

# Kreate

## Company report

4/29/2024



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✓ Inderes corporate customer

This report is a summary translation of the report "Markkinan veto paranee" published on 4/29/2024 at 7:00 am EEST

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# Market traction improving

We reiterate our target price (EUR 8.50) and our Accumulate recommendation for Kreate after the company's Q1 report. The first months of the year for Kreate went almost as expected in a seasonally weaker Q1. The profitability trend is moving in the right direction, as the results improved for the second quarter in a row. The market is now also showing clear signs of recovery, which bodes well for the delivery of profitable projects in line with Kreate's specialized expertise. The valuation is moderate relative to the earnings improvement in the coming years, and the expected return is further supported by the 6% dividend, made possible by the strong cash flow.

## Moderate start to the year

In Q1, Kreate's revenue decreased by 17% to approximately 54.4 MEUR, below our forecast of 57.8 MEUR. The revenue decline accelerated slightly more than we expected from the end of the year, due to the completion of major projects. Kreate's EBITA improved from the comparison period to 0.3 MEUR (Q1'23: -0.4 MEUR), but was below our forecast of 0.9 MEUR due to a higher than expected decline in revenue. The EBITA margin rose to 0.5% from a weak comparison period (Q1'23: -0.6%). First quarter profitability is seasonally the weakest and in an environment of significantly declining revenue, improving profitability for the second quarter in a row is a good achievement. The Q1 order book decreased by 31% year-on-year, but remains at a good level of 184 MEUR. The revenue recognition of the order book will also be stronger this year than in the past, which supports the development of the current year's revenue in addition to the brighter outlook.

## Market situation actually very good

According to Kreate's guidance, revenue will decrease and amount to 270-300 MEUR in 2024 (2023: 320 MEUR). EBITA is expected to grow to 8-11 MEUR (2023: 7.8 MEUR). However, there has been a clear upturn in the outlook in the first months of the year, and the report says that the market situation is actually "very good". Although we slightly lowered our operational forecasts (by about 5%) based on the Q1 results, there were no major changes in our forecasts for the coming years. We forecast revenue to decline by 13% to 279 MEUR this year, but EBITA to increase to 9.1 MEUR (EBITA-%: 3.3%). According to its updated financial targets, Kreate is currently focused on improving its profitability and we forecast revenue in the coming years to remain below the 2023 peak (2026e: 310 MEUR). We expect easing cost pressures, a better order book and higher volumes in 2025-2026 to bring profitability closer to Kreate's normalized level of 4% (2026e: EBITA-%: 3.8%). Targets are even higher (>5% EBITA), but inflationary developments (materials and wages) and the weakness of other construction (increased competition in infrastructure) still pose risks.

## Moderate valuation and expected return supported by dividend

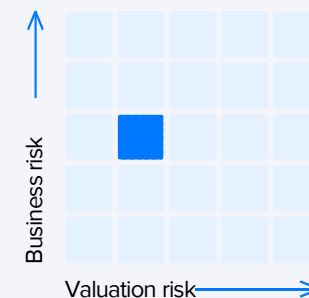
We forecast an increase in Kreate's earnings in 2024 and relative to that, the stock is priced at a reasonably neutral level (24e: EV/EBIT: 11x, P/E: 14x). An improving market and a positive earnings trend will bring Kreate's result back closer to normal in 2025, bringing the valuation down to a more attractive level (25e: EV/EBIT: 9x, P/E: 11x). At the mid-point of our acceptable valuation range (EV/EBIT: 10-12x, P/E: 10-12x) and based on the 2025 valuation, the stock would have upside of around 10%. A dividend yield of about 6-7%, underpinned by strong cash flow, also clearly supports the expected return. The DCF calculation is clearly higher (EUR 10.6), too, which supports our positive recommendation.

## Recommendation

**Accumulate**  
(previous Accumulate)

**EUR 8.50**  
(previous EUR 8.50)

**Share price:**  
7.80



## Key figures

	2023	2024e	2025e	2026e
<b>Revenue</b>	320.0	279.5	297.4	309.6
<b>growth-%</b>	17%	-13%	6%	4%
<b>EBITA (adj.)</b>	7.8	9.1	10.9	11.9
<b>EBITA-% (adj.)</b>	2.4 %	3.3 %	3.7 %	3.8 %
<b>Net Income</b>	3.7	5.0	6.5	7.2
<b>EPS (adj.)</b>	0.44	0.56	0.73	0.81
<b>P/E (adj.)</b>	16.5	14.0	10.7	9.6
<b>P/B</b>	1.5	1.6	1.5	1.4
<b>Dividend yield-%</b>	6.6 %	6.3 %	6.4 %	6.5 %
<b>EV/EBIT (adj.)</b>	10.7	10.5	9.3	8.4
<b>EV/EBITDA</b>	5.8	6.3	5.8	5.3
<b>EV/S</b>	0.3	0.3	0.3	0.3

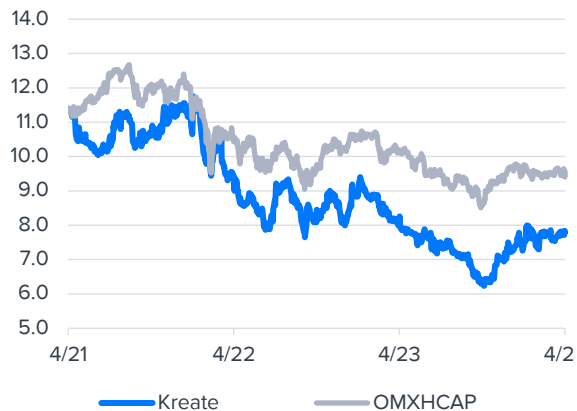
Source: Inderes

## Guidance

(Unchanged)

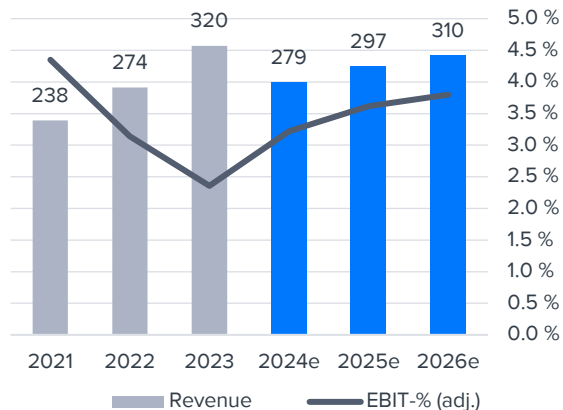
Kreate estimates that its revenue in 2024 will decline and be in the range of 270-300 MEUR (2023: 320 MEUR) and EBITA will increase and be in the range of 8-11 MEUR (2023: 7.8 MEUR).

### Share price



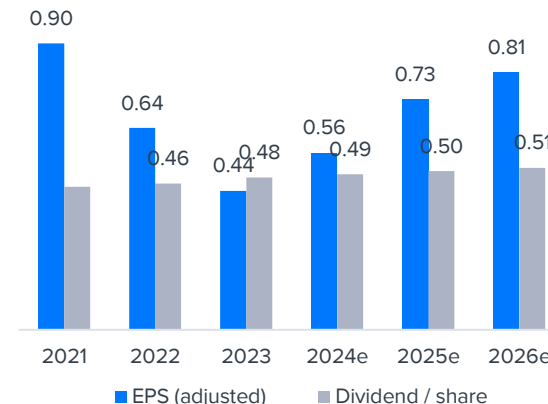
Source: Millstream Market Data AB

### Revenue and EBIT-%



Source: Inderes

### EPS and dividend



Source: Inderes



### Value drivers

- Strong above-market growth in the medium term
- Strong potential for return on capital
- Infrastructure construction is more cycle-resilient than rest of the sector
- Competitive advantage through specialized expertise in demanding projects
- Urbanization, dense construction, sustainable development, renovation debt, infrastructure decommissioning underpin market growth prospects
- M&A for expansion at home and abroad



### Risk factors

- The sector is partly dependent on the business cycle, especially on the private side
- Stagnation of public investment
- The worsening financial situation of municipalities
- Managing growth
- Sharing and managing the risks of large projects
- Maintaining expertise and adequacy of staff incentives
- Price competition
- Cost pressures and material availability challenges

Valuation	2024e	2025e	2026e
Share price	7.80	7.80	7.80
Market cap	69	69	69
EV	95	100	99
P/E (adj.)	14.0	10.7	9.6
P/B	1.6	1.5	1.4
EV/Sales	0.3	0.3	0.3
EV/EBITDA	6.3	5.8	5.3
EV/EBIT (adj.)	10.5	9.3	8.4
Payout ratio (%)	88.0 %	68.9 %	62.9 %
Dividend yield-%	6.3 %	6.4 %	6.5 %

Source: Inderes

# Moderate result

## Decline in revenue

In Q1, Kreate's revenue decreased by 17% to approximately 54.4 MEUR, below our forecast of 57.8 MEUR. The decline in revenue accelerated slightly more than expected from the end of the year. By business line, in Q1, revenue decreased in Structural engineering by 27% to 40.2 MEUR (Q1'23: 54.8 MEUR). This was helped by a clear increase in business in Sweden (Sweden Q1: 6.5 MEUR vs. 3.6 MEUR y/y), but revenue was reduced by the completion of major projects in Structural engineering. In Transport infrastructure, revenue already grew by 24% to 13.3 MEUR, as the market became less challenging and project delays partially decreased. The order book continued to decline by around 31%, but is still at a good level compared to recent years (Q1: 184 MEUR).

## Profitability improved further

Kreate's EBITA improved from the comparison period to 0.3 MEUR (Q1'23: -0.4 MEUR), but was below our forecast of 0.9 MEUR due to a higher than expected decline in revenue. The EBITA margin rose to 0.5% from a weak comparison period (Q1'23: -0.6%). First quarter profitability is seasonally the weakest and in an environment of significantly declining revenue, improving profitability for the second quarter in a row is nevertheless a good achievement. Further down the income statement, financial expenses were slightly higher than expected and EPS was a loss of EUR 0.06 (Q1'23: -0.08 MEUR).

## Guidance unchanged, visible upturn in outlook

According to Kreate's guidance, revenue will decrease and amount to 270-300 MEUR in 2024 (2023: 320 MEUR). EBITA is expected to grow to 8-11 MEUR (2023: 7.8 MEUR). However, there has been a clear upturn in the outlook in the beginning of the year, as bidding activity and activity levels in general have improved during the quarter. As the CEO said, the market situation in infrastructure is actually "very good" at the moment. Towards the end of the year, the order book and revenue will presumably start to pick up.

Estimates MEUR / EUR	Q1'23	Q1'24	Q1'24e	Q1'24e	Consensus		Difference (%)	2024e
	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. inderes	Inderes
Revenue	65.8	54.4	57.8				-6%	279
EBITA (adj.)	-0.4	0.3	0.9				-71%	9.1
EBIT	-0.4	0.2	0.8				-76%	9.0
PTP	-0.9	-0.6	0.2				-374%	6.3
EPS (reported)	-0.08	-0.06	0.02				-405%	0.56
Revenue growth-%	30.6 %	-17.3 %	-12.1 %				-5.2 pp	-12.7 %
EBITA-% (adj.)	-0.6 %	0.5 %	1.5 %				-1 pp	3.3 %

Source: Inderes

# Kreate's business

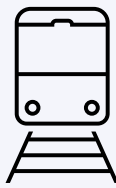
## Structural engineering



**78%** of revenue 2023

- Operations in Finland and Sweden
- Bridge construction and repair play a major role
- Another important component is foundation and civil engineering construction, which suffered from a weaker new construction market
- Projects include Sulkavuori central sewage treatment plant, renewal of the Mt180 Kirjalansalmi and Hessundinsalmi bridges, Kruunusillat project, Tampere Deck

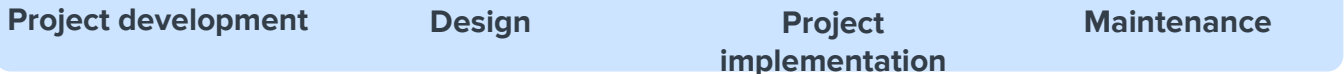
## Transport infrastructure construction



**22%** of revenue 2023

- Operations in Finland
- Construction of railways, roads, and streets
- Focuses on road construction, especially on technically demanding projects (not basic road maintenance)
- Reduced share due to postponement of railway projects and weak market, but the market is improving
- Objects include several railway network repair projects, Syrjäsalmi railway bridge, Sompasaari Helsinki

### Project lifecycle



### Role of Kreate



*Clients and customers often develop the project*



*Kreate partly involved in project design and studies*



*The main focus of Kreate's business is on the implementation*



*Maintenance and repair play a smaller role for Kreate*

# Big picture forecasts unchanged

Although we slightly lowered our operational forecasts (by about 5%) for this year based on the Q1 results, there were no major changes in our forecasts for the coming years. On the bottom line, the forecasts were slightly lower due to higher financial expenses.

## Our forecasts see revenue falling in 2024

Given the lower order book and guidance, we expect revenue to decline by around 13% to 279 MEUR in 2024. We expect a decline in H1 in particular. However, we see the order book level improving towards the end of the year and the projects launched supporting revenue in H2.

We expect a bigger improvement in performance in 2024, when the growth phase calms down, front-loaded investment costs (acquisitions, new rail business, recruitment) start to pay off and cost

pressures ease. Overcoming the negative effects of old projects should also improve the result. In personnel costs, we still see some pressure from salary increases, but Kreate has also been able to reflect these in its own prices. Overall, in 2024, we expect EBITA to increase by around 16% to 9.1 MEUR and the margin to rise to 3.3%. Between 2019 and 2023, the company has achieved an average profitability of around 4.0%, so we do not believe that the improvement will require the company to perform miracles.

## Market upturn in Q1 supporting growth outlook for the coming years

Going into 2025, we expect order book accumulation to set the stage for another year of growth. We expect revenue to start growing at around 6% and to continue growing at around 4% in

2026. We expect profitability to improve further between 2025 and 2026. The moderation of cost pressures and more optimal contract structures for new projects will allow growth to be accompanied by a small margin improvement (2025e: 3.6%, 2026e: 3.8%).

The main risk in our forecasts is a potentially permanently lower level of profitability. This could put Kreate's business potential below our current long-term expectations (terminal forecast EBIT: 4%). However, the turnaround seen in the earnings trend increases our confidence in our long-term forecasts. In our view, market challenges have been more to blame for the poor profitability than the company's own operational challenges with project execution.

Estimate revisions MEUR / EUR	2024e		Change %	2025e		Change %	2026e		Change %
	Old	New		Old	New		Old	New	
Revenue	288	279	-3%	303	297	-2%	312	310	-1%
EBITA (excl. NRIs)	9.7	9.1	-6%	11.2	10.9	-3%	12.1	11.9	-2%
EBIT	9.5	9.0	-6%	11.1	10.8	-3%	11.9	11.8	-1%
PTP	6.9	6.3	-10%	8.8	8.3	-6%	9.7	9.2	-5%
EPS (excl. NRIs)	0.63	0.56	-11%	0.78	0.73	-7%	0.86	0.81	-6%
DPS	0.49	0.49	0%	0.50	0.50	0%	0.51	0.51	0%

Source: Inderes

# Profitability as the focus of financial targets

## Financial targets updated

Kreate updated its financial targets in connection with the results. The focus is now on improving profitability rather than growth, which was the direction previously communicated. The company reached its previous revenue target of 300 MEUR already last year, but has fallen short of profitability.

Kreate is now targeting an EBITA margin of more than 5% between 2024 and 2027, annual revenue growth of 5-10% and a net debt to EBITDA ratio below 2.5. The aim is to distribute a dividend of around 50% of profits.

The profitability target remained unchanged, but the time horizon was revised from the medium term to the 2024-2027 time horizon. No percentage growth target has been given in the past, but the growth rate target still seems to be at a good level, taking into

account the company's actions to improve margins. Given Kreate's cost structure, growth also creates profitability, so maintaining moderate growth is important in itself. The indebtedness target was slightly revised in a more permissive direction (was <2.0), but the dividend policy remained unchanged. We have previously stated that thanks to the company's business model (strong cash flow, no significant investments), there could be more leverage, so the change was not surprising.

Kreate will present the Group's strategy and financial targets at the Capital Markets Day in Helsinki on May 6, 2024, at 9-11 am EEST. The event will also take an in-depth look at the rail business and the Swedish infrastructure market.

## No changes to our long-term forecasts

The targets were as expected and did not trigger significant changes to our long-term forecasts. We are well below the company's targets for both growth (24-27e, about 4% annually) and profitability (2027e EBITA-%: 4.1%). However, we believe they are achievable given Kreate's historical performance.

## Financial targets (2024-2027)

### Profitability

EBITA margin above 5%

### Growth

Annual revenue growth of 5-10%

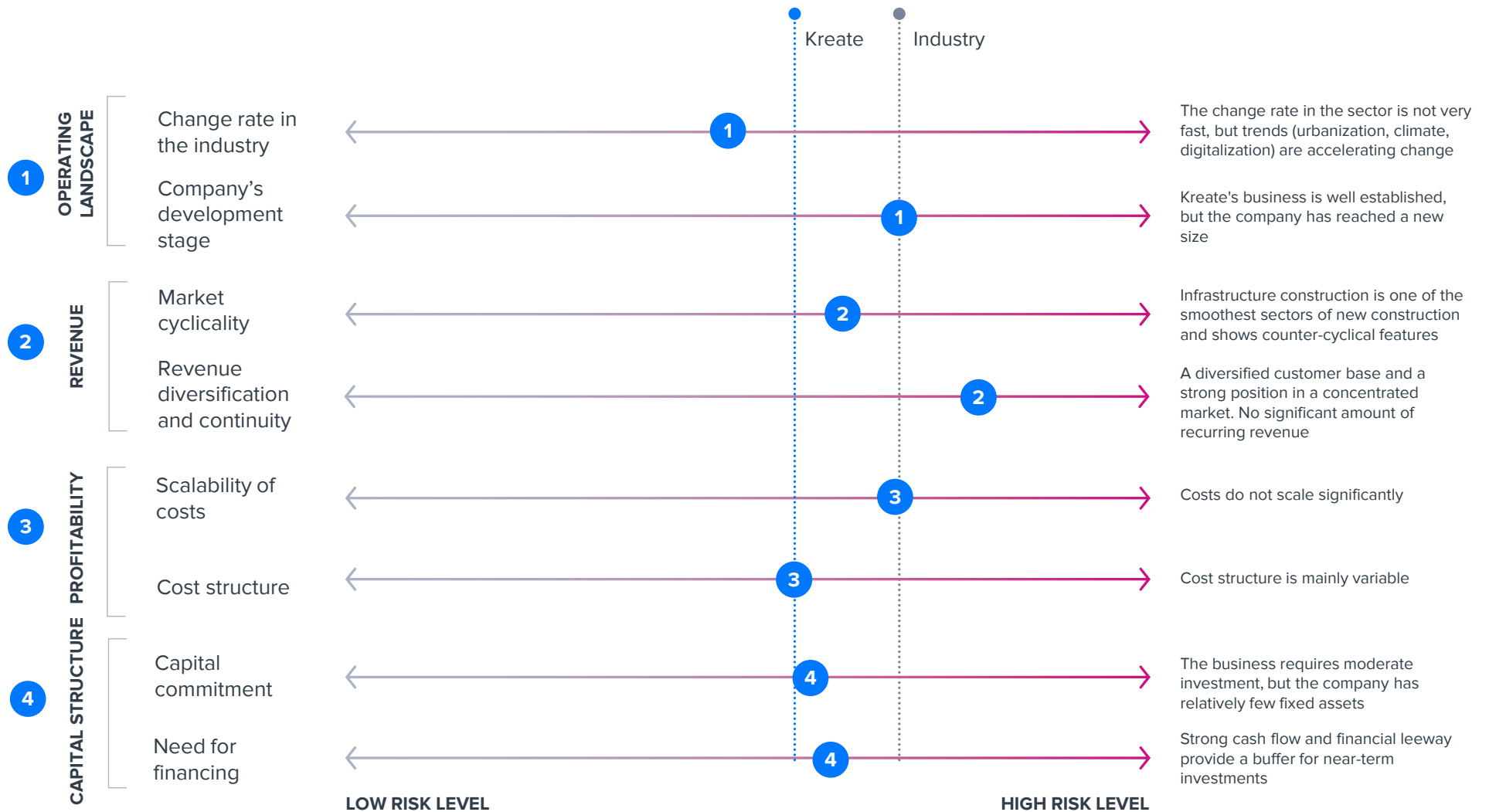
### Indebtedness

Net debt/EBITDA < 2.5x

### Dividend policy

Payout ratio at least 50% of net profit

# Risk profile of the business model





# Expected return on the attractive side

## Absolute multiples

We forecast an increase in Kreate's earnings in 2024 and relative to that, the stock is priced at a reasonably neutral level (24e: EV/EBIT: 11x, P/E: 14x). However, with the turnaround in the preliminary earnings trend we have seen, we are already more confident about the longer-term potential. An improving market and a positive earnings trend will bring Kreate's result back closer to normal in 2025, bringing the valuation down to a more attractive level (25e: EV/EBIT: 9x, P/E: 11x). At the mid-point of our acceptable valuation range (EV/EBIT: 10-12x, P/E: 10-12x) and based on the 2025 valuation, the stock would have upside of around 10%. The earnings level in 2025 will be closer to a sustainable normalized earnings level (EBITA% 3.6%), which is also where we expect the market to gravitate as Kreate moves forward.

A dividend yield of 6-7% for the coming years, underpinned by strong cash flow, also supports the expected return on the stock. Kreate has expressed its intention to pay an increasing dividend and we believe the company has the potential to do so, even if the dividend/earnings-% rises above 50% in the near future. The business does not require significant capital for investment, and now the company also has financing capacity for growth investments, e.g., if a good takeover target comes on the radar.

## Peer group

A good peer group of Nordic listed companies in the industry is available for Kreate. Looking ahead to 2025, we believe the valuation level of peers is reasonably neutral (25e median EV/EBIT: 10x, P/E: 12x). Kreate is valued at a discount of just over 5% to its peer group. However, the valuation of peers varies

between a clear premium and a discount as forecast uncertainty is high. In that sense, we think relative valuation is not very important and we are not giving it much weight right now. However, the level of peers must be already considered to some extent in the absolute valuation of Kreate.

## DCF valuation

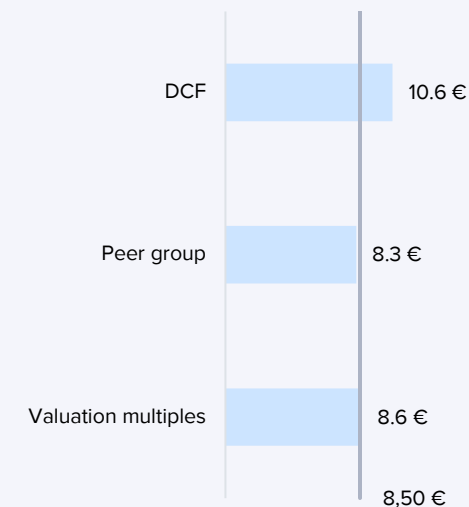
We also use DCF in the valuation. In our model, the company's revenue growth stabilizes at 1.5% in the terminal period after stronger medium-term growth, and the EBIT margin is 4.0% of revenue. This is below the company's target EBITA margin of over 5%, but we also do not see the company achieving this on a sustainable basis based on current evidence. The average cost of capital (WACC) used is 9.0% and the cost of equity is 11.0%.

Our DCF model indicates a share value of EUR 10.6. The value indicated by the DCF is well above the current share price and our target price. However, we do not think our assumptions are too optimistic in the long run over a weaker market period. However, we do not see that the stock has the drivers over a 12-month time horizon to rise to reflect the longer-term potential we see in the company.

Valuation	2024e	2025e	2026e
Share price	7.80	7.80	7.80
Market cap	69	69	69
EV	95	100	99
P/E (adj.)	14.0	10.7	9.6
P/B	1.6	1.5	1.4
EV/Sales	0.3	0.3	0.3
EV/EBITDA	6.3	5.8	5.3
EV/EBIT (adj.)	10.5	9.3	8.4
Payout ratio (%)	88.0 %	68.9 %	62.9 %
Dividend yield-%	6.3 %	6.4 %	6.5 %

Source: Inderes

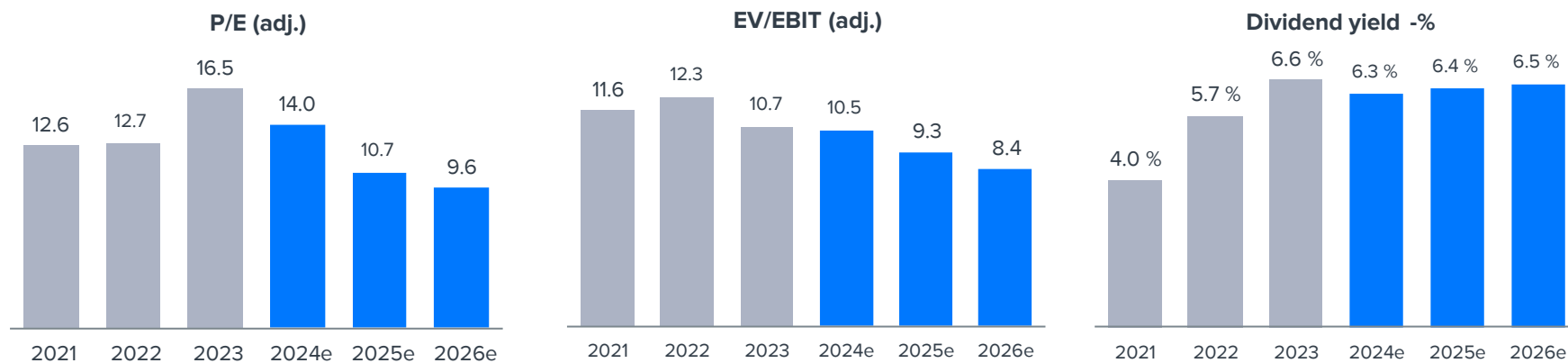
## Target price breakdown



# Valuation table

Valuation	2019	2020	2021	2022	2023	2024e	2025e	2026e	2027e
Share price			11.4	8.09	7.22	<b>7.80</b>	<b>7.80</b>	<b>7.80</b>	<b>7.80</b>
Market cap			99	73	64	<b>69</b>	<b>69</b>	<b>69</b>	<b>69</b>
EV			120	106	81	<b>95</b>	<b>100</b>	<b>99</b>	<b>96</b>
P/E (adj.)			12.6	12.7	16.5	<b>14.0</b>	<b>10.7</b>	<b>9.6</b>	<b>8.5</b>
P/B			2.4	1.7	1.5	<b>1.6</b>	<b>1.5</b>	<b>1.4</b>	<b>1.3</b>
EV/Sales			0.5	0.4	0.3	<b>0.3</b>	<b>0.3</b>	<b>0.3</b>	<b>0.3</b>
EV/EBITDA			8.4	7.8	5.8	<b>6.3</b>	<b>5.8</b>	<b>5.3</b>	<b>4.8</b>
EV/EBIT (adj.)			11.6	12.3	10.7	<b>10.5</b>	<b>9.3</b>	<b>8.4</b>	<b>7.4</b>
Payout ratio (%)			56.4 %	72.4 %	109.7 %	<b>88.0 %</b>	<b>68.9 %</b>	<b>62.9 %</b>	<b>56.5 %</b>
Dividend yield-%			4.0 %	5.7 %	6.6 %	<b>6.3 %</b>	<b>6.4 %</b>	<b>6.5 %</b>	<b>6.7 %</b>

Source: Inderes



# Peer group valuation

Peer group valuation Company	Market cap MEUR	EV MEUR	EV/EBIT		EV/EBITDA		EV/Revenue		P/E		Dividend yield-%		P/B
			2024e	2025e	2024e	2025e	2024e	2025e	2024e	2025e	2024e	2025e	2024e
YIT Oyj	410	1379	32.4	21.4	19.7	15.5	0.7	0.7		42.0			0.5
NRC Group ASA	75	139	6.6	6.9	3.6	3.7	0.2	0.2	6.1	6.3	8.5	9.3	0.3
Veidekke ASA	1288	1148	9.0	8.4	5.3	5.1	0.3	0.3	13.6	12.8	7.2	7.6	4.8
Sdiptech AB (publ)	879	879	13.8	10.0	8.3	7.4	1.9	1.7	19.5	16.2			2.4
Ncc AB	1092	1439	9.8	9.8	5.7	5.7	0.3	0.3	9.1	9.1	5.7	5.9	1.5
Peab AB	1571	3035	17.4	16.6	10.0	9.7	0.6	0.6	13.6	12.4	3.6	4.6	1.2
Skanska AB	6672	6216	10.6	9.5	7.9	7.1	0.4	0.4	12.8	11.6	4.0	4.4	1.3
SRV Yhtiot Oyj	80	213	17.0	10.6	11.5	6.9	0.3	0.3	29.4	9.0		2.6	0.6
Consti Oyj	74	71	6.8	5.7	5.1	4.2	0.2	0.2	9.3	7.7	7.1	7.8	1.7
MT Hoejgaard Holding A/S	229	179	3.2	3.5	2.3	2.5	0.1	0.2	5.6	6.2			1.5
NYAB Group	353	334	15.4	12.6	13.2	11.1	1.0	0.9	21.9	16.4	2.2	3.0	1.7
<b>Kreate (Inderes)</b>	<b>69</b>	<b>95</b>	<b>10.5</b>	<b>9.3</b>	<b>6.3</b>	<b>5.8</b>	<b>0.3</b>	<b>0.3</b>	<b>14.0</b>	<b>10.7</b>	<b>6.3</b>	<b>6.4</b>	<b>1.6</b>
<b>Average</b>			<b>12.9</b>	<b>10.5</b>	<b>8.4</b>	<b>7.2</b>	<b>0.6</b>	<b>0.5</b>	<b>14.1</b>	<b>13.6</b>	<b>5.5</b>	<b>5.6</b>	<b>1.6</b>
<b>Median</b>			<b>10.6</b>	<b>9.8</b>	<b>7.9</b>	<b>6.9</b>	<b>0.3</b>	<b>0.3</b>	<b>13.2</b>	<b>11.6</b>	<b>5.7</b>	<b>5.2</b>	<b>1.5</b>
<b>Diff-% to median</b>			<b>-1%</b>	<b>-5%</b>	<b>-21%</b>	<b>-15%</b>	<b>6%</b>	<b>9%</b>	<b>6%</b>	<b>-7%</b>	<b>10%</b>	<b>22%</b>	<b>7%</b>

Source: Refinitiv / Inderes

# Income statement

Income statement	2021	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24	Q2'24e	Q3'24e	Q4'24e	2024e	2025e	2026e	2027e
Revenue	238	274	65.8	85.8	88.3	80.2	320	54.4	72.1	77.6	75.4	279	297	310	319
EBITDA	14.2	13.6	1.0	4.1	4.0	4.8	14.0	1.6	3.6	5.0	4.9	15.1	17.2	18.7	20.2
Depreciation	-3.9	-5.0	-1.4	-1.6	-1.2	-2.2	-6.4	-1.4	-1.5	-1.4	-1.8	-6.1	-6.5	-6.9	-7.2
EBITA (adj.)	10.5	8.8	-0.4	2.6	2.9	2.7	7.8	0.3	2.2	3.7	3.1	9.1	10.9	11.9	13.1
EBIT (excl. NRI)	10.3	8.6	-0.4	2.5	2.8	2.6	7.6	0.2	2.1	3.6	3.1	9.0	10.8	11.8	12.9
EBIT	10.3	8.6	-0.4	2.5	2.8	2.6	7.6	0.2	2.1	3.6	3.1	9.0	10.8	11.8	12.9
Net financial items	-2.1	-1.9	-0.4	-0.6	-1.1	-0.8	-2.9	-0.8	-0.6	-0.7	-0.6	-2.7	-2.5	-2.5	-2.5
PTP	8.2	6.7	-0.9	1.9	1.7	1.9	4.7	-0.6	1.5	2.9	2.5	6.3	8.3	9.2	10.5
Taxes	-1.3	-1.1	0.2	-0.4	-0.3	-0.2	-0.7	0.1	-0.3	-0.6	-0.5	-1.3	-1.7	-1.9	-2.2
Minority interest	0.0	0.2	0.0	0.0	-0.1	0.0	-0.2	0.0	0.0	0.0	0.0	0.0	-0.1	-0.1	-0.1
Net earnings	6.9	5.8	-0.7	1.5	1.3	1.6	3.7	-0.6	1.2	2.3	2.0	5.0	6.5	7.2	8.2
EPS (adj.)	0.90	0.64	-0.08	0.17	0.16	0.18	0.44	-0.06	0.14	0.26	0.22	0.56	0.73	0.81	0.92
EPS (rep.)	0.80	0.64	-0.08	0.17	0.16	0.18	0.44	-0.06	0.14	0.26	0.22	0.56	0.73	0.81	0.92
<b>Key figures</b>	<b>2021</b>	<b>2022</b>	<b>Q1'23</b>	<b>Q2'23</b>	<b>Q3'23</b>	<b>Q4'23</b>	<b>2023</b>	<b>Q1'24</b>	<b>Q2'24e</b>	<b>Q3'24e</b>	<b>Q4'24e</b>	<b>2024e</b>	<b>2025e</b>	<b>2026e</b>	<b>2027e</b>
Revenue growth-%	1.0 %	15.3 %	30.6 %	28.0 %	20.4 %	-3.6 %	16.8 %	-17.3 %	-16.0 %	-12.1 %	-5.9 %	-12.7 %	6.4 %	4.1 %	3.0 %
Adjusted EBITA growth-%	0.1 %	-17.0 %	-134.5 %	9.2 %	-2.4 %	17.8 %	-10.5 %	-165.8 %	-15.6 %	26.9 %	15.3 %	16.2 %	19.8 %	9.2 %	9.7 %
Adjusted EBITA-%	4.4 %	3.2 %	-0.6 %	3.0 %	3.3 %	3.4 %	2.4 %	0.5 %	3.0 %	4.7 %	4.1 %	3.3 %	3.7 %	3.8 %	4.1 %
Adjusted EBIT-%	4.4 %	3.1 %	-0.7 %	2.9 %	3.2 %	3.3 %	2.4 %	0.4 %	3.0 %	4.6 %	4.1 %	3.2 %	3.6 %	3.8 %	4.1 %

# Balance sheet

Assets	2022	2023	2024e	2025e	2026e
<b>Non-current assets</b>	<b>74.9</b>	<b>75.6</b>	<b>77.7</b>	<b>79.4</b>	<b>80.7</b>
Goodwill	40.0	40.0	40.0	40.0	40.0
Intangible assets	0.7	0.5	0.5	0.5	0.6
Tangible assets	22.8	23.3	25.5	27.1	28.3
Associated companies	10.0	10.5	10.5	10.5	10.5
Other investments	0.0	0.0	0.0	0.0	0.0
Other non-current assets	0.2	0.3	0.3	0.3	0.3
Deferred tax assets	1.2	1.0	1.0	1.0	1.0
<b>Current assets</b>	<b>59.6</b>	<b>59.0</b>	<b>51.4</b>	<b>57.2</b>	<b>59.5</b>
Inventories	0.0	0.0	0.0	0.0	0.0
Other current assets	0.4	0.7	0.7	0.7	0.7
Receivables	49.8	34.6	36.3	44.6	46.4
Cash and equivalents	9.4	23.6	14.4	11.9	12.4
<b>Balance sheet total</b>	<b>135</b>	<b>135</b>	<b>129</b>	<b>137</b>	<b>140</b>

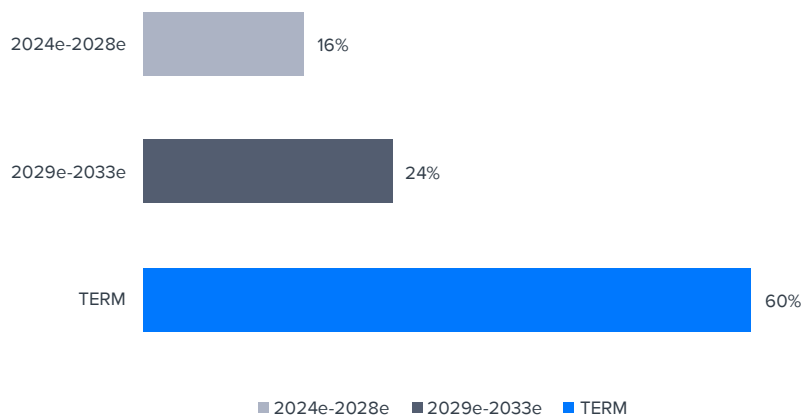
Source: Inderes

Liabilities & equity	2022	2023	2024e	2025e	2026e
<b>Equity</b>	<b>42.6</b>	<b>42.7</b>	<b>43.4</b>	<b>45.5</b>	<b>48.2</b>
Share capital	0.1	0.1	0.1	0.1	0.1
Retained earnings	23.4	24.0	24.7	26.8	29.5
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	19.2	18.7	18.7	18.7	18.7
Minorities	-0.1	-0.1	-0.1	-0.1	-0.1
<b>Non-current liabilities</b>	<b>35.4</b>	<b>34.0</b>	<b>33.8</b>	<b>25.7</b>	<b>35.0</b>
Deferred tax liabilities	1.5	1.5	0.7	0.5	0.5
Provisions	1.9	3.1	3.1	3.1	3.1
Interest bearing debt	32.1	29.4	30.0	22.1	31.4
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
<b>Current liabilities</b>	<b>56.6</b>	<b>57.9</b>	<b>52.0</b>	<b>65.4</b>	<b>57.0</b>
Interest bearing debt	10.7	11.0	10.0	20.8	10.5
Payables	45.5	46.8	41.9	44.6	46.4
Other current liabilities	0.4	0.0	0.0	0.0	0.0
<b>Balance sheet total</b>	<b>135</b>	<b>135</b>	<b>129</b>	<b>137</b>	<b>140</b>

# DCF calculation

DCF model	2023	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	TERM
Revenue growth-%	16.8 %	-12.7 %	6.4 %	4.1 %	3.0 %	4.0 %	2.0 %	2.0 %	2.0 %	2.0 %	1.5 %	1.5 %
EBIT-%	2.4 %	3.2 %	3.6 %	3.8 %	4.1 %	4.0 %	4.0 %	4.0 %	4.0 %	4.0 %	4.0 %	4.0 %
<b>EBIT (operating profit)</b>	<b>7.6</b>	<b>9.0</b>	<b>10.8</b>	<b>11.8</b>	<b>12.9</b>	<b>13.3</b>	<b>13.5</b>	<b>13.8</b>	<b>14.1</b>	<b>14.4</b>	<b>14.6</b>	
+ Depreciation	6.4	6.1	6.5	6.9	7.2	7.5	7.7	7.8	7.9	8.0	8.0	
- Paid taxes	-0.5	-2.1	-1.9	-1.9	-2.2	-2.3	-2.3	-2.4	-2.4	-2.5	-2.5	
- Tax, financial expenses	-0.5	-0.6	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5	
+ 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	15.9	-6.6	-5.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
<b>Operating cash flow</b>	<b>28.9</b>	<b>5.8</b>	<b>9.2</b>	<b>16.2</b>	<b>17.5</b>	<b>18.0</b>	<b>18.4</b>	<b>18.7</b>	<b>19.0</b>	<b>19.3</b>	<b>19.6</b>	
+ Change in other long-term liabilities	1.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-6.8	-8.2	-8.2	-8.2	-8.2	-8.2	-8.2	-8.2	-8.2	-8.2	-8.0	
<b>Free operating cash flow</b>	<b>23.3</b>	<b>-2.4</b>	<b>1.0</b>	<b>8.0</b>	<b>9.3</b>	<b>9.8</b>	<b>10.2</b>	<b>10.5</b>	<b>10.8</b>	<b>11.1</b>	<b>11.6</b>	
+/- Other	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	23.5	-2.4	1.0	8.0	9.3	9.8	10.2	10.5	10.8	11.1	11.6	157
<b>Discounted FCFF</b>		<b>-2.3</b>	<b>0.9</b>	<b>6.4</b>	<b>6.7</b>	<b>6.5</b>	<b>6.2</b>	<b>5.9</b>	<b>5.6</b>	<b>5.3</b>	<b>5.0</b>	<b>68.5</b>
Sum of FCFF present value		115	117	116	110	103	96.5	90.3	84.4	78.8	73.5	68.5
<b>Enterprise value DCF</b>		<b>115</b>										
- Interest bearing debt		-40.4										
+ Cash and cash equivalents		23.6										
-Minorities		0.2										
-Dividend/capital return		-4.3										
<b>Equity value DCF</b>		<b>93.9</b>										
<b>Equity value DCF per share</b>		<b>10.6</b>										

## Cash flow distribution

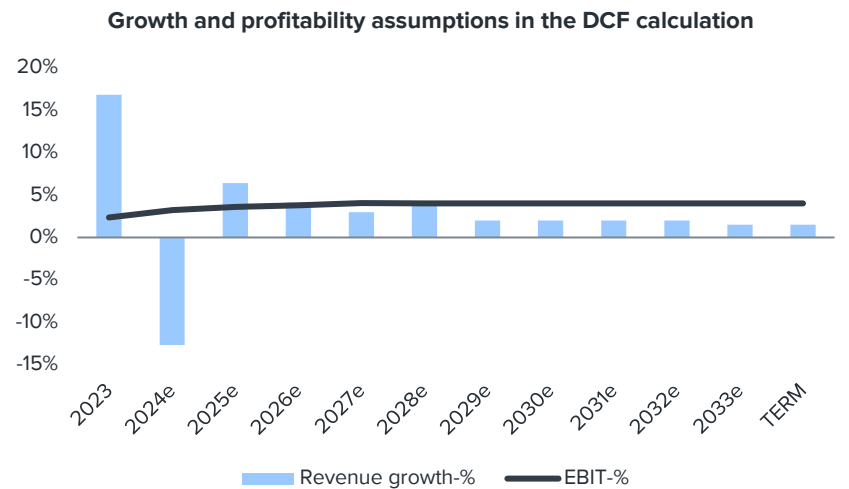
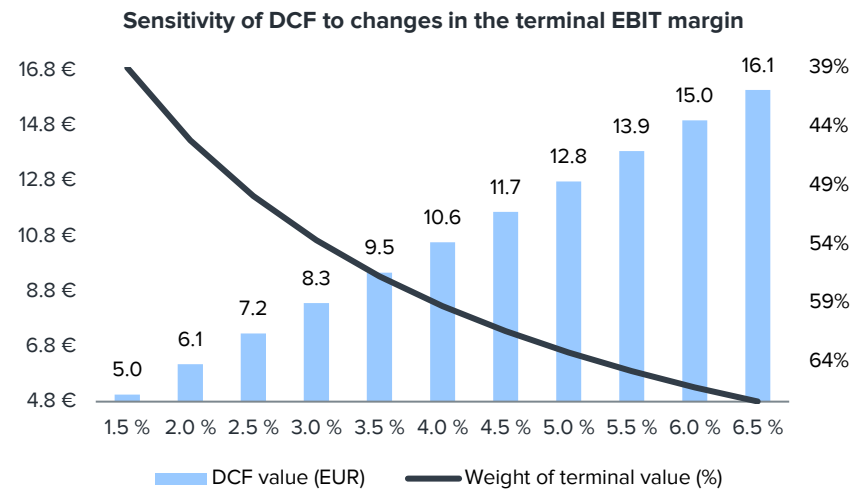
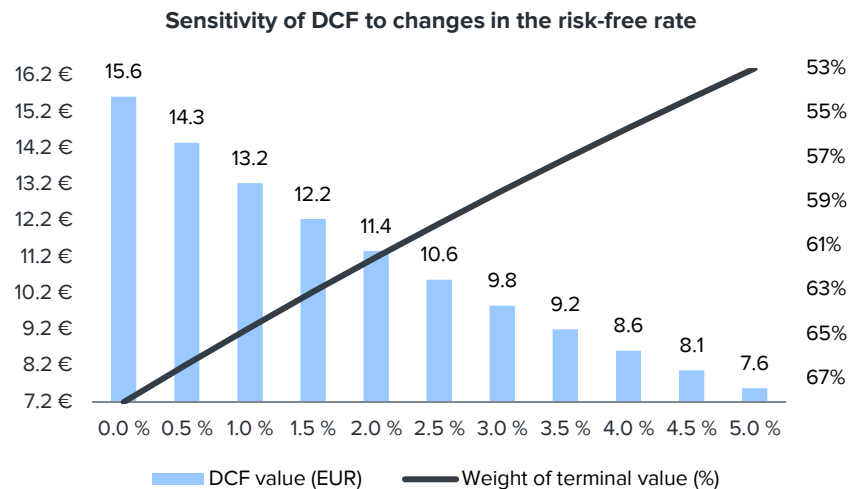
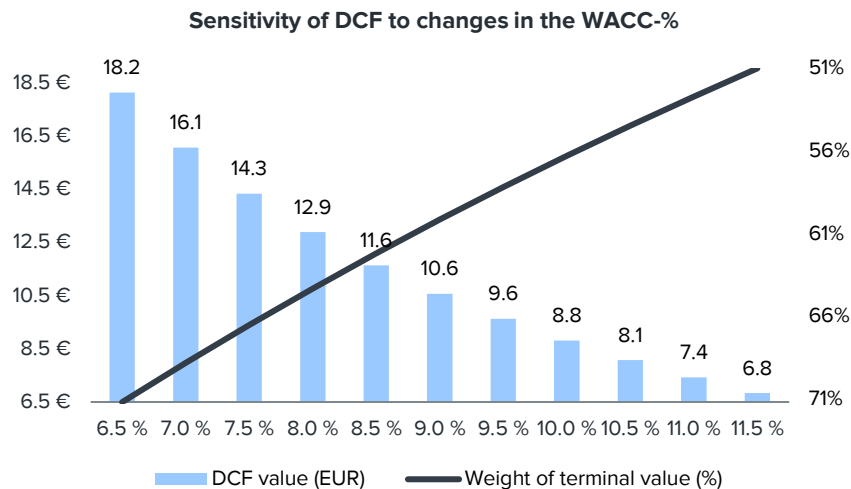


## WACC

Tax-% (WACC)	20.0 %
Target debt ratio (D/(D+E))	25.0 %
Cost of debt	3.5 %
Equity Beta	1.50
Market risk premium	4.75%
Liquidity premium	1.40%
Risk free interest rate	2.5 %
<b>Cost of equity</b>	<b>11.0 %</b>
<b>Weighted average cost of capital (WACC)</b>	<b>9.0 %</b>

Source: Inderes

# DCF sensitivity calculations and key assumptions in graphs



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

# Summary

Income statement	2022	2023	2024e	2025e	Per share data	2022	2023	2024e	2025e
Revenue	273.9	320.0	279.5	297.4	EPS (reported)	0.64	0.44	0.56	0.73
EBITDA	13.6	14.0	15.1	17.2	EPS (adj.)	0.64	0.44	0.56	0.73
EBIT	8.6	7.6	9.0	10.8	OCF / share	0.88	3.25	0.65	1.03
PTP	6.7	4.7	6.3	8.3	FCF / share	-0.63	2.64	-0.27	0.11
Net Income	5.7	3.9	5.0	6.5	Book value / share	4.75	4.81	4.89	5.13
Extraordinary items	0.0	0.0	0.0	0.0	Dividend / share	0.46	0.48	0.49	0.50
Balance sheet	2022	2023	2024e	2025e	Growth and profitability	2022	2023	2024e	2025e
Balance sheet total	134.5	134.6	129.1	136.6	Revenue growth-%	15%	17%	-13%	6%
Equity capital	42.6	42.7	43.4	45.5	EBITDA growth-%	-4%	3%	8%	14%
Goodwill	40.0	40.0	40.0	40.0	EBIT (adj.) growth-%	-17%	-12%	19%	20%
Net debt	33.4	16.8	25.6	31.0	EPS (adj.) growth-%	-29%	-31%	27%	30%
Cash flow	2022	2023	2024e	2025e	EBITDA-%	5.0 %	4.4 %	5.4 %	5.8 %
EBITDA	13.6	14.0	15.1	17.2	EBIT (adj.)-%	3.1 %	2.4 %	3.2 %	3.6 %
Change in working capital	-4.1	15.9	-6.6	-5.6	EBIT-%	3.1 %	2.4 %	3.2 %	3.6 %
Operating cash flow	7.9	28.9	5.8	9.2	ROE-%	13.6 %	9.1 %	11.5 %	14.5 %
CAPEX	-12.8	-6.8	-8.2	-8.2	ROI-%	11.2 %	9.0 %	10.8 %	12.5 %
Free cash flow	-5.7	23.5	-2.4	1.0	Equity ratio	31.6 %	31.7 %	33.6 %	33.3 %
Valuation multiples	2022	2023	2024e	2025e	Gearing	78.5 %	39.3 %	59.0 %	68.2 %
EV/S	0.4	0.3	0.3	0.3					
EV/EBITDA (adj.)	7.8	5.8	6.3	5.8					
EV/EBIT (adj.)	12.3	10.7	10.5	9.3					
P/E (adj.)	12.7	16.5	14.0	10.7					
P/B	1.7	1.5	1.6	1.5					
Dividend-%	5.7 %	6.6 %	6.3 %	6.4 %					

Source: Inderes



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Date	Recommendation	Target	Share price
11/22/2021	Buy	13.00 €	10.75 €
11/24/2021	Buy	13.00 €	11.45 €
1/27/2022	Accumulate	13.00 €	11.75 €
4/27/2022	Buy	12.00 €	9.00 €
7/28/2022	Buy	12.00 €	8.80 €
10/4/2022	Buy	11.00 €	8.02 €
10/27/2022	Buy	11.00 €	8.45 €
11/21/2022	Accumulate	10.50 €	8.92 €
1/12/2023	Accumulate	10.50 €	9.05 €
2/1/2023	Accumulate	10.50 €	9.30 €
5/2/2023	Accumulate	9.00 €	7.94 €
7/12/2023	Reduce	7.90 €	7.58 €
7/20/2023	Accumulate	7.90 €	7.44 €
10/26/2023	Accumulate	7.00 €	6.32 €
11/28/2023	Accumulate	7.30 €	6.84 €
2/1/2024	Accumulate	8.50 €	7.94 €
4/29/2024	Accumulate	8.50 €	7.80 €



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