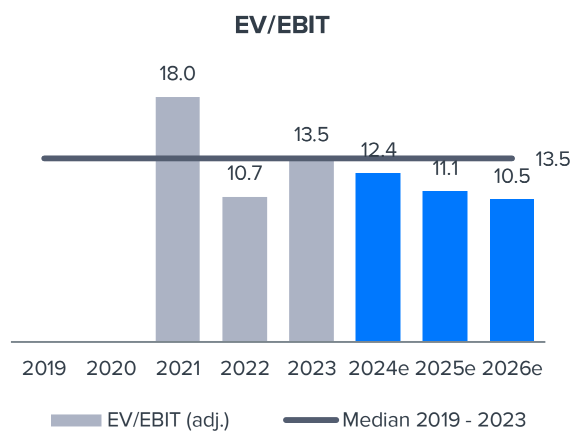
Source: Inderes

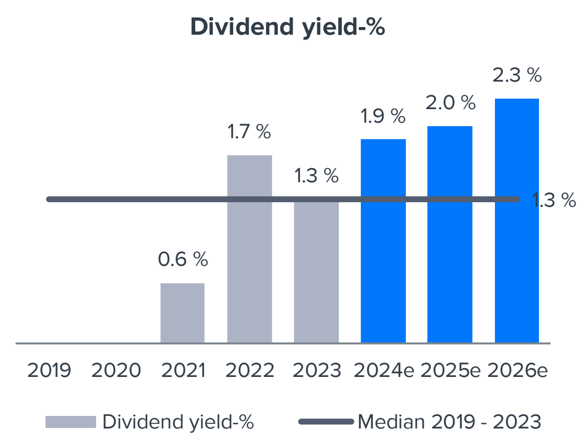
Valuation table

Valuation	2019	2020	2021	2022	2023	2024e	2025e	2026e	2027e
Share price			7.20	4.22	4.82	**4.00**	**4.00**	**4.00**	**4.00**
Number of shares, millions			7.24	9.83	9.9	**10**	**10**	**10**	**10**
Market cap			52	41	48	**40.0**	**40.0**	**40.0**	**40.0**
EV			61	54	66	**60.6**	**58.0**	**55.4**	**52.9**
P/E (adj.)			36.3	12.2	15.1	**13.9**	**12.7**	**12.3**	**11.4**
P/E			36.3	12.2	15.1	**13.9**	**12.7**	**12.3**	**11.4**
P/B			1.7	1.1	1.2	**1.0**	**0.9**	**0.9**	**0.8**
P/S			1.2	0.7	0.7	**0.5**	**0.5**	**0.5**	**0.5**
EV/Sales			1.4	0.9	1.0	**0.8**	**0.7**	**0.7**	**0.6**
EV/EBITDA			11.0	6.7	8.2	**7.1**	**6.4**	**6.1**	**5.9**
EV/EBIT (adj.)			18.0	10.7	13.5	**12.4**	**11.1**	**10.5**	**9.8**
Payout ratio (%)			20.2 %	21.1 %	20.1 %	**26.1 %**	**25.4 %**	**27.7 %**	**28.5 %**
Dividend yield-%			0.6 %	1.7 %	1.3 %	**1.9 %**	**2.0 %**	**2.3 %**	**2.5 %**

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	103	186	14.9	11.3	7.6	6.8	0.9	0.9	16.5	11.3	2.3	3.3	0.8
Sweco AB	4673	5217	19.9	17.7	14.7	12.7	1.9	1.8	24.0	21.0	2.2	2.5	4.7
Afry AB	1887	2476	13.9	12.1	9.4	8.6	1.0	1.0	15.9	13.2	3.3	3.7	1.6
Rejlers AB	301	350	13.7	12.1	8.0	7.4	0.9	0.9	14.9	12.9	3.2	3.8	1.8
WSP Global	17273	20043	25.6	19.7	14.0	12.7	2.5	2.4	25.9	22.6	0.7	0.7	3.7
Etteplan	338	410	12.4	11.5	8.0	7.3	1.1	1.0	14.4	12.4	3.0	3.7	2.6
Arcadis NV	5431	6293	15.6	13.6	11.6	10.3	1.4	1.3	19.7	16.6	1.7	2.0	4.2
Solwers (Inderes)	**40**	**61**	**12.4**	**11.1**	**7.1**	**6.4**	**0.8**	**0.7**	**13.9**	**12.7**	**1.9**	**2.0**	**1.0**
Average			**16.6**	**14.0**	**10.5**	**9.4**	**1.4**	**1.3**	**18.7**	**15.7**	**2.3**	**2.8**	**2.8**
Median			**14.9**	**12.1**	**9.4**	**8.6**	**1.1**	**1.0**	**16.5**	**13.2**	**2.3**	**3.3**	**2.6**
Diff-% to median			***-17%***	***-9%***	***-24%***	***-25%***	***-25%***	***-27%***	***-16%***	***-4%***	***-17%***	***-39%***	***-62%***

Source: Refinitiv / Inderes

Income statement

Income statement	2022	H1'23	H2'23	2023	H1'24e	H2'24e	2024e	2025e	2026e	2027e
Revenue	**62.8**	**33.2**	**32.8**	**66.0**	**38.1**	**39.0**	**77.1**	**79.4**	**81.4**	**83.0**
Group	62.8	33.2	32.8	66.0	38.1	39.0	77.1	79.4	81.4	83.0
EBITDA	**8.2**	**4.0**	**3.9**	**8.0**	**3.9**	**4.6**	**8.5**	**9.0**	**9.0**	**8.9**
Depreciation	-3.1	-1.5	-1.6	-3.1	-1.8	-1.8	-3.6	-3.8	-3.7	-3.5
EBIT	**5.1**	**2.5**	**2.4**	**4.8**	**2.1**	**2.8**	**4.9**	**5.2**	**5.3**	**5.4**
EBITA	**7.2**	**3.5**	**3.5**	**7.0**	**3.6**	**4.3**	**7.9**	**8.4**	**8.5**	**8.6**
Net financial items	-0.5	-0.5	-0.5	-1.0	-0.6	-0.6	-1.2	-1.2	-1.1	-0.9
PTP	**4.6**	**2.0**	**1.9**	**3.9**	**1.5**	**2.2**	**3.7**	**4.0**	**4.2**	**4.5**
Taxes	-1.0	-0.5	-0.2	-0.7	-0.3	-0.5	-0.8	-0.9	-0.9	-1.0
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**	**1.2**	**1.7**	**2.9**	**3.2**	**3.2**	**3.5**
EPS (adj.)	**0.35**	**0.15**	**0.17**	**0.32**	**0.12**	**0.17**	**0.29**	**0.32**	**0.32**	**0.35**
EPS (rep.)	**0.35**	**0.15**	**0.17**	**0.32**	**0.12**	**0.17**	**0.29**	**0.32**	**0.32**	**0.35**

Key figures	2022	H1'23	H2'23	2023	H1'24e	H2'24e	2024e	2025e	2026e	2027e
Revenue growth-%	40.6 %	1.9 %	8.5 %	5.1 %	14.7 %	18.9 %	16.8 %	3.0 %	2.5 %	2.0 %
EBITDA-%	13.0 %	12.1 %	12.0 %	12.1 %	10.2 %	11.8 %	11.0 %	11.4 %	11.1 %	10.7 %
EBITA-%	11.5 %	10.7 %	10.7 %	10.7 %	9.6 %	11.1 %	10.2 %	10.6 %	10.4 %	10.4 %
Net earnings-%	5.4 %	4.5 %	5.0 %	4.8 %	3.1 %	4.4 %	3.7 %	4.0 %	4.0 %	4.2 %

Balance sheet

Assets	2022	2023	2024e	2025e	2026e
Non-current assets	**49**	**55**	**55**	**55**	**54**
Goodwill	37.8	42.0	42.2	42.2	42.2
Intangible assets	1.3	1.0	3.4	3.4	3.5
Tangible assets	5.7	7.3	6.5	5.9	5.3
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**	**40**	**41**	**42**
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	19.3	19.8	20.3
Cash and equivalents	18.5	16.0	15.4	15.9	16.3
Balance sheet total	**82**	**87**	**96**	**96**	**96**

Source: Inderes

Liabilities & equity	2022	2023	2024e	2025e	2026e
Equity	**38**	**40**	**42**	**44**	**47**
Share capital	1.0	1.0	1.0	1.0	1.0
Retained earnings	0.6	2.4	4.6	7.0	9.5
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**	**26**	**25**	**27**
Interest bearing debt	3.4	4.7	10.4	9.3	11.1
Payables	1.9	1.9	3.9	4.0	4.1
Other current liabilities	10.2	11.4	11.4	11.4	11.4
Balance sheet total	**82**	**87**	**96**	**96**	**96**

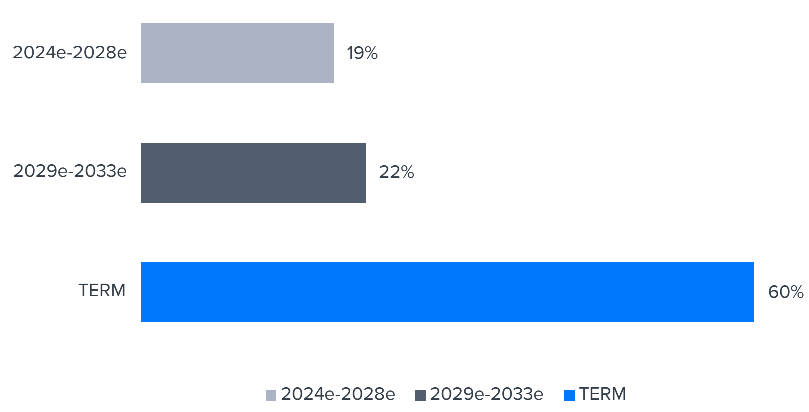
DCF calculation

DCF model	2023	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	TERM
Revenue growth-%	5.1 %	16.8 %	3.0 %	2.5 %	2.0 %	2.5 %	2.0 %	2.0 %	2.0 %	2.0 %	2.0 %	2.0 %
EBIT-%	7.3 %	6.3 %	6.6 %	6.5 %	6.5 %	7.5 %	8.5 %	8.5 %	8.5 %	8.5 %	8.5 %	8.5 %
EBIT (operating profit)	**4.8**	**4.9**	**5.2**	**5.3**	**5.4**	**6.4**	**7.4**	**7.5**	**7.7**	**7.8**	**8.0**	
+ Depreciation	3.1	3.6	3.8	3.7	3.5	3.4	3.5	3.5	3.7	3.6	3.7	
- Paid taxes	-0.9	0.4	-0.9	-0.9	-1.0	-1.2	-1.5	-1.5	-1.6	-1.6	-1.6	
- Tax, financial expenses	-0.2	-0.3	-0.3	-0.2	-0.2	-0.2	-0.2	-0.1	-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	-6.4	-0.5	-0.4	-0.3	-0.4	-0.3	-0.4	-0.4	-0.4	-0.4	
Operating cash flow	**5.9**	**2.2**	**7.4**	**7.5**	**7.4**	**7.9**	**8.9**	**9.1**	**9.3**	**9.4**	**9.5**	
+ 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	-5.5	-3.2	-3.2	-3.3	-3.5	-3.6	-3.7	-3.7	-3.8	-3.8	
Free operating cash flow	**-3.1**	**-0.5**	**4.2**	**4.3**	**4.0**	**4.4**	**5.3**	**5.4**	**5.6**	**5.6**	**5.7**	
+/- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	-3.1	-0.5	4.2	4.3	4.0	4.4	5.3	5.4	5.6	5.6	5.7	89.0
Discounted FCFF		**-0.5**	**3.7**	**3.5**	**3.0**	**3.0**	**3.3**	**3.1**	**3.0**	**2.8**	**2.6**	**40.6**
Sum of FCFF present value		68.1	68.6	64.9	61.4	58.4	55.4	52.1	48.9	45.9	43.2	40.6
Enterprise value DCF		**68.1**										
- Interest bearing debt		-33										
+ Cash and cash equivalents		16.0										
-Minorities		-0.6										
-Dividend/capital return		0.0										
Equity value DCF		**50**										
Equity value DCF per share		**5.0**										

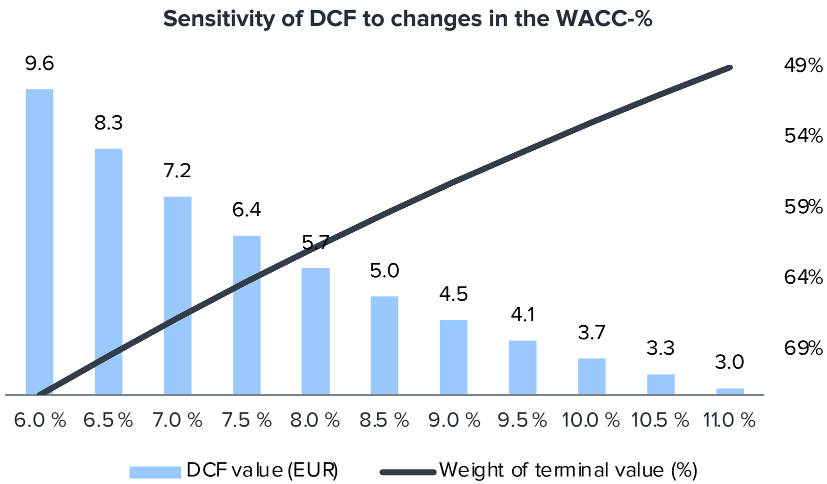
WACC	
Tax-% (WACC)	22.0 %
Target debt ratio (D/(D+E)	20.0 %
Cost of debt	5.0 %
Equity Beta	1.20
Market risk premium	4.75%
Liquidity premium	1.50%
Risk free interest rate	2.5 %
Cost of equity	**9.7 %**
Weighted average cost of capital (WACC)	**8.5 %**

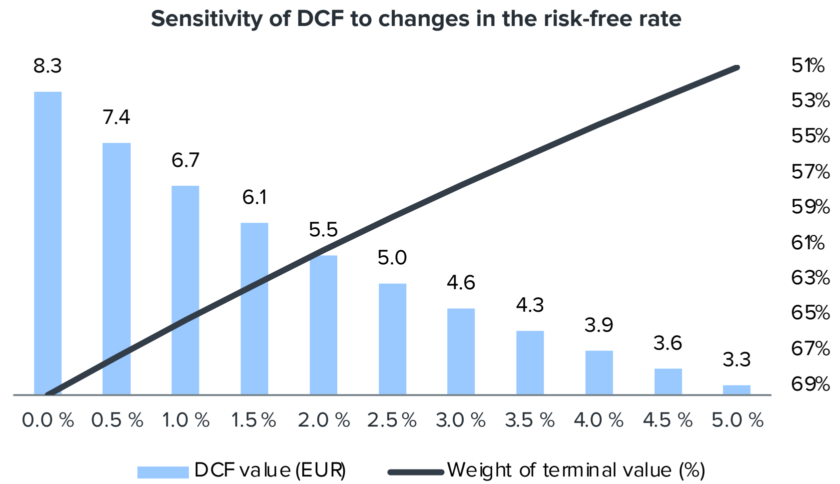
Source: Inderes

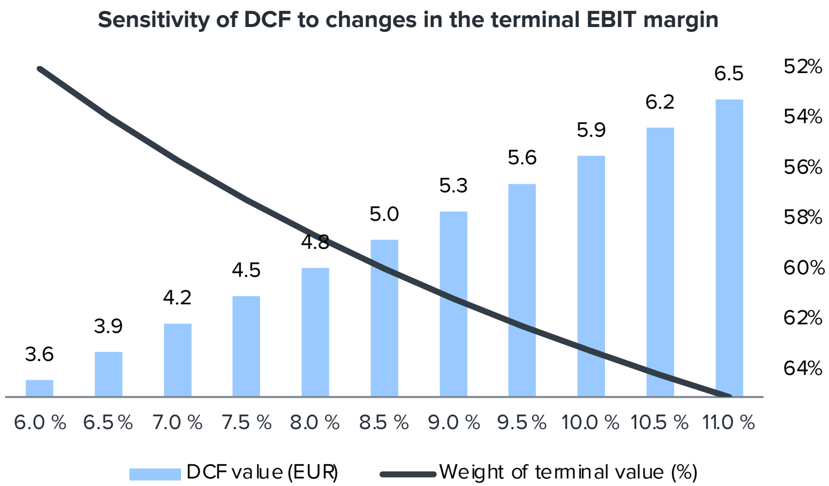
Cash flow distribution

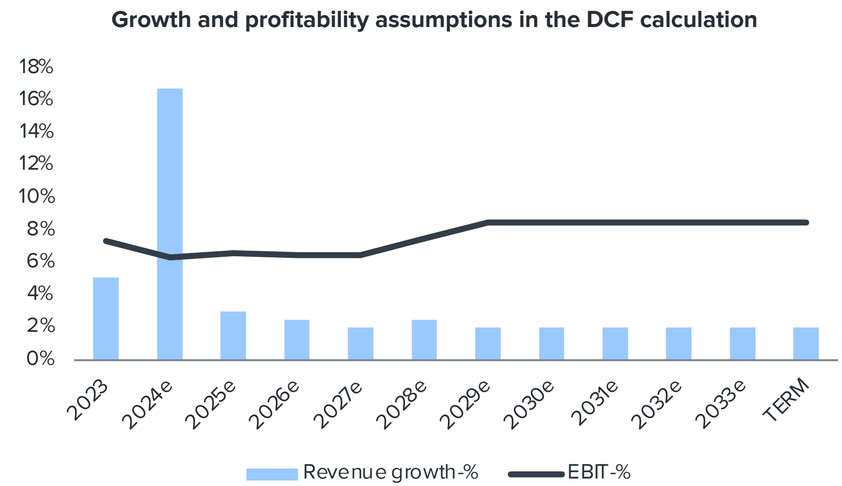


DCF sensitivity calculations and key assumptions in graphs









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

Summary

Income statement	2021	2022	2023	2024e	2025e
Revenue	44.7	62.8	66.0	**77.1**	**79.4**
EBITDA	5.5	8.2	8.0	**8.5**	**9.0**
EBIT	3.4	5.1	4.8	**4.9**	**5.2**
PTP	2.1	4.6	3.9	**3.7**	**4.0**
Net Income	1.4	3.4	3.2	**2.9**	**3.2**
Extraordinary items	0.0	0.0	0.0	**0.0**	**0.0**

Per share data	2021	2022	2023	2024e	2025e
EPS (reported)	0.20	0.35	0.32	**0.29**	**0.32**
EPS (adj.)	0.20	0.35	0.32	**0.29**	**0.32**
OCF / share	0.76	0.39	0.59	**0.22**	**0.74**
FCF / share	-1.85	-0.71	-0.32	**-0.05**	**0.42**
Book value / share	4.32	3.81	4.02	**4.12**	**4.36**
Dividend / share		0.07	0.06	**0.08**	**0.08**

Balance sheet	2021	2022	2023	2024e	2025e
Balance sheet total	70.3	81.7	87.0	**95.5**	**96.0**
Equity capital	31.9	38.1	40.4	**41.8**	**44.2**
Goodwill	16.6	37.8	42.0	**42.2**	**42.2**
Net debt	7.5	12.2	17.1	**20.0**	**17.5**

Growth and profitability	2021	2022	2023	2024e	2025e
Revenue growth-%	37%	41%	5%	**17%**	**3%**
EBITDA growth-%	11%	48%	-2%	**7%**	**6%**
EBIT (adj.) growth-%	-5%	51%	-5%	**1%**	**7%**
EPS (adj.) growth-%	-98%	74%	-8%	**-10%**	**10%**
EBITDA-%	12.3 %	13.0 %	12.1 %	**11.0 %**	**11.4 %**
EBIT (adj.)-%	7.5 %	8.1 %	7.3 %	**6.3 %**	**6.6 %**
EBIT-%	7.5 %	8.1 %	7.3 %	**6.3 %**	**6.6 %**
ROE-%	6.9 %	9.9 %	8.2 %	**7.1 %**	**7.4 %**
ROI-%	8.3 %	8.4 %	6.8 %	**6.5 %**	**6.8 %**
Equity ratio	45.4 %	46.6 %	46.4 %	**43.8 %**	**46.1 %**
Gearing	23.6 %	32.0 %	42.3 %	**47.7 %**	**39.5 %**

Cash flow	2021	2022	2023	2024e	2025e
EBITDA	5.5	8.2	8.0	**8.5**	**9.0**
Change in working capital	1.3	-2.9	-1.0	**-6.4**	**-0.5**
Operating cash flow	5.5	3.8	5.9	**2.2**	**7.4**
CAPEX	-21.8	-7.6	-8.5	**-5.5**	**-3.2**
Free cash flow	-13.4	-7.0	-3.1	**-0.5**	**4.2**

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	**7.1**	**6.4**
EV/EBIT (adj.)	18.0	10.7	13.5	**12.4**	**11.1**
P/E (adj.)	36.3	12.2	15.1	**13.9**	**12.7**
P/B	1.7	1.1	1.2	**1.0**	**0.9**
Dividend-%	0.6 %	1.7 %	1.3 %	**1.9 %**	**2.0 %**

Source: Inderes

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Reduce The 12-month risk-adjusted expected shareholder return of the share is weak

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

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Recommendation history (>12 mo)

Date	Recommendation	Target	Share price
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 €

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Inderes Oyj

Itämerentori 2

FI-00180 Helsinki, Finland

+358 10 219 4690

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