

GRK INFRA OYJ

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INDERES CORPORATE CUSTOMER

EXTENSIVE REPORT



Infra for value creation has been built

We are initiating coverage of infrastructure construction company GRK Infra with an Accumulate recommendation and a target price of EUR 13.00. In our opinion, GRK, which was listed in April, is one of the best in its industry. Although growing earnings in the short term from the high level achieved at the end of Q1 is not easy, we think the stock is unfairly underpriced, especially with EV multiples that take into account the very strong balance sheet. Thus, we see the expected return stemming from the upside in the share valuation and the dividend as attractive.

GRK is focused on demanding infrastructure construction

GRK is a company specializing in demanding infrastructure construction, with services divided between Civil engineering and road construction (~75% of revenue), the Rail business (~23%) and Environmental Services (~2%). GRK's largest operating country is Finland with a good 50% share of revenue in 2024, but the company has also expanded to Sweden (close to 40%) and Estonia (around 10%) in recent years. About two-thirds of GRK's revenue comes from public sector clients such as the state and municipalities, while about one-third comes from private sector investments.

Due to the relatively large share of the public sector and its mostly long-term planned investments, the demand for infrastructure construction is fairly stable and, in some cases, even counter-cyclical. The infrastructure construction market in GRK's operating countries is very large in relation to the company's size and is expected to grow at an annual rate of about 3%. Market growth is driven by the green transition, urbanization, the need to improve defense and critical infrastructure, and the reduction of the repair debt. Infrastructure construction is a very fragmented sector in all of GRK's operating countries, where GRK competes with local players, companies operating more broadly in the construction value chain, and international infrastructure companies. In our opinion, it is difficult to build clear and long-lasting competitive advantages in the industry, but GRK's very strong financial track

record in terms of both growth and profitability shows that the company's competitiveness is strong. We estimate that this is partly due to the skilled and well-motivated personnel, as the company seems to have been remarkably successful in managing project schedules, quality and costs.

We expect the company to achieve its targets

GRK's financial targets include revenue of over 750 MEUR in 2028, an adjusted EBIT margin of over 6% and a net debt to EBITDA ratio of less than 1.5x. With rolling figures at the end of Q1, the company has achieved its revenue and margin targets, and the balance sheet has a healthy net cash position following the IPO. GRK will, of course, have to compensate for the major Stegra project, which has supported the figures in recent years and will probably end next year, but we still think the company's targets look moderate. We expect GRK to achieve its 2028 targets, which would imply moderate growth and earnings growth from the 2024 level. However, this year may be the peak in short-term earnings, as we expect the company to exceed its guidance for both revenue and earnings, driven by a very strong Q1 and a still lengthy order book. Our forecast does not include acquisitions, which in our opinion the company could make with the firepower of its strong balance sheet, especially in Sweden and/or in new infrastructure construction segments to accelerate growth.

The expected return is good on all metrics

GRK's adjusted P/E ratios for 2025 and 2026 are around 11x and 13x, and the corresponding EV/EBIT ratios are around 7x and 8x. In our opinion, the multiples are low in relation to the quality of the business and below the level we accept for the company, especially on an EV basis. The EV multiples are also low in relative terms. Thus, the expected return consisting of upside in multiples and an approximately 5% dividend clearly exceeds our required return. We expect the undervaluation to dissolve, driven by the news flow (incl. guidance raise and new orders) over the next year. The DCF model also supports a positive view on the stock.

Recommendation
Accumulate



Target price:
EUR 13.00



Share price:
EUR 10.95

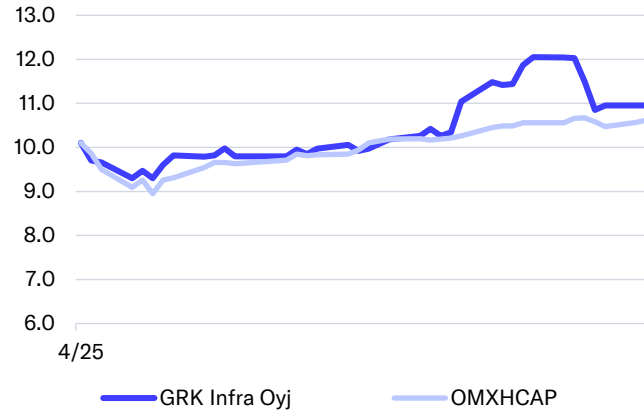
	2024	2025e	2026e	2027e
Revenue	728.4	778.3	735.5	734.7
growth-%	33%	7%	-5%	0%
EBIT adj.	45.6	50.5	44.1	42.3
EBIT-% adj.	6.3 %	6.5 %	6.0 %	5.8 %
Net income	36.9	36.8	35.2	34.2
EPS (adj.)	0.93	0.97	0.86	0.83
P/E (adj.)	10.9	11.3	12.7	13.1
P/B	3.4	2.5	2.3	2.2
Dividend yield-%	2.0 %	4.6 %	5.0 %	5.5 %
EV/EBIT (adj.)	7.0	6.5	7.5	7.7
EV/EBITDA	5.2	5.0	5.5	5.5
EV/S	0.4	0.4	0.5	0.4

Source: Inderes

Guidance (Unchanged)

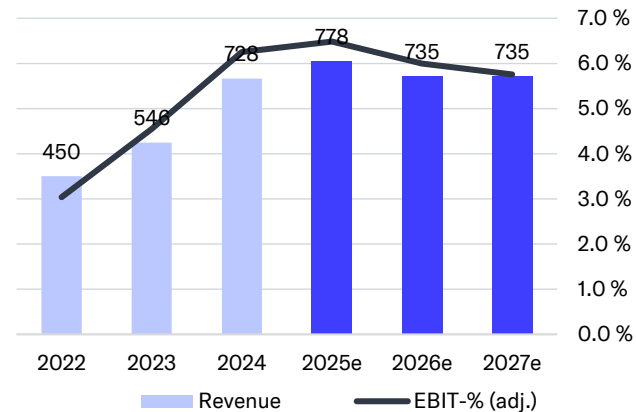
GRK estimates that its revenue in 2025 will be 650–730 MEUR (2024: 728.6 MEUR) and adjusted operating profit will be 36–45 MEUR in 2025 (2024: 45.6 MEUR).

Share price



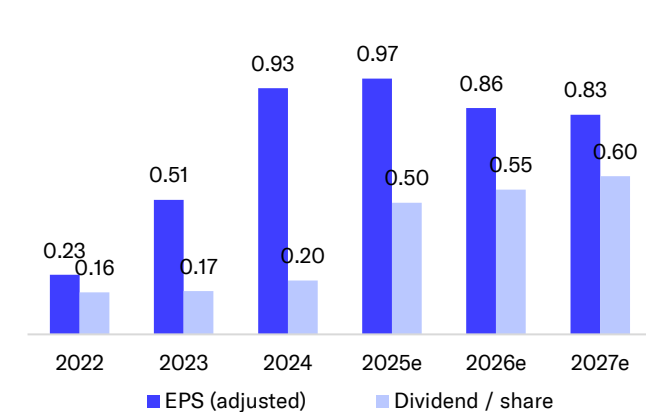
Source: Millistream Market Data AB

Revenue and EBIT-% (adj.)



Source: Inderes

EPS and dividend



Source: Inderes

Value drivers

- Organic growth supported by strengths
- Inorganic expansion into Southern Sweden and new infrastructure construction segments
- Capital-light business model and industry-leading profitability enabled by soft strengths
- Fairly predictable and partly counter-cyclical demand driven by the public sector

Risk factors

- Profitability risks related to projects
- Increasing competition
- Large weight of individual customers and projects
- Consequences of the ongoing competition restriction investigation in Finland

Valuation	2025e	2026e	2027e
Share price	11.0	11.0	11.0
Number of shares, millions	41.0	41.0	41.0
Market cap	449	449	449
EV	329	333	324
P/E (adj.)	11.3	12.7	13.1
P/E	12.4	12.7	13.1
P/B	2.5	2.3	2.2
P/S	0.6	0.6	0.6
EV/Sales	0.4	0.5	0.4
EV/EBITDA	5.0	5.5	5.5
EV/EBIT (adj.)	6.5	7.5	7.7
Payout ratio (%)	56.6 %	64.0 %	71.9 %
Dividend yield-%	4.6 %	5.0 %	5.5 %

Source: Inderes

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GRK Infra in brief

GRK is a Finnish infrastructure constructor founded in 1983 that designs, repairs and builds roads, highways, railways and bridges in Finland, Sweden and Estonia. Its core competences include the execution of diverse projects, project management and extensive rail construction expertise.

729 MEUR

Revenue in 2024

19.5%

Revenue growth, average 2019-2024

45 MEUR

EBIT in 2024

4.6%

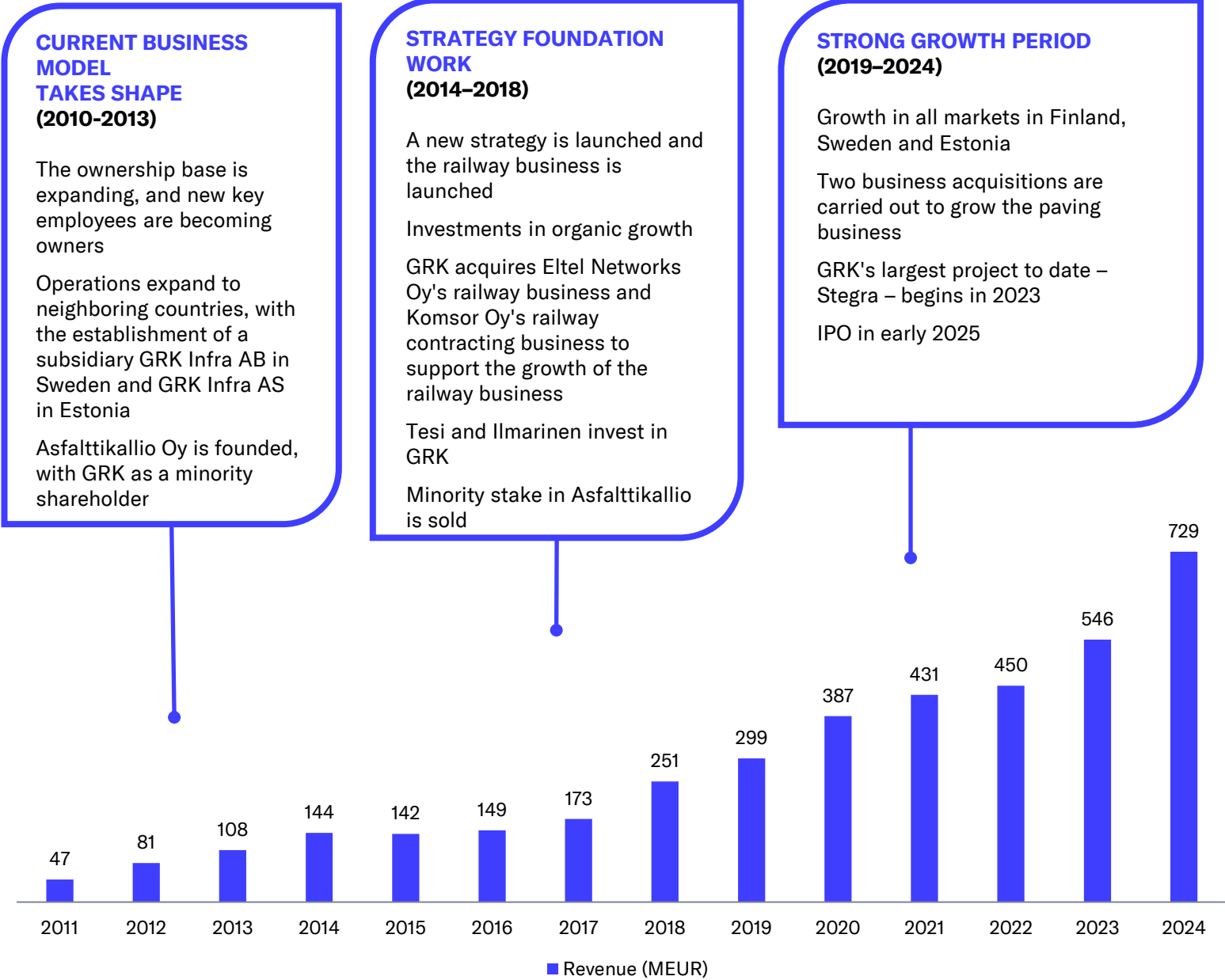
Average EBIT margin, average 2019-2024

23.6%

Return on equity, average 2019-2024

~1,100

Headcount at the end of 2024



Note: Prior to 2019 according to FAS, thereafter according to IFRS

Business model 1/6

GRK Infra is a Finnish company focused on infrastructure construction, operating in Finland, Sweden and Estonia. GRK's services cover many areas of infrastructure construction, including road and rail construction, civil engineering, industrial construction, and related designs.

The company's main market is Finland, where GRK is the third-largest player, holding around 5% of the fragmented market. In Estonia and Sweden, which is central to the company's growth strategy, the company's market shares are estimated at 1-3%. The most important business area is civil engineering and road construction, which accounts for roughly three-quarters of GRK's annual revenue.

GRK has grown rapidly in recent years, clearly faster than the overall infrastructure construction market. In 2024, the company's revenue increased to 729 MEUR (2020: 387 MEUR).

Project-based business

GRK's business is project-based and consists of roughly 300 projects of various sizes each year. The majority of projects are small, around 0-5 MEUR in size, but clearly the largest part of revenue comes from individual larger projects. The largest projects last 2-4 years, while smaller ones typically take less than a year. In recent years, larger projects have played a greater role than the increase in the number of projects in the strong development of revenue. We estimate that there are no significant differences in the profitability potential of different-sized projects, but the risks of larger projects are also greater, offsetting their absolutely greater margin potential.

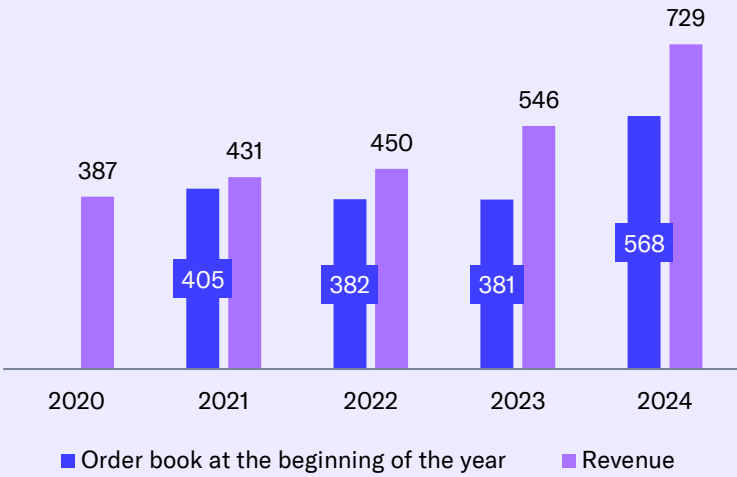
In a normal year, the majority of GRK's revenue comes from

fixed-price projects in which GRK acts as the main contractor. In these contracts, a price is agreed upon in advance, and if the actual costs are lower or higher than GRK's budget, the profit or loss remains with the company. For some materials, contracts can also be linked to price indices (especially certain construction materials), which reduces the impact of possible cost fluctuations on the profitability of the contract. Cost risk is calculated by establishing fixed purchase prices with suppliers and subcontractors at the beginning of projects. This works well, especially for shorter projects. Typically, projects include extra work that is priced separately from the contract.

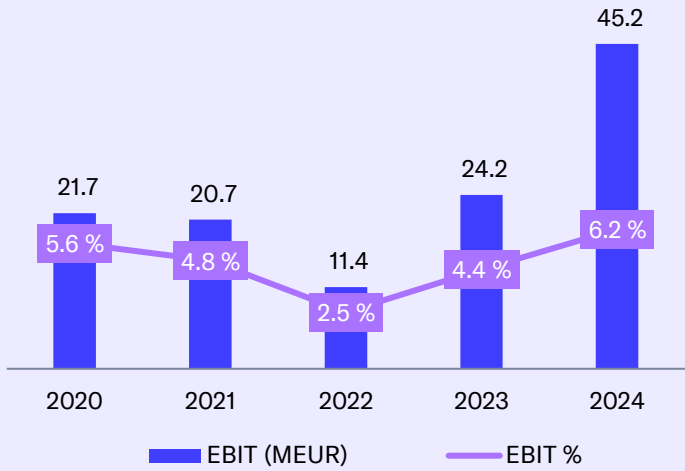
The key risks in the project business are related to project management. Risks include cost risks (including quality) and risks related to meeting deadlines. Managing risks in project business requires expertise especially in project management, planning and cost accounting, as projects are always priced on a case-by-case basis. The sector is also increasingly using cooperative agreements, in which responsibilities and objectives are shared among participants (e.g. alliance models). These reduce the profitability risk associated with projects. GRK is capable of operating extensively in various collaborative projects.

Based on statistics from recent years, risks have remained well under control for GRK, as only about 11% of the projects completed in Finland in 2022-2024 (including the period of high inflation) were loss-making. Correspondingly, 74% of the projects exceeded the target margin. Probably at least partly due to this, the Group's profitability has also been strong compared to the industry average. It is important to note that mistakes

Revenue and order book (MEUR)



EBIT development



Business model 2/6

in a single large project could have a significant impact on the result for the financial year due to their high share of revenue.

Extensive infrastructure construction services

GRK's business is divided into civil engineering and road construction, rail construction and environmental services. Services include the design and construction of bridges, roads and railways, railway network maintenance, various industrial infrastructure projects, and circular economy services such as the recycling of waste and by-products. The majority of GRK's business comes from civil engineering and road construction, while the share of environmental technology is very low. Next, we will present the key service areas in more detail.

Civil engineering and road construction

Road construction includes improving existing roads, be it gravel roads or motorways. GRK's services cover the entire life cycle of road construction, from foundations to landscaping. Civil engineering, in turn, includes a wide range of projects, such as the construction of bridges, dams, water supply pipelines and industrial plants. The clients can be both public and private sector operators.

In civil engineering and road construction, GRK focuses particularly on carrying out demanding projects involving many technical dimensions. For example, the complexity of bridge projects is increased by water crossings and the urban environment, as well as technical requirements such as length, height and load-bearing capacity.

Rail business

In the rail business, GRK's areas of expertise include

railway, metro and tramway systems. GRK's rail business includes design, construction and maintenance services. Of these, actual construction accounts for by far the largest share of the business. Construction projects are offered in all target countries, while maintenance is currently only offered in Finland and will be offered later in Estonia.

In design services, GRK produces designs related to railway technology, electrification, safety equipment and structures. The railway construction business includes the construction work for railways, railway yards, tramways and metro lines. GRK carries out both greenfield and renovation construction projects. Maintenance services focus on railway maintenance and damage repair. Maintenance contracts typically have a duration of 5 to 10 years.

Environmental services

GRK's environmental services is by far the smallest of the segments and includes the recycling and processing of waste and industrial by-products for GRK's infrastructure services and third parties. Thus, the business supports the efficient utilization of materials and, if necessary, the final placement of construction surplus materials and industrial side streams. GRK has a total of 14 permitted reception facilities in Finland.

In addition to receiving and processing materials, the environmental services business offers the construction of sports venues, noise barriers and parking areas, which are mainly implemented using recycled materials. In addition, GRK has its own production plant for biochar and pellets, the output of which is used in the company's own projects as a soil improvement agent, for example, or sold to industrial customers.

Examples of contracts won by GRK in 2022-2024

Project and destination country	Business area	Project value
Stegra AB	Civil engineering and road construction	> 4 BNSEK
Rail Baltica projects	Rail business	56 MEUR*
Fortum's generation facility	Civil engineering and road construction	6 MEUR
Hailuoto fixed road connection	Civil engineering and road construction	95 MEUR
Electrification of Estonian railways	Rail business	79 MEUR
Maintenance of railway lines in South-West Finland	Rail business	55 MEUR
Upgrading Highway 9 in Finland	Civil engineering and road construction	32 MEUR
Postipuisto earthworks	Civil engineering and road construction	42 MEUR
Renewal of the Aura River railway bridge	Rail business	26 MEUR

**In addition, estimated value of the share in development phase is 158-216 MEUR (not included in order book)*

Business model 3/6

Customers can use the carbon credits generated from biochar to offset their own carbon emissions. The ramp-up of operations has faced challenges, as the Utajärvi biochar plant has been out of operation since a fire broke out in February 2024.

In our view, in-house production can help GRK in tendering processes, where emission reduction metrics have in many cases already risen to the criteria.

Public customers are the backbone of the business

Of the customer groups, the public sector accounts for the largest share of GRK's revenue (2024: 62%, 2023: 67%), which creates stability for the company's business. On the other hand, public projects generally involve very tough and price-driven competition, which may reduce earnings potential in return for stability. On the public side, the company's clients include states, municipalities and other public actors (e.g. The Finnish Defense Forces and ELY Centers in Finland, Trafikverket in Sweden, and Transpordiamet and Eesti Raudtee in Estonia).

Rest of the revenue comes from private customers, which include construction companies, industrial investment commissioners/developers, and other large companies. In general, private sector projects tend to have better margins, but the risks are also often higher, for example due to the type of contract (i.e. the risks are mainly borne by the contractor). According to our estimate, however, the difference in profitability between public and private sector sales is not significant, and we do not believe that the company consciously emphasizes either customer sector.

We believe that the target market has a greater impact, as the competitive situation for large projects in northern Sweden (where GRK has so far focused in Sweden) is quite limited, which also means that the profitability potential is higher. A significant part of GRK's strong growth in recent

years has come precisely from private projects in Sweden, which may partly explain the leap in profitability in 2023-2024.

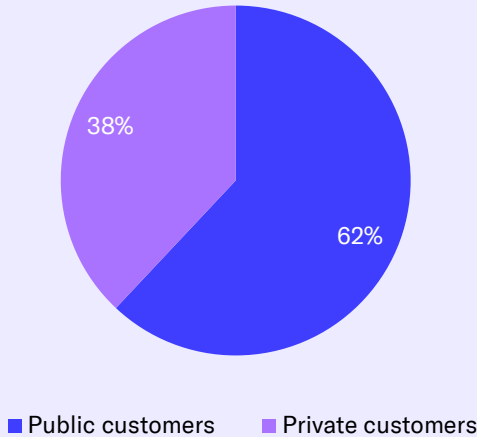
For the time being, however, most of the revenue comes from Finland, while Estonia accounts for the clearly smallest share. In Finland, customers mainly consist of public sector actors, while in Sweden, the share of private projects is considerable. The business is also quite concentrated, as in fiscal year 2024, GRK had two customers that accounted for more than 10% of the full-year revenue. Thus, it can be concluded that at least 40% of the revenue came from two customers and the Stegra steel plant project in Sweden accounted for 29% of invoicing. This can be considered very high, although in project business the largest customers typically change with the project cycle.

Cyclicalty is more moderate than in the rest of the construction market

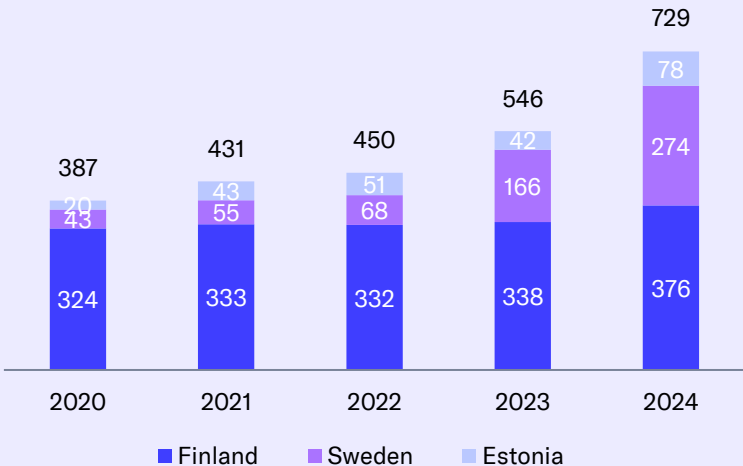
The construction sector is affected by the economic cycle. However, the revenue and volume development of infrastructure construction is less cyclical than the rest of the construction market (e.g. building construction), which is mainly due to the large share of public projects. Often large infrastructure projects and investments are driven by the public sector, and their demand is not very dependent on the economic situation (e.g. railway projects). As the economy weakens, stimulus measures are often initiated by national and local governments, which may even bring counter-cyclical features to the business.

Of course, it is important to note that public projects expose the business to political risks, especially during times of public budget challenges. Overall, however, public demand balances fluctuations in private demand, making infrastructure construction less dependent on the business cycle.

Revenue by type of customer (2024)



Revenue by country (MEUR)



Business model 4/6

This has kept the historical development in infra construction fairly stable despite the volatility of the construction market. Demand is particularly stable in maintenance operations, but their share of GRK's revenue is quite low (> 10%).

Although public demand balances out fluctuations in demand, GRK is exposed to the development of the rest of the construction market through its industrial projects, among other things. Private projects, therefore, constitute the more cyclical component of the business. In addition, it is important to note that, due to the nature of the project business, revenue fluctuation at the company level is clearly stronger than the market, which is explained by the timing of different projects (cf. financial year 2024 and Stegra's Swedish project accounting for almost 30% of the Group's revenue). As large projects are completed, the company needs to be able to replace them to keep revenue at least flat.

Business is seasonal

GRK's business is very seasonal. New projects typically start in the first or second quarter, and due to weather conditions, construction work is concentrated from late spring to late fall. As a result, Q1 is generally the weakest and sometimes even loss-making in infrastructure construction. Also, at the end of Q4, the weather starts to make it difficult to implement projects. On the other hand, projects are often completed towards the end of the year, which reduces the seasonal variation in Q4. For the last quarter, the timing of the start of winter also affects the strength of seasonality. GRK recognizes revenue from its projects mainly according to costs (actual costs / estimated costs), so the majority of revenue and earnings are generated in the second half of the year, and Q3 is typically the strongest of the quarters.

The company's working capital, on the other hand, is at its highest in the summer and at its lowest at the turn of the year in Q4 or Q1, when projects are completed and final payments are invoiced from customers. Therefore, the company's cash flow is weighted even more strongly towards the end of the year and Q4 than its earnings.

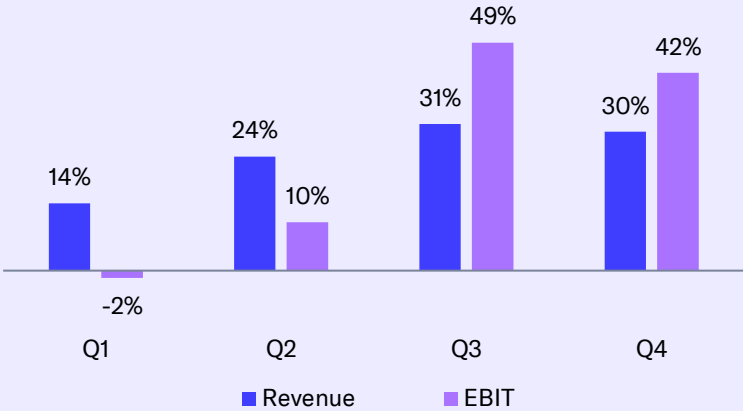
Costs are largely variable

Most of GRK's expenses are variable in nature, and administrative expenses form the genuinely fixed part of the cost structure. We estimate that around 80% of expenses are variable. Therefore, the cost level adjusts fairly well with revenue in either direction. In particular, the amount of subcontracted labor can be adjusted quite flexibly, and material costs naturally develop in proportion to project volumes. However, the cost structure is not fully flexible, as the costs of own personnel and administration are mainly fixed.

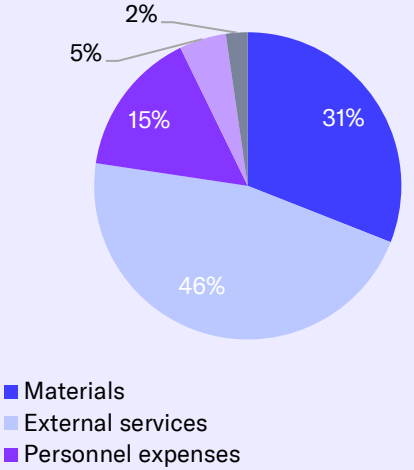
Most of GRK's operating expenses are related to personnel. Only some of the employees working on construction sites are on GRK's payroll, so personnel costs accounted for only about 15% of all operating expenses in 2024. However, the company also uses a lot of subcontracting, which is included in off-balance sheet services. In addition, we believe that external services include short-term machinery and equipment rentals. Overall, external services account for some 46% of expenses.

The next largest expense item consists of materials used in project execution. The most important materials in GRK's projects are steel, timber and bitumen. Some of the costs in contracts can be linked to indices, which reduces the profitability risk associated with rising material prices. Based on historical figures, however, these are not included in nearly all contracts,

Revenue and EBIT breakdown by quarter in 2023-2024 (%)



Cost structure 2024 (share of operating expenses)



Business model 5/6

as increased inflation clearly weakened the gross margin in 2022, for example. Following the inflation spike, both the company and its customers have probably prepared better for the possibility of fluctuations in input prices. Other operating expenses (incl. administration and depreciation), on the other hand, are minor.

Profitability scaling potential is moderate

GRK's projects are very personnel- and material-intensive. In addition, the projects are very different in nature, so the business is not particularly scalable. Of course, a larger scale may enable the creation of more extensive local cost benefits (e.g. the availability of a specific critical material favorably for an individual project), which helps to win projects with a better margin than competitors. In addition, the scale may bring moderate benefits, for example in terms of fairly fixed administrative costs, but in the GRK size class these are already well-limited. From a profitability perspective, project management expertise, operational efficiency and pricing are clearly more important.

GRK's relative profitability is quite low, as is typical for the industry (GRK's average EBIT-% of 4.6% in 2019-2024), which is likely due to the role of public tendering in project acquisition, among other things.

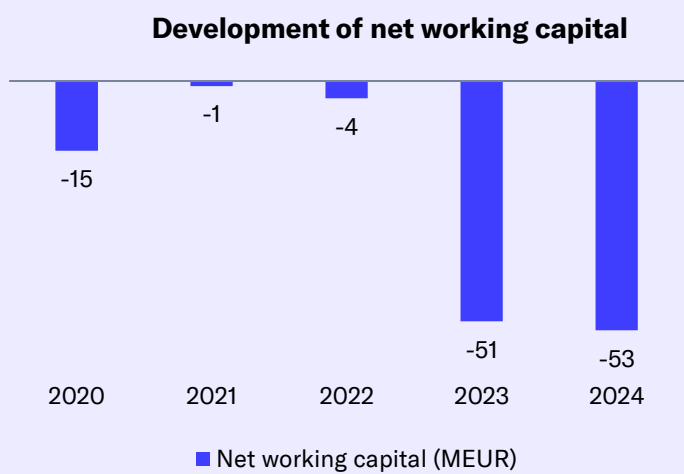
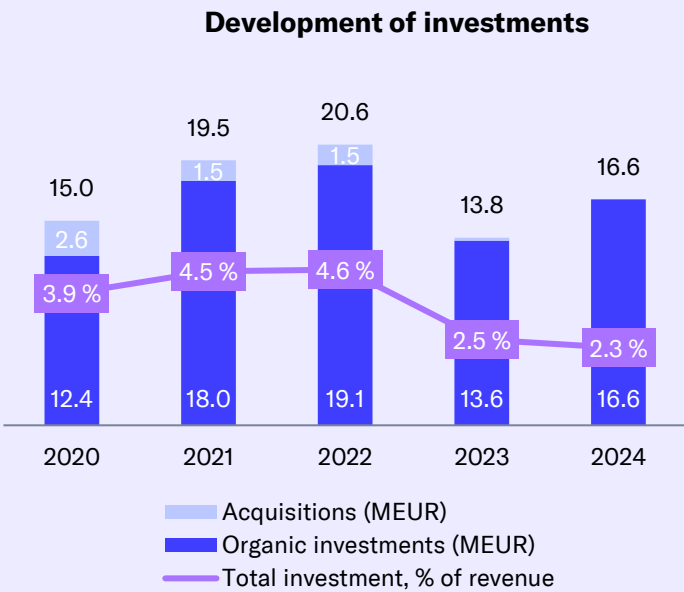
As a counterbalance to the low margin level, capital is hardly tied up (i.e. capital turnover is high), so the return on capital has been strong (ROIC averaging over 20% in 2020-2024). This has been helped by GRK's above-average profitability in the industry. In 2024, the EBIT margin already rose above the company's target of 6%.

Earnings translate well into cash flow

As is typical for the business model of the company and the industry, GRK's investment needs are quite moderate in relation to the size of its business, and annual investments have been 3-5% of revenue in recent years. We estimate that about half of this has come from replacement and maintenance investments and the other half from investments required for growth. The investments mainly consist of machinery and equipment required for construction projects. When it comes to machinery, the company also uses leased equipment, but specialized machinery, in particular, is also on its own balance sheet.

In our opinion, the need for investments is also quite stable, although in the future, larger one-off investments may be required as larger machines need to be replaced and as growth continues. In addition, according to the company, the amount of investments in 2025 will be higher than the average level, which in our estimation is explained by the growth investments in the environmental business. Acquisitions are also part of the growth strategy toolkit going forward, and if realized, these could consume a significant portion of capital allocation in the coming years.

GRK's free cash flow fluctuates somewhat annually, as projects are invoiced at different times and capital is tied up in materials and equipment, among other things, when projects start. However, over a few years, the result will turn into very liquid assets (cumulative net profit for 2021-2024 of 80 MEUR vs. cumulative operative free cash flow of 98 MEUR). In addition to the moderate investment needs, this is due to the clearly negative working capital, which is a result of advance payments from GRK's customers. In our view, the company receives advance payments especially from large projects,



Business model 6/6

so the increase in the number of larger projects in its size class has also increased the share of advance payments and weighed on the level of net working capital in recent years. From an investor's perspective, negative net working capital is a positive thing, as the business can grow without the need for additional financing, with customers participating in the financing of the business. The equation also works the other way around, so during a period of declining revenue, cash flow typically decreases more than earnings. The risk of negative cash flow and the nature of advances (i.e. the company holds customers' money) require a fairly strong balance sheet from the company when measured by traditional key figures.

GRK's strengths lie in project expertise

GRK has strong references from completed projects and expertise in demanding projects, which can be considered key competitive factors. These are likely to strengthen the brand and bring projects to the company in the future, as the importance of previous references in tenders is considerable in the industry.

However, the most important indicator of the quality of the business is the historical profitability and growth trend, as we believe it is not very easy to build clear measurable competitive advantages in the industry. In light of the strong growth and improved profitability, however, GRK has consistently done things right. We believe that the strengths culminate in project expertise and the successful execution of projects, from planning (including contract management) and pricing to on-schedule implementation. A good example of customer satisfaction is Stegra's large project in Sweden, where GRK has received new orders on top of the original contract. According to the company's comments, the Stegra project has been in line with the

average level of Swedish projects, so the project has probably been very good for the company.

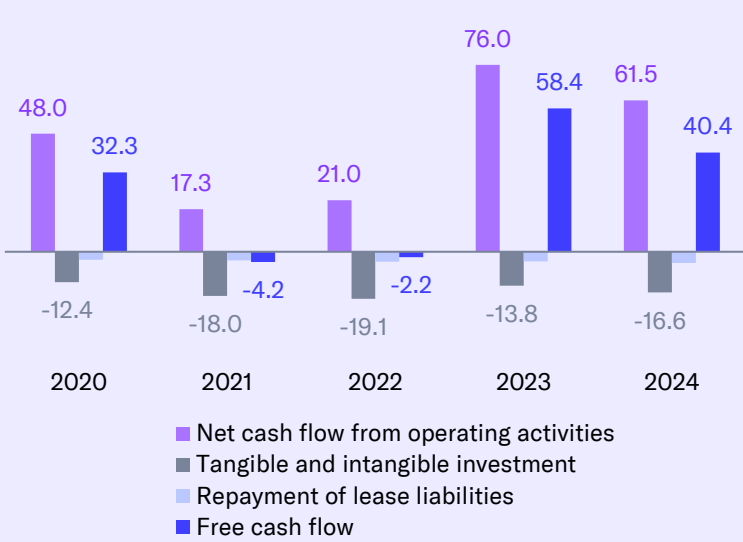
Another key factor behind the good profitability development is, in our view, less competition in the Northern Swedish market, especially for larger contracts (cf. also NYAB has achieved strong profitability with its Swedish business focused on Northern Sweden). At the smaller end, there is clearly more competition in all segments, which also limits the earnings potential of these projects. It is therefore important for investors to keep an eye on the development of project profitability. We may not get continuous checkpoints on this in the earnings reports, but the topic should come up steadily in management's comments. In particular, increased competition in existing markets, growth in more competitive segments or weakening customer satisfaction could depress GRK's margins.

The importance of corporate culture and employee engagement can't be underestimated, although measuring and assessing this from outside the company is very challenging. Ultimately, however, the most important metric is the realized profitability, which has been higher than the average competitor.

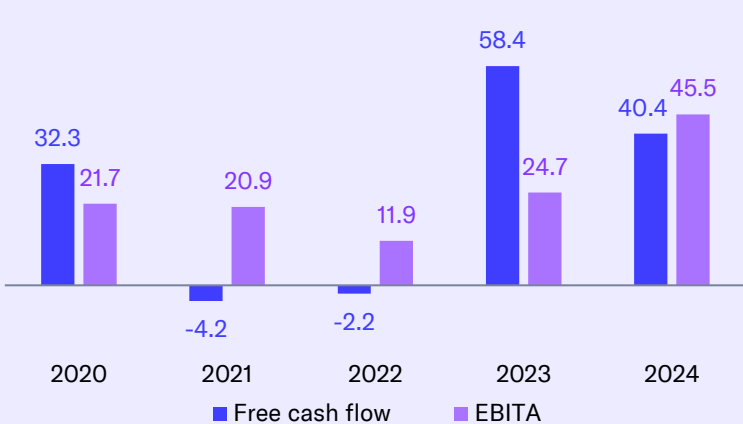
Large projects increase the risk level of business

In our view, the risk profile of GRK's business as a whole is reasonably moderate compared to the rest of the construction sector. The risk level of the business model is lowered by the high share of public sector revenue (stable and even counter-cyclical demand), flexible cost structure, historically proven project expertise and moderate investment needs. The risk level of the business model is increased by the business's dependence on individual projects and the general risk factors of project business.

Accumulation of free cash flow*

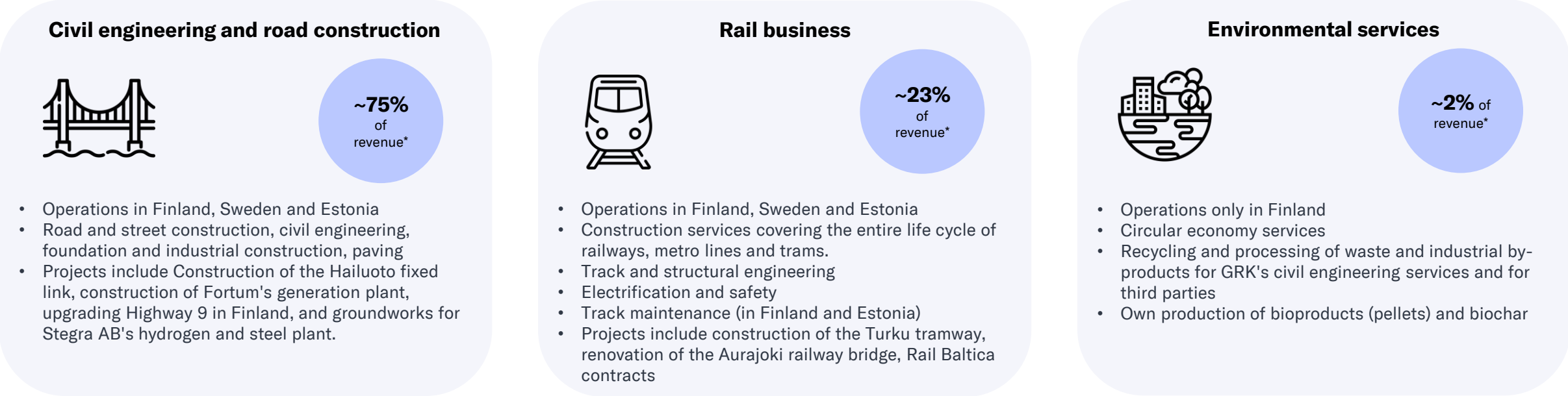


Cash flow ratio



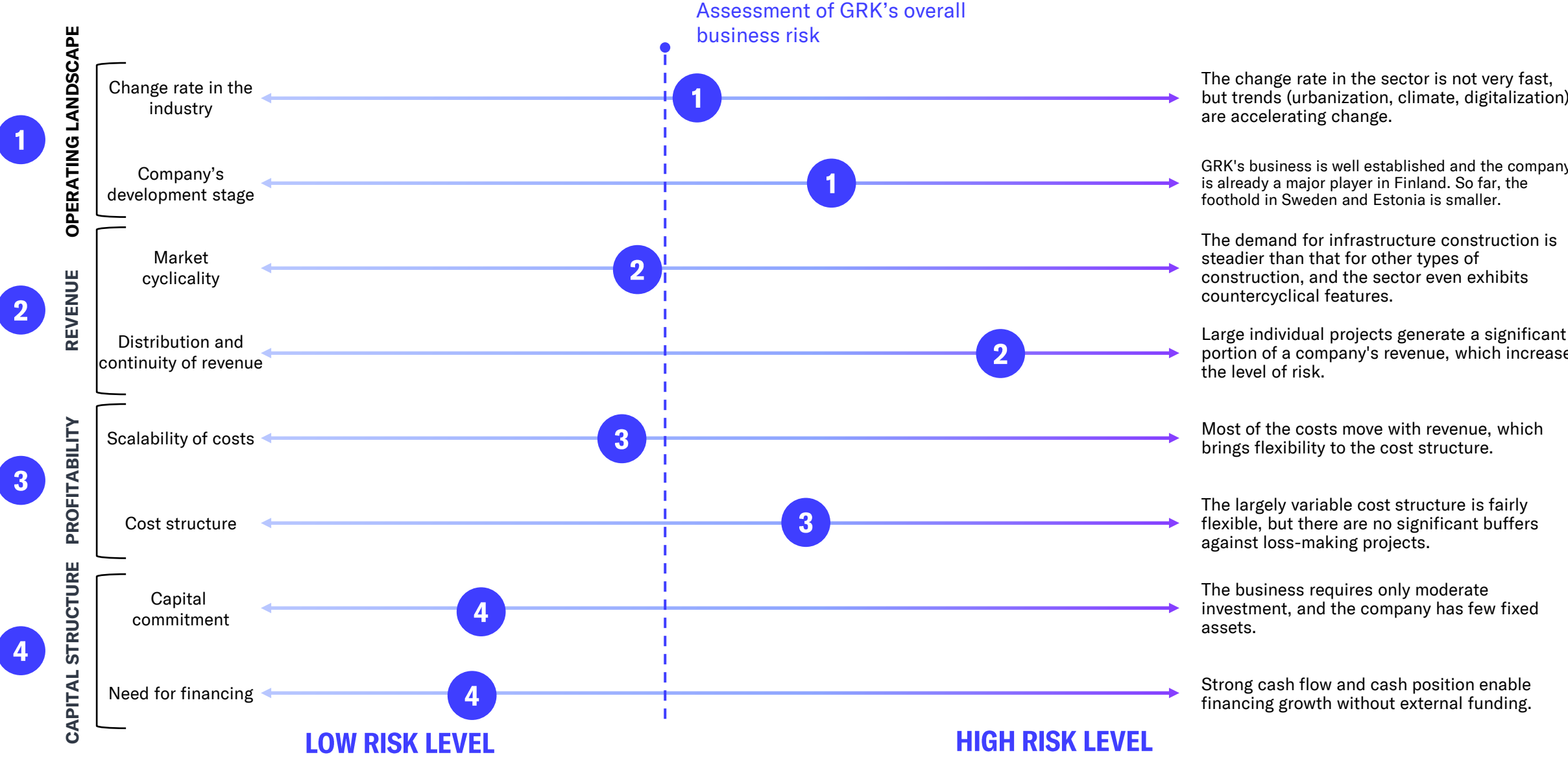
*Different from the company's calculation method

Business model summary



Source: GRK Infra / Inderes
*Inderes' estimate, based on the company's information in its IPO prospectus regarding the historical revenue shares of the business units

Risk profile of the business model



Industry and competitive field 1/8

Market definition

GRK operates in the infrastructure construction market in Finland, Sweden and Estonia. Infrastructure construction covers all structures and systems essential for the functioning of society, such as roads, streets, bridges, water supply networks, electricity and telecommunications networks, and rail transport infrastructure. In practice, it forms the basis for other construction. Infrastructure construction is typically divided into transport, energy, water and municipal engineering construction, and its importance is particularly emphasized from the perspective of sustainable development and combating climate change. The market is currently characterized by the reduction of repair debt, the fight against climate change, the need for new and smart infrastructure solutions, and the investment needs arising from the tightened geopolitical situation. All of these offer growth opportunities for industry players.

The market is massive

According to a study commissioned by GRK, the size of the company's target market is over 30 BNEUR, which includes the euro-denominated infrastructure construction markets in Finland, Sweden and Estonia. Sweden is clearly the largest (20.5 BNEUR), Finland is almost a third of the size of Sweden (7.3 BNEUR), and Estonia is the smallest of the regions (2.4 BNEUR), measured by 2023 figures. The markets are large in relation to GRK's size in all countries, and geographical expansion is not necessary to continue growth.

The infrastructure construction market can be divided into several sub-segments. For the entire GRK market, road construction accounts for the largest share, and we

estimate that road construction accounts for almost 30% of the market. Otherwise, major sub-segments include energy infrastructure, railways and municipal infrastructure with 24%, 17% and 13% shares of the total market.

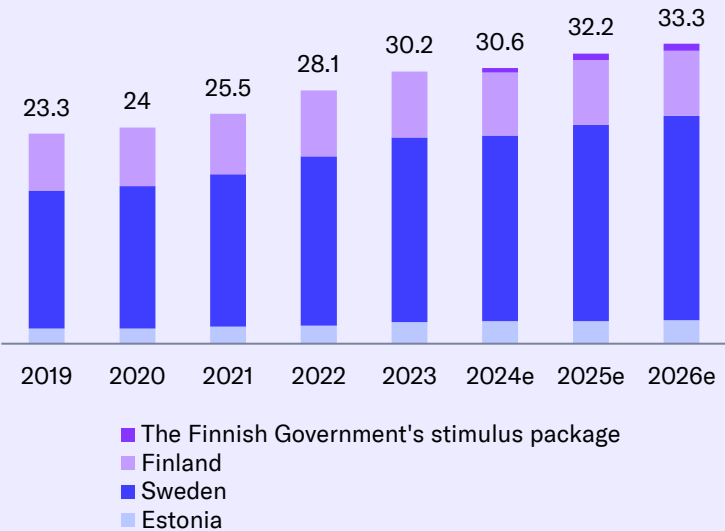
Infrastructure construction has grown rapidly in history

GRK's target market has grown by around 7% p.a. between 2019 and 2024. Faster growth than GDP development has been boosted in Finland by public sector investments in infrastructure development, in Sweden by government investments in road construction, and in Estonia by EU subsidies granted for the expansion and renovation of transport infrastructure, as well as high inflation during the period (i.e. volume growth has been lower than monetary growth). Geographically, the infrastructure market has grown the fastest in Sweden, which in our view is explained by the country's strong GDP growth and the public administration's long-term plan to improve the rail network. Growth in Estonia has also been reasonable, supported by EU funding. Finland has been the slowest growing region geographically, due to the slower development of public investments, among other things. Finland's development has been burdened by the nation's weak economic situation and high public debt.

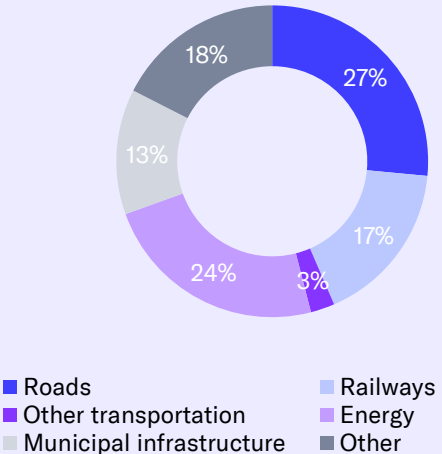
The state is the industry's largest customer

Reflecting the Nordic welfare state model, the financing of infrastructure to be built comes largely from the state or other public administrations. According to Statistics Finland and the Finnish Transport Infrastructure Agency, the state accounts for about 60-70% of all infrastructure construction in Finland, and the magnitude is similar in the other Nordic countries. This makes the market rather defensive,

Target market (BNEUR)



Infrastructure construction sub-segments



Source: Forecon Infrastructure construction report (Oct 2024)

Industry and competitive field 2/8

as public projects are developed on a long-term basis, and in the most difficult times, the economy is also stimulated by infrastructure projects. For the time being, we believe the growth outlook for the public customer sector is good, and we do not believe a possible trade war will have a significant impact on long-term planned projects.

The future development will be supported by more megatrends

There are several drivers supporting long-term growth in GRK’s target market. In our view, the most relevant of these for GRK are:

Green transition

The green transition is being promoted in the Nordics by both governments and companies in order to achieve the emission reduction targets set by states and private actors. The aim of governments is to promote the green transition by investing in lower-emission (i.e. fossil fuel-independent) public transport. For example, in Finland, the speeding up of the Helsinki-Turku railway line is on the government's agenda (implementation uncertain), and in Estonia, the entire national railway network is to be electrified. In the private sector, GRK's key potential targets for the green transition are industrial investments in low-emission factories (e.g. green steel industry), energy efficiency and data centers. However, GRK has very little presence in wind power for the time being, and expanding into the segment could require acquisitions. In our view, the continuation of investments like this is improved by clean and affordable energy in the Nordics.

Urbanization

Urbanization is expected to continue in sparsely populated

Finland and Sweden, driven by migration and better services in cities, among other things. Increasingly dense housing requires new and more complex infrastructure construction solutions, which supports demand and competitive positions for players like GRK with extensive design and construction capabilities.

Investments in defense and critical infra

The unstable and tense geopolitical situation in Europe is increasing the budgets for defense and critical infrastructure. For example, Finland recently announced that it would increase its defence budget to 3% of GDP by 2029. We believe the trend will catch on in other European countries as well. More resources are estimated to be allocated to critical infrastructure (including transport links, border fences, telecommunications, energy supply, etc.) due to the same geopolitical pressure. In these segments, we estimate that infrastructure construction accounts for a large share. We estimate that the purchasing decision criteria for projects that are critical for national security also include reliability, which in our view is supported by GRK's extensive project portfolio and references.

Renovation debt and publicly funded investments

Infrastructure investments are boosted by government support (e.g. In addition to the Finnish government's investment package of ~3 BNEUR), renovation debt and other investments. According to the Finnish Transport infrastructure Agency, for example, the structures of hundreds of bridges are deteriorating. The Swedish government also has a long-term plan for renewing the road infrastructure. In turn, investments are being made in Estonia’s public infrastructure as part of EU funding. XXXX

Growth drivers for the market



Green transition



Urbanization



Investments in defense and critical infrastructure



Renovation debt and publicly funded investments

Industry and competitive field 3/8

What these projects have in common is the solid infrastructure expertise they require, for which GRK has provided evidence in the form of successful projects. However, we do not believe that Finland (GRK's largest market) will be able to reduce the renovation debt particularly quickly in the current economic situation, so the significant renovation debt may not lead to a sharply accelerating growth outlook.

Growth prospects for GRK's target markets

Based on the market research commissioned by the company, the target market growth is expected to slow down (2024-26e: 3.2% y/y) in the coming years. This is partly due to the slow development forecast for 2024 (i.e. decline in Finland and stable development in Sweden). In other words, market growth is expected to be quite strong in 2025 (5%) and slow down slightly towards 2026 (3%). Slowing inflation also plays a role in the estimated moderation of market growth.

Market sources independent of the company (including Rakennusteollisuus RT in Finland and Prognoscentret in Sweden) also indicated that the market development for infrastructure construction was sluggish in 2024. According to the RT's spring 2025 business outlook, the volume of infrastructure construction in Finland should grow by 3% in 2025 and 2% in 2026. In practice, growth is being driven by rail and road construction, as increased government investment in basic road maintenance and reducing the renovation debt are boosting demand. The construction industry also mentions that investments related to energy infrastructure and security of supply will increase in 2025. Also, with the recovery of residential and

commercial construction, the amount of groundwork is expected to increase slightly. However, we are cautious about this, as there is still significant uncertainty, especially regarding the recovery of the construction market. Uncertainty is also increased by the potential consequences of the Us-led trade war (slower/declining global GDP growth and inflation), to which, in our view, GRK is indirectly exposed, especially through its private sector projects.

Prognoscentret, on the other hand, forecasts Swedish infrastructure investments to grow by 5%/year during 2025-26. The growth is expected to come especially from the expansion of electricity networks and investments in road and rail transport infrastructure. Investments in defense, ports and fairways are also expected to be at historically high levels.

In our view, GRK's target markets have the potential to grow at least in line with GDP or faster over time. In our opinion, growth faster than GDP is supported by megatrends that accelerate the development of the industry, which we have reviewed on the previous page. In our view, the green transition and urbanization in particular are trends with long-term impacts, which will support demand for infrastructure construction over time. The outlook for real GDP growth, especially in Finland and Sweden, is limited to 1-2% over time, and the consumption power of the countries largely responsible for infrastructure demand is linked to GDP growth. Therefore, the market does not offer huge growth over time, and GRK must also be able to gain market share in order to continue its rapid growth in the future.

Market outlook by business (~12-24 months)



Civil engineering and road construction
Rail business



Civil engineering and road construction
Rail business



Civil engineering and road construction
Rail business



Growth (> 3% p.a.)



Flat (-3...+3% p.a.)



Decline (> 3% p.a.)

Industry and competitive field 4/8

Civil engineering and road construction

We see the growth prospects for civil engineering and road construction as reasonably good, although there are differences between geographical markets. The Finnish market is forecast to develop steadily without the government's stimulus package. However, the government's tightening budget and unstable economic growth outlook create uncertainty for market development in Finland. In Sweden, good market growth is supported by public investments in the road network and electricity grid, as well as private investments in the green transition infrastructure of industry. In Estonia, investments have been supported in recent years by EU funding for basic infrastructure, and we believe that future large investments will focus on the energy industry and the green transition, rather than on large-scale transport infrastructure.

Rail business

In the big picture, we see the growth prospects for the rail business as good in each market, and we believe the number of projects will increase mainly as governments invest in expanding and upgrading rail infrastructure. In Sweden, in particular, the growth outlook is supported by the government's long-term plan to improve the rail network. Similarly, in Estonia, the electrification of the rail network and the Rail Baltica project are on the agenda, so we believe that the growth prospects outside Finland are even clearer. The ultimate driver of growth is governments' efforts to reduce carbon dioxide emissions by increasing and improving environmentally friendly vehicles.

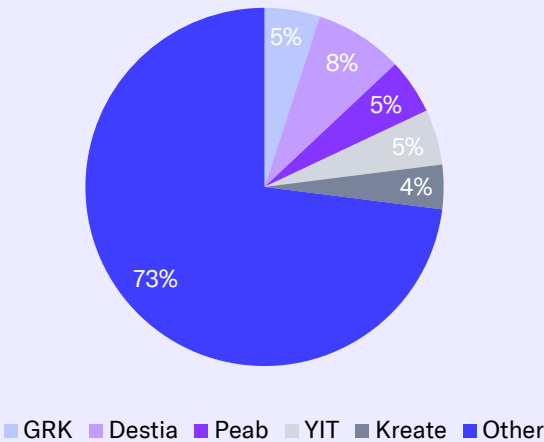
Market shares

The Nordic infrastructure construction market is very fragmented, as the largest players generally have shares of less than 10%. In our view, the fragmentation of the market is explained by large differences in project sizes, the local nature of demand and, in certain segments, relatively low barriers to entry (e.g. a one-person earthmoving company). This, in turn, offers larger players inorganic growth opportunities by picking up niche expertise from small or medium-sized players.

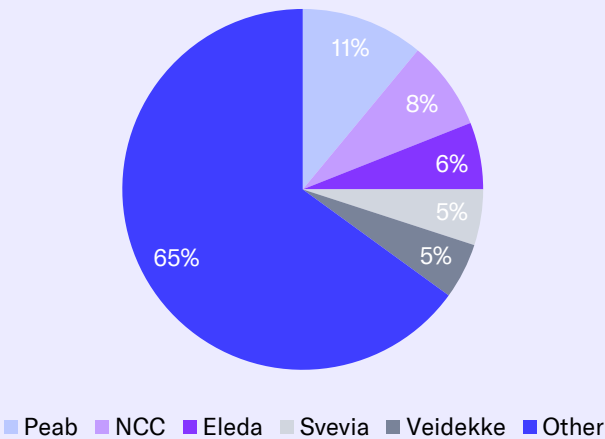
In Finland, the market is dominated by Destia with a market share of about 8%. GRK and Peab's and YIT's infrastructure businesses share second place with around 5% market shares. Kreate's share of the Finnish market is some 4%. There are also differences between the operators, and in their own areas of strength, the market shares of the operators are clearly higher than the levels listed above. The fragmentation of the market is illustrated by the fact that other players account for a good 70% of it.

In Sweden, on the other hand, the market is slightly more concentrated than in Finland, although the share remaining for others is still high (65%). Peab leads the market with a share of 11%. This is followed by NCC with 8% and Eleda with 6%. The shares of the domestic Svevia and the Norwegian Veidekke are about 5%. In addition, Skanska is a major player in infrastructure construction, but reliable information on the share of its infrastructure business is not available. In Sweden, it should be noted that the geographical shares within the market vary considerably. The projects of the major players listed above are invariably focused on southern Sweden, which accounts for the majority of the market, while we believe that GRK, a small player at the national level, has a fairly strong market share in northern Sweden.

Market shares in Finland



Market shares in Sweden



Source: GRK, Inderes

Industry and competitive field 5/8

In our view, the competitive environment in northern Sweden is slightly less intense, where we believe the company's main and perhaps even only significant competitor is NYAB. In contrast, the Estonian market features mostly medium-sized or small local players.

Competitive field and situation

The industry is highly competitive, as suppliers for publicly funded projects are selected through tenders where price is often the most important criterion. The selection criteria for private projects are multi-dimensional. The company's closest competitors vary depending on the business area, the size/nature of the projects and the geographical areas, although there are also some overlaps. GRK's main competitors in infrastructure construction are large players operating broadly in the Nordic construction market (e.g. Peab, NCC, Skanska and YIT) and large local players focusing on infrastructure construction (e.g. NRC, Svevia, Destia, Kreate and NYAB).

We see little competitive threat to GRK from small local players (e.g. Infrakraft and Asfalttikallio) in larger projects, although smaller players may act as partners or subcontractors. This is because large clients value extensive expertise and evidence of successful large projects, as well as a solid financial position, which the resources of small players are not sufficient for. However, in smaller local tenders, these players are credible competitors for GRK due to their niche expertise and agility. GRK also delivers design solutions, especially in its rail business, where it competes with construction design agencies (e.g. AFRY, Sweco, Ramboll and Sitowise). In our

view, GRK's advantage over design agencies is that it offers project design and delivery under one roof, which provides clarity from the customer's perspective.

Factors or barriers to competitiveness

In our view, it is difficult to achieve concrete, long-lasting competitive advantages in the market, as infrastructure construction is not dependent on unique technology and can't be protected by patents. Due to variable cost structures, economies of scale are also limited on a broader scale, although decisive cost advantages can be created on a local scale to determine the winners of tenders. The importance of the brand is also minor. In addition, some segments have a relatively low barriers of entry, although some segments (e.g. rail business) require more expensive special equipment.

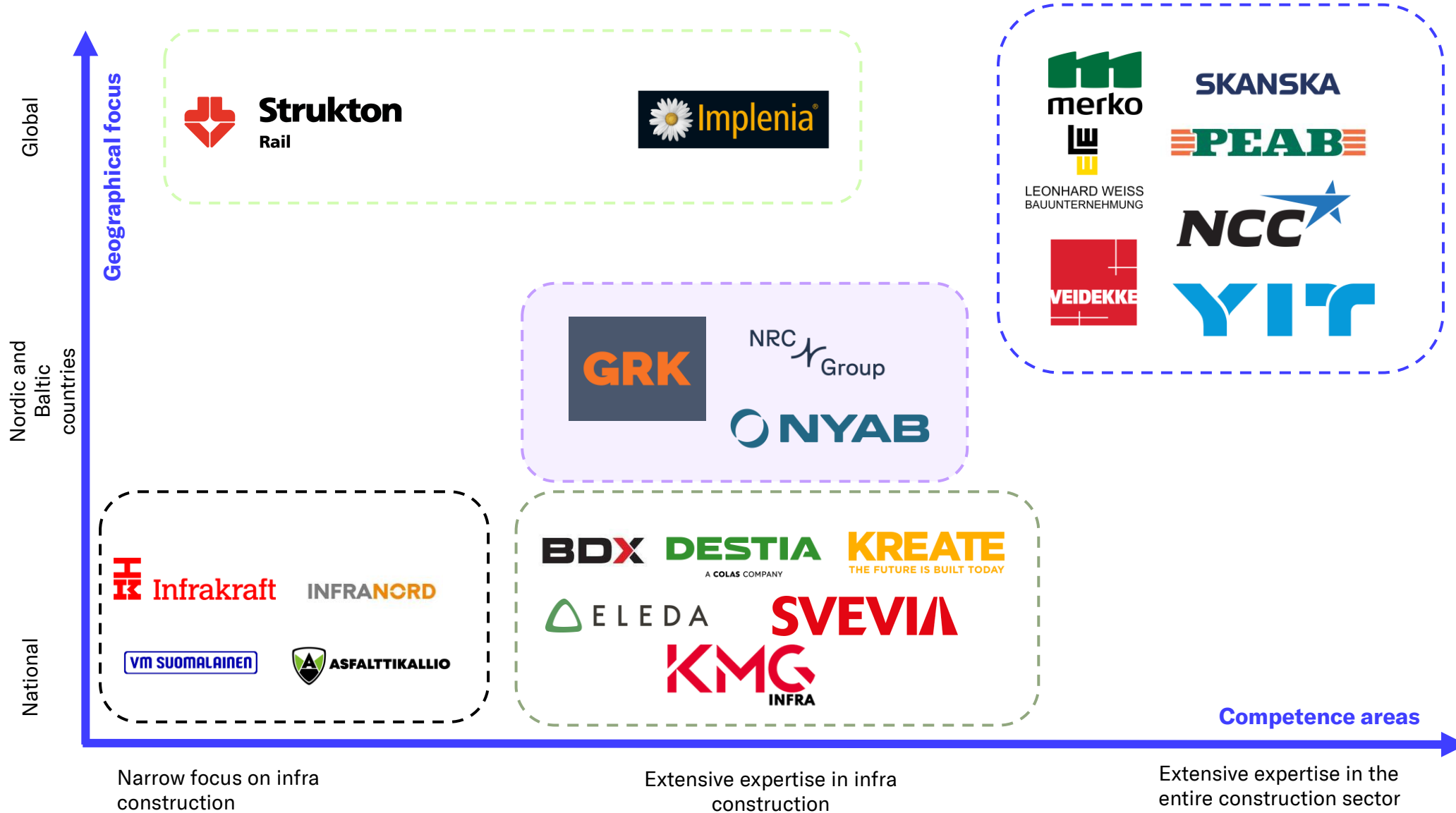
Key aspects of winning projects include extensive customer references from various areas of expertise, local cost benefits (e.g. access to local aggregates more cost-effectively than other suppliers), pricing expertise, especially in fixed-price projects, and project quality. GRK has typically won about 25% of tenders in Finland, which we consider a fairly good figure. In our view, continuing growth does not require a significant improvement in the tendering win rate either. In Sweden, the figure has been slightly higher, but the number of projects is lower. Therefore, we believe that the expansion of operations in Sweden towards Southern Sweden could even slightly decrease the profit margin of projects. Similarly, for example, the finish of the final product, adherence to schedules and transparent pricing (including additional

work) are signs of quality. From a profitability perspective, these things are important, as missing the schedule or scope quickly destroys the already low margins. The root cause of quality failures is often found at the beginning of the project, i.e., in the tendering and design phases, the role of which can hardly be overstated.

In our view, GRK's strengths lie particularly in rail construction and railway maintenance, as well as road and bridge construction, thanks to a strong market position and a long list of references. In addition, the company has carried out several projects in water management, municipal infrastructure, and industrial and environmental construction. Thus, in our view, the company performs best in comprehensive large-scale projects, as it is able to offer a wide range of expertise for customers' investment needs, where GRK's cost-effectiveness is highlighted as a separate area. In our view, there is also less competition in comprehensive projects, enabling competitive pricing of projects. This in turn creates healthy target margins, which can still be improved by executing projects better than planned.

GRK's large size has also helped it in its geographical expansion (especially to Estonia), as the company has been able to allocate its resources between countries. Following the same model, we see the company as having good prerequisites to pick up new projects also in southern Sweden and thus gain additional market share in the country. The downside in Southern Sweden is that the competitive situation is tougher there, and

Industry and competitive field 6/8 – GRK's competition



Industry and competitive field 7/8

building up a customer reference list and achieving shares may require margin flexibility. Expanding into southern Sweden within a reasonable time frame may also require acquisitions. Other areas where GRK is in the position of an underdog include, for example, telecommunications-related projects (e.g. Enersense's area of strength) and road paving (e.g. Peab's area of strength). We understand that the company is also seeking to strengthen its position in the construction of high-voltage power lines (e.g. Caverion's area of strength), through acquisitions.

GRK has been skyrocketing

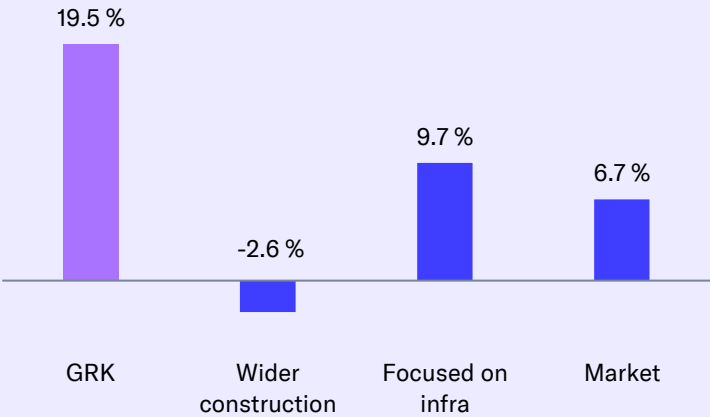
GRK's average annual growth (20%) has clearly exceeded market growth (7%) in 2019-2024. GRK's growth has been boosted by the impact of the Stegra project, much of which was concentrated in 2024. There are other fast-growing players in the industry, although some have seen their growth boosted by acquisitions. The infra business revenue of large construction market groups (Peab, NCC, Skanska and YIT) has developed clearly slower than the market. For example, YIT has reduced its infra business through divestments. Meanwhile, the growth of operators focusing on infra has averaged 10% in the same period, which highlights the agility of focused operators compared to large and complex construction groups. In practice, NYAB is the only medium-sized player that has grown faster than GRK. Part of its revenue comes from the construction of wind farms, which is not GRK's core business. Thus, we estimate that GRK has been the growth leader in the sector in recent history and has gained market share.

Profitability has also been at the top of the industry

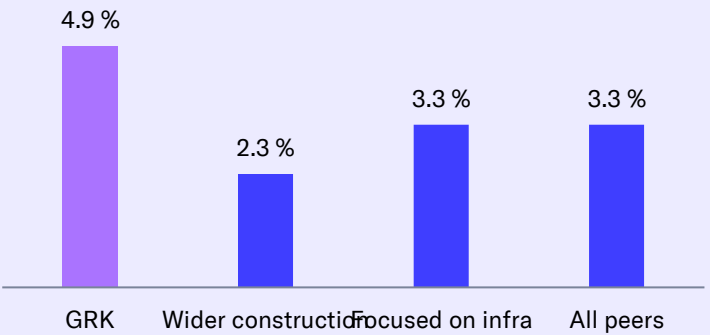
GRK has been more profitable than most of its competitors or players in the infrastructure sector. GRK's profitability (median of 4.9%) for the period 2019-2024 exceeded our peer group (median of 3.3%) by around 1.5 percentage points. There are a few players whose profitability is above GRK's levels, although the differences may be due to the distribution of sales. We believe that the company's good level of profitability relative to the industry context is based on well-managed project management and, in our opinion, the company's strong position in the less competitive Northern Sweden.

The company's IPO prospectus (p. 58) shows the cumulative share of profitable projects, which we estimate to be around 90% in absolute terms, indicating good project management. Also, a large portion of the projects (74%) have been completed above the targeted margin level. In our opinion, this is a significant achievement in an industry where projects are often complex, long-lasting and high-risk. On the other hand, the figure may also reflect the company's consistent decision-making process before accepting projects, i.e., risky projects are not accepted at the expense of margin, or projects are priced with a higher margin according to the risk. On a more concrete level, factors supporting margin accumulation include successful project lead times, successful procurement, and successful pricing of additional work and minimizing alteration work or successful pricing thereof. Overall, successful project management should reduce earnings volatility and also bring more stable cash flow, which can be allocated, for example, to acquisitions in line with the strategy or to dividend distribution.

Revenue growth-% (2019-2024 CAGR)



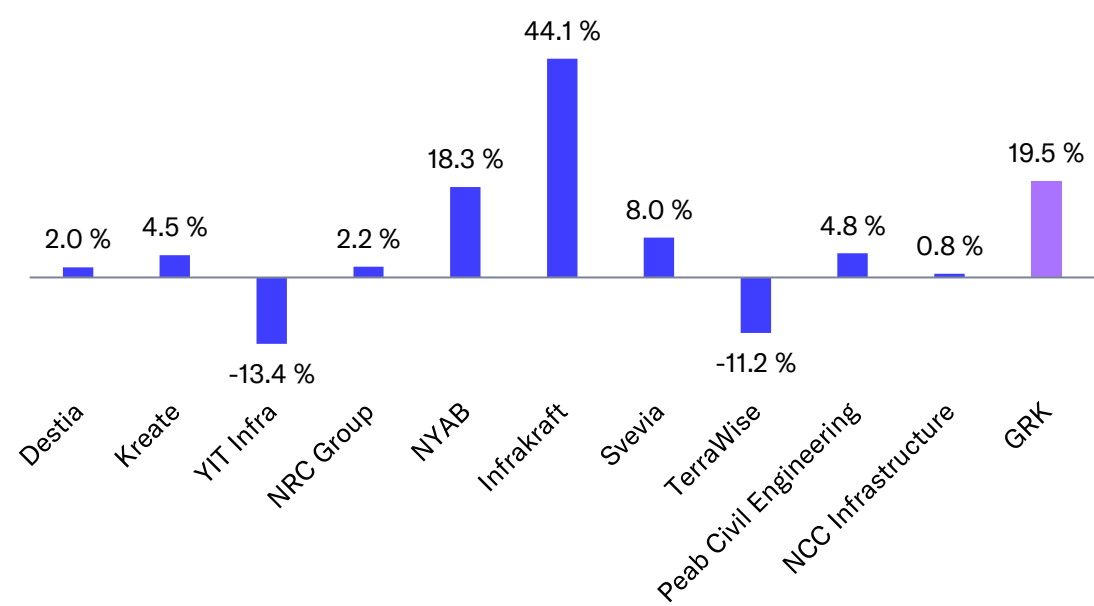
Average profitability (median 2019-2024)*



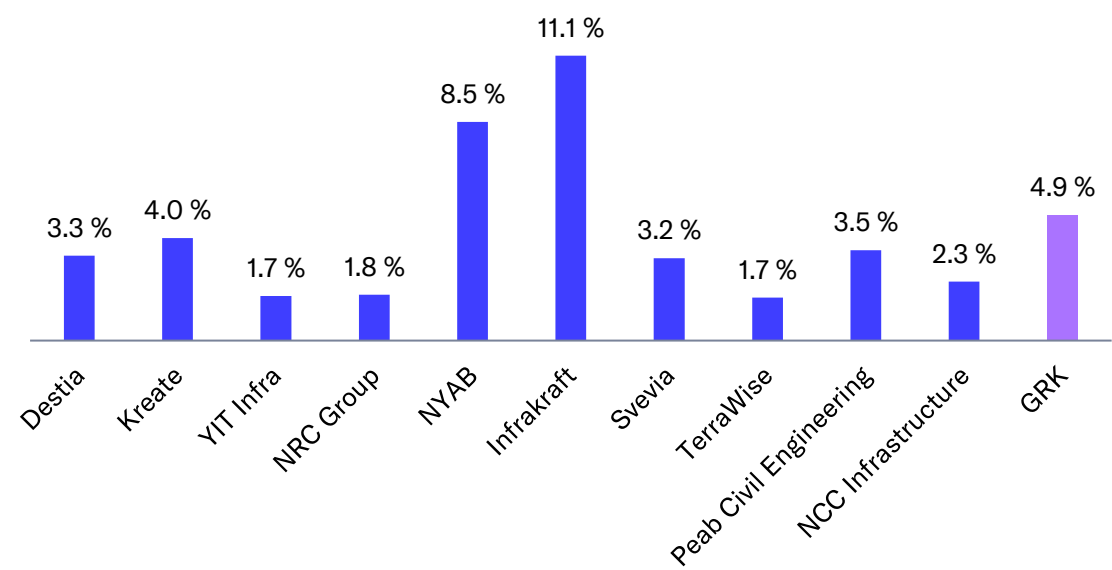
Source: Asiakastiето, Allabolag, Destia, YIT, Kreate, NYAB, Svevia, PEAB, GRK, Bloomberg
* Adjusted EBIT % or EBITA %. Period from 2019 to 2024 or shorter

Industry and competitive field 8/8

Average revenue growth (2019-2024 CAGR)



Profitability levels in the industry
(2019-2024 median)*



Source: Asiakastieto, Allabolag, Destia, YIT, Kreate, NYAB, Svevia, PEAB, GRK, Bloomberg, GRK
* Adjusted EBIT or EBITA Period from 2019 to 2024 or shorter

Strategy 1/3

GRK's strategy aims for steady profitable growth with what we see as broadly sensible building blocks

The company's current strategy period is for 2024-2028. At the heart of the strategy are "the most competitive team" (i.e., developing and maintaining the company's entrepreneurial operating model), profitable growth, and being a pioneer in sustainable construction. GRK has a strong track record of profitable growth, and the guidelines of the company's strategy logically continue along the lines of recent years. GRK is exceptionally cost-efficient compared to its peers in the sector, and its customer satisfaction is unusually high. In our view, maintaining and leveraging strengths by growing the business is central to the company's value creation (cf. profitability already reached a good level in 2024). In its strategy, GRK is seeking growth from three sources, especially organically, but also by exploring strategic acquisitions, particularly in Sweden and in areas of infrastructure construction that are still missing from the portfolio or have a low weighting there.

Firstly, the company aims to expand into new areas of infrastructure construction and geographies, particularly in Sweden. In our view, acquisitions would be the most logical route, as organic progress could be quite slow. GRK has expanded its infrastructure business through acquisitions, particularly in Finland (e.g., Eltel Networks' rail business), so it is not starting from scratch. We estimate that the company is aiming to strengthen its position especially in electrification-related infrastructure construction and/or in wind power construction with regards to green transition investments.

The most logical geographical area for GRK for acquisitions is in southern Sweden, as the company is only present in the northern parts of the country. However, the company's track record in international acquisitions is limited, and the need to

maintain an entrepreneurial culture, which is critical to its competitiveness, adds to the difficulty of acquisitions. From the perspective of these risks, we would see it as logical for the company to try to carry out individual smaller acquisitions each year instead of larger acquisitions requiring multi-year integration projects. However, the company's strong balance sheet leaves both options open. Potential suitable targets could be found in Sweden's fragmented infrastructure construction market from several different directions.

Because we do not know the valuation levels of GRK's previous acquisitions, it is difficult to draw strong conclusions about the company's track record of value creation. Thus, acquisitions create a significant and difficult-to-assess variable in GRK's value creation during the strategy period. However, we believe that the geographical targeting of the expansion, especially to Sweden, makes sense, as the company knows the market and already has the advantages of a local brand. In our view, opening up new markets to complement the current ones (Finland, Sweden and Estonia) through acquisitions would be a riskier direction for the company in terms of capital allocation. Due to the large size of the markets in the current operating countries and the company's limited market share, GRK also has no immediate need to expand the geographical coverage of its operations.

Secondly, GRK aims to succeed in critical infrastructure and defense administration projects. In our opinion, this is a logical mainstay of growth, as investments in defense are generally favorable in Europe. GRK has been operating in the segment for a longer time, especially in Finland, so the company has the prerequisites to be among those benefiting from the segment's growth. In our opinion, GRK has the ability to grow organically in critical infrastructure and defense administration projects, which would be very capital efficient.

Strengths of the strategy

- Strong evidence of profitable growth and continued growth, especially in the company's core business areas in infrastructure construction
- Focusing on markets where the company already has an established position
- Maintaining competitiveness through investments in sustainable construction

Strategy uncertainties

- Limited experience in international and larger acquisitions
- Maintaining soft strengths as a listed company and a broader business portfolio
- Expansion efforts in green transition projects from the position of an underdog

Source: Inderes

Financial objectives for the strategy period, 2024-2028

- 1 > 750 MEUR revenue by 2028
- 2 Adjusted EBIT margin > 6% over time
- 3 Sound capital structure with a net debt/adj. EBITDA (12-month rolling) of < 1.5x over time
- 4 Return on capital employed (ROCE %) > 20% over time

Source: GRK, Inderes

Strategy 2/3

Thirdly, GRK aims to strengthen its share in green transition projects. At a high level, we believe this is an attractive focus, given the segment's long-term growth prospects, although, unlike other infra construction, its demand has proven to be quite sensitive to economic cycle fluctuations in the short term. The segment is not among GRK's strongest, and its investments are more sensitive to cyclical changes, so, in our view, the choice to invest in the segment is not obvious for the company's value creation. In our view, strengthening the company's position in the segment would likely occur through an acquisition.

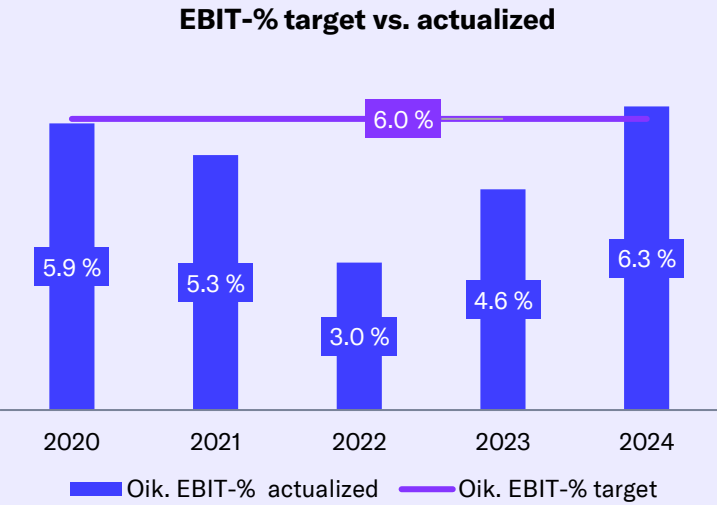
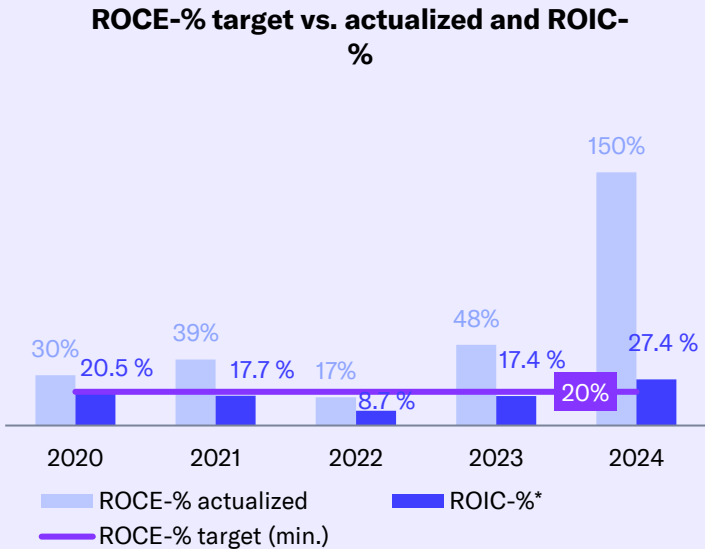
The strategic objectives seem mainly reasonable

GRK's financial targets are illustrated in the graph on the previous page. The company's revenue target for 2028 is already close to the 2024 level, but the need to replace the Stegra project (estimated cumulative revenue of ~600 MEUR in 2022-2026), which supported 2024, increases the difficulty of the target. However, considering acquisitions, the revenue target does not seem particularly high, and we believe the company's internal ambition level is higher. The profitability target (>6% adj. EBIT margin) is also in line with the company's performance in 2024. In principle, the company has already shown that it is capable of this level, although this profitability could not be sustained for long periods during high construction cost inflation. The target is still, in our view, ambitious relative to the sector's typical profitability level and would lead to a high absolute return on capital. Achieving this goal requires maintaining efficiency. In terms of efficiency, success in recruitment and maintaining the corporate culture play a key role, and in this respect, listing can be both a threat and an opportunity.

In terms of capital efficiency and structure, we believe the targets are sensible, although they clearly allow for

acquisitions that reduce the return on capital but exceed the cost of capital. In 2020-2024, GRK has clearly reached its ROCE target (>20%) in almost all years, which is based on a combination of capital efficiency and strong profitability. However, it should be noted that in the company's ROCE calculation method, capital efficiency does not decrease even if the company has significant cash assets on its balance sheet that generate hardly any return (low deposit rate). This is because, in ROCE, the return is calculated on capital employed, which does not include cash funds. A more descriptive figure for an investor's return on investment is the return on invested capital, which takes into account the return-reducing effect of cash assets. Substantial cash reserves are also characteristic of the company's business model, which also supports the use of return on invested capital as a measure of business quality and value creation. According to our calculations, the company's ROIC averaged 18.4% in 2020-2024, which also exceeds the company's cost of capital by a clear margin. Overall, the company's business model has a good invested capital turnover (2020-2024 avg. 4.9x), which means that even with the low profitability of 2.5% in 2022, the ROIC remained at a fairly good level of 8.7%.

In our view, the maximum target for the net debt/EBITDA ratio (<1.5x) is a quite reasonable framework for the use of leverage in acquisitions, considering the frontloading and seasonality of cash flow, as well as off-balance sheet liabilities. Against this backdrop, we believe the company's balance sheet is very strong enough to implement the strategy (Q1'25: -1,9x). On the other hand, changes in working capital (for example, a possible reduction in advances received along with business) and the possible need to use contract guarantees may eat away at some of the acquisition capacity.



Source: GRK, Inderes
* Return on invested capital (ROIC) = operating profit x (1-tax rate) / invested capital

Strategy 3/3

Target market and GRK positioning

Target market, 2024 **~30 BNEUR**

Projected market growth rate, 2024-2026e **~3% CAGR**

Key market trends for GRK



Green transition



Urbanization



Investments in defense and critical infrastructure



Renovation debt and publicly funded investments

Infrastructure construction all-rounder

GRK

Strategic focus areas

1. Profitable growth supported by an entrepreneurial approach and sustainable construction
2. Expand into new areas of infrastructure construction and new geographies, especially in Sweden.
3. Investments in succeeding in critical infrastructure, defense administration and green transition projects
4. Accelerating the implementation of the strategy through possible acquisitions



Financing the implementation of the strategy with cash, debt and cash flow from operations



>750 MEUR

Revenue 2028

>6%

Adj. EBIT-% over time (2024-2028)

>20%

Return on capital employed-% (ROCE %)

Financial position

The balance sheet structure is relatively light

GRK's balance sheet total at the end of Q1'25 was 374 MEUR, or slightly less than half of the previous 12 months' revenue (795 MEUR). In other words, the company's business can be operated with a fairly light balance sheet, as is typical for a service company, and the relatively fast capital turnover enables the company to achieve a high return on capital even with moderate profitability.

Heavy cash position inflates the balance sheet

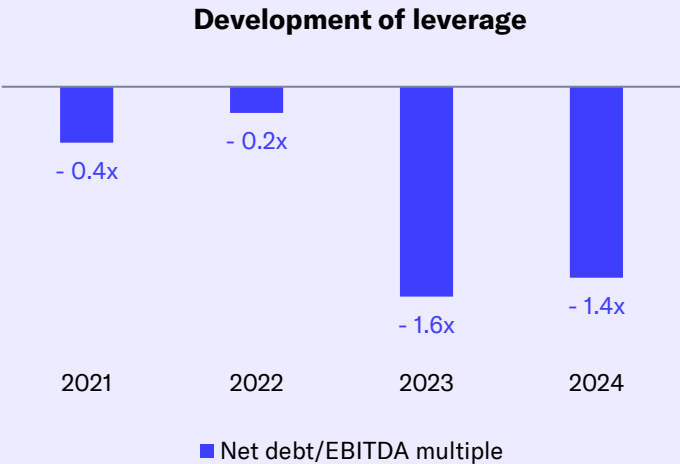
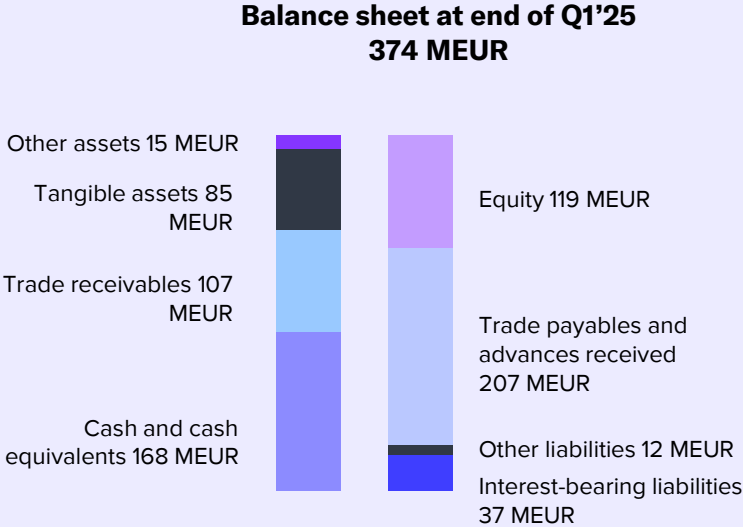
GRK's most significant non-current assets at the end of Q1'25 were tangible assets of 85 MEUR (including right-of-use assets), which accounted for the majority of the company's non-current assets. The tangible assets consist of machinery and equipment used in projects, as well as premises needed to operate the business. Due to the company's history of focusing primarily on organic growth, the balance sheet does not yet include intangible assets related to acquisitions.

Current net working capital items on the balance sheet are mainly in the form of accounts receivable, as the business requires very little inventory. In contrast, accounts receivable on the balance sheet at the end of Q1'25 amounted to almost 107 MEUR. Another significant item in current assets was cash, which had risen to as much as 168 MEUR due to the good development of the business, which also inflates the balance sheet in absolute terms. The cash position did not yet include the net proceeds of some 27 MEUR from the IPO, as the IPO was only completed in Q2. However, GRK's cash reserves were already significantly above the day-to-day needs of running the business at the end of Q1. Considering the structure of the assets on the balance sheet, we do not believe there is a significant risk of write-downs related to them. We also believe that the risks of credit losses are moderate, considering the business's customer base focused on the public sector and the advance payment-based logic.

The financial position was strong even before the IPO proceeds

At the end of Q1'25, the company's equity amounted to 119 MEUR. Interest-bearing debt amounted to 37.1 MEUR, which, however, largely consists of installment liabilities and lease liabilities, and the company has hardly any traditional financial debt. At the end of Q1'25, the company had almost 226 MEUR of current liabilities on its balance sheet, which mainly consisted of some 109 MEUR of trade payables and 98 MEUR of liabilities based on customer contracts, i.e., advance payments received. Thanks to these, the company's net working capital turns well into the negative territory. However, it should be noted that as the volume of business decreases, advances received typically decrease, which the company must take into account in its cash management.

The company had off-balance sheet liabilities of 206 MEUR in the balance sheet at the end of Q1. These are contract guarantees given to clients for the duration and security of project execution, which are released as projects progress. Considering the need for reasonably priced contract guarantees, the cash flow profile and the seasonality of cash flow (i.e. cash at its peak at the time of the financial statements), we believe that GRK needs a fairly strong balance sheet in all situations. In our opinion, GRK's target leverage (net debt/EBITDA below 1.5x) is a very reasonable starting point for the use of the balance sheet, and indebtedness on this scale would not significantly increase the risk profile of the share. Prior to the IPO proceeds, the company's net debt/EBITDA ratio was -1.9x at the end of Q1 and the equity ratio was 43%. We estimate that GRK's equity ratio will rise above 50% at the first reporting point after the IPO. As such, the balance sheet is very strong, and the company has plenty of chips to allocate.



Estimates 1/5

Estimate model

We forecast the development of GRK's revenue in the short and medium term through the growth of the company's geographical areas and the Group's new orders, order book and order book turnover forecasts. When assessing short- and medium-term profitability development, we model the development of the gross profit and fixed cost structure at the Group level. Our long-term growth forecasts are based on market growth and the development of GRK's estimated market share. Our long-term margin forecast is based on GRK's historical profitability, financial targets and the earnings potential we estimate for the company.

Order book a good short-term indicator

GRK's order book is a good short-term indicator of the future due to its relatively fast average turnover. Over the past four years, GRK's order book at the beginning of the year has covered an average of about 8-12 months of the following calendar year's revenue. Due to the nature of the business and normal delivery times, we believe that visibility will remain at about this level on average in the future, although the timing of large projects may partially fluctuate during project cycles.

GRK's order book at the end of Q1 was 20% above the comparison period at 873 MEUR. The recent development of orders has been strong in GRK's operating countries, although the company received exceptionally large additional orders last year and in Q1 from Stegra's steel and hydrogen plant project in Sweden. These orders were partly reflected in the revenue of the Swedish operations already in 2024 and in Q1, but at the end of Q1, the order book still included around 200 MEUR of Stegra-related orders. The majority of these will be delivered in 2025 and the rest, we estimate, in 2026, as the plant is scheduled to start

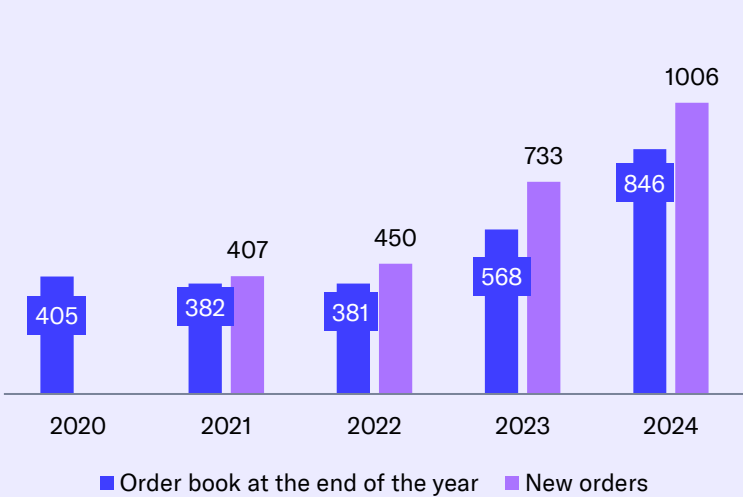
production during 2026. Therefore, the Group's and Sweden's order book is to some extent concentrated on one project that will be completed in the near future.

At the end of Q1, the order book in Finland was slightly lower than at the end of the year, while in Estonia and also in Sweden, the order book grew in Q1. Order books at the end of Q1 were clearly higher in all countries than at the end of 2023 (country-specific order books for the end of Q1'24 were not disclosed). In its IPO prospectus, GRK stated that around 510 MEUR of the order book is scheduled for this year. In our view, the level and distribution of the order book and a strong Q1 secure a good level of revenue for the company this year, provided that projects are not delayed for reasons beyond the company's control, the company's schedules do not fail, or the end of the year (i.e. Q4) weather conditions do not surprise significantly negatively. The company's guidance also looks very cautious, without the realization of negative surprises, even though Q1's high revenue accrual is partly absent in the rest of the year.

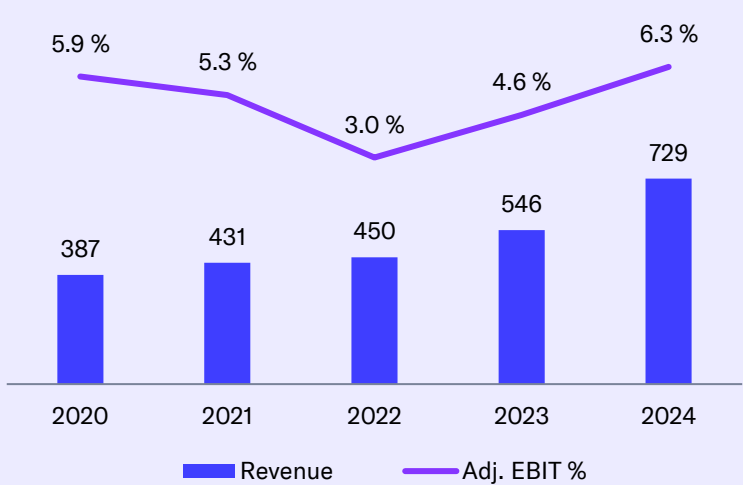
We estimate that the order book has a good margin structure

GRK's order book no longer includes projects sold during the period of high inflation. In addition, the good profitability in 2024 indicates that there have been no Group-level problems in longer projects. According to the IPO prospectus, Stegra's large-scale project has had similar profitability to other projects in Sweden, which in our view is a good situation considering the size of the project. We also estimate that project margins in northern Sweden are slightly higher than the Group average due to a more moderate competitive environment. Reflecting this overall picture,

Order book and new orders (MEUR)



Revenue and profitability



Estimates 2/5

we estimate that the margin structure of the projects in GRK's order book is quite good. This should support the company's performance this year.

There is uncertainty related to the market situation, but there are stabilizing forces in the background

The general economic situation in GRK's operating countries is also very uncertain and difficult to predict, as the United States has imposed significant tariffs on China and smaller tariffs on several other countries. In addition, the United States has threatened to significantly increase tariffs on other countries during the year. This has made the risk of recession in the United States palpable and weakened the economic growth outlook in Europe as well, while also weighing the risks associated with the outlook to the downside. Tariffs are inherently inflationary, although the resulting cooling of demand may also calm and limit inflation.

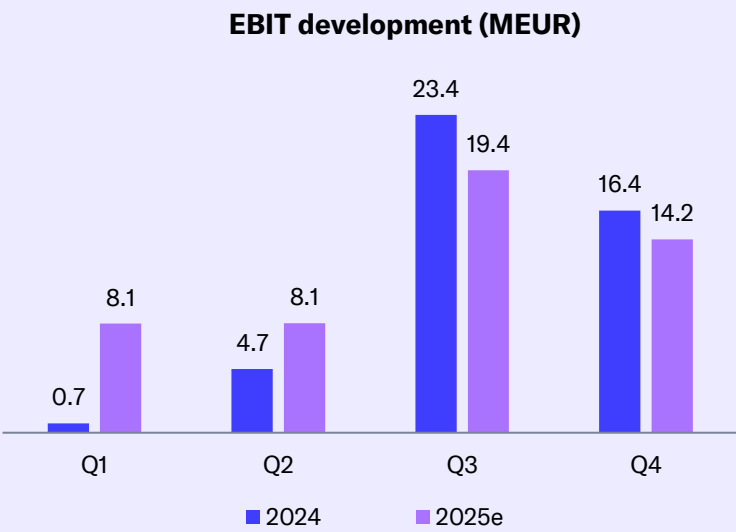
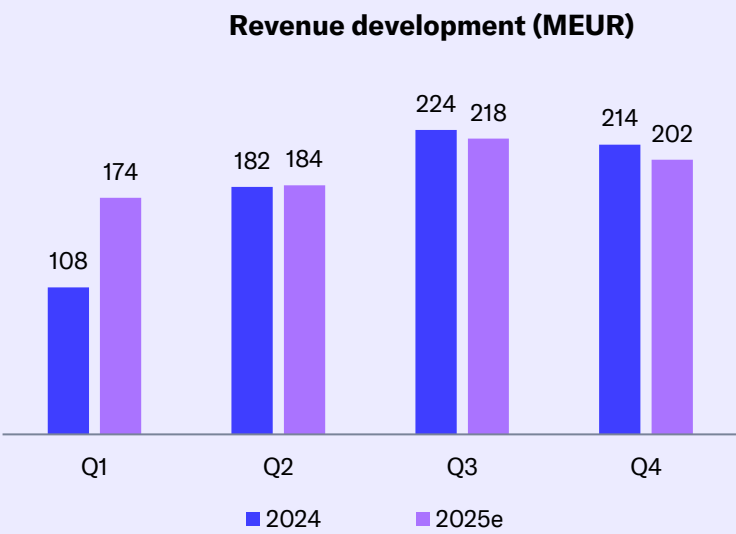
Global trade policy does not directly affect GRK, but due to the globally significant position of the US, the country's trade policy and economic situation have indirect spillover effects on the economic growth and inflation of GRK's operating countries as well. Consequently, the expected recovery of the Finnish and Swedish economies this year, driven by the fading of inflation and falling interest rates, is now threatening to be delayed, at least. Our forecasts are therefore based on a slower (but slightly) positive economic growth scenario in Finland, Sweden and Estonia than the current economist consensus.

In Finland, the state still plans to implement a multi-year support package of 3 BNEUR. In addition, large cities in Finland and Sweden have a reasonable number of projects in the pipeline. This together with investments in the defense sector and border security, as well as the green transition, support the company's outlook. The private sector

also has significant investment plans in Finland and Sweden, for example in industrial projects, but these are of course more susceptible to postponement or cancellation as general uncertainty increases. The outlook for the public sector is more stable, although project postponements cannot be ruled out if the financial situation of the countries were to weaken. In Estonia, Rail Baltica would be a massive project from GRK's perspective. In addition, the electrification of the Estonian railway network continues, where GRK seems to be well positioned. Therefore, we see the company's prospects as moderate for the time being, although we do not think that the recent news flow on the global economy has been at all positive from GRK's point of view either.

The year started very strongly, but the guidance remained unchanged

GRK started 2025 very strongly, as in Q1 the company's revenue grew by 61% to 175 MEUR and adjusted EBIT increased more than tenfold to 8.7 MEUR. In Q1, the company was supported by both project timing and favorable weather conditions (warm winter), which meant that the company was able to work without normal seasonal obstacles. This was particularly evident in Sweden, which temporarily became the Group's largest country due to the large revenue share of the Stegra project. According to our calculations, GRK received new orders worth around 200 MEUR in Q1, as GRK continued to repatriate significant additional work from the Stegra project. New orders decreased by some 25% from exceptionally high comparison figures, but the book-to-bill ratio was still positive. At the end of Q1, the order book was around up 20% year-on-year and 3% than at the turn of the year, at 873 MEUR. Of this, an estimated 200 MEUR was still attributable to the major Stegra project.



Estimates 3/5

Despite the very strong Q1, GRK reiterated its guidance for the current year, according to which the company's revenue will be 650-730 MEUR and adjusted EBIT 36-45 MEUR in 2025. This corresponds to an adjusted EBIT margin of 4.9–6.9% calculated crosswise from the edges and, better reflecting the practice, an adjusted EBITDA margin of 5.5–6.2% calculated from the upper and lower edges. The midpoints of the ranges indicate a stable 5% decline in revenue and an 11% drop in adjusted EBIT, while the upper end indicates stable year-on-year revenue and earnings development and the lower end clearly negative development. Considering GRK's order book and its presumably good quality, as well as the typical order book turnover, we believe the guidance seems very cautious, even though Q1's exceptionally high revenue is absent from the other quarters of the year.

We expect a guidance upgrade

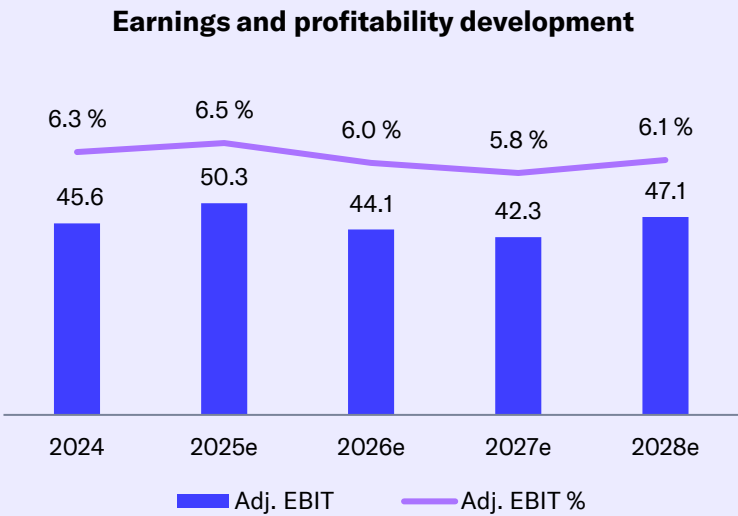
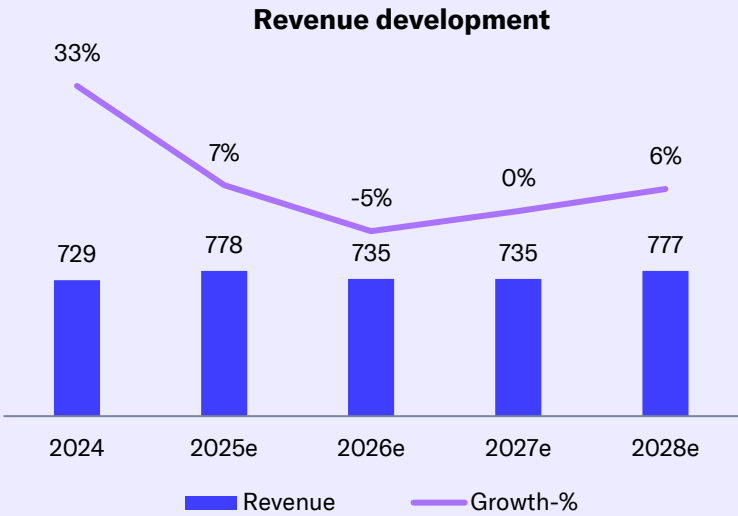
We expect GRK to continue to deliver its order book throughout the year, and also for new sales to be reasonably strong despite the uncertain economic situation. However, we believe that increasing group orders will be very difficult for the company, as the major Stegra project, which has supported the order flow on several occasions in recent years, is not expected to generate many more orders with the completion of the plant approaching. At the same time, a significant portion of Stegra's projects still in the order book will be converted into revenue this year. In Finland and Estonia, however, we expect GRK's orders to grow this year.

We expect GRK's revenue to grow by 7% to 778 MEUR this year. Growth is mainly coming from Finland and Estonia. In Finland, we forecast modest revenue growth and in

Estonia, clear growth, reflecting the company's existing order book and new sales outlook. In Sweden, we expect a strong Q1 and a still good order book to propel GRK to around last year's revenue level, even though revenue from the Stegra project is starting to decline in our forecast from Q2 onwards. Our forecast is above the company's guidance, and in our view, remaining within the guidance range would require unexpected delays in project schedules or exceptionally unfavorable weather conditions in Q4.

We expect GRK's adjusted EBIT to grow by 10% to 50.5 MEUR this year. The adjusted EBIT is supported, in particular, by the increase in revenue. We also expect the well-advanced project execution and the still large revenue share of the Stegra project to support profitability, which we estimate will rise to 6.5% this year (adj. EBIT-%) – the best level in the company's recent history. Our earnings forecast is also above the company's guidance range. In practice, GRK no longer needs to increase its earnings in the rest of the year after a strong Q1, but roughly matching the comparison figures is enough to meet our forecasts.

Our forecasts only include minor non-recurring items affecting EBIT and above, mainly due to Q1, while the 3 MEUR IPO expenses are recorded in our forecasts as an adjustment item in financing expenses. Financing costs are high in Q2 due to listing expenses, but in other quarters we expect the company's financing costs to be at zero level due to interest income from a very strong net cash position, although the company also has financing costs in addition to interest expenses from right-of-use assets, contract guarantees and installment debts. We estimate the tax rate to be at the recent years' level of 19%.



Estimates 4/5

However, it should be noted that the tax rate is affected by the company's own decisions on the transfer of capital, as there is no corporate tax in Estonia. As such, GRK only pays taxes to Estonia if the company pays dividends from the Estonian subsidiary to the parent company in Finland. GRK's adj. EPS will increase by 4% to EUR 0.97 in our forecast, mainly reflecting operating result. We forecast the company to raise its dividend to EUR 0.50 per share next spring, which corresponds to a payout ratio of just under 60%, higher than the floor of the policy. In terms of cash flow, the current year may be weaker for GRK due to project investments (especially compared to the Stegra project and its probably more front-loaded payment items than normal). We estimate that investments will be slightly higher than depreciation. Nevertheless, GRK's balance sheet is strong after the IPO and the company could well afford acquisitions (not included in the forecasts).

In 2026, the growth story could pick up pace

We expect GRK to reach an order book of 770 MEUR by 2026, taking into account the order book at the beginning of 2025, our order forecast for 2025 and our revenue forecast for 2025. This would be 15% lower than the order book at the beginning of 2025, mainly due to the Stegra's large project approaching its end. In Finland, and especially in Estonia, we expect the order book to be higher than in the comparison period. Thus, the growth outlook in these countries is good, but considering the scale of the Stegra project, it will not be easy for GRK in the short term to hide all the effects of the project's completion in the Group-level figures. We also expect GRK's revenue to decrease in 2026 by 6% to 736 MEUR, as growth in Finland and Estonia will not be enough to compensate for the decrease in revenue in Sweden caused by the Stegra project.

We estimate that GRK's adjusted EBIT will decrease by 13% to 44.1 MEUR in 2026, which corresponds to an adjusted EBIT margin of 6.0%, which is at the lower end of the company's target level but better than many competitors. The result is weighed down especially by the decline in revenue and, in our view, the decrease in the relative share of the (Northern) Sweden business, which is more profitable than the Group average. We do not expect GRK to record any non-recurring items for next year. We estimate the company's financing costs to be around zero and the tax rate to be at the long-term average of 19%. Consequently, our adjusted EPS forecast is 11% lower year-on-year at EUR 0.86. However, we estimate that the company will increase its dividend by 10% to EUR 0.55 per share, thanks to its very strong balance sheet.

In 2026, we do not expect major working capital movements, as we expect the company to get its new orders growing again, while we estimate that investments will still be slightly higher than depreciation as the company prepares for growth. Therefore, we also estimate that free cash flow will be clearly positive and will further strengthen the balance sheet together with net profit.

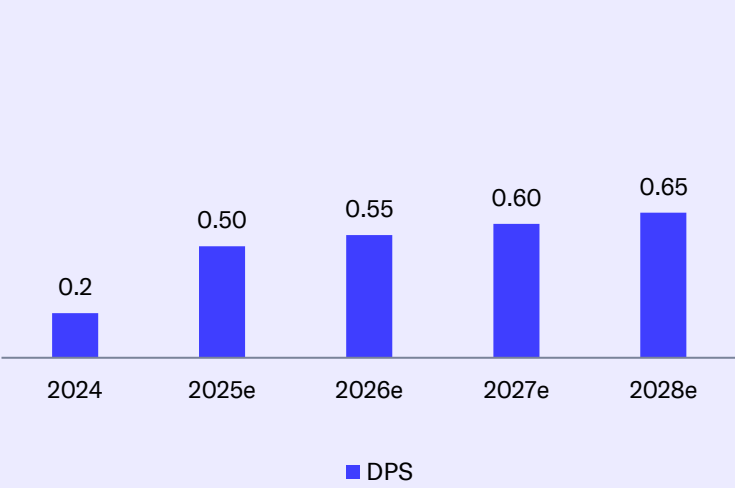
Long-term estimates

In 2027, the company still has some catching up to do with the Stegra project, but from 2028 onwards, we estimate GRK's revenue to return to growth, as the Stegra project no longer affects the year-on-year comparison and the company continues to grow faster than the slightly slow-growing markets. Our growth forecasts for 2027-2028 are 0% and 6%, while from 2029 onwards we expect growth to slow to 3-4% and to be at 2% in the terminal starting after 2034,

EPS development



DPS development



Estimates 5/5

reflecting the slow long-term economic growth potential of the company's main market areas. We would also like to remind you that we believe the company's revenue level will continue to fluctuate in the future in relation to the timing of large projects on an annual level, but predicting these changes beyond the next few years is practically impossible. Thus, our longer-term forecasts mainly reflect a picture that extends beyond project cycles.

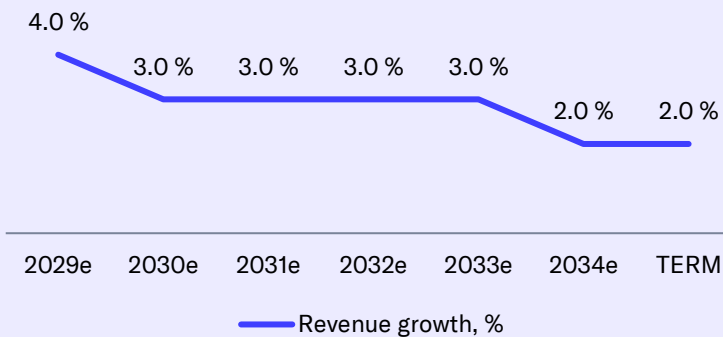
Towards the end of the decade, we see potential for positive growth surprises for GRK, especially if mega-projects such as Rail Baltica and the Turku one-hour train line progress and the company succeeds in tendering. The option of organic expansion in Sweden is also positive, as our forecasts do not see Swedish revenue reaching the levels achieved in 2024-2025 with the Stegra project throughout the forecast horizon. In Sweden, the company also has potential, especially in large rail projects, the SSAB steel mill project, other industrial projects and expansion in southern Sweden. In addition, our forecasts do not include any acquisitions, and we estimate that, at the latest towards the end of the decade, expansion in Sweden, at least, will have been accelerated inorganically as well. However, our 2028 revenue forecast for GRK is slightly above the lower end of the company's target level at 777 MEUR, but we do not consider the target to be particularly demanding if the company's strategy is implemented even moderately well in the coming years.

In the long term, with the help of positive revenue development on average and the company's strengths, we forecast that GRK will be able to maintain an adjusted EBIT margin around the 6% mark at the end of the decade (cf. target of over 6% adj. EBIT-%).

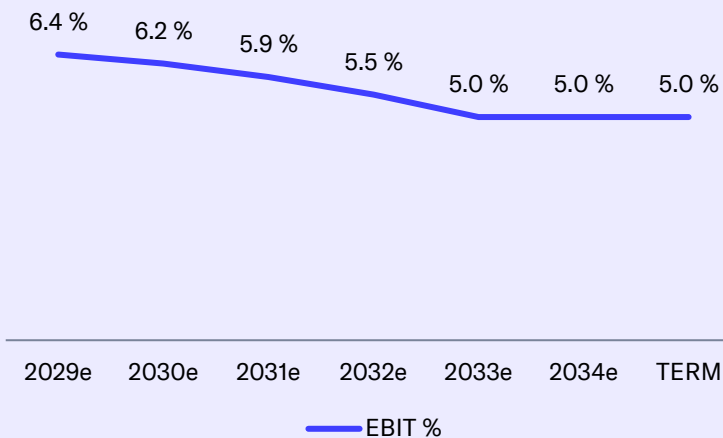
With this profitability and our revenue forecasts based on capital-light organic growth, the company would create very healthy economic value added (average ROCE-% > WACC-%) as long as the company finds a use for its persistently strong cash. In the 2030s, we expect profitability to weaken slightly as competition intensifies. Our terminal profitability forecast is an adjusted EBIT margin of 5.0%. This is roughly in line with GRK's performance over the past five years, and we therefore consider it a justified starting point for a long-term forecast (in comparison, the ROCE-% in the terminal is still clearly higher than the cost of capital).

We expect GRK's long-term financing expenses to be low, as we expect the company to keep its balance sheet strong and clearly stronger than the lower end of the target level due to the strong cyclicity of the business. We estimate the long-term tax rate to be 18%, as the cut in Finnish corporate tax will slightly depress the tax rate from 2027 onwards. We do not expect major changes in the investment intensity of the business in the long term either, although we estimate that the negative working capital will decrease slightly as the Stegra project ends and settle at around the long-term average.

Long-term estimates



Long-term estimates



Quarterly estimates

Income statement	2023	2024	Q1'25	Q2'25e	Q3'25e	Q4'25e	2025e	2026e	2027e	2028e
Revenue	546	728	174	184	218	202	778	735	735	777
Finland	0.0	395	78.5	90.9	118	112	399	427	453	475
Sweden	0.0	274	82.1	71.6	67.5	54.6	276	166	116	127
Estonia	0.0	72.1	16.3	23.9	35.9	38.4	115	155	178	187
Other operations and eliminations	0.0	-12.4	-2.6	-2.8	-3.3	-3.0	-11.6	-12.0	-12.0	-12.0
EBITDA	37.7	60.9	11.9	13.8	20.9	18.9	65.5	60.7	59.1	64.1
Depreciation	-13.5	-15.7	-3.8	-3.9	-4.0	-4.0	-15.6	-16.6	-16.8	-17.0
EBIT (excl. NRI)	24.9	45.6	8.7	9.9	16.9	14.9	50.5	44.1	42.3	47.1
EBIT	24.2	45.2	8.1	9.9	16.9	14.9	49.9	44.1	42.3	47.1
Group	0.0	0.0	8.1	9.9	16.9	14.9	49.9	44.1	42.3	47.1
Share of profits in assoc. compan.	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net financial items	0.1	0.6	-1.3	-3.1	-0.1	-0.1	-4.5	-0.6	-0.6	-0.5
PTP	24.2	45.8	6.8	6.9	16.9	14.9	45.4	43.5	41.7	46.6
Taxes	-4.1	-8.9	-1.3	-1.3	-3.2	-2.8	-8.6	-8.3	-7.5	-8.4
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net earnings	20.1	36.9	5.5	5.0	13.7	12.0	36.2	35.2	34.2	38.2
EPS (adj.)	0.51	0.93	0.15	0.19	0.33	0.29	0.97	0.86	0.83	0.93
EPS (rep.)	0.49	0.93	0.13	0.12	0.33	0.29	0.88	0.86	0.83	0.93
Key figures	2023	2024	Q1'25	Q2'25e	Q3'25e	Q4'25e	2025e	2026e	2027e	2028e
EBITDA-%	6.9 %	8.4 %	6.8 %	7.5 %	9.6 %	9.3 %	8.4 %	8.3 %	8.0 %	8.2 %
Adjusted EBIT-%	4.6 %	6.3 %	5.0 %	5.4 %	7.8 %	7.4 %	6.5 %	6.0 %	5.8 %	6.1 %
Net earnings-%	3.7 %	5.1 %	3.1 %	2.7 %	6.3 %	6.0 %	4.6 %	4.8 %	4.7 %	4.9 %

Source: Inderes

Balance sheet

Assets	2023	2024	2025e	2026e	2027e
Non-current assets	86.3	91.9	96.6	100	106
Goodwill	0.7	0.7	0.7	0.7	0.7
Intangible assets	0.5	0.5	0.6	0.6	0.7
Tangible assets	78.8	84.5	89.1	92.8	98.3
Associated companies	0.0	0.0	0.0	0.0	0.0
Other investments	0.4	0.0	0.0	0.0	0.0
Other non-current assets	4.0	4.7	4.7	4.7	4.7
Deferred tax assets	1.8	1.4	1.4	1.4	1.4
Current assets	194	243	290	291	301
Inventories	5.1	6.7	7.8	7.4	7.3
Other current assets	37.7	47.2	47.2	47.2	47.2
Receivables	53.5	62.0	77.8	80.9	80.8
Cash and equivalents	97.6	127	157	156	165
Balance sheet total	280	334	387	391	407

Source: Inderes

Liabilities & equity	2023	2024	2025e	2026e	2027e
Equity	88.9	119	177	192	204
Share capital	0.1	0.1	0.1	0.1	0.1
Retained earnings	50.1	81.0	109	124	135
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	38.7	38.2	68.2	68.2	68.2
Minorities	0.0	0.0	0.0	0.0	0.0
Non-current liabilities	33.0	30.5	32.9	34.9	34.9
Deferred tax liabilities	2.2	3.0	3.0	3.0	3.0
Provisions	3.6	2.4	2.4	2.4	2.4
Interest bearing debt	26.8	24.6	27.0	29.0	29.0
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	0.4	0.6	0.6	0.6	0.6
Current liabilities	158	185	177	165	168
Interest bearing debt	11.0	14.0	11.0	11.0	12.0
Payables	84.9	108	113	104	104
Other current liabilities	62.6	62.4	52.8	49.1	51.6
Balance sheet total	280	334	387	391	407

Valuation 1/3

The market values the company at an earnings basis

In our opinion, GRK should primarily be valued on earnings-based multiples, like other profitable growth companies. We use the P/E ratio to value the company, as well as enterprise value-based EV/EBITDA and EV/EBIT multiples that better incorporate differences in companies' balance sheet structures. However, when assessing EV-based multiples, attention should be paid to the amount of customer advances and other key working capital items (including receivables and payables) on the balance sheet in relation to the longer-term average, as the timing of working capital items can significantly fluctuate cash flow and, consequently, enterprise value along with project cycles. Advances received, in particular, are also not the company's own money. In our opinion, their unusual levels affect the EV multiples acceptable for GRK to some extent, at least in certain phases of the project cycle, although, of course, from the investors' point of view, the project payment logic based on advance payments is a very good thing for the overall picture of GRK's business. Similarly, the company's P/E ratios in the current over-strong cash position could be adjusted by the excessive portion of the cash.

We primarily look at GRK through valuation multiples for the current and next year, as the company's good historical track record, the predictability brought by the order book and public sector-driven demand, and the excellent financial position, in our view, sufficiently compensate for the short-term visibility constraints related to the project-driven business model and the current operating environment.

In our view, the following factors support and weigh on GRK's acceptable valuation multiples:

A strong track record of profitable growth increases confidence in the company's future competitiveness going forward.

A very strong balance sheet following strong recent earnings performance and the IPO limits the risk profile of the stock.

Due to uncertainties related to global trade and geopolitics, and thus to the economic situation in GRK's operating countries, **near-term earnings growth expectations and related risks** are moderate and balanced in terms of risk, considering the development of the company's order book and the potential new significant projects in the markets, as well as the certain counter-cyclical nature of the business.

In terms of inorganic value creation, the opportunities and risks are balanced at this stage, as the company's track record of value-creating acquisitions abroad is still limited.

The rather low organic growth outlook and margin profile of the market make it more difficult to clearly profile the company as a growth and quality company and to achieve corresponding multiples, even though the company's track record of profitable growth and high return on capital is in itself very strong.

The nature of project business and the related variation typically increase the risk level of the stock to some extent in the eyes of investors, which is offset by the stability and counter-cyclical nature of demand, largely driven by the public sector.

The potentially limited liquidity of the stock may limit the interest of foreign and/or larger institutions in the company, at least initially.

Taking these factors into account, the acceptable valuation level for GRK's share is approximately 11x-14x in terms of P/E ratio and 9x-12x in terms of EV/EBIT ratio, considering current interest rate expectations

Valuation	2025e	2026e	2027e
Share price	11.1	11.1	11.1
Number of shares, millions	41.0	41.0	41.0
Market cap	455	455	455
EV	335	339	330
P/E (adj.)	11.4	12.9	13.3
P/E	12.6	12.9	13.3
P/B	2.6	2.4	2.2
P/S	0.6	0.6	0.6
EV/Sales	0.4	0.5	0.4
EV/EBITDA	5.1	5.6	5.6
EV/EBIT (adj.)	6.6	7.7	7.8
Payout ratio (%)	56.6 %	64.0 %	71.9 %
Dividend yield-%	4.5 %	5.0 %	5.4 %

Source: Inderes

Valuation 2/3

These levels roughly correspond to the 10-year averages of the company's construction sector peers and the longer-term medians of the Helsinki Stock Exchange. We also think that current interest rate expectations are fairly in line with the typical levels of the previous 10 years, so from this perspective as well, we think these averages are a very good starting point for an acceptable valuation.

The EV-based multiples remain moderate

In our estimate, GRK's P/E ratios for 2025 and 2026 are around 11x and 13x, while the corresponding EV/EBIT ratios are some 7x and 8x. We expect dividend yields for the next few years to be around 5%. Therefore, we consider the company's valuation to be quite attractive in absolute terms for the next 12 months, as the multiples fall within the ranges we accept for the company on a P/E basis even without adjustments supported by excessive cash, and below the range on an EV basis for the current year. Due to the decline in earnings from a high level in our forecasts, next year's multiples are higher, but next year's multiples are also low, especially on an EV basis. Therefore, we see the overall valuation multiples as quite attractive.

Peer group valuation is also low

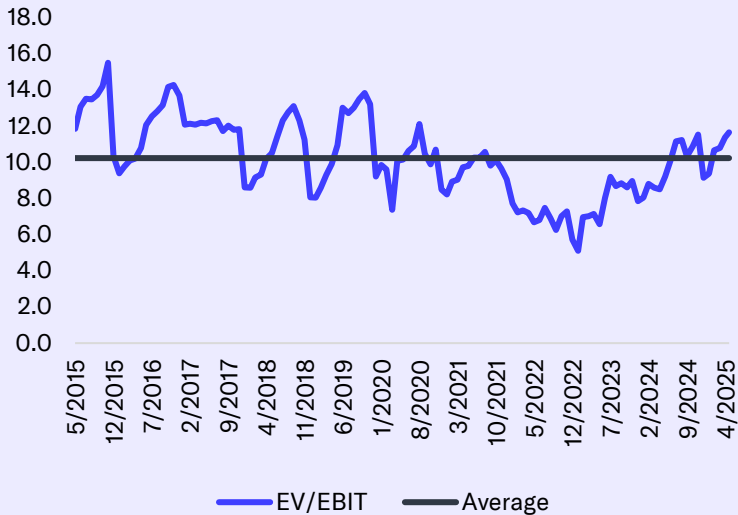
There are many listed companies operating in the construction and infrastructure construction sectors, so a fairly large peer group can be gathered for GRK for a relative review of the valuation level. It should be noted, however, that despite the large number of GRK's peers, the comparability of the peer companies is not perfect, as there are profile differences in the businesses, and the peer group probably includes companies with very variable profitability, especially in the recent past. In addition, some

relevant competitors are unlisted companies, so it is not possible to include all relevant competitors in the comparison. Consequently, in our valuation of GRK, we emphasize absolute multiples, which are supported by relative valuation.

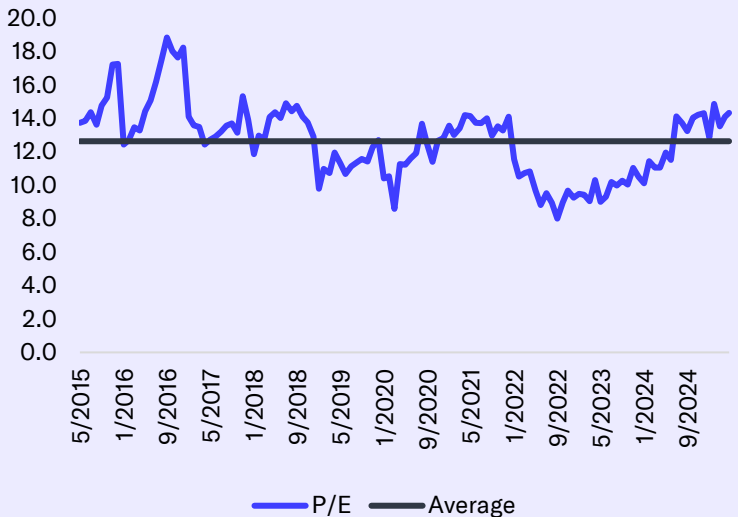
As a general note, we believe that volume-based multiples are low, reflecting the thin margins in the construction sector, while balance sheet-based multiples are highly dependent on the return on capital. In our opinion, comparing earnings-based multiples is the most relevant, but it may require looking past momentarily exceptionally poor or good results.

GRK is valued at a substantial discount to its peer group based on earnings-based multiples. Compared to the best peer Create, GRK is valued at a discount on an EV basis and at a slight premium on a P/E ratio, especially for next year. In our view, GRK would deserve a slight premium relative to the whole peer group, considering the mainly good performance in recent years. The volume-based EV/S ratio is neutral but considering GRK's better-than-average profitability and return on capital, we believe the volume-based metric should be at a premium. However, the entire peer group seems quite fully priced for the current year, and there are also clear risks associated with the earnings improvements forecast for the peer company for next year. Therefore, we are not counting solely on GRK's undervaluation closing only through the company's share price appreciation. Overall, however, the relative valuation of the stock indicates a green light in terms of the stock's valuation and, correspondingly, the expected return.

Peer group EV/EBIT



Peer group P/E ratio



Valuation 3/3

DCF valuation shows green light

In the valuation, we also give reasonable weight to the cash flow model (DCF), as the business is mature and the company's demand and margin profiles are reasonably predictable even in the longer term. Thus, in our opinion, a long-term DCF model with conservative assumptions provides a fairly good picture of GRK's fair value. Our DCF model indicates a share value of around EUR 13, which supports the attractive picture of the share's current pricing drawn by other methods.

The key parameters behind the forecast model are described in the previous section describing the forecasts. In the model, the terminal period accounts for a very reasonable level of about 50% of the value of cash flows. Therefore, we believe that the parameters are well justified by the company's historical performance, and exceeding the estimates is not impossible in the long run either. In the cash flow model, the average cost of capital (WACC) used is 9.2% and the cost of capital is 9.9%.

An investigation by the competition authorities slightly increases the risk level

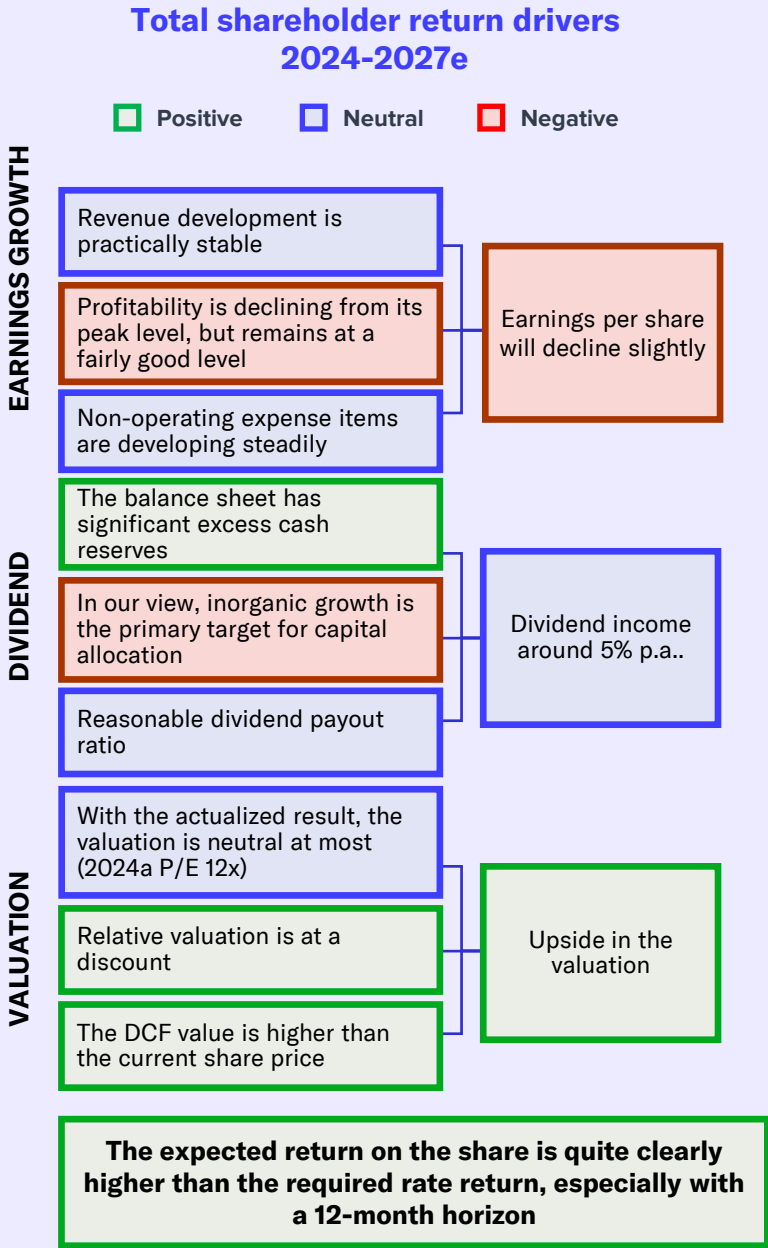
On May 21, 2025, GRK announced that the Finnish Competition and Consumer Authority (KKV) had conducted a surprise inspection at the premises of GRK's subsidiary, GRK Suomi Oy. According to the information GRK has received, KKV is seeking to investigate cooperation between competitors in the asphalt paving market in Finland, which is prohibited under competition law. There is no information on the progress of the matter or its timetable. Of the other companies, Swedish PEAB made an announcement about the inspection.

In our view, asphalt paving is a relatively small part of GRK's Finnish operations, and we estimate its revenue to be in the

order of 50 MEUR. GRK is also a relatively small player in the Finnish asphalt paving market in terms of market share. Therefore, the inspection concerns only a limited part of GRK's business. In our opinion, KKV needs a concrete suspicion as a reason for the inspection, but on the other hand, investigations into restriction of competition also end without results (e.g. the EU Commission's pulp and tire cartel investigations in the 2020s). Thus, assessing the situation and the probabilities related to it is difficult, and the investigation slightly increases the risk profile of GRK's stock in the eyes of investors before the matter is resolved. Nevertheless, we do not believe that possible fines would threaten GRK's financial position in any scenario, considering the size categories of the company and the asphalt paving business, as well as the financial consequences typically resulting from competition restrictions in Finland. However, in the worst case, fines could ruin the result and cash flow for a single year.

Affordable stock pricing

In our view, the fair value of GRK's share is approximately EUR 12-15 per share, based on our earnings-based forecasts for the coming years and the valuation multiples we apply, as well as the DCF model and its sensitivity analyses related to the required return and terminal profitability. In the longer term, the share's fair value has the potential to rise gradually if the company continues its profitable organic growth in the current markets. GRK's value development will also be significantly affected by how the company succeeds in capital allocation, as the company already has capital to expand inorganically for even stronger growth than we have predicted. The main risks to GRK's positive investment view are individual large projects and project risks, the success of capital allocation, maintaining the company's soft strengths in the future, and the possible consequences of the competition investigation.



Valuation table

Valuation	2020	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Share price	10.2	10.2	10.2	10.2	10.2	11.0	11.0	11.0	11.0
Number of shares, millions	39.2	39.8	41.2	40.7	39.9	41.0	41.0	41.0	41.0
Market cap	399	405	419	414	406	449	449	449	449
EV	384	403	414	354	317	329	333	324	314
P/E (adj.)	17.4	17.9	45.0	19.9	10.9	11.3	12.7	13.1	11.7
P/E	18.4	19.5	60.0	20.6	11.0	12.4	12.7	13.1	11.7
P/B	6.3	5.3	5.4	4.7	3.4	2.5	2.3	2.2	2.1
P/S	1.0	0.9	0.9	0.8	0.6	0.6	0.6	0.6	0.6
EV/Sales	1.0	0.9	0.9	0.6	0.4	0.4	0.5	0.4	0.4
EV/EBITDA	17.7	19.5	17.0	9.4	5.2	5.0	5.5	5.5	4.9
EV/EBIT (adj.)	16.8	17.8	30.2	14.3	7.0	6.5	7.5	7.7	6.7
Payout ratio (%)	24.2 %	27.9 %	94.4 %	33.4 %	22.1 %	56.6 %	64.0 %	71.9 %	69.6 %
Dividend yield-%	1.3 %	1.4 %	1.6 %	1.6 %	2.0 %	4.6 %	5.0 %	5.5 %	5.9 %

Source: Inderes

Peer group valuation

Peer group valuation Company	Market cap MEUR	EV MEUR	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%		P/B
			2025e	2026e	2025e	2026e	2025e	2026e	2025e	2026e	2025e	2026e	2025e
YIT	574	1443	30.0	17.9	20.4	13.7	0.8	0.8		47.6		0.7	0.8
Veidekke	1809	1605	10.8	9.9	6.6	6.2	0.4	0.4	15.7	14.6	6.2	6.5	6.1
NCC	1680	1895	11.4	10.4	6.7	6.5	0.4	0.3	12.4	11.6	5.0	5.4	2.0
Peab	2253	3381	15.0	12.8	9.2	8.2	0.6	0.6	14.1	11.4	4.0	4.6	1.4
Skanska	9013	7896	10.8	9.5	8.3	7.4	0.5	0.4	14.1	12.6	3.9	4.2	1.5
SRV	89	223	25.5	12.6	16.0	9.7	0.3	0.3	95.3	9.8	2.8	4.7	0.8
Strabag	9789	6936	7.8	7.8	4.8	4.6	0.4	0.4	15.2	15.7	2.8	2.9	1.8
Koninklijke Heijmans N.V.	1437	1447	9.4	8.4	6.3	5.8	0.5	0.5	10.9	9.6	4.2	4.7	2.5
NRC Group	73	145	11.5	7.7	4.9	4.0	0.2	0.2	15.0	6.8	4.8	7.2	0.5
Kreate	71	96	9.5	7.9	5.8	5.2	0.3	0.3	10.9	8.8	6.5	6.8	1.6
NYAB	381	390	11.5	9.8	9.7	8.3	0.8	0.7	14.5	13.4	2.4	3.2	1.8
GRK Infra Oyj (Inderes)	449	329	6.5	7.5	5.0	5.5	0.4	0.5	11.3	12.7	4.6	5.0	2.5
Average			13.9	10.4	9.0	7.2	0.5	0.4	21.8	14.7	4.3	4.6	1.9
Median			11.4	9.8	6.7	6.5	0.4	0.4	14.3	11.6	4.1	4.7	1.6
Diff-% to median			-43%	-23%	-25%	-16%	-2%	10%	-21%	10%	12%	8%	63%

Source: Refinitiv / Inderes

Income statement

Income statement	2023	2024	Q1'25	Q2'25e	Q3'25e	Q4'25e	2025e	2026e	2027e	2028e
Revenue	546	728	174	184	218	202	778	735	735	777
Finland	0.0	395	78.5	90.9	118	112	399	427	453	475
Sweden	0.0	274	82.1	71.6	67.5	54.6	276	166	116	127
Estonia	0.0	72.1	16.3	23.9	35.9	38.4	115	155	178	187
Other operations and eliminations	0.0	-12.4	-2.6	-2.8	-3.3	-3.0	-11.6	-12.0	-12.0	-12.0
EBITDA	37.7	60.9	11.9	13.8	20.9	18.9	65.5	60.7	59.1	64.1
Depreciation	-13.5	-15.7	-3.8	-3.9	-4.0	-4.0	-15.6	-16.6	-16.8	-17.0
EBIT (excl. NRI)	24.9	45.6	8.7	9.9	16.9	14.9	50.5	44.1	42.3	47.1
EBIT	24.2	45.2	8.1	9.9	16.9	14.9	49.9	44.1	42.3	47.1
Group	0.0	0.0	8.1	9.9	16.9	14.9	49.9	44.1	42.3	47.1
Share of profits in assoc. compan.	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net financial items	0.1	0.6	-1.3	-3.1	-0.1	-0.1	-4.5	-0.6	-0.6	-0.5
PTP	24.2	45.8	6.8	6.9	16.9	14.9	45.4	43.5	41.7	46.6
Taxes	-4.1	-8.9	-1.3	-1.3	-3.2	-2.8	-8.6	-8.3	-7.5	-8.4
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net earnings	20.1	36.9	5.5	5.0	13.7	12.0	36.2	35.2	34.2	38.2
EPS (adj.)	0.51	0.93	0.15	0.19	0.33	0.29	0.97	0.86	0.83	0.93
EPS (rep.)	0.49	0.93	0.13	0.12	0.33	0.29	0.88	0.86	0.83	0.93
Key figures	2023	2024	Q1'25	Q2'25e	Q3'25e	Q4'25e	2025e	2026e	2027e	2028e
EBITDA-%	6.9 %	8.4 %	6.8 %	7.5 %	9.6 %	9.3 %	8.4 %	8.3 %	8.0 %	8.2 %
Adjusted EBIT-%	4.6 %	6.3 %	5.0 %	5.4 %	7.8 %	7.4 %	6.5 %	6.0 %	5.8 %	6.1 %
Net earnings-%	3.7 %	5.1 %	3.1 %	2.7 %	6.3 %	6.0 %	4.6 %	4.8 %	4.7 %	4.9 %

Source: Inderes

Balance sheet

Assets	2023	2024	2025e	2026e	2027e
Non-current assets	86.3	91.9	96.6	100	106
Goodwill	0.7	0.7	0.7	0.7	0.7
Intangible assets	0.5	0.5	0.6	0.6	0.7
Tangible assets	78.8	84.5	89.1	92.8	98.3
Associated companies	0.0	0.0	0.0	0.0	0.0
Other investments	0.4	0.0	0.0	0.0	0.0
Other non-current assets	4.0	4.7	4.7	4.7	4.7
Deferred tax assets	1.8	1.4	1.4	1.4	1.4
Current assets	194	243	290	291	301
Inventories	5.1	6.7	7.8	7.4	7.3
Other current assets	37.7	47.2	47.2	47.2	47.2
Receivables	53.5	62.0	77.8	80.9	80.8
Cash and equivalents	97.6	127	157	156	165
Balance sheet total	280	334	387	391	407

Source: Inderes

Liabilities & equity	2023	2024	2025e	2026e	2027e
Equity	88.9	119	177	192	204
Share capital	0.1	0.1	0.1	0.1	0.1
Retained earnings	50.1	81.0	109	124	135
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	38.7	38.2	68.2	68.2	68.2
Minorities	0.0	0.0	0.0	0.0	0.0
Non-current liabilities	33.0	30.5	32.9	34.9	34.9
Deferred tax liabilities	2.2	3.0	3.0	3.0	3.0
Provisions	3.6	2.4	2.4	2.4	2.4
Interest bearing debt	26.8	24.6	27.0	29.0	29.0
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	0.4	0.6	0.6	0.6	0.6
Current liabilities	158	185	177	165	168
Interest bearing debt	11.0	14.0	11.0	11.0	12.0
Payables	84.9	108	113	104	104
Other current liabilities	62.6	62.4	52.8	49.1	51.6
Balance sheet total	280	334	387	391	407

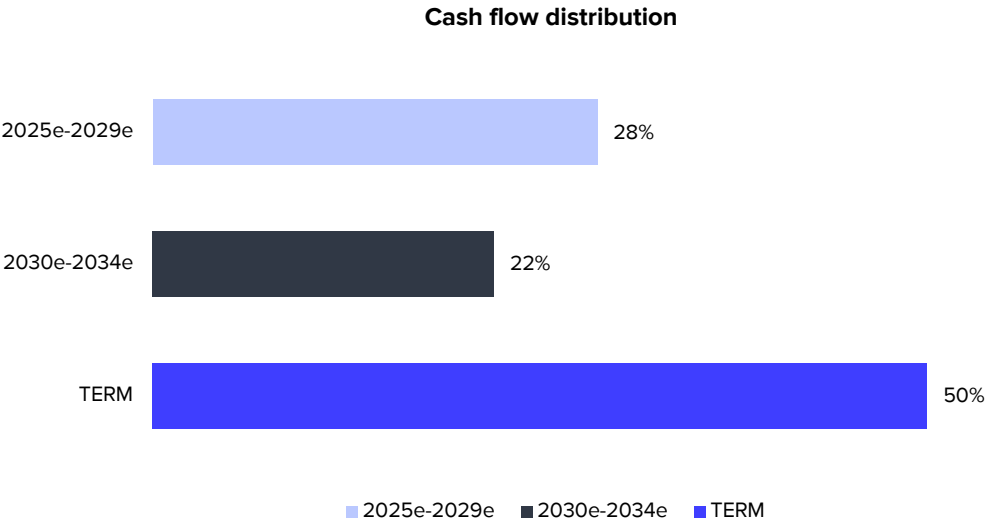
DCF calculation

DCF model	2024	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	2034e	TERM
Revenue growth-%	33.4 %	6.8 %	-5.5 %	-0.1 %	5.8 %	4.0 %	3.0 %	3.0 %	3.0 %	3.0 %	2.0 %	2.0 %
EBIT-%	6.2 %	6.4 %	6.0 %	5.8 %	6.1 %	6.4 %	6.2 %	5.9 %	5.5 %	5.0 %	5.0 %	5.0 %
EBIT (operating profit)	45.2	49.9	44.1	42.3	47.1	51.7	51.6	50.6	48.6	45.5	46.4	
+ Depreciation	15.7	15.6	16.6	16.8	17.0	18.1	19.2	20.3	21.8	22.9	23.2	
- Paid taxes	-7.8	-8.6	-8.3	-7.5	-8.4	-9.0	-9.0	-8.9	-8.5	-8.0	-8.1	
- Tax, financial expenses	0.1	-0.9	-0.4	-0.4	-0.4	-0.6	-0.6	-0.6	-0.6	-0.6	-0.6	
+ Tax, financial income	0.0	0.0	0.3	0.3	0.3	0.3	0.4	0.4	0.4	0.4	0.4	
- Change in working capital	3.6	-21.9	-14.8	2.5	2.8	2.1	2.0	2.1	2.2	1.7	0.4	
Operating cash flow	56.9	34.1	37.5	54.0	58.4	62.6	63.6	63.9	63.8	61.9	61.6	
+ Change in other long-term liabilities	-1.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-21.7	-20.3	-20.3	-22.3	-23.3	-23.4	-24.4	-24.4	-24.4	-24.4	-24.4	
Free operating cash flow	34.1	13.8	17.2	31.7	35.1	39.3	39.2	39.5	39.4	37.4	37.3	
+/- Other	0.0	26.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	34.1	40.2	17.2	31.7	35.1	39.3	39.2	39.5	39.4	37.4	37.3	527
Discounted FCFF		38.1	15.0	25.2	25.6	26.2	24.0	22.1	20.2	17.6	16.0	227
Sum of FCFF present value		456	418	403	378	353	326	302	280	260	243	227
Enterprise value DCF		456										
- Interest bearing debt		-38.7										
+ Cash and cash equivalents		127										
-Minorities		0.0										
-Dividend/capital return		-8.1										
Equity value DCF		536										
Equity value DCF per share		13.1										

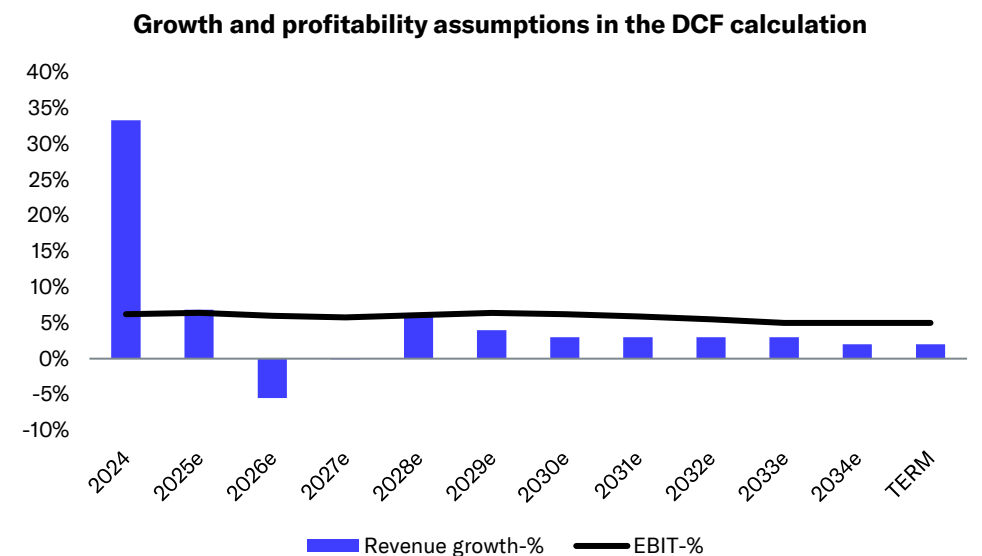
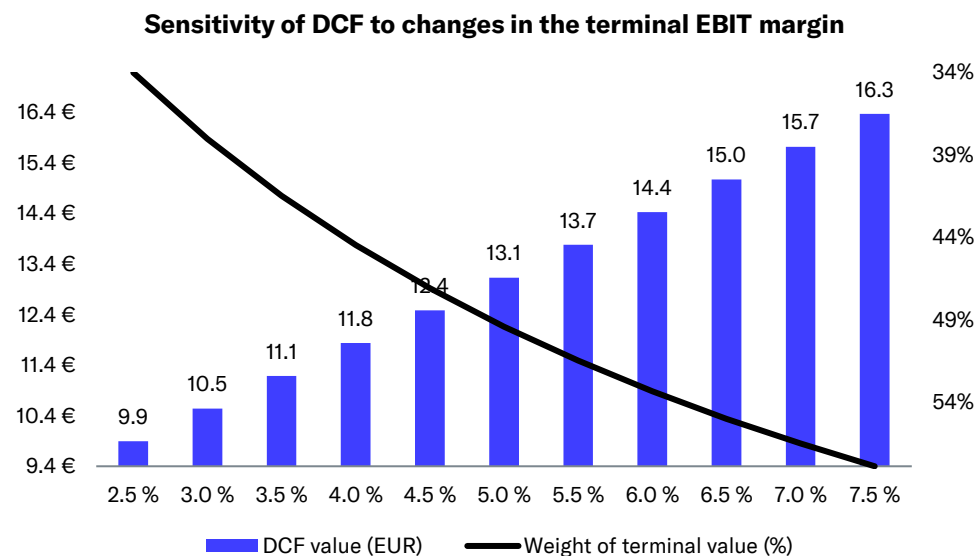
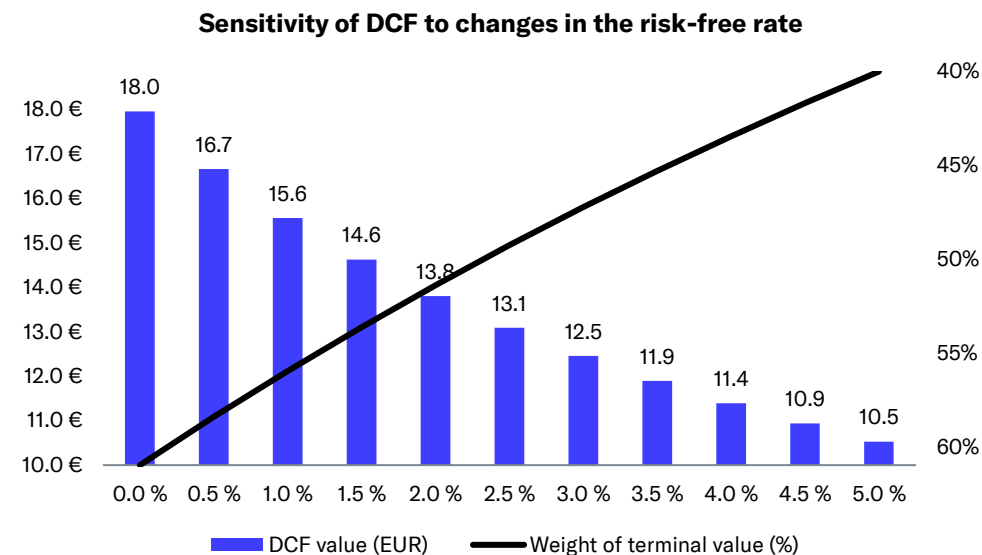
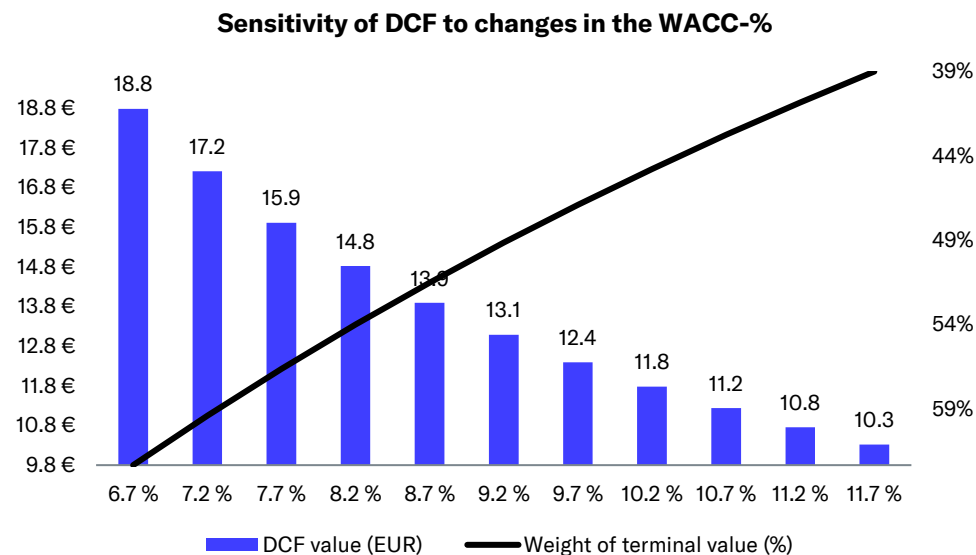
WACC

Tax-% (WACC)	18.0 %
Target debt ratio (D/(D+E))	10.0 %
Cost of debt	4.0 %
Equity Beta	1.55
Market risk premium	4.75%
Liquidity premium	0.00%
Risk free interest rate	2.5 %
Cost of equity	9.9 %
Weighted average cost of capital (WACC)	9.2 %

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	2024	2025e	2026e	Per share data	2022	2023	2024	2025e	2026e
Revenue	450.5	546.2	728.4	778.3	735.5	EPS (reported)	0.17	0.49	0.93	0.88	0.86
EBITDA	24.4	37.7	60.9	65.5	60.7	EPS (adj.)	0.23	0.51	0.93	0.97	0.86
EBIT	11.4	24.2	45.2	49.9	44.1	OCF / share	0.53	1.95	1.43	0.83	0.92
PTP	10.0	24.2	45.8	45.4	43.5	OFCF / share	0.01	1.55	0.86	0.98	0.42
Net Income	7.0	20.1	36.9	36.2	35.2	Book value / share	1.87	2.18	2.99	4.33	4.69
Extraordinary items	-2.3	-0.7	-0.4	-0.6	0.0	Dividend / share	0.16	0.17	0.20	0.50	0.55
Balance sheet	2022	2023	2024	2025e	2026e	Growth and profitability	2022	2023	2024	2025e	2026e
Balance sheet total	215.1	280.3	334.5	386.8	391.4	Revenue growth-%	5%	21%	33%	7%	-5%
Equity capital	77.0	88.9	119.3	177.3	192.0	EBITDA growth-%	18%	54%	62%	7%	-7%
Goodwill	0.7	0.7	0.7	0.7	0.7	EBIT (adj.) growth-%	-39%	82%	83%	11%	-13%
Net debt	-4.9	-59.9	-88.0	-119.5	-115.7	EPS (adj.) growth-%	-60%	126%	83%	4%	-11%
Cash flow	2022	2023	2024	2025e	2026e	EBITDA-%	5.4 %	6.9 %	8.4 %	8.4 %	8.3 %
EBITDA	24.4	37.7	60.9	65.5	60.7	EBIT (adj.)-%	3.0 %	4.6 %	6.3 %	6.5 %	6.0 %
Change in working capital	0.7	45.9	3.6	-21.9	-14.8	EBIT-%	2.5 %	4.4 %	6.2 %	6.4 %	6.0 %
Operating cash flow	21.8	79.4	56.9	34.1	37.5	ROE-%	9.1 %	24.3 %	35.4 %	24.4 %	19.1 %
CAPEX	-21.2	-17.0	-21.7	-20.3	-20.3	ROI-%	10.0 %	20.0 %	31.8 %	26.7 %	20.4 %
Free cash flow	0.4	63.3	34.1	40.2	17.2	Equity ratio	41.9 %	39.9 %	42.9 %	52.3 %	55.3 %
						Gearing	-6.3 %	-67.4 %	-73.8 %	-67.4 %	-60.2 %
Valuation multiples	2022	2023	2024	2025e	2026e						
EV/S	0.9	0.6	0.4	0.4	0.5						
EV/EBITDA	17.0	9.4	5.2	5.0	5.5						
EV/EBIT (adj.)	30.2	14.3	7.0	6.5	7.5						
P/E (adj.)	45.0	19.9	10.9	11.3	12.7						
P/B	5.4	4.7	3.4	2.5	2.3						
Dividend-%	1.6 %	1.6 %	2.0 %	4.6 %	5.0 %						

Source: Inderes

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Inderes' recommendation policy is based on the following distribution relative to the 12-month risk-adjusted expected total shareholder return.

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

The assessment of the 12-month risk-adjusted expected total shareholder return based on the above-mentioned definitions is company-specific and subjective. Consequently, similar 12-month expected total shareholder returns between different shares may result in different recommendations, and the recommendations and 12-month expected total shareholder returns between different shares should not be compared with each other. The counterpart of the expected total shareholder return is Inderes' view of the risk taken by the investor, which varies considerably between companies and scenarios. Thus, a high expected total shareholder return does not necessarily lead to positive performance when the risks are exceptionally high and, correspondingly, a low expected total shareholder return does not necessarily lead to a negative recommendation if Inderes considers the risks to be moderate.

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Recommendation history (>12 months)

Date	Recommendation	Target	Share price
5/28/2025	Accumulate	13.00 €	10.95 €



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