HKFOODS

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INDERES CORPORATE CUSTOMER

EXTENSIVE REPORT

Profit turnaround come true

HKFoods has executed a convincing earnings turnaround in recent years, driven by, among other things, the strengthening of its investment capacity through the divestment of operations outside Finland. Although we estimate that the largest increase in profitability is already behind, we believe the company still has the potential for a moderate increase, which makes the valuation appear relatively inexpensive. If profitability were to rise to the level of the company's main competitors, there would be considerable upside potential in the stock. On the other hand, the somewhat high indebtedness and historical challenges in profitability raise the stock's risk level relative to the average for the defensive food sector. We reiterate our Accumulate recommendation and a target price of EUR 1.70.

A large Finnish meat and food company

HKFoods is a large meat and food company, currently focusing mainly on Finland, and with several well-known consumer brands. Retail is the company's most important distribution channel, in addition to which products are sold to the foodservice channel, to industrial customers and export, e.g. to the Far East and Europe. As typical for the industry, HKFoods has a strong integration with local primary production, which supports visibility in the availability and price of raw materials. In addition to its Finnish operations, the company also has a profitable bacon-focused unit in Poland, though its share of the Group as a whole is small. The industry's growth profile is moderate, as red meat consumption is on a moderate decline in the long term. In its strategy, HKFoods seeks growth particularly from poultry, convenience foods, and meal components, which are well growing market segments.

There is still some room for efficiency improvements

HKFoods has been able to grow its adjusted EBIT for 10 consecutive quarters, with the adjusted EBIT margin estimated to rise to 3.2% in 2025 (2020-23 average: 0.9%). The profitability levels of domestic competitors are at just under 5%, and HKFoods itself raised its EBIT margin target to over 5% (previously over 4%) in its August strategy update. We estimate the company still has efficiency potential, supported by, for example, production investments completed during the summer, cost savings, and poultry exports to China. In our view, however, the largest and most straightforward measures affecting profitability have already been implemented and are mostly reflected in the realized results. In addition, the industry's profitability can occasionally fluctuate due to changes in the operating environment, such as inflation or animal diseases. We forecast the EBIT margin to improve to 3.4-3.5% in 2026-27. In addition, the decrease in financing expenses significantly supports EPS growth, as balance sheet risks ease. Indebtedness is still somewhat high (net debt/EBITDA H1'25: 2.5x) but continues on a moderate downward trend in our forecasts in the coming years.

Earnings development is reflected in the valuation with strong leverage

We see HKFoods as having the potential to be a defensive dividend company, but its value creation is limited due to the industry's moderate growth prospects and capital-intensiveness. The current earnings-based valuation (adj. EV/EBIT 2025e: 10x, P/E: 21x) is not very attractive, but as financial expenses decrease, P/E-based multiples will fall rapidly. Applying a fair P/E multiple of 10x for 2027 (P/E 2027e: 8x at the current share price), the stock would have a rough annual return expectation of 10%. We see our current estimates as relatively low-risk, and in a positive scenario, earnings growth could continue to be stronger than our forecasts, which would have a strong leverage effect on the share price. Profitability rising to the level of competitors would imply even a double-up potential in the stock, although we see this as highly unlikely to materialize, and it would at least require larger industrial investments than at present, which would have a negative impact on cash flow in the short term.

Recommendation
Accumulate
(was Accumulate)

Target price:
EUR 1.70
(was EUR 1.70)

Share price:
EUR 1.52

Business risk
●●●○○

Valuation risk
●●○○○

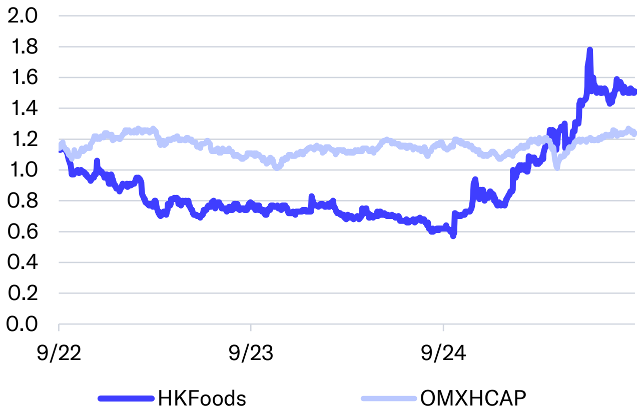
	2024	2025e	2026e	2027e
Revenue	1001.8	1005.1	1030.2	1050.8
growth-%	-14%	0%	2%	2%
EBIT adj.	27.7	32.2	35.2	36.3
EBIT-% adj.	2.8 %	3.2 %	3.4 %	3.5 %
Net income	-5.3	9.4	13.6	18.6
EPS (adj.)	-0.05	0.07	0.13	0.19
P/E (adj.)	neg.	22.4	11.5	8.1
P/B	0.4	0.9	0.8	0.8
Dividend yield-%	11.1 %	3.1 %	5.0 %	6.2 %
EV/EBIT (adj.)	8.7	9.8	8.8	8.4
EV/EBITDA	4.3	5.1	4.8	4.5
EV/S	0.2	0.3	0.3	0.3

Source: Inderes

Guidance (Unchanged)

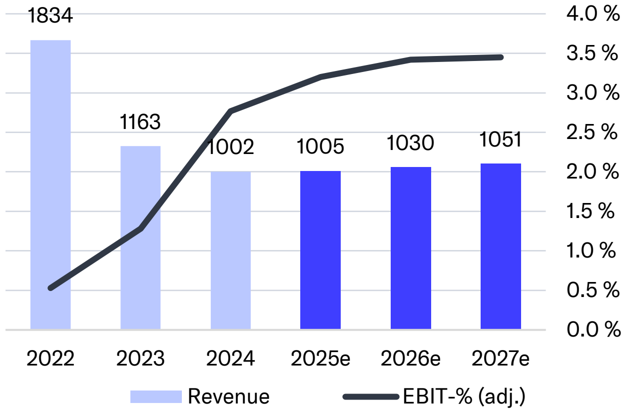
In 2025, HKFoods estimates that the Group's comparable EBIT will grow from 2024 (EUR 27.7 million).

Share price



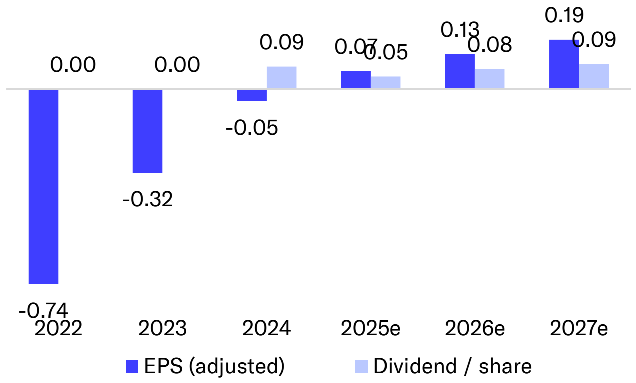
Source: Millistream Market Data AB

Revenue and EBIT-% (adj.)



Source: Inderes

EPS and dividend



Source: Inderes

Value drivers

- Strong commercial position in Finland through scale and well-known brands
- Investments in poultry and other growing segments such as ready meals
- Focus on Finland has allowed concentration of investments and strengthening of industrial efficiency
- As the balance sheet strengthens, there is an opportunity to significantly lower financing costs

Risk factors

- Long-term decline in red meat consumption
- Fierce competition in the food sector and strong bargaining power of retailers limit profitability
- Changes in consumer demand and cost environment may affect profitability
- Animal diseases may impact export licenses Indebtedness remains quite high

Valuation	2025e	2026e	2027e
Share price	1.52	1.52	1.52
Number of shares, millions	89.9	89.9	89.9
Market cap	137	137	137
EV	315	311	304
P/E (adj.)	22.4	11.5	8.1
P/E	71.8	11.5	8.1
P/B	0.9	0.8	0.8
P/S	0.1	0.1	0.1
EV/Sales	0.3	0.3	0.3
EV/EBITDA	5.1	4.8	4.5
EV/EBIT (adj.)	9.8	8.8	8.4
Payout ratio (%)	236.1 %	60.7 %	53.4 %
Dividend yield-%	3.1 %	5.0 %	6.2 %

Source: Inderes

Contents

HKFoods in brief

HKFoods is a leading Finnish meat and food company with a production chain that is highly integrated with domestic primary production.

1997

IPO

1,002 MEUR (+7% y/y)

Revenue 2024

27.7 MEUR (2023: 11.6 MEUR)

Adjusted EBIT 2024

3,000

Headcount 2025 (on average)

25.5 MEUR (2023: 15.9 MEUR)

Gross investment 2024

177 MEUR equity[1]

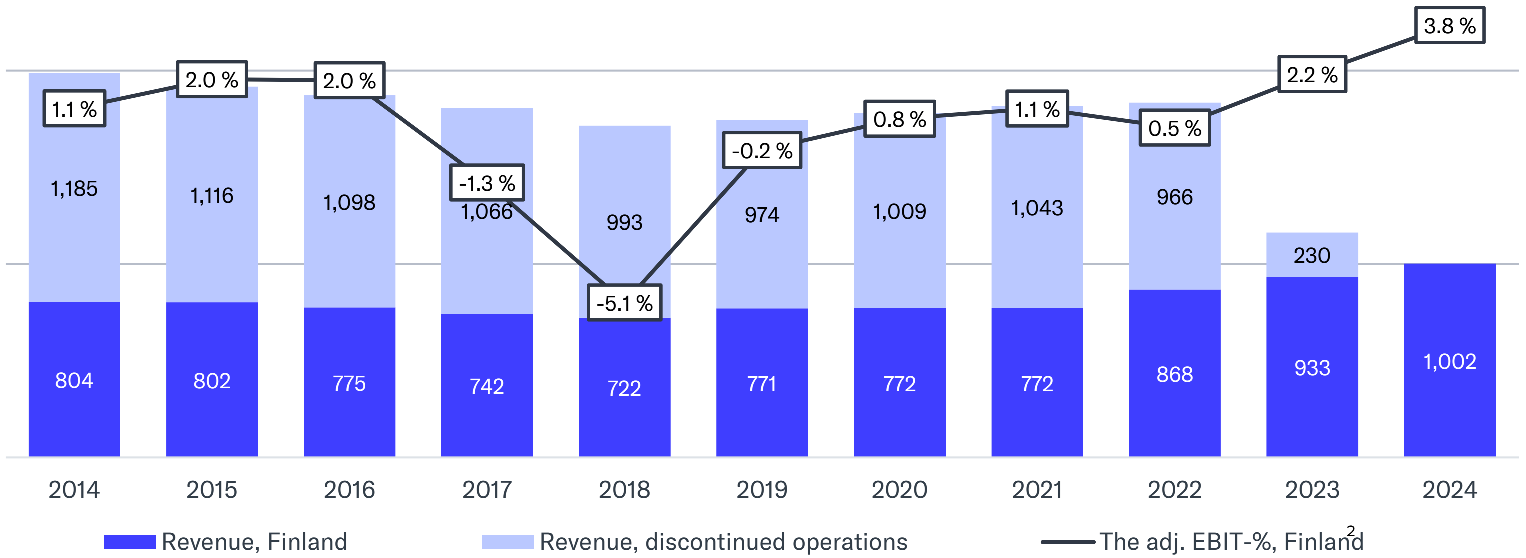
At the end of H1'2025 (EUR 1.97 per share)

Acquisition-driven growth (1998-2010)

- 1997: HK Ruokatalo is listed on the stock exchange
- 1998: HK acquires majority stake in AS Rakvere Lihakombinaat in the Baltics
- 2002-2006: Acquisition of Polish Sokolow from the Warsaw Stock Exchange together with Danish Crown
- 2006-2007: HK Ruokatalo acquired the shares of Scan AB and the merged company is called HKScan
- 2010: Acquisition of the Danish poultry business

Divestment of international operations (2014-2024)

- 2014: The company sells its stake in Poland-based Sokolow
- 2018: New expensive poultry plant in Rauma, whose poor production processes weigh heavily on profitability
- Limited financial resources combined with low profitability forces the company to focus on Finnish operations
- 2022: The company reaches an agreement to divest Baltic businesses (completed in August 2023)
- 2023: The company reaches an agreement to divest Swedish businesses (completed in March 2024)
- 2024: Divestment of Danish businesses (completed in October)
- 2024: HKScan changes its name to HKFoods
- Profitability and ability to invest in operations have strengthened significantly



1) Excludes non-controlling interests and hybrid bond

2) Excludes group administration costs

Company description and business model 1/4

Focusing on Finland has helped in the earnings turnaround

HKFoods is a large meat and food company, currently operating mainly in Finland. The company's background is in the industrial and commercial activities of Finnish cooperative-based meat producers. The company grew through a series of M&A transaction in the 20th century as the meat industry moved from local units to national production chains. The company has been listed on the Nasdaq Helsinki since 1997. After the IPO, the company expanded through acquisitions to the Baltics, Poland and Sweden around the turn of the millennium, and most recently to Denmark in 2010.

However, profitability challenges and indebtedness later led the company to divest from international operations and concentrate investments in Finland. Divestments from the Baltic, Swedish, and Danish businesses took place during 2023-24. The distribution of limited resources across several market areas has in history limited the company's investment capacity and over time also weakened the efficiency of operations. The divestments have enabled increased investments and strengthened profitability in the Finnish market. In addition to its Finnish operations, the company also owns a small but profitable subsidiary in Poland that focuses on bacon production.

Strong market position in Finnish retail

HKFoods has a strong market position in Finland thanks to a diverse product range, well-known consumer brands and extensive industrial operations. Retail is the primary channel for the company's products, including both higher margin branded sales and lower margin private label sales. Products are also sold to the foodservice channel and industry and exported (exports accounted for 16% in the last 12 months). The company's largest consumer brand in Finland is the traditional HK brand, which is used to sell red meat, meat products and ready meals. Poultry products are sold under the Kariniemen brand. The Via brand is used to sell premium ready meals.

Aiming to grow into a versatile food house

The company aims to be a versatile food house with a broad product portfolio that meets consumers' needs. For example, poultry, ready meals and various ready or semi-ready meal components are categories of interest to the company from a growth perspective. However, demand for red meat in Finland has been declining moderately in recent years, partly due to inflation and a shift to proteins perceived as healthier or more environmentally friendly, such as poultry and plant-based products.

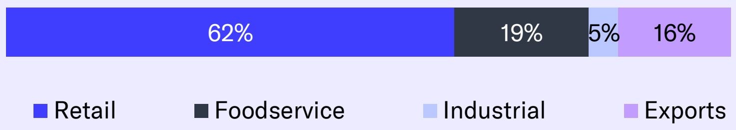
As part of diversifying its food portfolio, HKFoods has entered into strategic partnerships with smaller Finnish food companies, including Kivikylä, Tamminen, Boltsi and Mäkitalon Maistuvat. HKFoods is also a co-owner in these companies. Kivikylä, Tamminen and Boltsi are consolidated in HKFood's financial statements as HKFoods has control of the companies through board work, although its ownership in these companies is only 49%. Kivikylä and Tamminen operate on an entrepreneurial basis, but Boltsi's operations, such as production and distribution, are fully integrated into HKFoods' operations. The partnerships will allow HKFoods to grow with a broader product line and brand portfolio. Partners, in turn, benefit through procurement collaboration and other operational synergies.

Key elements of the strategy

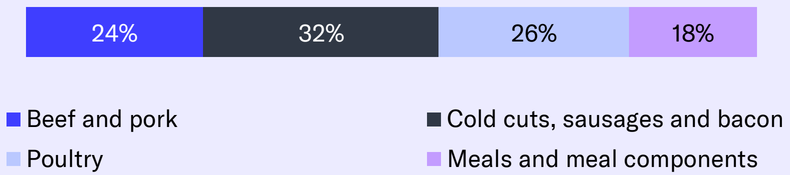
Growing into a versatile food house

Strengthening the economic base	Improving profitability	Growth areas include poultry, ready meals and food service

Sales channels[1]



Product categories[1]



1) Average for the 12-month period Q3'24 - Q2'25

Company description and business model 2/4

Meat balance sheet management as a business prerequisite

The meat processing business aims to maximize the value of all parts of farmed animals. The meat balance sheet is managed by planning production and sales months in advance by animal and carcass. The aim is to sell as much of the meat produced as possible on the domestic market, as the export of meat from Finland to other countries is largely a low-margin or loss-making activity. Changes in domestic consumer behavior sometimes affect domestic demand for different parts of the carcass, which can lead to a need to balance the meat balance with loss-making exports. In Finland, the export of low-value parts such as pig heads, trotters, and chicken feet to the Far East is typical for HKFoods and helps the company improve the overall margin obtained from carcasses. High-quality beef cuts, for example, are also exported to foreign restaurants in Europe with healthy margins. However, a large portion of Finland's exports are relatively low-margin.

Production chain closely linked to primary production

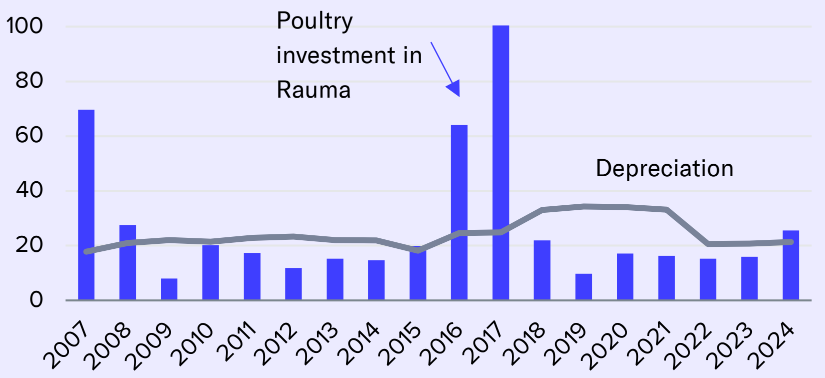
HKFoods' operations in Finland are strongly linked to primary production. The company purchases live animals from its contract producers and is primarily responsible for the slaughtering and cutting operations itself. Contracted growers agree to meet agreed upon sustainability and quality standards. The producer network consists of around 2,000 Finnish meat farmers. The price paid to producers for meat fluctuates constantly according to market conditions, although domestic price fluctuations are more moderate than in countries such as Denmark and Germany, which are key players in the EU meat trade. A dedicated network of contract producers gives HKFoods visibility into meat availability and raw material cost levels. The company may also occasionally enter into longer term purchase agreements with individual producers to provide the them with visibility into the business to allow for investment.

In Finland, the meat industry that cuts into primary production is mainly concentrated in three companies, the other two being Atria and Snellman. In addition, Kivikylä has its own pig supply. Other food companies that use meat purchase their meat from these above-mentioned companies or from abroad. About 80% of the meat consumed in Finland is domestic. The share of domestic meat in the retail selection is very high, while the role of foreign meat is relatively more important in the food service channel.

Industrial processes require continuous investment

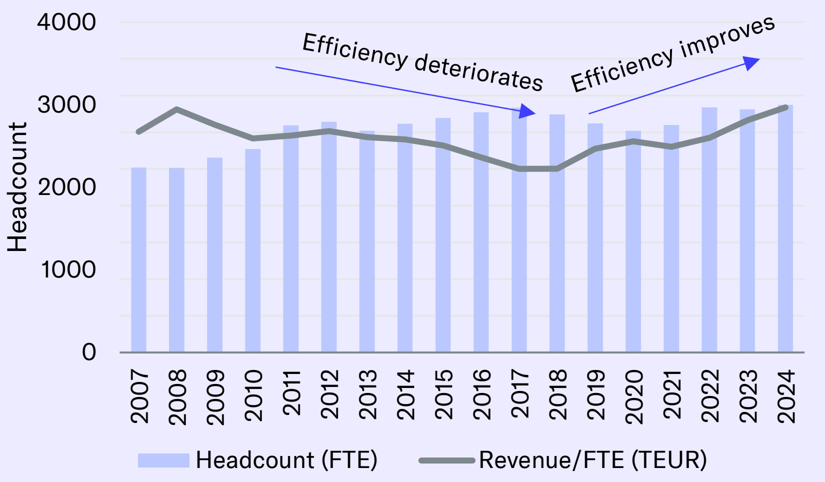
The meat industry is a competitive and relatively low margin industry where efficient meat processing operations and scale are key to competitiveness. In Finland, HKFoods has concentrated its meat processing activities in large units throughout the country. However, the company's challenging financial situation has historically limited the investments needed to improve the efficiency of its operations. In most years, the level of investment in Finland has been below the level of depreciation (e.g. 2009-2014 and 2018-2023). In 2015-17, the company made a significant growth investment in a new poultry plant in Rauma. HKFoods has invested an average of 16 MEUR in fixed assets in its Finnish operations in 2018-2023, while depreciation in 2023, for example, is 21 MEUR (excluding lease depreciation). The investment situation only improved in 2024, when the company was able to raise investments above the depreciation level due to the strengthening of the balance sheet.

Investments (MEUR)[1]



1) Investments in the Finnish business excluding the purchase of the Vantaa site in 2020 (38 MEUR) and the leaseback of the Vantaa unit (71 MEUR). Excludes IFRS 16 investments and depreciation. The depreciation rate decreased in 2022 with the sale and leaseback of the Vantaa property.

Headcount development[2]



2) Includes personnel working in Finland, i.e., in addition to Finland, also group administration resources.

Company description and business model 3/4

The company has had the opportunity to focus on improving operational efficiency with the current structure following the divestments in Sweden and Denmark in 2024. Due to its strengthened investment capacity, HKFoods has made significant equipment investments in 2024-25, including the automation of production and packaging processes, and production lines for new, higher value-added product categories. The company's two-year efficiency program is now approximately halfway through, and in addition to investments, the program includes various cost-saving measures. In addition to the ongoing program, the company also aims for continuous efficiency improvement, for example, by improving yields and reducing the need for manual labor in production and logistics.

HKFoods' production facilities

HKFoods operates several production facilities in Finland. The production plants are mainly specialized in certain functions and products. Cattle slaughtering is carried out in two different locations to avoid excessively long animal transport distances, but of the slaughterhouses, only Outokumpu is operated by HKFoods itself, and in Southwest Finland, slaughtering was outsourced to Liha Hietanen Oy starting in spring 2025. HKFoods owns most of the factory properties it operates, but the Vantaa unit was sold to a real estate investor in 2021 and leased back to HKFoods for 20 years.

HKFoods' **Vantaa** unit produces,e.g., meals, meat products and ground meat. In addition, all of HKFoods' logistics are centralized in Vantaa. The location of the logistics center is favorable to the concentration of the Finnish population and customer logistics, which supports transportation efficiency and minimizes transportation emissions. In mid-2025, an investment of around 5 MEUR was completed in Vantaa to increase the production capacity of ready meals, which supports growth in ready meals and enhances operations by reducing the need for weekend work.

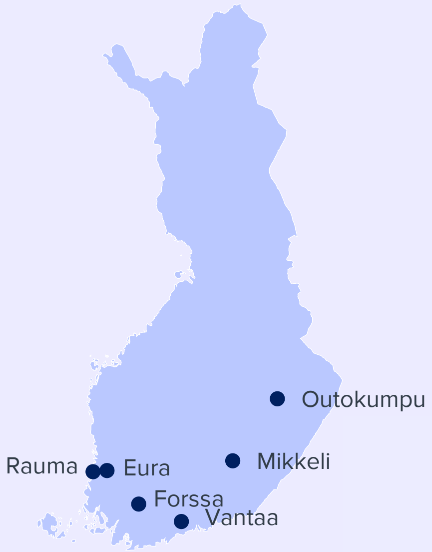
Forssa is home to a pig slaughterhouse and a cutting and packing facility. In addition, the unit's packaging capacity is also used to package poultry meat. An investment of 5 MEUR was made in the automation of packaging operations in 2023-24, aiming at annual savings of around 2 MEUR.

Rauma has a poultry slaughterhouse and a cutting and packing facility. The new plant was built in 2017-18 with an investment that ultimately far exceeded the original cost estimate (80 MEUR). The factory's production lines operated inefficiently in the early years, which had a significant negative impact on profitability in 2018-2019. A further investment of around 6 MEUR was made in the equipment shortly after 2020 to upgrade the production lines of the new plant. After this, productivity has clearly improved. Around 5 MEUR has been invested in Rauma during 2024 to automate the cutting plant, which has again had a significant efficiency-enhancing effect on production (when the decision was made, annual savings of 3 MEUR were estimated).

Outokumpu is home to a cattle slaughterhouse and cutting plant.

The **Mikkeli** food factory produces hamburgers, nuggets and other meal components as well as meat products.

HKFoods' Finnish production sites on a map



Map: Bing

Company description and business model 4/4

The **Eura** plant has been underutilized for a long time. HKFoods' strategic partners Kivikylä and Mäkitalo operate a pizza line and a salad line at the factory. The new production line for ready-to-eat products and the flash freezing line, which cost around 10 MEUR, started operations at the factory in Q2 2025. The investment is intended to meet the demand of foodservice customers in particular. Some of the products from the new line were previously manufactured by subcontractors.

The bacon factory in Swinoujscie, **Poland**, has so far remained part of HKFoods' factory portfolio, even though other foreign operations have been divested. The company explored selling the unit in early summer 2025 but concluded that potential buyers' views on the price were not attractive enough. The factory supplies most of its products to the Finnish and Swedish markets using raw materials imported from Finland and Sweden. The unit also supplies other export markets and serves local markets in Poland and the Baltics. The Polish company's external revenue is around 70 MEUR annually, in addition to its intra-group sales. The company's EBIT margin has been clearly higher than the rest of the group in the recent past (around 5%). The company's external revenue was previously reported as part of the Swedish business, but as of the 2023 financial statements as part of Finland.

Honkajoki takes care of production side streams

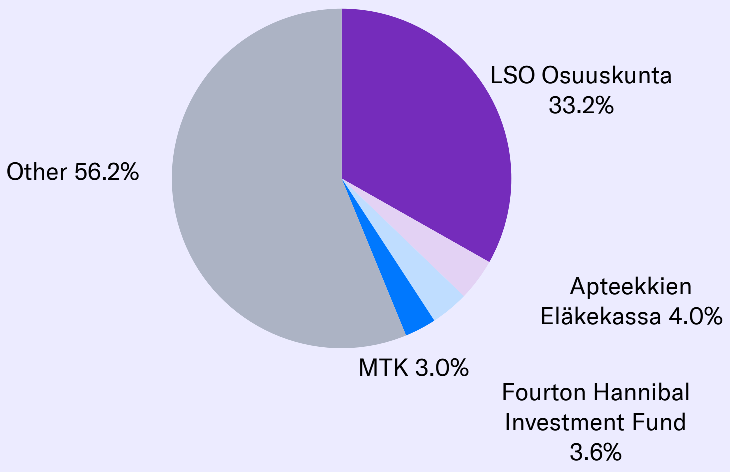
Animal by-products from slaughterhouses and meat-cutting plants are sold to Honkajoki Oy, which is jointly owned by HKFoods and Atria (HKFoods owns 50%). Honkajoki processes by-products into various raw materials for beneficial use, such as for the energy, cosmetics, fertilizer, and feed industries. Honkajoki is an important part of the production chain for HKFoods as it ensures efficient use of materials. Honkajoki's revenue and EBIT are not consolidated in the HKFoods Group, but HKFoods' share of the profit is reported in the associated companies line. In 2024, Honkajoki's revenue was 58 MEUR, EBIT 3.6 MEUR and HKFoods' share of the company's profit for the financial year was 1.2 MEUR (2023: 1.9). The share of profit was exceptionally high in 2022, when high energy prices supported the selling prices of fatty biofuel feedstocks. In 2017-2020, HKFood's share of Honkajoki's profit for the financial year averaged 0.8 MEUR, which means that the result has clearly fluctuated with the market situation.

Ownership and decision-making power in the hands of producers

HKFood's Board of Directors consists of 8 members, 3 of whom represent LSO Osuuskunta, the company's largest shareholder. Reijo Kiskola, who is independent of the company and its significant shareholders, has been Chairperson of the Board since 2018. HKFoods' management team consists of 6 people. Juha Ruohola, the company's CEO, took up his position in March 2023 and has been responsible for, e.g., HKFoods' Baltic, Polish and foreign trade operations since joining the company in 2019.

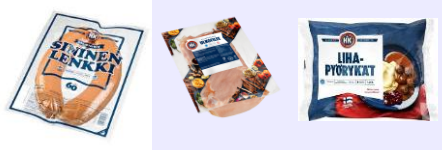
HKFoods has two series of shares, A and K, with A shares carrying one vote per share and K shares carrying twenty votes per share. LSO Osuuskunta, HKFoods' largest shareholder, holds 33.2% of all shares and its shares carry 66.6% of the voting rights at general meetings. Other significant shareholders include Apteekkien Eläkekassa (4.0%), Fourton Hannibal Investment Fund (3.6%) and The Central Union of Agricultural Producers and Forest Owners MTK (3.0%).

Shareholding



As of July 31, 2025

Brands and products TSEKKAA TAUSTA

	Brand	Share of revenue in retail[1]	Essence of the brand	Product categories	Product examples
	HK	~ 45%	Good taste, high quality, domesticity and tradition	Pork, beef, sausages, cold cuts, bacon, ready meals and meal components	
	Kariniemen	~ 25%	Good taste, high quality, sustainability and domesticity	Poultry products such as meat, nuggets, sausages and cold cuts	
	Via	< 5%	Deliciousness, freshness and authenticity	Ready meals, pizzas and soups	
Strategic partnerships[2]	Boltsi	< 1%	Great taste without meat and additives	Oat-based “meatballs”	
Strategic partnerships[2]	Kivikylän	~ 20%	Authenticity, tradition, craftsmanship	E.g., sausages, meatballs, cold cuts, fresh meat and snack products	
Strategic partnerships[2]	Tamminen	< 10%	Tradition and high quality	Meat, cold cuts and processed minced meat products	
Strategic partnerships[2]	Mäkitalon Farmi	~1%	Fresh raw materials, ease of use	Ready-to-eat salads	

1) Inderes’ estimate of the distribution of HKFoods’ brand sales between different brands.
2) HKFoods' ownership in strategic partner companies 49% (except for Mäkitalon Maistuvat Oy, which is only ~25%). The partners' revenues are consolidated in the Group's financial statements as HKFoods controls the partner companies through its board work

Meat product value chain TSEKKAA TAUSTA

Primary production → **Processing** → **Wholesalers** → **Retail and HoReCa**

Primary production

- **Meat producers**
- **Poultry producers**
- **Other producers**

Processing

HKFOODS
Snellman
Saarioinen
ATRIA Hyvä ruoka – parempi mieli.
Scandi Standard

Wholesalers

K
Inex Partners
KESPRO
MEIRA NOVA

Retail and HoReCa

S-RYHMÄ
K
LIDL
TOKMANNI
Scandic
NoHo NORDIC HOSPITALITY PARTNERS
Food & Co.
RESTEL

Primary production and processing are partially integrated

Weak bargaining power →

← **Strong bargaining power**

The logos below are examples of companies operating in different parts of the value chain.

Historical development and economic situation 1/4

Finland's revenue growth has been low for a long time

Revenue growth in Finnish businesses has been relatively moderate over the long term. Over the past ten years (2015-2024), revenue has grown by an average of around 2% p.a. However, the increase in the period is concentrated in 2022-2023, when grocery store food inflation totals 19% over two years (source: PTY). Without the price-led rise in 2022-2023, revenue has effectively stagnated. Acquisitions have not had a significant impact on Finland's revenue over the past decade, but the booking of Poland's revenue as part of Finland starting from Q2 2024 has technically supported growth.

The decline in revenue in 2016-2018 is explained by, e.g., production challenges at the new poultry unit in Rauma, but also by a decline in red meat sales due to discount campaigns in stores, reduced availability of beef and a generally fierce competitive situation in processed meat products. Revenue rebounded strongly in 2019, remained stable during the COVID pandemic, and rose roughly in line with food inflation in 2022-2023. We estimate that 2024 growth, excluding the technical accounting impact from Poland, was at a relatively good level of 3%, influenced by factors such as the company's strengthening market share in the foodservice segment.

Poultry and processed products increased their share of sales

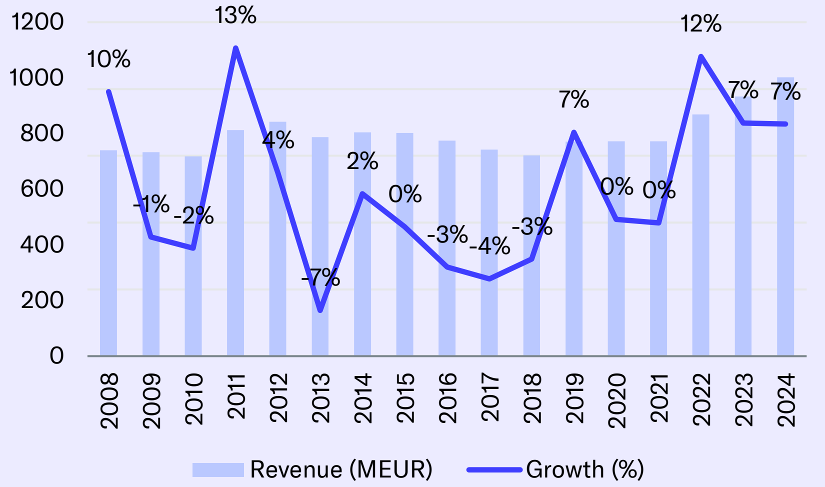
Over the past five years, growth has been driven by volume growth in poultry and more processed products such as ready meals and meal components. Pork and beef sales have been on the decline in Finland. Foodservice sales declined sharply during the COVID pandemic but have since returned to growth.

Performance clearly recovered from a weak starting point

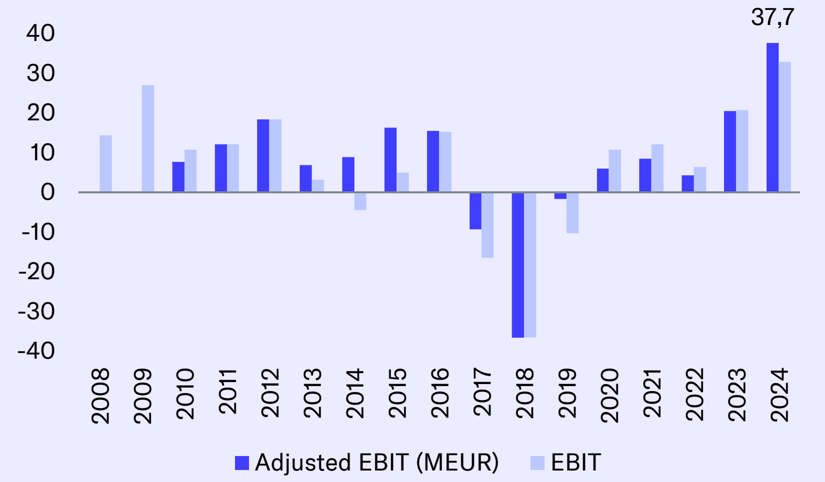
The profitability of the Finnish operations has historically been volatile and the overall results in the 2010s were rather weak (2010-2019 adjusted EBIT total ~41 MEUR). The biggest setbacks came in 2017-2018, when the company experienced major production difficulties with the new poultry plant built in Rauma. The Rauma plant's slaughtering production lines were upgraded in 2020, which helped to improve efficiency. In 2021-22, profit levels will be impacted by factors such as the COVID pandemic, cost inflation, and market shocks from the war in Ukraine. In 2023-24, the earnings level improved significantly due to, among other things, implemented efficiency measures and increased sales pricing to compensate for the market's elevated cost level. Q2'2025 was the tenth consecutive quarter in which the company was able to improve its operating profit.

HKFoods' gross margin has historically been quite low, ranging from 3.2% to 6.8% at the group level in 2018-23, and 7.0-7.7% for the Finnish business in 2023-24. Competitors such as Atria had a gross margin of 9.6-11.2% (2024: 10.9%) during the same period, which is somewhat higher, although cost structures may vary slightly between different countries and segments. HKFoods' gross profit has, however, improved in recent years, and the positive development continued in H1'2025.

Revenue development, HKFoods Finland



EBIT development, HKFoods Finland[1]



1) Excludes group administration costs, which were 10 MEUR in 2024 excluding items affecting comparability (adjusted).

Historical development and economic situation 2/4

Investment capacity and cost savings behind the earnings turnaround

Historically, a high level of indebtedness has limited investments aimed at improving efficiency, which in our view has weakened the competitiveness of industrial operations. After the 2017-18 poultry investment, HKFoods' production investments in Finnish operations have been lower than depreciations, as a result of which the amount of depreciations (Finland and group administration) has been decreasing in the 2020s.

However, investments saw a turnaround during 2023, as the divestments of non-Finnish operations and the strengthening of the balance sheet enabled the company to increase its investments in Finland. The company invested, for example, 10 MEUR in the automation of the cutting process at the Rauma poultry plant and in the Forssa packaging line, the impact of which has been visible from Q3'2024 onwards. The company continues its efficiency program, including both cost savings and investments, but we believe the most straightforward measures that clearly increase efficiency have already been implemented. Around mid-2025, the company will have completed two growth-oriented investments in the Eura cooked products line and Vantaa ready-meal production.

Indebtedness has been elevated in the company's history

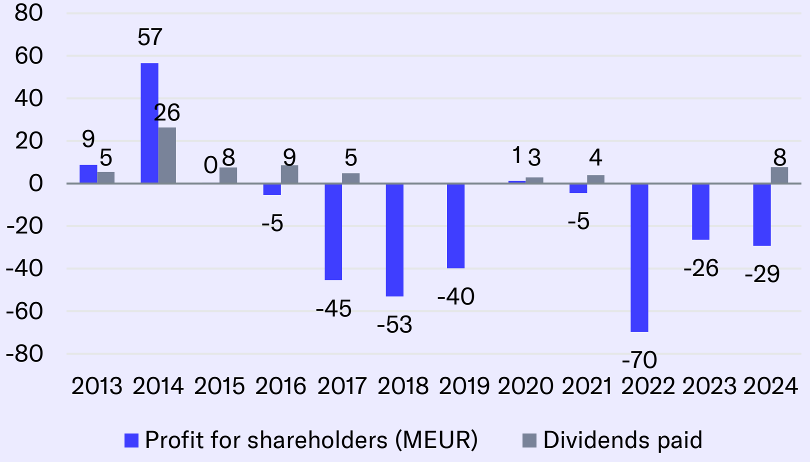
HKFoods has a history of using significant debt financing to fund acquisition-driven growth and investments. The divestment of the Polish meat giant Sokolow brought the balance sheet debt to a healthy level, and at the end of 2014 the company's net gearing was only 31.8%, with net debt of 142 MEUR. The large investment in 2015-17 in the new Rauma poultry unit and the decline in operating performance related to the unit's start-up difficulties led to another significant increase in debt. At the end of 2018, the net gearing ratio had increased to 89% and net debt to 289 MEUR. In 2019, the company strengthened its balance sheet through a share issue that raised gross proceeds of 72 MEUR, while the number of shares increased by 83%.

Following the share issue, net gearing remained fairly high, although the net gearing ratio itself remained below 100% in 2020-21, in line with the company's target. The balance sheet was lightened in 2021 with the sale of the company's factory and logistics property in Vantaa. HKFoods received a purchase price of 77 MEUR and continued to lease the sold premises, which resulted in an increase in lease liabilities of almost the same amount as the sale price. Weak operating profitability and working capital commitments amid the war in Ukraine and rising costs inflated debt, pushing the group's net gearing back to 124% in 2022.

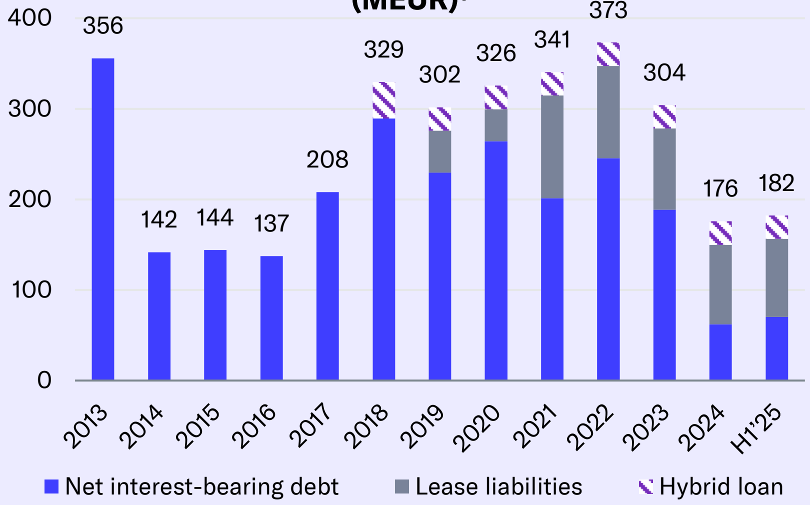
Divestments as a solution to reduce debt

With debt again reaching unsustainable levels, HKFoods began divesting its operations outside of Finland from 2022. The sale of the Baltic businesses to the Estonian AS Maag Group was agreed in December 2022 and completed in August 2023. Revenue of the Baltic operations in 2022 totaled 196 MEUR, and adjusted EBIT fluctuated on both sides of zero in 2020-2022. The fixed transaction price of the divestment was 70 MEUR, of which 15 MEUR will be paid later (2024-25). HKFoods was also originally entitled to an earnout of up to 20 MEUR (payments 2025-28), the final amount of which depends on the buyer's and the sold business's earnings development (balance sheet value of the earnout H1'25: 6.9 MEUR after write-downs). In our view, the transaction price was good given the poor performance of the business sold.

Net profit and dividend (including discontinued operations)



Net interest-bearing debt + hybrid bond (MEUR)[1]



1) The hybrid loan is classified as equity, but from the shareholders' point of view it is comparable to other interest-bearing liabilities.

Historical development and economic situation 3/4

The sale of the Swedish operations to the Swedish company Lantmännen ek för was announced in December 2023 and closed in March 2024. Revenue of the Swedish businesses in 2022 was 745 MEUR and adjusted EBIT averaged around 20 MEUR in 2020-2022. According to our calculations, the unencumbered purchase price of the sale was approximately 129 MEUR, including 60 MEUR in cash, 50 MEUR in the repayment of debt, 13 MEUR in the transfer of lease obligations and 5-6 MEUR in HKFoods shares (7.5 million shares). In addition to the 129 MEUR items mentioned above, Lantmännen also assumed the 55 MEUR factoring liabilities of the Swedish operations. In our view, the transaction price of the Swedish divestment was quite low relative to the earnings level (EV/EBIT below 10x, regardless of whether factoring debt is included as part of the transaction price).

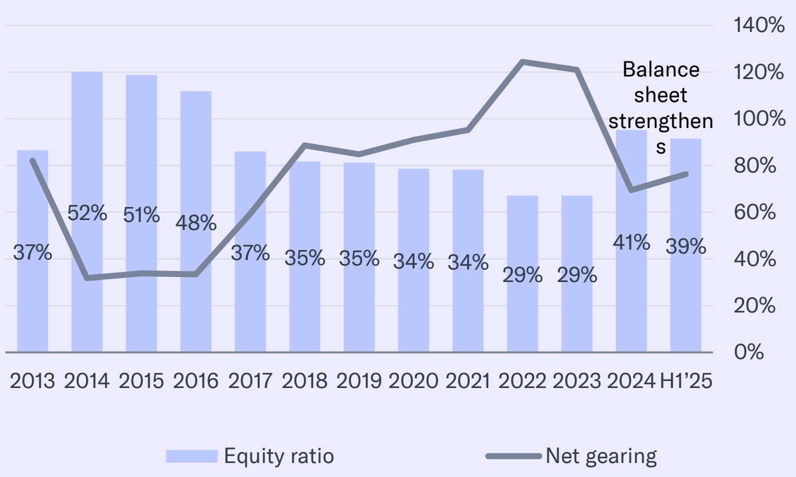
The sale of the Danish operations to the Dutch Plukon Food Group was announced in May 2025 and the transaction was completed at the end of October. The debt-free purchase price was some 45 MEUR. The company's revenue in 2023 totaled 230 MEUR and adjusted EBIT n 2021-2023 was in the range of 0-3 MEUR. The poultry business was uncompetitive and increasing profitability would have required significant development investment from HKFoods, so we believe the sale was a logical decision given the company's financial position. The sale price of the divestment was significantly lower than the price at which HKFoods acquired the business in 2010 (an unencumbered sale price of 71 MEUR). HKFoods' total adjusted EBIT from Denmark in 2011-23 was -34 MEUR.

Gearing has been on a downward path after divestments

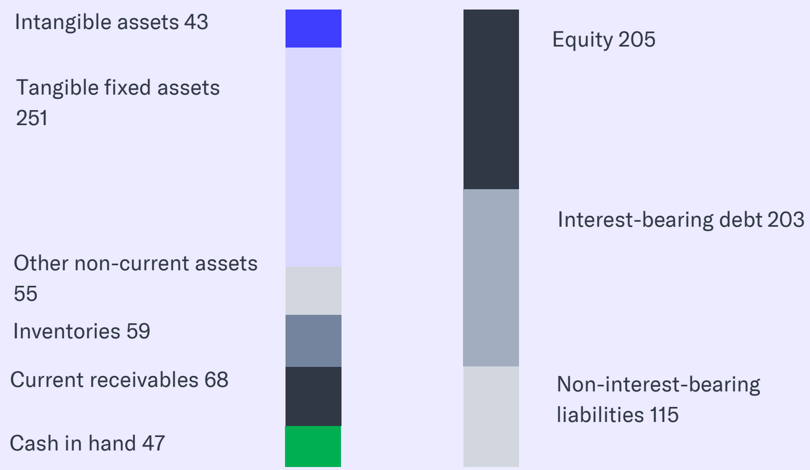
Following the divestments in Sweden, the Baltics, and Denmark, HKFoods' net debt decreased to 150 MEUR at the end of 2024 (2.6x EBITDA) and was 156 MEUR in June 2025 (2.5x EBITDA), when working capital is seasonally higher. If IFRS 16 lease liabilities are not taken into account, interest-bearing net debt would have been only 70 MEUR at the end of H1'25. In addition, the company had a 26 MEUR hybrid bond on its balance sheet, which was, however, refinanced with a smaller and more affordable hybrid in August 2025. The gearing was only 76% at the end of H1 25 and the equity ratio was 39%. The leverage ratios meet the covenants on the company's loans.

HKFoods still has trade receivables related to the Baltic divestment for the years 2025-28, of which 10 MEUR in fixed purchase price is due in Q3 2025. The estimate for potential additional earnout payments in later years has been written down (balance sheet value at the end of H1 25: 6.9 MEUR), as the EBITDA of the divested business has developed weaker than originally assumed.

Equity ratio and net gearing



Balance sheet at the end June 2025 (MEUR)



Historical development and economic situation 4/4

Expensive hybrid bond replaced by a smaller and cheaper one

In August 2025, HKFoods issued a new 20 MEUR hybrid bond with an annual interest rate of 8.75% and the earliest redemption date 3 years from the issue. The funds will be used, among other things, to redeem the more expensive 26 MEUR hybrid, which we estimate will reduce the annual running cost of hybrid bonds to around 1.8 MEUR/year (from ~4 MEUR/year for the old one).

The bond's interest rate is high, but we see an opportunity for more favorable refinancing

With the issuance of the new hybrid bond, the company's solvency will remain reasonable, which supports the possibility of refinancing the company's senior 90 MEUR bond on more favorable terms than before. The bond matures on June 17, 2027, and its interest rate is 7.5% + 3-month Euribor, but it is trading significantly cheaper in the secondary market (implicit interest rate on August 7, 2025, is about 3 percentage points lower), which, in our view, suggests an opportunity to reduce interest costs in connection with the next refinancing.

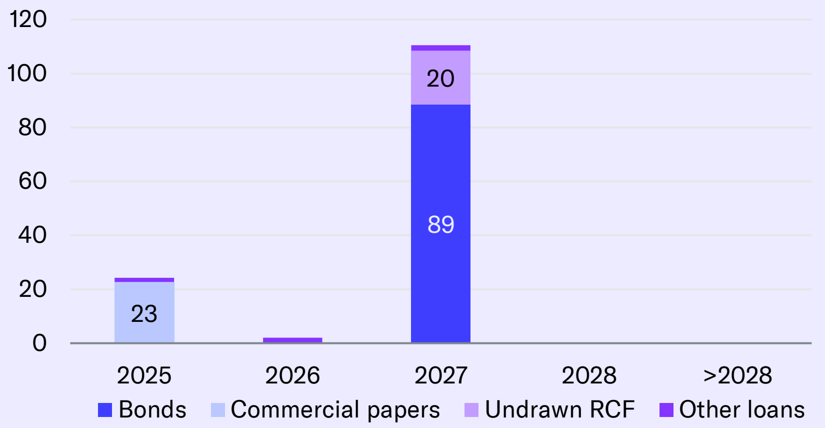
Working capital has improved in recent years

Due to the impact of cost inflation, HKFoods' balance sheet (including discontinued operations) had almost 21 MEUR more committed to working capital in 2022 than in the previous year. Cost leveling and a reduction of the company's inventories reversed the trend in 2023, when working capital of 6 MEUR (including discontinued operations) was released. The release of working capital also continued in 2024. At the end of H1'25, the company's working capital was 14 MEUR lower compared to the previous year, which was partly due to low frozen beef stock levels caused by beef availability challenges.

Working capital financed by factoring

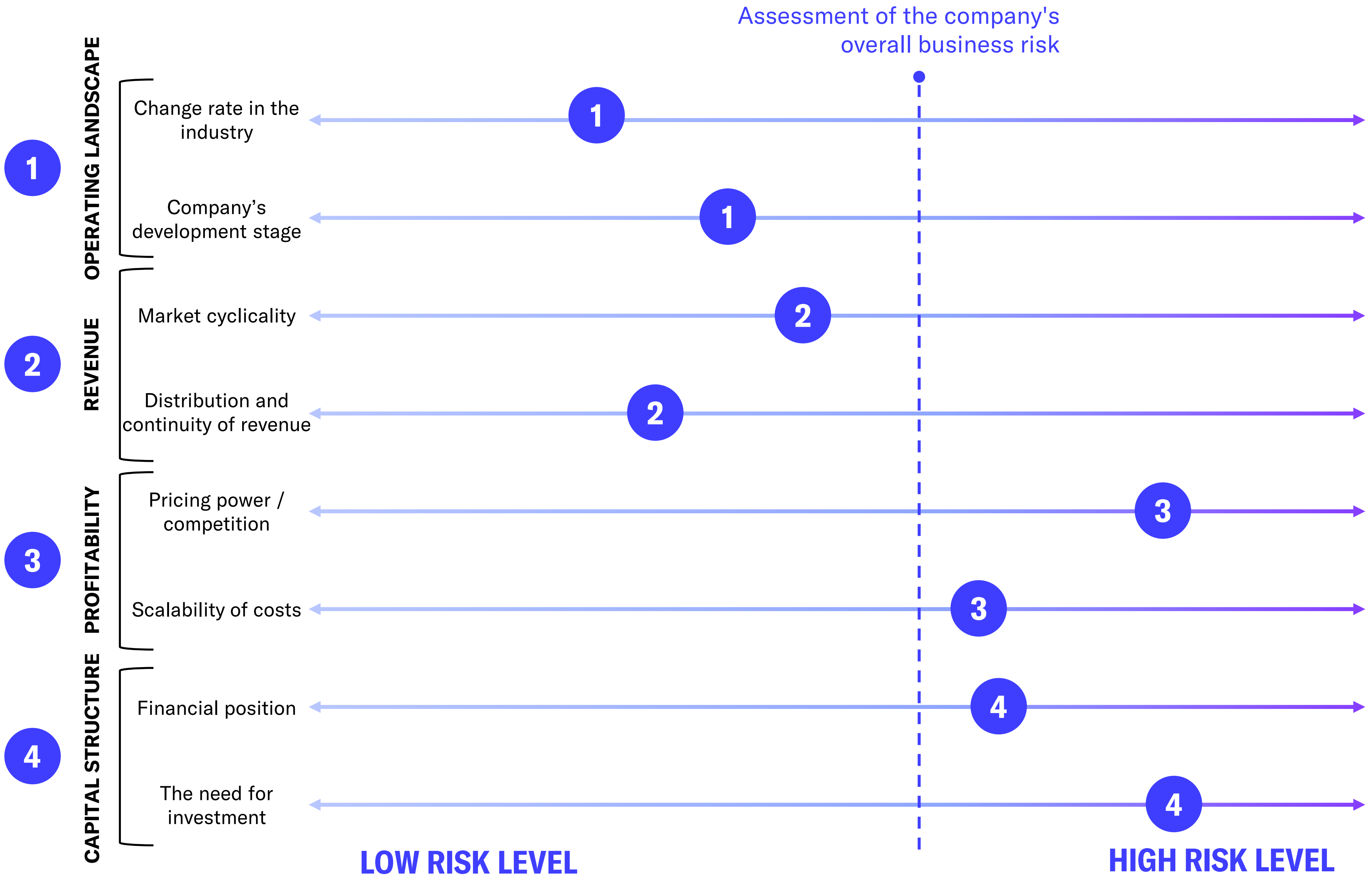
Like many food companies, HKFoods uses factoring as part of its business. A significant portion of HKFoods' trade receivables relates to products supplied to well-established Finnish distributors such as Kesko and the S Group. The solvency of these customers is better than HKFoods' and therefore the financial risk is lower, so it makes sense to sell receivables to factoring financiers. The exact amount of factoring financing is not publicly disclosed. Factoring debt for the Swedish operations was approximately 55 MEUR (just over 7% of revenue) at the time of divestment, which may give an indication of the scale of HKFoods' factoring financing in Finland. We have not included factoring in our debt calculations.

Maturity distribution of interest-bearing liabilities (MEUR)



H1'25: Total interest-bearing debt 117 MEUR. Excludes hybrid bonds or undrawn revolving credit facility (RCF). Other loans include among others ECA export financing.

Risk profile of the business



Food processing as an industry is growing moderately. Meat consumption may fall in the long term.

Profit turnaround has progressed rapidly, but historically weak profitability and low investments slightly increase forecast risk.

Demand for food is fairly stable. Changes in market prices and consumer behavior affect the group's profitability.

Volumes are fairly stable, but changes in cost levels can occasionally have a significant impact on revenue.

Competition in the industry is intense and margins are thin. HKFoods' profitability has historically been weak, although it has recently strengthened.

The processing cost structure is not very flexible, and profitability depends on high sales volumes.

Indebtedness has decreased, but is still somewhat high in relation to EBITDA.

Ongoing investment needs are quite high given the low level of profitability. It is difficult to achieve a good return on capital in the sector.

Investment profile

1. Concentrating investment in Finland allows for greater efficiency
2. Overall market growth is slow, but HKFoods invests in growing sub-segments
3. Thin margins vulnerable to changes in business environment
4. The balance sheet has strengthened, but it is not entirely risk-free. Financing costs are still high
5. If the earnings turnaround continues, the company could become a defensive dividend payer

Potential

- Strong commercial position in Finland through scale and well-known brands
- Investments in poultry and other growing segments such as ready meals
- Focus on Finland allows concentration of investments and strengthening of industrial efficiency
- Should the earnings turnaround continue, the balance sheet would strengthen, financial expenses would decrease, and the company could become a defensive dividend payer

Risks

- Long-term decline in red meat consumption
- Fierce competition in the food sector and strong bargaining power of retailers limit profitability
- Changes in consumer demand and cost environment may affect profitability
- Animal diseases may impact export licenses
- Gearing is still high
- A strong role for producers in the company's decision-making may involve trade-offs between the interests of investors and other stakeholders

Market 1/3

Approximately 4 BNEUR food retail target market

The market size of HKFoods' main product categories in groceries (PT) was 4.1 BNEUR in 2024. We have identified beef, pork, poultry, sausages and cold cuts, other meat products, ready meals, pizzas and savory pies as the main product groups of HKFoods. The definition excludes some less relevant target markets for HKFoods, such as fish products, which the company sells through Jokisen Eväät, a company acquired in 2021. The foodservice channel is also excluded from the definition.

In food retail, HKFoods' target market is divided into several different categories. Sausages, cold cuts and other processed meat products represent a target market of up to 1.2 BNEUR. In addition, fresh red meat sales represent a market of just over 0.5 BNEUR and poultry sales are 0.5 BNEUR in Finland. Ready meals constitute a large market segment of approximately 1.4 BNEUR. The pizza and pies segment is just north of 0.4 BNEUR.

Foodservice channel is around a fifth of the grocery market

We estimate the size of the foodservice market in Finland relevant to HKFoods to be around 600-700 MEUR, or around 15-17% of the retail market. The aggregate revenue of foodservice wholesalers in Finland is about 16% of the value of food sales in the grocery trade, which supports our estimate.

Market volume growth is moderate and defensive

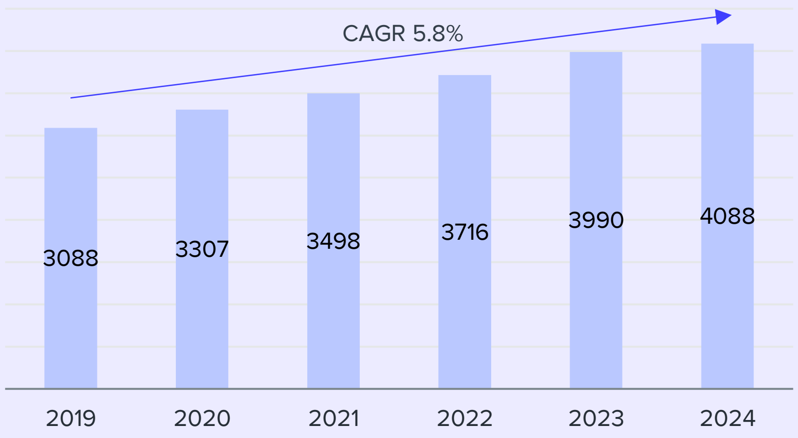
Looking at the revenue of the main product groups in the grocery market, HKFoods' target market grew by an average of 5.8% per year over the last five years (2020-24) according to PTY statistics. As much as 4 percentage points of the increase is due to price increases. Price increases were particularly strong in 2022 and 2023, when prices rose at an annual rate of about 9-10%. In 2024, the price level of the target segments, however, decreased by 1%.

The target market's volume growth is moderate (2020-24: average 1.8% p.a.), but at the same time defensive, meaning volumes do not usually fluctuate significantly. In terms of volume growth, the most significant growth segments in Finnish retail in recent years (2020-24) have been prepared foods (7.6% p.a.) and poultry (3.7% p.a.). Beef consumption has grown moderately (1.8%), while pork sales have decreased by an average of 2.7% per year. For individual segments, there is quite significant variation in growth trends for individual years.

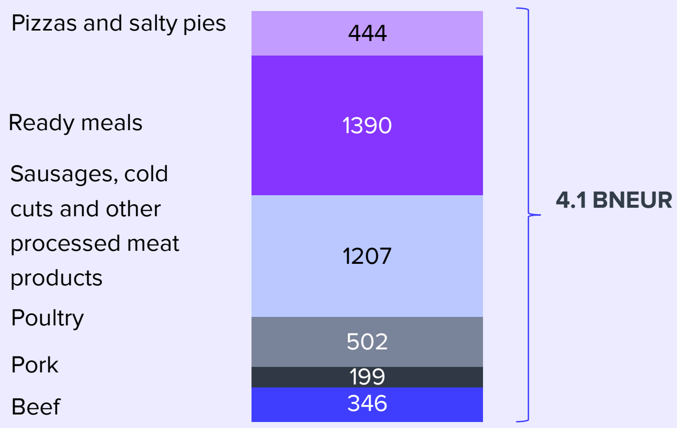
Export markets are very large

The global market for meat and processed meat products is huge, with around 373 million tons of meat produced in 2024, according to the FAO. Of this, about 42 million tons were consumed in a country other than the one in which the meat was produced. Meat consumption is expected to grow at a moderate pace. Most of the growth in consumption will come from emerging markets. In countries with a high standard of living, meat consumption is expected to remain stable or even decrease slightly. A large proportion of HKFoods' exports go to countries with a high standard of living, such as EU countries and Japan. In these markets, the competitiveness of HKFoods' export meat is based, at least in part, on its high quality and freedom from antibiotics. China, for example, is also an important export market for HKFoods, although much more price-driven.

Market size in HKFoods' main product groups in the grocery channel (MEUR)[1]



Market breakdown by product group (MEUR, 2024)[2]



Source: Finnish Grocery Trade Association (PTY)

Market 2/3

Changing eating habits have favored poultry

Statistics show that the consumption of poultry meat in Finland has been increasing for a long time. In 2024, the average Finn ate 31 kg of poultry meat, up from 13 kg in 2000. Pork and beef consumption, on the other hand, has fallen. By 2022, the average consumption of pork in Finland has fallen by 25% from its peak level in 2011. Beef consumption in Finland, on the other hand, saw a slight decline in 2018 and has fallen 9% from its peak, although consumption has also occasionally recovered somewhat, as in 2024. Regarding beef consumption, the downward trend is not as clear as with pork, and this has likely been influenced by price level fluctuations and the development of consumer purchasing power.

We estimate that the changes in consumption habits are due to, among other things, health reasons, purchasing power, demographic change, and the increasing prominence of sustainability issues related to animal proteins. Poultry meat is lower in fat and has a healthier reputation compared to red meat. Producer prices for meat have risen significantly in 2022-23, but there are no major differences in price trends between meat types that could explain the observed consumption trends. However, the generally higher price level of beef makes it more sensitive to changes in consumer purchasing power in the short run compared to other meat types.

Total meat consumption is not increasing in developed economies

Estimates of meat consumption trends have varied slightly in recent years. In 2021, the Natural Resources Institute Finland estimated that the total per capita meat consumption (including poultry meat) in Finland would decrease by around 1-2% during the current decade, taking into account both the growth in poultry demand and the decline in red meat demand. On an annual basis, the change in total meat consumption is thus very small. Also at the European level, per capita meat consumption is estimated to decrease slightly as red meat consumption declines[1]. Globally, meat consumption is growing moderately, driven by emerging markets.

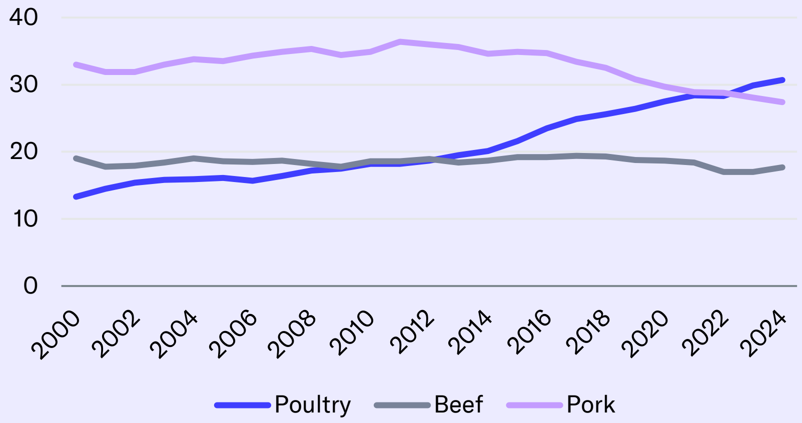
So far, climate considerations have not significantly affected meat consumption. New dietary recommendations negatively affected the demand for cold cuts in Finland at the end of 2024, but it is unclear how permanent the impact will be. The consumption of alternative plant-based proteins has broadly increased, but the trend has not developed linearly. Growth in demand for plant-based protein products in Finland slowed and at least partially reversed in 2021-2023. In the long term, however, we expect plant-based or alternative proteins to replace animal proteins, but the change is likely to be slow. Despite the decline in meat consumption, HKFoods' target market can grow through higher value-added products such as ready meals and other processed products. We therefore expect the target market to develop broadly in line with the rest of the traditional food industry in the medium term, i.e., roughly in line with the development of the target market GDP.

Retail concentrated in the hands of big players

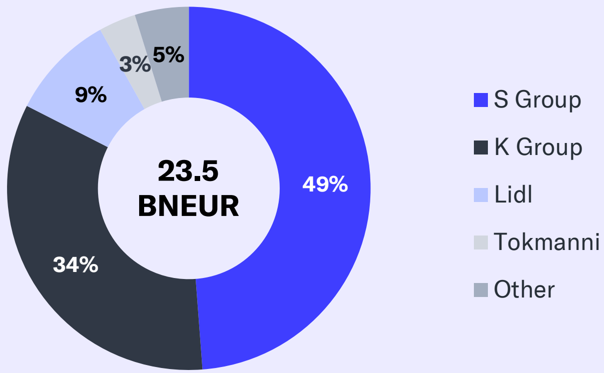
One of the peculiarities of the Finnish grocery market is the high concentration of the grocery trade in the hands of a few large players. In 2024, grocery sales in Finland totaled 23.5 BNEUR, of which S Group's market share was 49% and K Group's 34%.

1) EU Agricultural outlook 2024

Meat consumption in Finland (kg/person)



Market shares of the Finnish grocery trade in (2024)



Source: Natural Resources Institute Finland and PTY

Market 3/3

Lidl is the third largest player in the market with a 9% share, and the three largest players combined account for 92%. The bargaining power of the large retail chains to the food industry is strong, which limits the bargaining and pricing power of HKFoods and other players. In this setting, HKFoods aims to emphasize the competitive advantage of brands and the importance of quality domestic products in retail assortments.

The share of private label remained relatively stable

In addition to the bargaining power of the large retail chains, HKFoods' pricing power is weakened by its own brands (e.g. In Finland, Pirkka, K-menu, Kotimaista and Coop). According to PTY statistics, private labels accounted for 24% of the value of sales in the Finnish grocery trade in 2024. Private label agreements bring good volume to the industry, but their margins are lower than branded products. HKFoods or its competitors do not report the split between private label and branded product sales.

Financial resources are reflected in market position

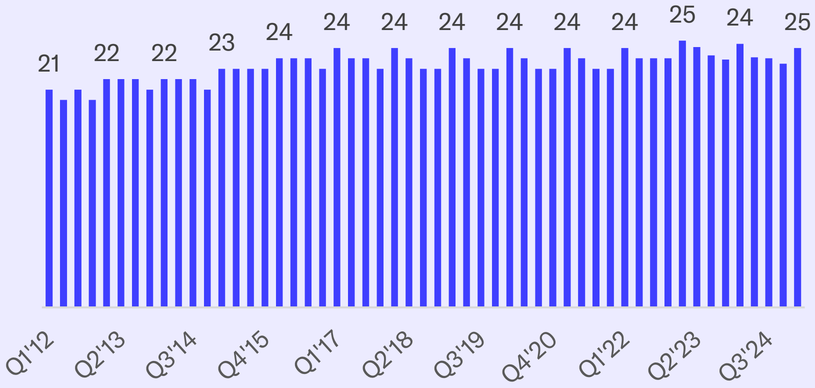
HKFoods' Finnish revenue has grown by an average of 4.6% during 2020-24 (excluding the technical accounting growth from Poland), which is slightly slower than the company's target segments in Finland (5.8%). We believe that HKFoods' tight financial position and low investment capacity have limited its growth opportunities in earlier years. During 2024, however, the company reported commercial successes and stronger-than-market growth, so the situation appears to have improved, at least in the short term. New growth-oriented investments to be completed in 2025 could further support growth relative to the market. The strengthening of the balance sheet and improved investment capacity are key factors in strengthening market position in the long term.

We assess HKFoods' competitive strengths as a large and well-known brand in Finland compared to smaller domestic processed meat producers or imported meat. However, we do not see any significant competitive advantages compared to the main Finnish competitors. Close relationships with domestic meat producers provide HKFoods with relatively good visibility into meat sourcing and reduce the impact of global price fluctuations on the company's raw material costs.

Competitive but stable market environment

HKFoods' main competitors in Finland are Atria, Snellman and Saarioinen. Competition in meat processing and ready meals is fierce, but we do not expect the competitive environment to change significantly in the near future. The low-margin and traditional sector does not really attract foreign operators to invest in local production in Finland. In the coming years, we expect the Nordic meat processing industry to become even more concentrated among the largest players in the sector. Competitors are also focusing their growth investments on growing segments such as poultry and ready meals.

Private label share of food purchases in Finland (%)



Source: Finnish Grocery Trade Association (PTY)

Strategy and financial targets

The strategy focuses on earnings growth through fundamental execution

HKFoods updated its strategy in August 2025, raising its financial targets to be more ambitious than before, for example, regarding profitability, solvency, and dividend payment. Operationally, we believe the new strategy focuses on the fundamentals essential for earnings growth in the coming years and typical for the industry. The vision is to be the most valued partner for food moments, meaning the company strives to meet the changing needs of customers and consumers. The company has previously had phases in its history where it has more clearly aimed to prepare for rapid market changes and the growth in demand for plant-based products. In our view, the market trends influencing the current strategy include the relatively stable demand for familiar meat products and, on the other hand, the increasing emphasis on convenience in consumer choices, which increasingly favors ready-made and more processed products.

Balance sheet and profitability have been put on a healthier footing

HKFoods successfully executed an earnings turnaround in 2023-24 by divesting its international operations and focusing primarily on its Finnish businesses. The company continues its two-year post-divestment efficiency program and aims to optimize operations and administration under the new structure to be as efficient as possible. At the same time, the company aims to strengthen its balance sheet and gradually reduce financing costs. Indebtedness has been brought under control and is on a downward trend. The strengthening of the balance sheet and the concentration of investments in Finland have enabled an increase in investments, including those aimed at improving efficiency and growth.

The profitability target has become more realistic

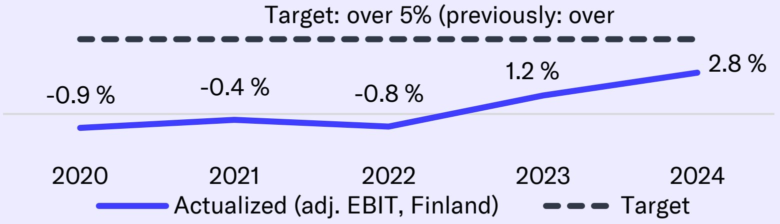
HKFoods' target is to achieve an EBIT margin of over 5% (previously over 4%), which in our view is a relevant, albeit ambitious, target level given the company's current starting points and the typical profitability level of the Finnish meat processing market. The target long seemed distant, but the increase in EBIT to around 3% in 2024-25 has provided evidence of a more comprehensive change in profitability. The most straightforward measures to improve profitability have, to our understanding, now been implemented and are already reflected in the realized financial figures, so a significant improvement from the current level is not self-evident. Competitors such as Atria Finland and Snellman reached an EBIT margin of around 4.7% in 2024, which could support further upside for HKFoods. However, Atria in particular has invested significantly more in its operations. Our forecasts assume that HKFoods' earnings growth will be more clearly linked to revenue growth and potential capital-intensive investments in the future.

Growth from poultry and increasing processing rates

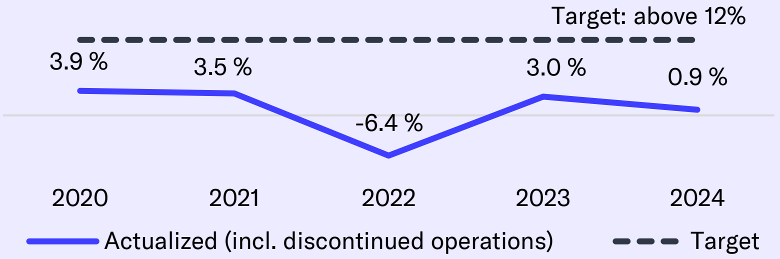
The company's main growth segments are poultry, ready meals and various ready or semi-ready meal components. The company has completed two growth-oriented investments around mid-2025, one of which is related to the mature products line at the Eura plant (10 MEUR investment), aiming to meet the needs of foodservice customers in particular. The second (5 MEUR) is directed at the ready-meal production in Vantaa. We expect the company to grow in line with the moderate average growth of the food market (around 2% p.a. over the long term). The increase in the degree of processing is a key driver for both the market's and HKFoods' growth prospects.

Financial targets updated in 2025

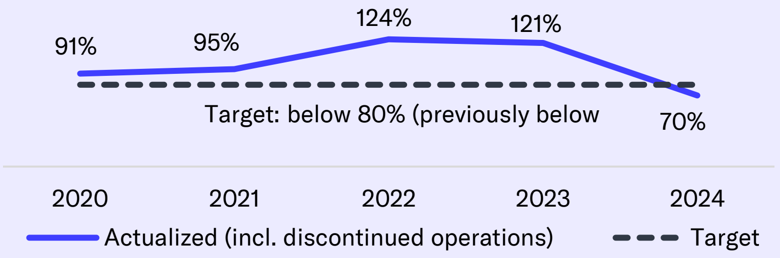
EBIT-%



Return on capital employed (ROCE)



Net gearing



Dividend payout ratio from net profit

Target: over 50% (previously over 30%)
Dividend payout has been volatile due to, among other things, balance sheet challenges

Estimates 1/5

The sluggish market will weigh on this year's growth

HKFoods does not provide numerical guidance for revenue growth, nor does the company have a numerical revenue target. We estimate 2025 revenue growth to be slightly negative (-0.4%), assuming sales volumes recover slightly in H2 compared to a weak Q2, which was affected by factors such as a cold spring and food industry strikes. Demand in the grocery trade has been sluggish in the early part of the year, particularly for meat (value development -0.6%), and the foodservice segment has also been slow (-0.9%). We forecast revenue growth of 0.7% for H2 2025. Our forecasts do not assume a significant pick-up in consumer demand for the second half of the year, but they do show a small positive impact from growth investments in mature products and ready meals completed around mid-2025. The commencement of poultry exports to China around the turn of 2024-25 will also support 2025 revenue, although the impact is relatively small.

Economic recovery is reflected in the forecasts for 2026

We estimate that consumer purchasing behavior will recover in 2026, influenced by factors such as declining interest rates and the revitalization of the Finnish economy as cyclical sectors recover. For example, Nordea forecasts private consumption to grow by 1.5% in 2026 (2025e: -1.0%) and a moderate increase in inflation, which together also support the growth of HKFoods' markets. In addition, the aforementioned HKFoods investments also support the 2026 growth outlook. We forecast revenue to grow by 2.5% in 2026 and by 2.0% in 2027-28. From 2027 onwards, our organic growth forecast will largely match the market growth rate. Growth is broadly driven by inflation and an improving product mix towards higher value-added and more processed products.

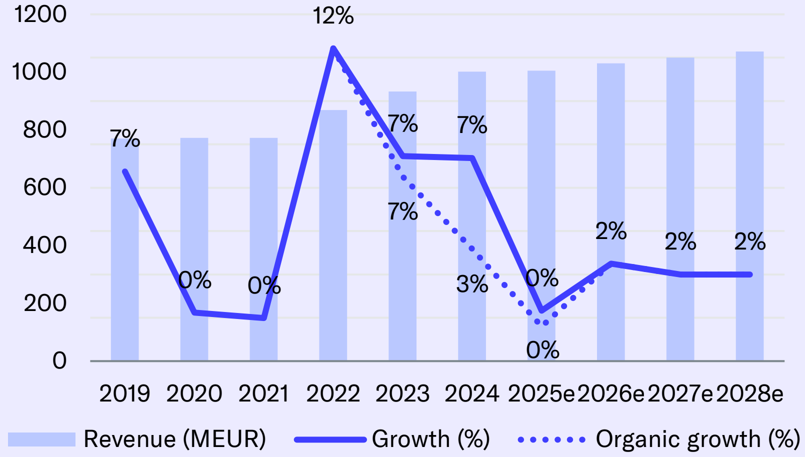
Efficiency and better product mix are reflected in the margins

We estimate that HKFoods will be able to continue to moderately improve its gross margin in the coming years, for example, through small efficiency improvements and the sales mix. The improvement in margins we forecast is significant (gross margin 2025-27: 8.3-8.8%, 2024: 7.7%), but still slower compared to the rapid margin improvement of the previous two years. The sales mix is particularly supported by growth in more processed products such as ready meals and meal components, driven by recent investments. Investments also help to improve production efficiency, as they reduce the need for overtime or replace the subcontracting of some products. In addition, China's poultry exports have a positive impact on margins.

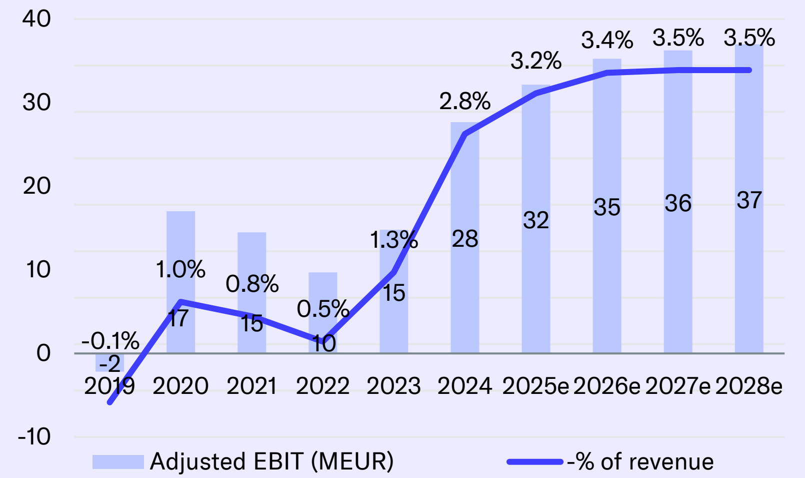
EBIT is growing, driven by gross profit

In our estimates, the adjusted EBIT will grow to 32.2 MEUR in 2025 (2024: 27.7 MEUR), which is in line with the company's guidance indicating growing adjusted EBIT. The earnings growth forecast for 2025 has practically already materialised during H1, and we no longer expect earnings growth for H2 due to challenging comparison figures, a subdued demand outlook, and rising beef prices. The earnings improvement in 2025 will mainly come from gross margin growth, as we estimate fixed costs to increase by 2.8 MEUR due to, for example, wage inflation and higher depreciations. For 2026, we forecast 3 MEUR of earnings growth and a moderate 1 MEUR improvement for 2027. In our 2025 forecast, the adjusted EBIT margin improves to 3.2% (+0.4%-points) and to 3.4-3.5% in 2026-28 with a more moderate upward trend, remaining clearly below the company's target level of over 5%.

Revenue development[1]



Development of adjusted EBIT[2]



Source: Inderes' estimate

1) Only includes continuing operations (HKFoods Finland) Organic growth adjusted for changes related to the reporting of Polish revenue.

2) For historical data, includes discontinued operations (2019-23)

Estimates 2/5

Forecast profitability still below competitors' level

As a recent turnaround company, determining HKFoods' long-term profitability level is difficult. Adjusted EBIT margin is still clearly lower than that of its main competitors, as Atria Finland's and Snellman's adjusted EBIT was 4.7% in 2024. On the other hand, the return on invested capital is already approaching competitor levels (ROI 2025e: 8.6% vs Atria 9.7%). HKFoods' financial targets are clearly higher than our forecasts (EBIT-%: over 5%), but we give them only very limited weight in setting our forecasts. In our view, it is typical for the company and the entire industry to set high profitability targets, which are rarely achieved sustainably. However, we note the company's concrete efficiency-enhancing measures, the effects of which we have sought to reasonably account for. Our view is that the company will continue to pursue better profitability through growth and efficiency measures, but the most straightforward means have already been used. At the same time, challenges in the operating environment, such as raw material prices and the impact of animal diseases on export permits, may occasionally depress margin levels compared to the relatively stable period of the last 12 months.

Investments exceed the depreciation rate

Divestments have strengthened HKFoods' investment capacity, which has already been reflected and, in our view, will continue to be reflected in a higher investment level than before. We forecast the investment level to exceed the depreciation level. The efficiency and growth investments made in 2023-25 have partly addressed the investment backlog from previous years, but we estimate that the operations may still require significant replacement investments in the medium term. We estimate that investments related to the capitalization of lease liabilities will develop exactly in line with the depreciation rate (2025-27e: ~ 9 MEUR p.a.). We expect other depreciations to grow moderately compared to the comparable 2024 level (21 MEUR).

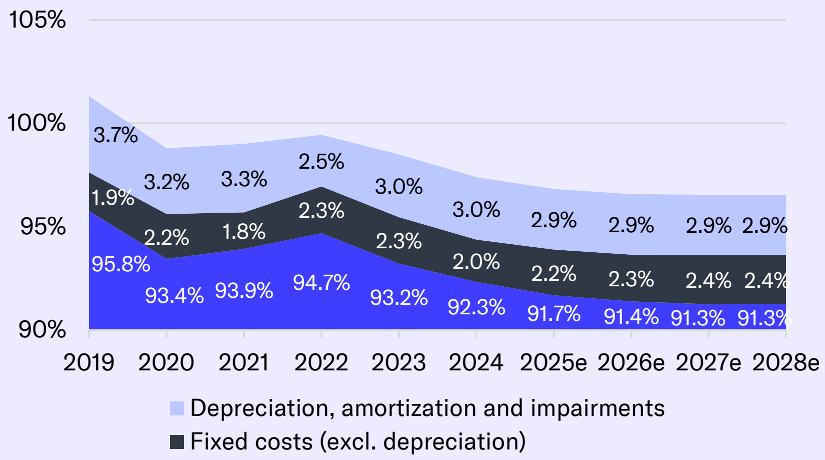
Financing costs are easing

We estimate the annual rolling level of financial expenses to be 14.7 MEUR in 2025 (excluding hybrid), in addition to which our forecasts include a 1 MEUR arrangement fee in Q3 related to the issuance of a new hybrid bond and the redemption of the old one.

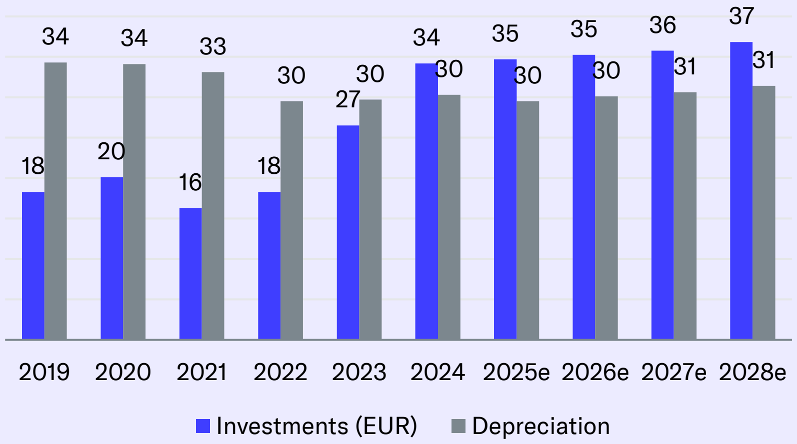
Hybrid bond interest expenses have been approximately 4 MEUR/year before the Q3 2025 refinancing operation and will decrease to approximately 1.8 MEUR/year thereafter. The costs roll in our forecasts until Q3'2028, when the company has its first opportunity to pay off the hybrid bond.

We see potential for the company to significantly reduce financing costs in the medium term by refinancing the bond. The loan matures in June 2027, but it could potentially be refinanced already during 2026 (in our estimates, this is scheduled for Q4'2026). We forecast the loan interest rate to decrease from the current level of approximately 9.5% (7.5% + 3-month Euribor) to about 6.5%, which would reduce annual financial expenses by approximately 3 MEUR. This favorable impact on financial expenses has been accounted for in our estimates starting from 2027. In addition, we have anticipated a one-off arrangement cost of approximately 1 MEUR for Q4 2026 related to the bond refinancing.

Cost structure (% of revenue)



Investments and depreciation[1,2]



1) Includes comparable depreciation of property, plant and equipment, as well as depreciation of lease agreements and additions to right-of-use assets in continuing operations. Sale-and-leaseback arrangements and one-off impairments have been adjusted out of the figures.

Estimates 3/5

Relative tax rate in a downward direction

Predicting the level of tax is somewhat difficult for HKFoods as the group comprises several companies with varying levels of shareholdings, some of which may have positive results and thus incur tax charges even though the group's results are still loss making. A clearer shift to profitability will lower the relative tax rate. Based on H1, we estimate the 2025 effective tax rate to be 29%. We forecast the percentage to decrease further to 25% and 21% in 2026-27 and to 20% from 2028 onwards. An even lower tax rate would be possible if the Finnish corporate tax rate decreases to 18% from 2027 onwards. In addition, HKFoods could potentially utilize a portion of its past losses to reduce tax payments in the future. In Poland, where HKFoods owns a subsidiary that produces bacon products, the corporate tax rate is 19%, which does not significantly differ from the Finnish level.

Earnings for shareholders turning positive

Net profit attributable to shareholders (from continuing operations) improves significantly in our forecasts and is already positive for 2025 (6 MEUR). In 2026-27, net profit will improve with a high coefficient (12-17 MEUR). In addition to operational earnings growth, earnings are supported by, for example, a decrease in financial expenses and hybrid bond costs.

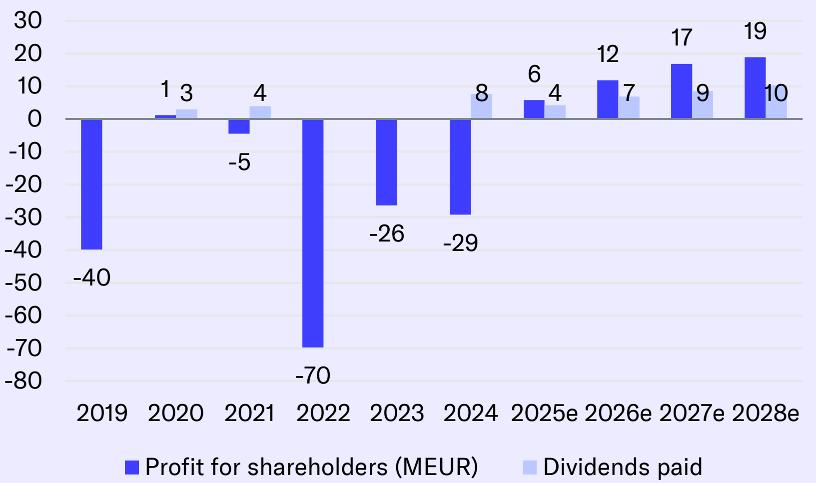
The company is willing to pay dividends, but payouts slow down the strengthening of the balance sheet

In its recent history, HKFoods has paid dividends or capital repayments even after loss-making financial years, despite the company's balance sheet being indebted and financing costs very high. In the spring, the annual general meeting decided to pay shareholders a capital repayment of EUR 0.09 per share (paid) and also authorized the board of directors to decide on a discretionary distribution of funds of EUR 0.05 per share (no decision has yet been made). We have not included the discretionary dividend distribution in our forecasts, but in our view, the company's balance sheet does not currently pose an acute obstacle to the distribution of funds. We expect HKFoods to return to a more moderate dividend policy in the coming years. The company's new, higher target is to pay a dividend of at least 50% of net profit (previously over 30%). Our estimated dividends for 2025-27 (EUR 0.05-0.09) represent 73-50% of the earnings attributable to shareholders from continuing operations (a declining payout ratio as earnings grow faster than dividends).

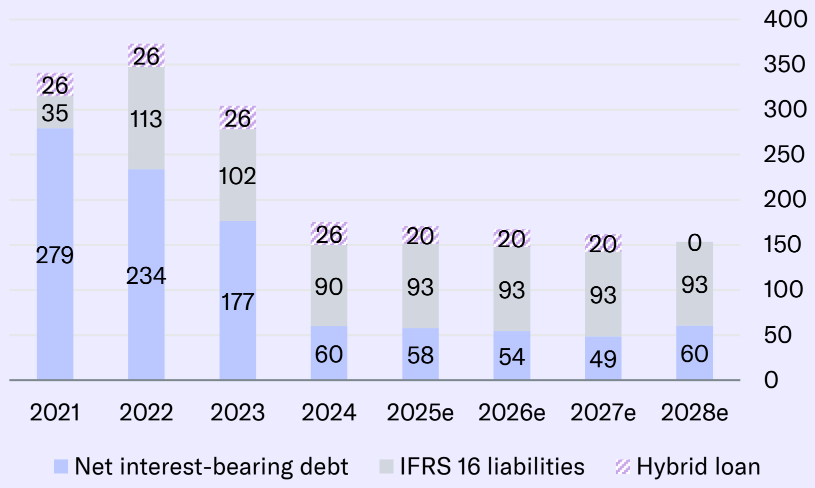
The balance sheet will strengthen more slowly in the future

We expect HKFoods to be able to gradually strengthen its balance sheet in the coming years, e.g., through operational earnings growth and a decrease in financing expenses. On the other hand, distributing funds to shareholders slows down the balance sheet strengthening and may increase uncertainty regarding the redemption of the hybrid bond, which we have modeled for Q3'2028. The net debt to EBITDA ratio will be only 2.4x at the end of 2025 (H1'25: 2.5x), which is negatively impacted by the refinancing of the hybrid bond and positively by the 10 MEUR fixed purchase price to be paid in August from the sale of the Baltic businesses. We assume in our forecasts that the additional purchase price payments for the Baltic divestment will be made in 2026-28 (a total of 6.9 MEUR), but there is uncertainty associated with these payments as they depend on the EBITDA development of the divested businesses, which has so far been weaker than assumed. The net debt to EBITDA ratio is expected to decrease to 2.2x and 2.1x in 2026-27 but will rise to 2.2x in 2028 due to the redemption of the hybrid bond.

Profit for shareholders and dividend[1]



Evolution of debt (MEUR)



1) Years 2019-2023 include results from discontinued operations. 2024-28 only for the result of continuing operations (after hybrid interest).

Estimates 4/5: Estimate revisions

Financing arrangements impact short-term financing costs

- We made minor upward revisions to our long-term profitability assumptions (2026-) to account for the impact of the company's recent efficiency measures on our forecasts. The company has also raised its profitability and dividend targets since the last update.
- We made moderate changes to our interest expense forecasts after HKFoods decided to refinance an expensive 26 MEUR hybrid bond with a smaller and more affordable 20 MEUR hybrid. The rolling cost of the hybrid bond decreased from 4.1 MEUR to 1.8 MEUR starting from Q4’2025. Previously, we had assumed the cost would disappear entirely and the company would be able to finance the redemption of the hybrid with cash. For this reason, EPS estimates declined slightly.
- The 2027 EPS estimate increased by 1% overall, including changes to operating profitability and financing expenses. We estimate the new hybrid bond will support the refinancing of the current bond on more favorable terms (modeled to occur in Q4’2026), which would significantly reduce financial expenses in 2027.
- We raised our dividend estimates in line with the company's updated dividend policy.

Estimate revisions	2025e	2025e	Change	2026e	2026e	Change	2027e	2027e	Change
MEUR / EUR	**Old**	**New**	**%**	**Old**	**New**	**%**	**Old**	**New**	**%**
Revenue	1005	1005	0%	1030	1030	0%	1051	1051	0%
EBITDA	61.4	61.4	0%	64.0	65.3	2%	65.5	66.9	2%
EBIT (exc. NRIs)	32.2	32.2	0%	33.9	35.2	4%	34.9	36.3	4%
EBIT	31.9	31.9	0%	33.9	35.2	4%	34.9	36.3	4%
PTP	18.0	17.6	-2%	22.3	22.4	0%	25.2	27.8	10%
EPS (excl. NRIs)	0.07	0.07	-8%	0.15	0.13	-12%	0.19	0.19	1%
DPS	0.05	0.05	0%	0.06	0.08	33%	0.07	0.10	43%

Source: Inderes

Detailed estimates

MEUR	2018	2019	2020	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Revenue	**1715**	**1744**	**1781**	**1815**	**1834**	**1163**	**1002**	**1005**	**1030**	**1051**	**1072**
-growth	-5.1%	1.7%	2.1%	1.9%	1.0%	-36.6%	-13.9%	0.3%	2.5%	2.0%	2.0%
HKScan Finland	722	771	772	772	868	933	1002	1005	1030	1051	1072
-growth	-2.7%	6.7%	0.2%	0.0%	12.4%	7.5%	7.4%	0.3%	2.5%	2.0%	2.0%
-of which organic growth					12.4%	6.5%	3.2%	-0.4%	2.5%	2.0%	2.0%
-of which growth related to the change in Polish reporting						0.9%	4.2%	0.7%	0.0%	0.0%	0.0%
Gross profit	**55**	**74**	**117**	**110**	**97**	**79**	**77**	**84**	**89**	**92**	**94**
-% of revenue	3.2%	4.2%	6.6%	6.1%	5.3%	6.8%	7.7%	8.3%	8.6%	8.8%	8.8%
Fixed costs (excl. depreciation)	-37	-17	-39	-32	-42	-26	-21	-22	-23	-25	-26
EBITDA	**18**	**57**	**78**	**78**	**56**	**53**	**56**	**61**	**65**	**67**	**68**
-% of revenue	1.0%	3.3%	4.4%	4.3%	3.0%	4.5%	5.6%	6.1%	6.3%	6.4%	6.4%
Depreciation and amortization	-67	-80	-57	-60	-46	-35	-34	-30	-30	-31	-31
EBIT	-49	-23	21	18	10	17	22	32	35	36	37
-% of revenue	-2.9%	-1.3%	1.2%	1.0%	0.6%	1.5%	2.2%	3.2%	3.4%	3.5%	3.5%
Adjusted EBIT	**-48**	**-2**	**17**	**15**	**10**	**15**	**28**	**32**	**35**	**36**	**37**
-% of revenue	-2.8%	-0.1%	1.0%	0.8%	0.5%	1.3%	2.8%	3.2%	3.4%	3.5%	3.5%
HKScan Finland	-37	-2	6	9	4	21	38				
-% of revenue	-5.1%	-0.2%	0.8%	1.1%	0.5%	2.2%	3.8%				
Group administration	-14	-12	-13	-12	-12	-9	-10				
Net financial expenses	-10	-12	-11	-15	-16	-28	-20	-16	-14	-10	-9
Profit before tax	-59	-35	12	7	-1	-9	4	18	22	28	29
Taxes	7	-3	-8	-8	-4	-7	-6	-5	-5	-6	-6
Profit for the period (continuing operations)	**-51**	**-38**	**5**	**-1**	**-5**	**-16**	**-2**	**13**	**17**	**22**	**24**
Minority interest	-2	-2	-4	-3	-4	-4	-3	-4	-4	-4	-4
Interest on hybrid bond	-1	-2	-2	-2	-2	-2	-4	-4	-2	-2	-1
Shareholders' share of profit from continuing operations	**-54**	**-42**	**-1**	**-7**	**-11**	**-22**	**-9**	**6**	**12**	**17**	**19**
Total dividends paid for the year	0	0	3	4	0	0	8	4	7	9	10
Net debt	289	276	300	315	347	278	150	151	148	142	154
Net debt/EBITDA			3.8x	4.0x	6.2x	5.0x	2.7x	2.4x	2.2x	2.1x	2.2x

Group-level figures for 2018-2023 include operations that have subsequently been classified as discontinued.
Source: Inderes' estimate

Valuation 1/3

Investment profile

Potential for a defensive dividend company

HKFoods’ businesses have long-term potential for defensive and dividend-paying business, albeit with a moderate return on capital. The reduction in red meat consumption is slow, and the consumption of poultry and more processed foods is increasing, so in the long term, we assume market growth will be close to general GDP growth. The meat and food industries in general are competitive and capital-intensive industries where it is difficult to achieve a sustainable ROCE above the required return. On the other hand, in the short term, we see HKFoods as a turnaround company and the materialization of the earnings potential could support the share price development.

Strengthened investment capacity has enabled an earnings turnaround

HKFoods' long-sought earnings turnaround has, in our view, now materialized sustainably. The strengthening of the balance sheet and the concentration of investments in Finland have enabled the development of industrial processes in a way that the company historically lacked the resources for. Compared to competitors' levels, HKFoods' profitability could have significant upside. However, our view is more cautious, as we believe the most straightforward efficiency measures have already been implemented. In the future, earnings growth will become more capital-intensive, as is typical for the industry. Even a moderate improvement in profitability could still significantly support the share price due to the company's high balance sheet leverage.

Balance sheet position improved, but not completely risk-free

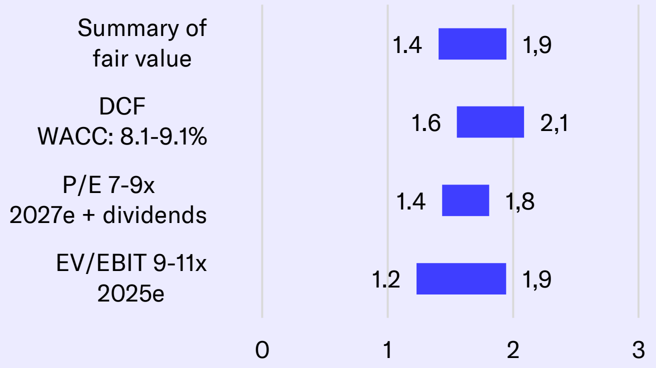
The amount of debt on the balance sheet has been reduced through divestments and the strengthening of internal cash flow. The estimated net debt to EBITDA ratio (2.4x) at the end of 2025 is already closer to the industry average, but the balance sheet still includes 20 MEUR of recently issued hybrid bonds. As the earnings turnaround progresses, we estimate that the company could gradually reduce its indebtedness further in the coming years and redeem the hybrid bond in 2028. However, the company’s high willingness to pay dividends may partly slow down the reduction of the balance sheet risk level. In addition, sudden changes in the cost environment may temporarily affect the result, in which case the potential refinancing of the bond could become more expensive than forecast.

Valuation

Summary

As a summary of three different valuation methods, we determine the fair value of HKFoods’s share to be EUR 1.4-1.9 per share. The valuation is based on a DCF calculation, the application of fair EV/EBIT-based valuation multiples to 2025e earnings, and the application of discounted P/E multiples to 2027e earnings. The company’s rather high debt on the balance sheet and uncertainty related to earnings development increase the stock’s valuation risk relative to an otherwise defensive sector. We have accounted for risk, for example, with a high cost of capital in the industry context. In our forecasts, operational earnings growth is moderate, and we consider it highly possible that earnings development could be even stronger than forecast, which would provide significant upside potential for the share price.

Summary of valuation methods,



Factors supporting the valuation of HKFoods:

- Positive development in profitability
- Decrease in financing costs
- Potential to become a stable dividend company

Factors negatively affecting HKFoods' valuation:

- Limited return on capital in a competitive market
- Historical profitability challenges
- Relatively high gearing

Valuation 2/3

Earnings-based valuation multiples close to fair levels

HKFoods' earnings-based valuation multiples have fallen close to the industry-typical level (EV/EBIT 2025e: 10x, 2026e: 9x) due to the earnings turnaround and balance sheet deleveraging in recent years. Other Finnish food companies with a moderate growth profile (Atria and Apetit) are roughly valued in the stock market at EV/EBIT multiples of 9-11x for 2025. HKFoods' ROI profile has improved to near the level of domestic peer companies, and the balance sheet-related risk level has gradually decreased. In our view, the earnings-based valuation multiples therefore do not currently give a strong signal for or against the attractiveness of the share. The key question is whether the company's earnings improvement will continue (very moderately in our forecasts) or whether the strong upward trend will be interrupted.

Among other earnings-based valuation multiples, HKFoods' 2025e P/E ratio is high (>20x), as financial expenses and hybrid costs significantly weigh on earnings. However, the P/E ratio is expected to decrease rapidly in 2026-27 (11.5x and 8x), influenced by a decrease in hybrid costs starting in Q4 2025, an anticipated reduction in bond interest expenses starting in Q4 2026, and a relatively modest operational earnings growth forecast for 2026-27 (3 MEUR in 2026e, 1 MEUR in 2027e). The EV/EBITDA 2025-26e multiples are around 5x, thus quite close to the level of key domestic peers. However, we do not consider the EV/EBITDA ratio to be the best possible tool, as it does not consider the efficiency of companies' capital use. In our view, HKFoods' high depreciation and amortization, investment level relative to EBITDA, and elevated financial expenses justifiably push EV/EBITDA multiples relatively low.

Should profitability improve, the upside would be significant

HKFoods' profitability (EBIT 2025-27e: 3.2-3.5%) is still quite clearly lower than its main competitors Atria Finland and Snellman (2024: 4.7%). If the EBIT margin were to rise to a similar level, the stock would have an upside potential of up to 80-114% from the current level, assuming an EV/EBIT of 9-10x as the fair valuation method and 2025e revenue as the basis for the calculations. The upside potential is affected by, among other things, the leveraged balance sheet. However, we do not consider the scenario presented above likely to materialize, as at least Atria among its competitors has invested more in its operations. HKFoods' investment capacity has improved, but in our view, it does not plan to raise investments to a similar level in the coming years, at least.

Peer group

We have selected both Finnish food companies and international meat and food companies as our peer group. However, we have excluded two very large US meat companies, Tyson Foods and Hormel Foods, from the peer group, as their capital returns have been clearly stronger than HKFoods and also key domestic peers in the long term. Regardless of the delimitation, we do feel that the valuation multiples of the peer group should be directly applied to HKFoods. In our view, a slightly lower fair valuation level for HKFoods compared to its peer group is justifiable due to factors such as its concentrated ownership structure and a slightly higher financing risk than the industry average.

Valuation	2025e	2026e	2027e
Share price	1.52	1.52	1.52
Number of shares, millions	89.9	89.9	89.9
Market cap	137	137	137
EV	315	311	304
P/E (adj.)	22.4	11.5	8.1
P/E	71.8	11.5	8.1
P/B	0.9	0.8	0.8
P/S	0.1	0.1	0.1
EV/Sales	0.3	0.3	0.3
EV/EBITDA	5.1	4.8	4.5
EV/EBIT (adj.)	9.8	8.8	8.4
Dividend/earnings (%)	236.1%	60.7%	53.4%
Dividend yield-%	3.1%	5.0%	6.2%

Source: Inderes

Valuation 3/3

P/B valuation is quite affordable

HKFoods' balance sheet-based valuation level is still low in absolute terms (2025e: 0.87x), but still in line with the Finnish peers companies Atria and Apetit. The company's current return on invested capital (ROI 2025-26: 8.6-9.7%) is close to the required return and could thus justify a market value at book value (P/B 1.0x). In addition, the anticipated decrease in interest expenses supports the return on equity, which will remain low this year (ROE 2025-26e: 3-8%). The market continues to price in the company's historically severe earnings challenges, but as the earnings turnaround continues, the balance sheet-based valuation could continue its minor positive correction. HKFoods' balance sheet does not contain large intangible assets that an investor would need to fear being written down.

We expect constant dividend payments

We consider dividend yield to be a significant driver for the valuation of HKFoods' investment profile. The balance sheet's indebtedness has not historically allowed for dividend payments every year, and at times the company has returned funds to investors, even though we believe it would have been more sensible to strengthen the balance sheet and reduce financing costs. However, the earnings turnaround has progressed so well that, in our view, the company will be able to pay a meaningful dividend in the coming years without a significant weakening of its balance sheet position. We forecast a dividend yield of 3-6% for 2025-27. The underlying assumption is that the company will pay out 73-51% of the earnings from continuing operations to shareholders for the aforementioned years.

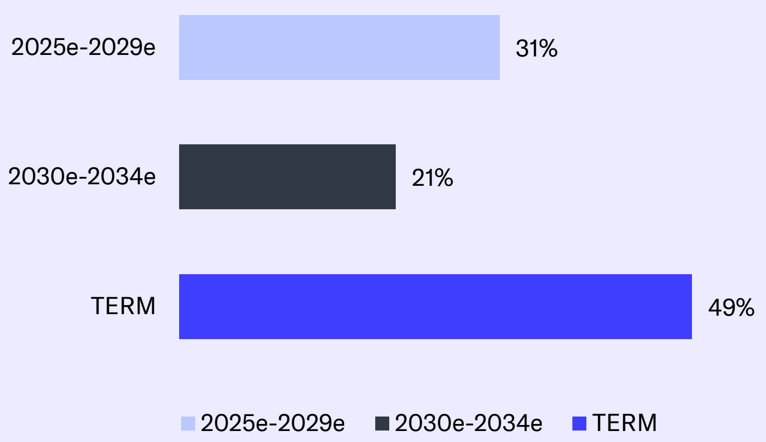
According to our forecasts, the dividend yield would be lower than that of the main peer Atria in the short term, but would rise to the same level of 6% in the medium term.

Valuation with the DCF method

According to our valuation model based on our cash flow forecasts, HKFoods' equity value is 160 MEUR, or EUR 1.78 per share. The model assumes an improvement in EBIT to 3.5% for 2027-32 and a decline to 2.8% from 2032 onwards. The projected profitability levels are clearly stronger than HKFoods' historical levels, but on the other hand, weaker than its competitors. Our long-term revenue growth forecast is 2% per year

We have used a 9.3% cost of equity (CoE) and a 8.6% weighted average cost of capital (WACC) in the calculation. We consider HKFoods' business risk level to be slightly higher than the industry average due to historically weak profitability and currently relatively high indebtedness. We have used WACC levels of 7.6-8.0% in the valuation of other Finnish food companies operating in established business.

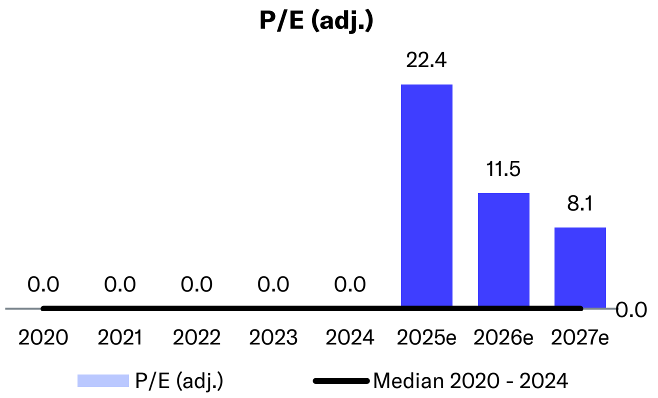
DCF: Cash flow breakdown

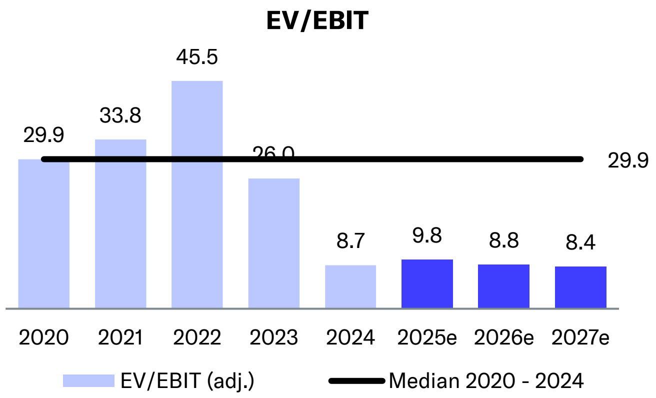


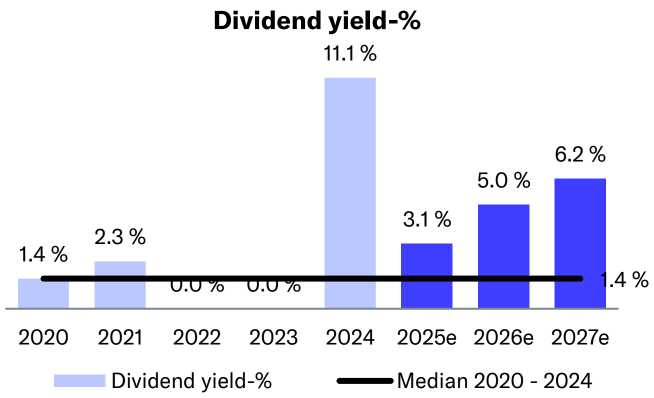
Valuation table

Valuation	2020	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Share price	1.96	1.66	0.87	0.89	0.77	**1.52**	**1.52**	**1.52**	**1.52**
Number of shares, millions	97.0	97.1	97.3	97.4	89.9	**89.9**	**89.9**	**89.9**	**89.9**
Market cap	190	161	85	87	69	**137**	**137**	**137**	**137**
EV	508	490	441	387	240	**315**	**311**	**304**	**297**
P/E (adj.)	neg.	neg.	neg.	neg.	neg.	**22.4**	**11.5**	**8.1**	**7.2**
P/E	neg.	neg.	neg.	neg.	neg.	**71.8**	**11.5**	**8.1**	**7.2**
P/B	0.7	0.6	0.4	0.5	0.4	**0.9**	**0.8**	**0.8**	**0.7**
P/S	0.1	0.1	0.0	0.1	0.1	**0.1**	**0.1**	**0.1**	**0.1**
EV/Sales	0.3	0.3	0.2	0.3	0.2	**0.3**	**0.3**	**0.3**	**0.3**
EV/EBITDA	6.5	6.3	7.9	7.3	4.3	**5.1**	**4.8**	**4.5**	**4.3**
EV/EBIT (adj.)	29.9	33.8	45.5	26.0	8.7	**9.8**	**8.8**	**8.4**	**8.0**
Payout ratio (%)	249.7 %	neg.	0.0 %	0.0 %	neg.	**236.1 %**	**60.7 %**	**53.4 %**	**57.2 %**
Dividend yield-%	1.4 %	2.3 %	0.0 %	0.0 %	11.1 %	**3.1 %**	**5.0 %**	**6.2 %**	**7.5 %**

Source: Inderes







The market cap and enterprise value in the table consider the expected change in the number of shares and net debt for the forecast years.

Peer group valuation

Peer group valuation	Market cap	EV	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%		P/B
Company	**MEUR**	**MEUR**	**2025e**	**2026e**	**2025e**	**2026e**	**2025e**	**2026e**	**2025e**	**2026e**	**2025e**	**2026e**	**2025e**
Atria	373	638	9.6	9.2	4.9	4.8	0.4	0.4	9.0	8.3	5.4	5.8	0.9
Apetit	88	91	11.4	10.2	6.1	5.7	0.5	0.5	16.4	11.4	5.0	5.4	0.8
Raisio	405	339	11.8	11.0	8.9	8.2	1.5	1.4	16.0	16.0	5.2	5.6	1.5
Hilton Foods	703	1104	9.1	8.7	5.9	5.6	0.2	0.2	11.0	10.3	5.3	5.6	1.8
Scandi Standard	572	779	15.3	12.5	8.6	7.7	0.6	0.6	18.9	15.0	3.1	3.8	2.4
Cranswick	3156	3355	14.5	13.1	10.2	9.2	1.1	1.0	19.1	17.5	1.9	2.1	2.7
Societe LDC	3097	2826	8.6	7.9	5.3	4.8	0.5	0.4	12.3	11.2	1.8	1.8	1.3
Bell Foods	1673	2663	15.1	15.8	6.9	6.8	0.5	0.5	10.6	11.8	2.8	2.8	0.9
Orior	103	287	27.2	19.1	7.5	6.7	0.4	0.4	25.7	14.5			2.8
Prima Meat Packers	706	861			7.1	6.7	0.3	0.3	18.9	16.0	3.3	3.3	1.0
NH Foods	3288	4238			9.5	8.1	0.5	0.5	21.9	18.6	2.4	2.7	1.1
HKFoods (Inderes)	**137**	**315**	**9.8**	**8.8**	**5.1**	**4.8**	**0.3**	**0.3**	**22.4**	**11.5**	**3.1**	**5.0**	**0.9**
Average			**13.6**	**12.0**	**7.4**	**6.8**	**0.6**	**0.6**	**16.3**	**13.7**	**3.6**	**3.9**	**1.6**
Median			**11.8**	**11.0**	**7.1**	**6.7**	**0.5**	**0.5**	**16.4**	**14.5**	**3.2**	**3.6**	**1.3**
Diff-% to median			**-17%**	**-20%**	**-27%**	**-29%**	**-40%**	**-41%**	**36%**	**-20%**	**-3%**	**40%**	**-34%**

Source: Refinitiv / Inderes

Income statement

Income statement	2022	2023	Q1'24	Q2'24	Q3'24	Q4'24	2024	Q1'25	Q2'25	Q3'25e	Q4'25e	2025e	2026e	2027e	2028e
Revenue	**1834**	**1163**	**229**	**255**	**252**	**267**	**1002**	**234**	**246**	**255**	**271**	**1005**	**1030**	**1051**	**1072**
Finland	868	933	229	255	252	267	1002	234	246	255	271	1005	1030	1051	1072
EBITDA	**55.9**	**52.8**	**8.9**	**11.4**	**19.2**	**16.8**	**56.3**	**12.1**	**13.3**	**18.5**	**17.5**	**61.4**	**65.3**	**66.9**	**68.4**
Depreciation	-45.8	-35.3	-7.7	-8.3	-7.5	-10.4	-33.9	-7.4	-7.1	-7.5	-7.5	-29.5	-30.1	-30.6	-31.4
EBIT (excl. NRI)	**9.7**	**14.9**	**1.4**	**4.4**	**11.6**	**10.3**	**27.7**	**4.6**	**6.5**	**11.0**	**10.1**	**32.2**	**35.2**	**36.3**	**37.0**
EBIT	**10.1**	**17.5**	**1.2**	**3.1**	**11.6**	**6.5**	**22.4**	**4.6**	**6.2**	**11.0**	**10.1**	**31.9**	**35.2**	**36.3**	**37.0**
Share of profits in assoc. compan.	5.4	1.3	0.1	0.3	0.4	0.4	1.2	0.5	0.3	0.3	0.4	1.4	1.4	1.5	1.5
Net financial items	-16.3	-27.7	-4.9	-4.9	-5.0	-4.7	-19.5	-3.9	-3.7	-4.5	-3.5	-15.7	-14.2	-10.0	-9.0
PTP	**-0.8**	**-8.9**	**-3.7**	**-1.4**	**7.0**	**2.2**	**4.1**	**1.2**	**2.7**	**6.8**	**6.9**	**17.6**	**22.4**	**27.8**	**29.5**
Taxes	-4.0	-6.6	-0.1	-0.2	-0.6	-5.1	-6.0	-0.3	-0.7	-1.8	-1.9	-4.7	-5.3	-5.5	-5.6
Minority interest	-3.7	-4.0	-0.1	-0.5	-0.9	-1.9	-3.4	-0.2	-1.0	-1.0	-1.3	-3.5	-3.6	-3.6	-3.7
Lopetetut toiminnot	-61.1	-6.9	-21.7	1.3	-0.5	-3.1	-24.0	-0.3	-3.6	0.0	0.0	-3.9	0.0	0.0	0.0
Net earnings	**-69.6**	**-26.4**	**-25.6**	**-0.9**	**5.0**	**-7.9**	**-29.3**	**0.3**	**-2.6**	**3.9**	**3.8**	**5.5**	**13.6**	**18.6**	**20.2**
Hybridilainan korot	-2.1	-2.1	-1.0	-1.0	-1.0	-1.0	-4.2	-1.0	-1.0	-1.0	-0.4	-3.6	-1.8	-1.8	-1.3
EPS (rep.)	**-0.74**	**-0.29**	**-0.28**	**-0.01**	**0.06**	**-0.09**	**-0.37**	**-0.01**	**-0.04**	**0.03**	**0.04**	**0.02**	**0.13**	**0.19**	**0.21**

Key figures	2022	2023	Q1'24	Q2'24	Q3'24	Q4'24	2024	Q1'25	Q2'25	Q3'25e	Q4'25e	2025e	2026e	2027e	2028e
Revenue growth-%	1.0 %	-36.6 %	-18.1 %	-13.2 %	-12.9 %	-11.6 %	-13.9 %	2.2 %	-3.5 %	1.4 %	1.4 %	0.3 %	2.5 %	2.0 %	2.0 %
Adjusted EBIT growth-%		53.6 %	-275.0 %	-14.8 %	51.2 %	266.1 %	86.0 %	230.7 %	46.7 %	-5.7 %	-1.9 %	16.0 %	9.6 %	2.9 %	2.0 %
EBITDA-%	3.0 %	4.5 %	3.9 %	4.5 %	7.6 %	6.3 %	5.6 %	5.2 %	5.4 %	7.2 %	6.5 %	6.1 %	6.3 %	6.4 %	6.4 %
Adjusted EBIT-%	0.5 %	1.3 %	0.6 %	1.7 %	4.6 %	3.8 %	2.8 %	2.0 %	2.6 %	4.3 %	3.7 %	3.2 %	3.4 %	3.5 %	3.5 %

Full-year earnings per share are calculated using the number of shares at year-end.

Balance sheet

Assets	2023	2024	2025e	2026e	2027e
Non-current assets	**651**	**351**	**346**	**349**	**352**
Goodwill	27.8	27.8	27.8	27.8	27.8
Intangible assets	16.2	16.2	16.2	16.2	16.2
Tangible assets	285	252	257	262	267
Associated companies	24.3	21.8	21.8	21.8	21.8
Other investments	246	0.0	0.0	0.0	0.0
Other non-current assets	26.2	12.4	2.4	0.1	-2.2
Deferred tax assets	25.1	21.2	21.2	21.2	21.2
Current assets	**201**	**177**	**155**	**160**	**164**
Inventories	75.2	59.6	57.3	59.8	62.0
Other current assets	0.0	0.0	0.0	0.0	0.0
Receivables	97.3	80.3	77.4	79.3	80.9
Cash and equivalents	28.7	36.7	20.1	20.6	21.0
Balance sheet total	**852**	**528**	**501**	**509**	**516**

Source: Inderes

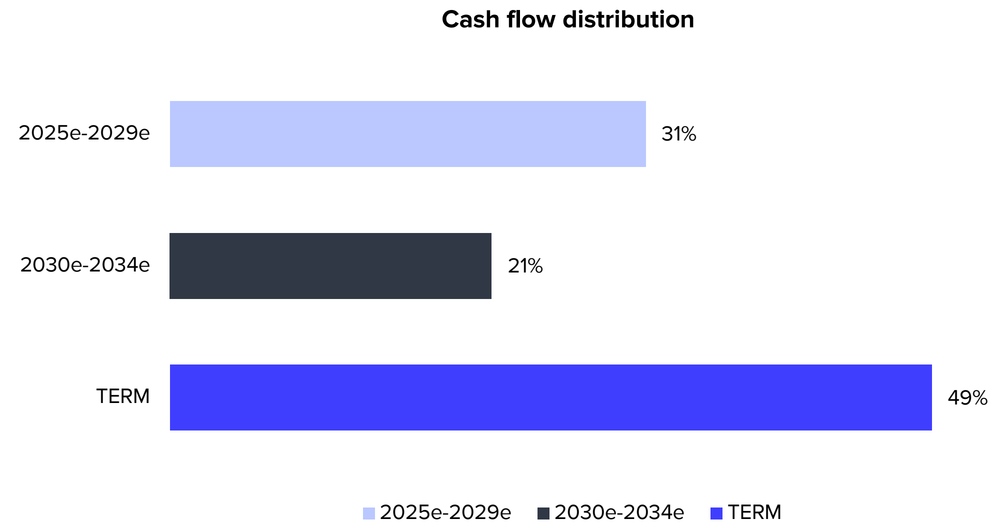
Liabilities & equity	2023	2024	2025e	2026e	2027e
Equity	**238**	**215**	**204**	**211**	**221**
Share capital	0.0	0.0	0.0	0.0	0.0
Retained earnings	0.0	-30.4	-36.1	-28.5	-18.5
Hybrid bonds	25.9	25.9	20.0	20.0	20.0
Revaluation reserve	0.0	0.0	0.0	0.0	0.0
Other equity	185	193	193	193	193
Minorities	26.9	26.9	26.9	26.9	26.9
Non-current liabilities	**434**	**178**	**159**	**157**	**152**
Deferred tax liabilities	0.0	0.0	0.0	0.0	0.0
Provisions	0.0	0.0	0.0	0.0	0.0
Interest bearing debt	289	172	154	151	146
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	145	5.4	5.4	5.4	5.4
Current liabilities	**179**	**134**	**138**	**141**	**143**
Interest bearing debt	17.9	14.0	17.1	16.8	16.3
Payables	162	120	121	124	126
Other current liabilities	0.0	0.0	0.0	0.0	0.0
Balance sheet total	**852**	**528**	**501**	**509**	**516**

DCF calculation

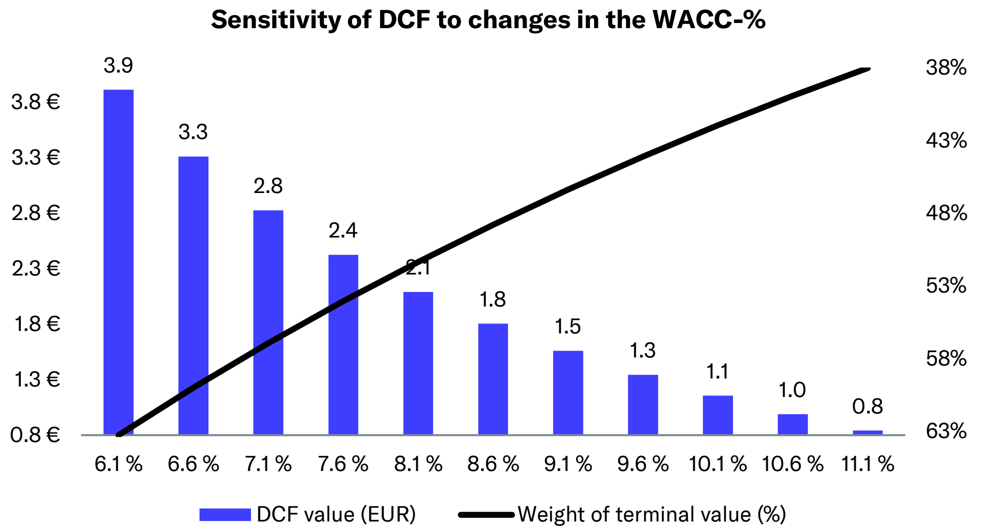
DCF model	2024	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	2034e	TERM
Revenue growth-%	-13.9 %	0.3 %	2.5 %	2.0 %	2.0 %	2.0 %	2.0 %	2.0 %	2.0 %	2.0 %	2.0 %	2.0 %
EBIT-%	2.2 %	3.2 %	3.4 %	3.5 %	3.5 %	3.5 %	3.5 %	3.5 %	3.5 %	2.8 %	2.8 %	2.8 %
EBIT (operating profit)	**22.4**	**31.9**	**35.2**	**36.3**	**37.0**	**37.7**	**38.5**	**39.2**	**40.0**	**33.1**	**33.8**	
+ Depreciation	33.9	29.5	30.1	30.6	31.4	32.1	32.7	33.4	34.0	34.5	34.8	
- Paid taxes	-2.1	-4.7	-5.3	-5.5	-5.6	-5.8	-6.0	-6.6	-6.8	-5.5	-5.6	
- Tax, financial expenses	-3.9	-4.6	-3.6	-2.1	-1.8	-1.7	-1.7	-1.3	-1.2	-1.2	-1.1	
+ Tax, financial income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Change in working capital	-8.5	5.6	-1.4	-1.4	-0.9	-0.9	-0.9	-0.4	-0.4	-0.4	-0.4	
Operating cash flow	**41.8**	**57.7**	**55.2**	**57.9**	**60.1**	**61.4**	**62.6**	**64.4**	**65.6**	**60.7**	**61.5**	
+ Change in other long-term liabilities	-139.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	259	-24.7	-32.9	-33.5	-32.9	-35.5	-35.9	-36.3	-36.7	-37.1	-37.4	
Free operating cash flow	**161**	**33.0**	**22.2**	**24.4**	**27.3**	**25.8**	**26.7**	**28.0**	**28.9**	**23.5**	**24.1**	
+/- Other	-30.0	-3.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	131	29.1	22.2	24.4	27.3	25.8	26.7	28.0	28.9	23.5	24.1	371
Discounted FCFF		**28.3**	**19.9**	**20.2**	**20.7**	**18.1**	**17.2**	**16.6**	**15.8**	**11.8**	**11.1**	**172**
Sum of FCFF present value		351	323	303	283	262	244	227	210	195	183	172
Enterprise value DCF		**351**										
- Interest bearing debt		-212.3										
+ Cash and cash equivalents		36.7										
-Minorities		-20.8										
-Dividend/capital return		-7.7										
Equity value DCF		**160.4**										
Equity value DCF per share		**1.78**										

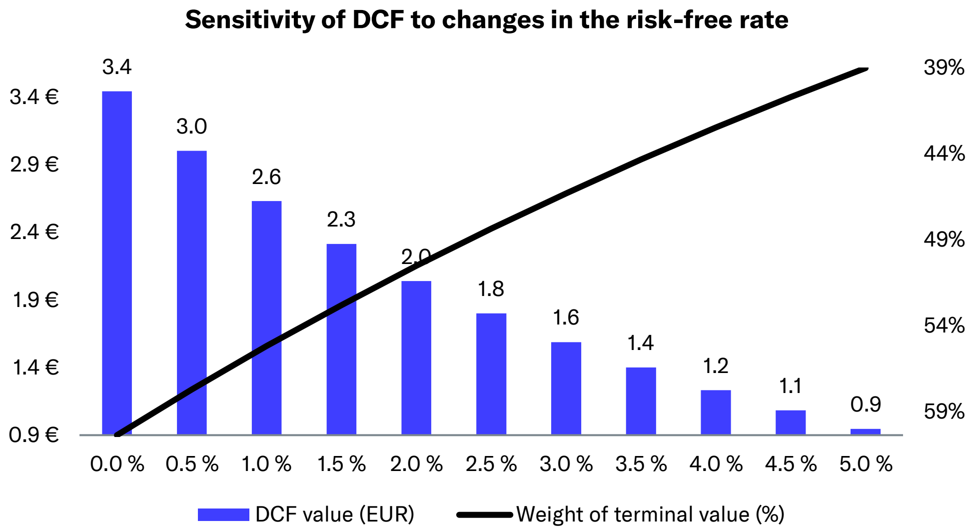
WACC	
Tax-% (WACC)	20.0 %
Target debt ratio (D/(D+E)	15.0 %
Cost of debt	6.0 %
Equity Beta	1.43
Market risk premium	4.75%
Liquidity premium	0.00%
Risk free interest rate	2.5 %
Cost of equity	**9.3 %**
Weighted average cost of capital (WACC)	**8.6 %**

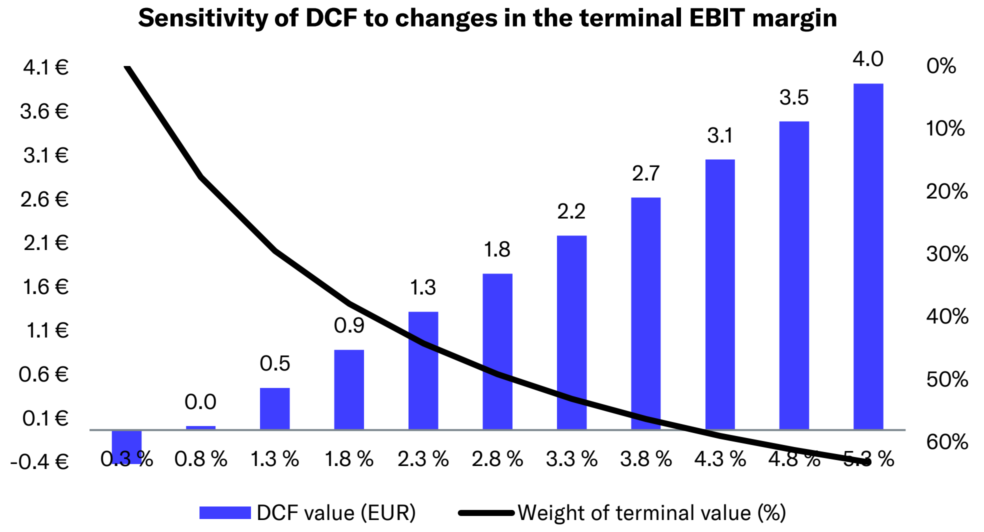
Source: Inderes

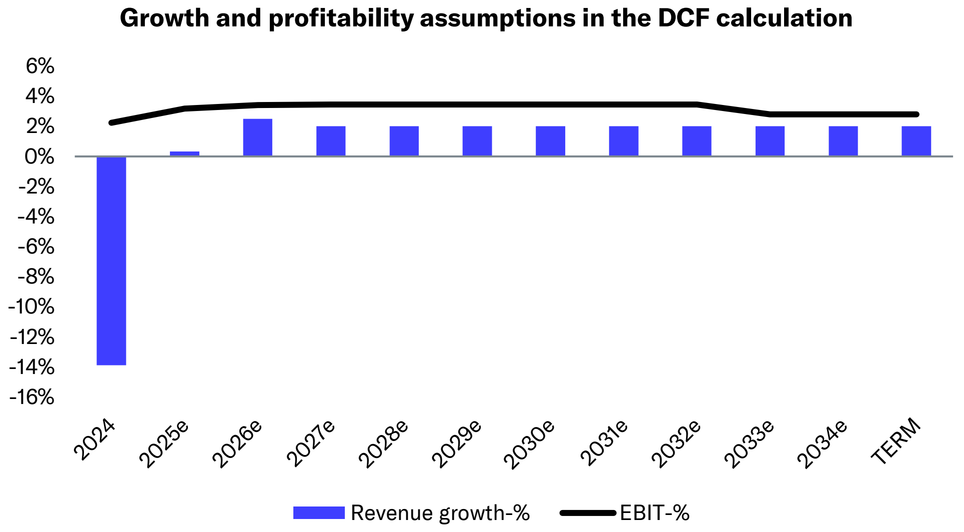


DCF sensitivity calculations and key assumptions in graphs









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
Revenue	1833.8	1163.2	1001.8	**1005.1**	**1030.2**
EBITDA	55.9	52.8	56.3	**61.4**	**65.3**
EBIT	10.1	17.5	22.4	**31.9**	**35.2**
PTP	-0.8	-8.9	4.1	**17.6**	**22.4**
Net Income	-69.6	-26.4	-29.3	**5.5**	**13.6**
Extraordinary items	0.4	2.6	-5.3	**-0.3**	**0.0**

Balance sheet	2022	2023	2024	2025e	2026e
Balance sheet total	976.0	851.7	527.6	**501.0**	**508.7**
Equity capital	285.5	238.0	215.4	**203.7**	**211.3**
Goodwill	46.8	27.8	27.8	**27.8**	**27.8**
Net debt	347.3	278.2	149.7	**151.0**	**147.6**

Cash flow	2022	2023	2024	2025e	2026e
EBITDA	55.9	52.8	56.3	**61.4**	**65.3**
Change in working capital	-13.5	25.1	-8.5	**5.6**	**-1.4**
Operating cash flow	39.6	72.5	41.8	**57.7**	**55.2**
CAPEX	-41.1	-29.9	259.2	**-24.7**	**-32.9**
Free cash flow	-43.4	98.3	131.1	**29.1**	**22.2**

Valuation multiples	2022	2023	2024	2025e	2026e
EV/S	0.2	0.3	0.2	**0.3**	**0.3**
EV/EBITDA	7.9	7.3	4.3	**5.1**	**4.8**
EV/EBIT (adj.)	45.5	26.0	8.7	**9.8**	**8.8**
P/E (adj.)	neg.	neg.	neg.	**22.4**	**11.5**
P/B	0.4	0.5	0.4	**0.9**	**0.8**
Dividend-%	0.0 %	0.0 %	11.1 %	**3.1 %**	**5.0 %**

Source: Inderes

Per share data	2022	2023	2024	2025e	2026e
EPS (reported)	-0.74	-0.29	-0.37	**0.02**	**0.13**
EPS (adj.)	-0.74	-0.32	-0.05	**0.07**	**0.13**
OCF / share	0.41	0.74	0.46	**0.64**	**0.61**
OFCF / share	-0.45	1.01	1.46	**0.32**	**0.25**
Book value / share	2.68	2.17	2.10	**1.97**	**2.05**
Dividend / share	0.00	0.00	0.09	**0.05**	**0.08**

Growth and profitability	2022	2023	2024	2025e	2026e
Revenue growth-%	1%	-37%	-14%	**0%**	**2%**
EBITDA growth-%	-28%	-6%	7%	**9%**	**6%**
EBIT (adj.) growth-%	-33%	54%	86%	**16%**	**10%**
EPS (adj.) growth-%	627%	-57%	-86%	**-247%**	**94%**
EBITDA-%	3.0 %	4.5 %	5.6 %	**6.1 %**	**6.3 %**
EBIT (adj.)-%	0.5 %	1.3 %	2.8 %	**3.2 %**	**3.4 %**
EBIT-%	0.6 %	1.5 %	2.2 %	**3.2 %**	**3.4 %**
ROE-%	-24.5 %	-11.2 %	-14.7 %	**3.0 %**	**7.5 %**
ROI-%	2.3 %	3.2 %	5.0 %	**8.6 %**	**9.7 %**
Equity ratio	29.3 %	27.9 %	40.8 %	**40.7 %**	**41.5 %**
Gearing	121.6 %	116.9 %	69.5 %	**74.1 %**	**69.8 %**

The market cap and enterprise value in the table consider the expected change in the number of shares and net debt for the forecast years. Per-share figures are calculated using the number of shares at year-end.

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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

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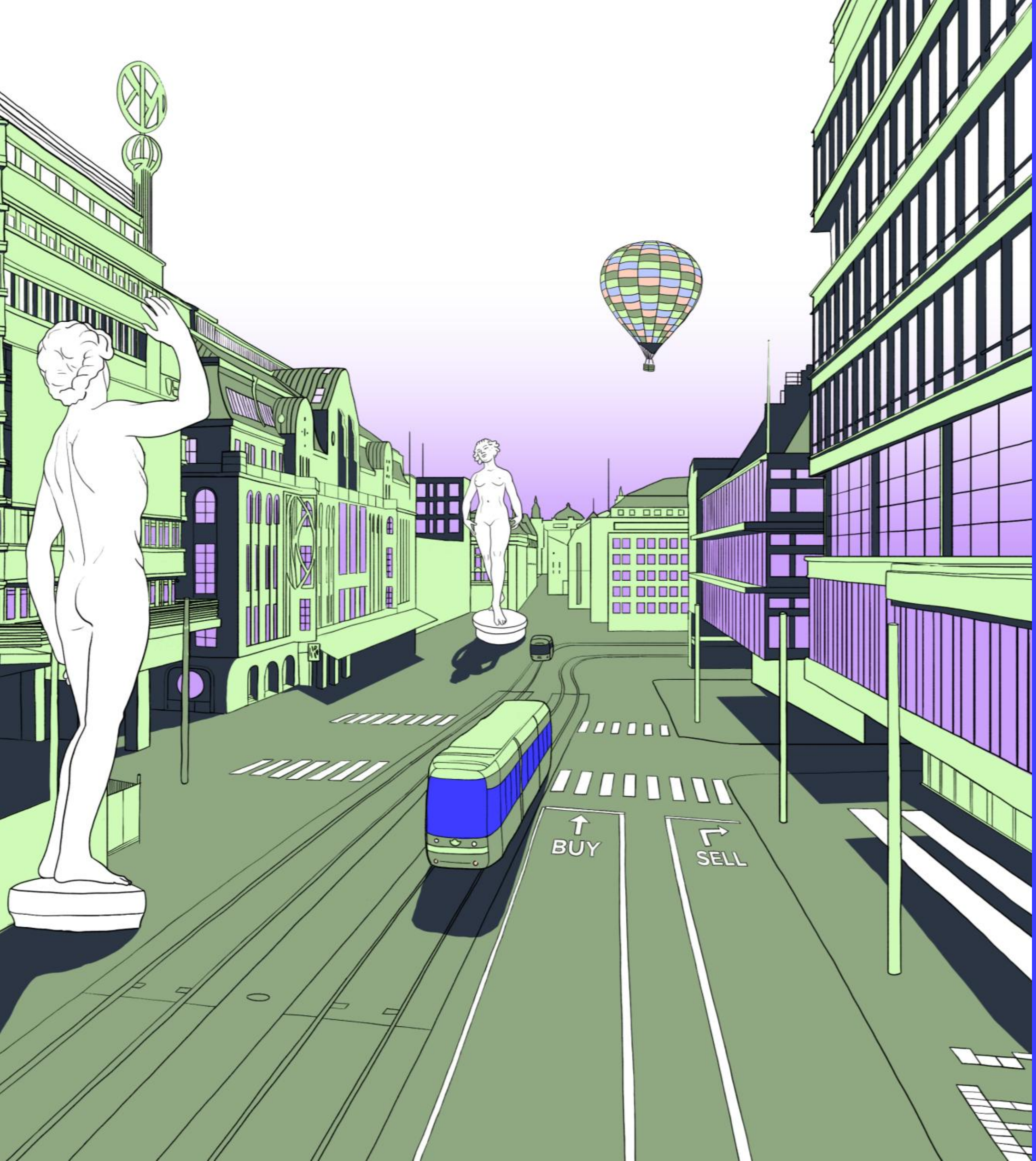
Recommendation history (>12 mo)

Date	Recommendation	Target	Share price
6/1/2024	Reduce	0.65 €	0.70 €
8/8/2024	Reduce	0.55 €	0.63 €
9/26/2024	Reduce	0.70 €	0.72 €
11/6/2024	Reduce	0.85 €	0.88 €
1/15/2025	Reduce	1.00 €	1.00 €
2/17/2025	Reduce	1.00 €	1.09 €
5/8/2025	Accumulate	1.30 €	1.17 €
6/10/2025	Reduce	1.50 €	1.78 €
8/7/2025	Accumulate	1.70 €	1.53 €
9/4/2025	Accumulate	1.70 €	1.52 €



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