

# Sitowise

## Company report

11/02/2023 19:21



**Olli Koponen**  
+358 44 274 9560  
olli.koponen@inderes.fi

✓ Inderes corporate customer

This report is a summary translation of the report "Kestävä tulostaso on nykyistä korkeampi" published on 11/3/2023 at 8:01 am EET

inde  
res.

# Sustainable performance is higher than currently

We reiterate our Accumulate recommendation for Sitowise but lower our target price to EUR 3.30 (was EUR 4.00). Sitowise's next few years will be more challenging than we have expected in terms of market development and earnings level. In addition to market challenges, internal challenges such as acquisition integration raise uncertainties about the company's long-term potential, which lowered our target price together with short-term risks. However, the growing and highly profitable business areas, as well as the construction market that will eventually pick up and normalizing utilization ratio, create a base for earnings growth. Compared to the current low performance, we find the share's risk/return ratio attractive.

## Q3 was weak in line with preliminary data

The figures of Sitowise's Q3 report on Thursday were weak in line with preliminary data. The company's net sales remained at the level of the comparison period, but EBIT decreased clearly (adj. EBITA-%: 7.6 vs. 10.7%). Net sales decreased in the Buildings and Sweden businesses, but there was strong growth in both Infra and Digital solutions. On the positive side, growth in the business areas was mainly organic. Profitability was weakened by the utilization ratio depressed by weaker market development (74.7% vs. 76.0%), challenges in Sweden and one working day less in the quarter. Sweden's challenges in acquisition integration and an old project have taken resources out of sales and lowered utilization ratio. In the future, profitability will be burdened by completion of acquisition integration and the introduction of new systems (ERP, CRM), in addition to the challenging market.

## Outlook is challenged by the economic situation

Sitowise's outlook will continue as challenging in the Buildings business also in 2024. Infra and Digital solutions have growth potential, but the weak economic outlook in Finland and Sweden slows down growth on a broad front. Based on the Q3 report and outlook, there is moderate downward pressure (1-3%) in our operational estimates for the next few years. The increase in depreciation and financial expenses decreased bottom line earnings estimates more (10%). We expect 2023 net sales growth (5%) to turn downward in 2024, along with the order backlog (-5%) and the weaker outlook (-3%). We expect the weak performance (23e adj. EBITA-%: 8.4%) to improve in the next few years through cost savings in the Buildings business, Sitowise's higher utilization ratio and gradually improving market situation. However, based on our forecasts, the first half of 2024 is still weak and the result will only improve closer to the company's potential in 2025 (25e adj EBITA-%: 11.5%). The company's potential is supported by the market eventually picking up. In Sitowise's business model, the pick-up will result in higher (normal) utilization ratio, which will have a significant positive impact on net sales and earnings. Thus, we feel that the current earnings level for the next few years does not depict the company's normalized earnings level.

## The risk/return ratio is attractive

Sitowise's risk/return ratio is attractive in our view with the current valuation of the next few years (23-24e average: EV/EBITDA: 7x, P/E: 12x), also considering the current earnings level that is lower than normal. At the level we accept (EV/EBITDA: 8x, P/E: 14x) the share would have an upside of approximately 10%, in addition to which the share offers a dividend yield of around 4%. We also believe that the difference in valuation compared to peers is too high (-25%) and that the value of the DCF calculation is clearly higher than the current price (EUR 4.1).

## Recommendation

**Accumulate**

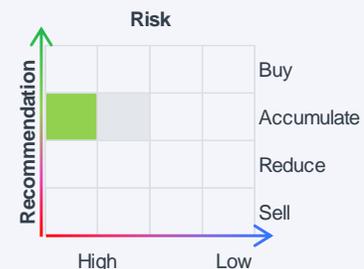
(previous Accumulate)

**EUR 3.30**

(previous EUR 4.00)

**Share price:**

2.88



## Key figures

	2022	2023e	2024e	2025e
<b>Revenue</b>	204.4	213.6	206.3	214.6
<b>growth-%</b>	14%	5%	-3%	4%
<b>EBIT adj.</b>	17.5	14.4	15.5	21.7
<b>EBIT-% adj.</b>	8.5 %	6.7 %	7.5 %	10.1 %
<b>Net Income</b>	7.8	7.5	9.3	14.1
<b>EPS (adj.)</b>	0.34	0.23	0.26	0.40

<b>P/E (adj.)</b>	15.0	12.5	11.0	7.3
<b>P/B</b>	1.6	0.8	0.8	0.8
<b>Dividend yield-%</b>	1.9 %	4.2 %	4.9 %	4.8 %
<b>EV/EBIT (adj.)</b>	15.4	13.2	11.6	7.8
<b>EV/EBITDA</b>	11.3	7.4	6.8	5.3
<b>EV/S</b>	1.3	0.9	0.9	0.8

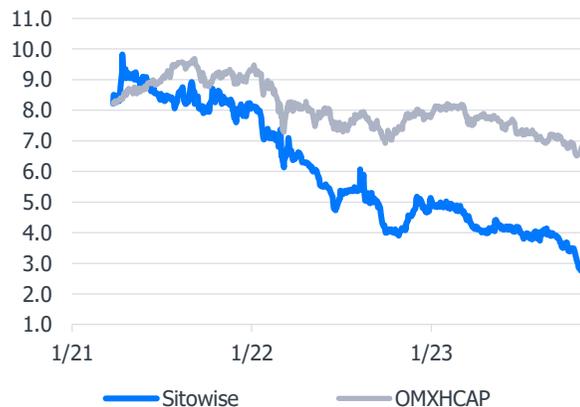
Source: Inderes

## Guidance

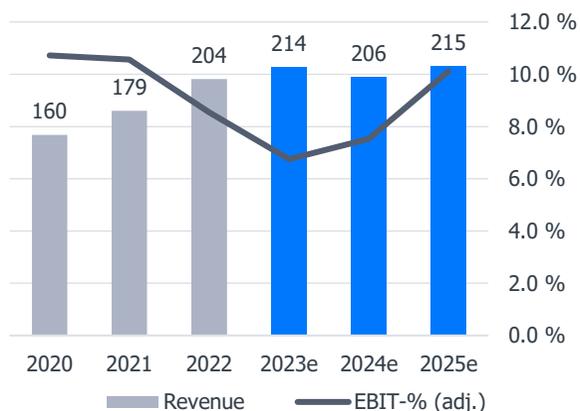
(Unchanged)

Sitowise Group estimates that its net sales in year 2023 in euros will increase compared to 2022, and that its adjusted EBITA margin (%) for the whole year 2023 will be below year-to-date adjusted EBITA margin level of 9.2%, but above 8%.

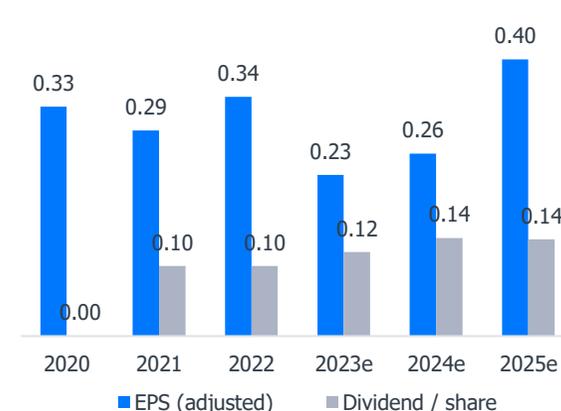
## Share price



## Revenue and EBIT-%



## EPS and dividend



## Value drivers

- Stronger organic growth than market growth and acquisitions
- Maintaining best-in-class profitability
- Expansion into Nordic countries
- Extending the offering
- Strong cash flow and low investment need
- Efficient and fragmented business model, as well as digitalization expertise create competitive advantage
- Increasing share of consulting and planning in construction value chain supported by megatrends
- Opportunities created by sustainable development regulation



## Risk factors

- Cyclicity of the underlying construction market
- Sustainably maintaining high profitability levels
- A clear and prolonged market downturn after good years
- Challenges created by Nordic expansion and a new market
- Failure in acquisitions
- Dependency on personnel and adequacy of incentives for key personnel

Valuation	2023e	2024e	2025e
Share price	2.88	2.88	2.88
Number of shares, million:	35.5	35.5	35.5
Market cap	102	102	102
EV	190	180	169
P/E (adj.)	12.5	11.0	7.3
P/B	0.8	0.8	0.8
EV/Sales	0.9	0.9	0.8
EV/EBITDA	7.4	6.8	5.3
EV/EBIT (adj.)	13.2	11.6	7.8
Payout ratio (%)	57.2 %	53.7 %	35.0 %
Dividend yield-%	4.2 %	4.9 %	4.8 %

Source: Inderes

# Development in line with preliminary data

## Net sales growth stopped

Sitowise's Q3 net sales was at the level of the comparison period at EUR 45.6 million, in line with preliminary data. Organic net sales growth was about 1% in the quarter, and exchange rates and one working day less in the quarter had a weakening effect on net sales. Net sales in the Buildings business decreased by 13%, and Swedish net sales also showed a weakening (-4%). However, Infra (+9%) and Digital solutions (+23%) continued to grow strongly, which helps soften the weakness seen in the development of other areas. The order backlog was down by 5% from the comparison period at about EUR 167 million, falling in all areas except for Digital solutions.

## Profitability clearly weaker

Adjusted EBITA decreased year-on-year to some EUR 3.5 million (Q3'22: 4.9 MEUR) in line with preliminary data. The EBITA margin dropped to 7.6 % (Q3'22: 10.7 %) utilization ratio depressed by weaker market

development (74.7% vs. 76.0%) and one working day less in the quarter weakened the result. In line with preliminary information, Sweden's internal challenges in acquisition integration and projects also hampered business development in Sweden. The company did not specify the costs of the challenges but expects both the integration and the project that caused challenges to be completed in Q4.

Other operating expenses increased due to challenges in Sweden, but the positive was that the growth in personnel costs slowed down due to staff reductions or savings measures. The depreciation of intangible and tangible assets and financial expenses were higher than we expected, which meant that reported figures and EPS fell behind our forecasts.

## Financial position is stable

This year, good cash flow has kept the company's financial situation stable. Operating cash flow (before financial

items and taxes) was negative in Q3 at EUR -2.7 million, but has increased to EUR 12.6 million during the year (Q1-Q3'22: 9.6 MEUR) despite the weak profitability development. In Q3, cash flow was burdened by the commitment of working capital and lower profitability.

The company's solvency and liquidity are at a good level. The equity ratio is around 45% (44%) and the net debt/adjusted EBITDA is 2.9x. This figure is above the company's 2.5x target, and the company does not significant room for leveraging in that respect. In addition, significant investments in acquisitions can be challenging if the goal is to remain close to the targets. Net debt is reduced by good cash assets, which increased to EUR 9.2 million as a result of cash flow development (Q3'22: 8.0 MEUR). In Sitowise's case, there is nothing alarming about liquidity, cash flow development and the overall financial situation.

Estimates MEUR / EUR	Q3'22	Q3'23	Q3'23e	Q3'23e	Consensus		Difference (%)	2023e
	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. inderes	Inderes
Revenue	45.9	45.6	45.6				0%	214
EBITA (adj.)	4.9	3.5	3.5				1%	18.0
EBIT	3.7	2.3	2.6				-12%	13.7
PTP	3.3	1.0	1.7				-40%	9.5
EPS (reported)	0.08	0.02	0.04				-50%	0.21
Revenue growth-%	16.0 %	-0.8 %	-0.7 %				-0.1 pp	4.5 %
EBITA-% (adj.)	10.7 %	7.6 %	7.6 %				0.1 pp	8.4 %

Source: Inderes

# Subdued earnings level in the coming years

## Guidance that was recently downgraded remained unchanged

Sitowise estimates that net sales will grow in 2023, and that the adjusted EBITA margin will be 8.0-9.2% (2022: 10.0%). Based on the justifications for the guidance, the outlook for the Buildings business is weak for the rest of the year and the challenging market situation will continue also in 2024. There are growth opportunities in Infra and Digital solutions, but the weak economic outlook in Finland and Sweden slows down Sitowise's growth on a wide front. In addition, the company expects that the new systems (ERP and CRM) to be implemented in Q4 will burden utilization ratio. In Sweden, we also expect that the challenges may be reflected in profitability for a long time, even if the challenges should end in Q4.

The company is now aiming to improve its profitability through savings measures and by focusing on growing and profitable areas in its businesses. On the positive side,

the company claimed that the industry's most profitable Infra business and generally more profitable Digital solutions will continue to grow. However, much needs to be done both internally and in terms of market recovery, so that the profitability of the Group as a whole climbs toward targets (at least 12% EBITA-%).

## We lowered our earnings estimates moderately

Based on the Q3 report and outlook, there is moderate downward pressure (1-3%) in our operational estimates for the next few years. On the other hand, the increase in depreciation and financial expenses depressed the earnings forecasts in the lower lines more (10%). We expect this year's net sales growth (5%) to turn downward next year (-3%), with the order book and outlook. We expect the weak performance (23e adj. EBITA-%: 8.4%) to improve in the next few years with the cost savings from the change negotiations in the Buildings business (Inderes estimate: 1-2 MEUR), Sitowise's higher utilization ratio and

the gradually improving market situation. However, based on our forecasts, the first half of 2024 is still weak and the result will only improve closer to the company's potential in 2025 (25e adj EBITA-%: 11.5 %).

The company's potential is supported by the market eventually picking up. In Sitowise's business model, the pick-up will result in higher (normal) utilization ratio, which will have a significant positive impact on net sales and profit. Thus, we feel that the current earnings level for the next few years does not depict the company's normalized earnings level. However, the timing of market recovery, the challenges posed by inflation and tightening competition (pricing) create uncertainties for the business.

Estimate revisions MEUR / EUR	2023e		Change %	2024e		Change %	2025e		Change %
	Old	New		Old	New		Old	New	
Revenue	214	214	0%	209	206	-1%	218	215	-1%
EBITDA	25.2	25.2	0%	28.1	26.5	-5%	32.3	31.9	-1%
EBITA (oik.)	18.1	18.0	-1%	19.6	18.9	-3%	24.5	24.7	1%
EBITA	17.3	17.1	-1%	19.6	18.9	-3%	24.5	24.7	1%
PTP	10.3	9.5	-8%	14.1	11.6	-17%	19.0	17.9	-6%
EPS (excl. NRIs)	0.23	0.23	-2%	0.31	0.26	-17%	0.42	0.40	-7%

# Risk/return ratio is acceptable

We lower Sitowise's target price EUR 3.30 (was EUR 4.00), due to both the long- (DCF) and short-term estimate changes and the increased risks.

Our acceptable valuation level mirrors the company's Nordic peers and their historical valuation. When looking at Sitowise's valuation, the company's strong willingness to grow and better profitability than among peers should be noted. However, this is not even close to the company's best profitability and the market environment has also weakened, which has elevated Sitowise's risks. In the last update, we cut our acceptable multiple range: P/E 12-16x and EV/EBITDA: 7-9x. We are now relying on the mid-point of the acceptable range in our valuation. To support the valuation, the company's performance should improve in the coming years towards its previous levels. If the performance remains below targets and estimates, there may be downside potential to the lower end of the range.

Sitowise's risk/return ratio is attractive in our view with the current valuation of the next few years (23-24e average: EV/EBITDA: 7x, P/E: 12x), also considering the current earnings level that is lower than normal. At the level we accept (EV/EBITDA: 8x, P/E: 14x) the share would offer an upside of around 10%. In addition, the share currently offers a dividend yield of approximately 4%, which also supports the expected return.

## Peer group valuation

Compared to the peer group, Sitowise is also priced at a discount. For 2023-2024, the median valuations of peers (P/E: 15x, EV/EBITDA: 10x) has, however, already become a bit challenging. Sitowise is currently valued 20% below the peers. We believe it is justified to price Sitowise at least on par with the peer group due to the combination of historical profitability and future growth potential.

However, due to the challenging valuation of the peer group and the uncertainty of the forecasts, we rely on peers with a small weight in our valuation.

## DCF valuation

We also use DCF in the valuation. The value indicated by the DCF (EUR 4.1) is higher than the current share price and our target price. However, due to the company's acquisition-driven growth, our organic growth-based estimates do not necessarily give the best picture of the company's valuation as they probably underestimate that company's long-term growth.

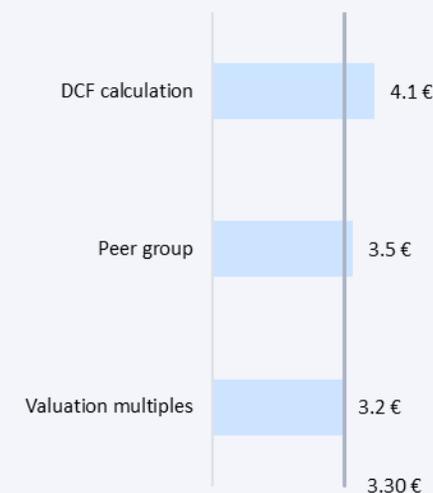
In our model, the company's net sales growth stabilizes at 1% in the terminal period after stronger medium-term growth, and the EBIT margin is 9.0% of net sales (was 10%). We cut our long-term profitability to a more moderate level due to recent challenges. In addition to market challenges, small internal challenges have emerged, which raises risks related to the level of long-term profitability. We do not consider the previous 10% level impossible, but at present the signs support a more cautious approach to long-term profitability.

The average cost of capital (WACC) used is 8.4% and the cost of equity is 10.1%. In our opinion, the level of the required return is relatively low, although it has increased with the rise in general required returns.

Valuation	2023e	2024e	2025e
Share price	2.88	2.88	2.88
Number of shares, million	35.5	35.5	35.5
Market cap	102	102	102
EV	190	180	169
P/E (adj.)	12.5	11.0	7.3
P/B	0.8	0.8	0.8
EV/Sales	0.9	0.9	0.8
EV/EBITDA	7.4	6.8	5.3
EV/EBIT (adj.)	13.2	11.6	7.8
Payout ratio (%)	57.2 %	53.7 %	35.0 %
Dividend yield-%	4.2 %	4.9 %	4.8 %

Source: Inderes

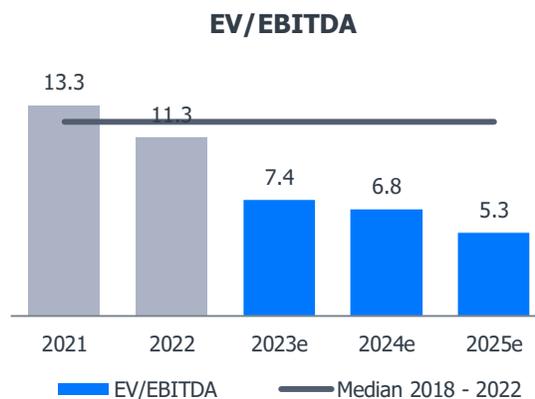
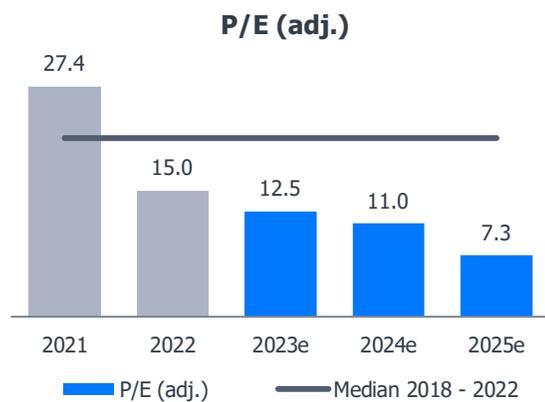
## Target price formation



# Valuation table

Valuation	2018	2019	2020	2021	2022	2023e	2024e	2025e	2026e
Share price				8.05	5.14	2.88	2.88	2.88	2.88
Number of shares, millions				35.4	35.5	35.5	35.5	35.5	35.5
Market cap				285	182	102	102	102	102
EV				345	268	190	180	169	157
P/E (adj.)				27.4	15.0	12.5	11.0	7.3	6.7
P/B				2.5	1.6	0.8	0.8	0.8	0.7
EV/Sales				1.9	1.3	0.9	0.9	0.8	0.7
EV/EBITDA				13.3	11.3	7.4	6.8	5.3	4.8
EV/EBIT (adj.)				18.2	15.4	13.2	11.6	7.8	6.7
Payout ratio (%)				45.2 %	45.2 %	57.2 %	53.7 %	35.0 %	37.0 %
Dividend yield-%				1.2 %	1.9 %	4.2 %	4.9 %	4.8 %	5.6 %

Source: Inderes



# Peer group valuation

Peer group valuation Company	Market cap MEUR	EV MEUR	EV/EBITDA		EV/S		P/E		Dividend yield-%		P/B
			2023e	2024e	2023e	2024e	2023e	2024e	2023e	2024e	2023e
Sweco AB	3140	3709	12.5	11.5	1.5	1.4	19.8	16.7	2.7	3.0	3.4
Afry AB	1119	1753	7.5	7.1	0.8	0.8	11.1	9.7	5.0	5.8	1.0
Rejlers AB	221	276	7.3	6.7	0.8	0.8	13.5	11.7	3.6	4.1	1.5
WSP Global Inc	15670	18620	14.2	13.0	2.5	2.3	27.2	23.7	0.8	0.8	3.6
Solwers Oyj	32	72	10.0	9.0	1.2	1.1	13.0	12.1	2.8	3.1	0.8
Etteplan Oyj	353	425	9.4	8.6	1.2	1.2	18.4	16.0	2.6	3.0	3.1
Arcadis NV	3654	4833	10.0	9.1	1.0	1.0	15.5	13.5	2.3	2.5	3.0
<b>Sitowise (Inderes)</b>	<b>102</b>	<b>190</b>	<b>7.4</b>	<b>6.8</b>	<b>0.9</b>	<b>0.9</b>	<b>12.5</b>	<b>11.0</b>	<b>4.2</b>	<b>4.9</b>	<b>0.8</b>
<b>Average</b>			<b>10.1</b>	<b>9.3</b>	<b>1.3</b>	<b>1.2</b>	<b>16.9</b>	<b>14.8</b>	<b>2.8</b>	<b>3.2</b>	<b>2.3</b>
<b>Median</b>			<b>10.0</b>	<b>9.0</b>	<b>1.2</b>	<b>1.1</b>	<b>15.5</b>	<b>13.5</b>	<b>2.7</b>	<b>3.0</b>	<b>3.0</b>
<b>Diff-% to median</b>			<b>-26%</b>	<b>-25%</b>	<b>-25%</b>	<b>-21%</b>	<b>-19%</b>	<b>-18%</b>	<b>56%</b>	<b>62%</b>	<b>-72%</b>

Source: Refinitiv / Inderes

# Income statement

Income statement	2020	2021	Q1'22	Q2'22	Q3'22	Q4'22	2022	Q1'23	Q2'23	Q3'23	Q4'23e	2023e	2024e	2025e	2026e
<b>Revenue</b>	160.1	179.3	49.2	51.7	45.9	57.6	204.4	56.1	56.5	45.6	55.5	213.6	206.3	214.6	221.4
<b>EBITDA</b>	26.3	25.8	5.4	5.2	6.5	6.7	23.8	8.5	6.4	5.2	5.1	25.2	26.5	31.9	32.6
Depreciation	-8.0	-9.4	-2.5	-2.5	-2.7	-2.9	-10.6	-3.0	-2.8	-2.9	-2.8	-11.5	-11.0	-10.2	-9.2
<b>EBITA (qadj.)</b>	20.6	21.1	5.2	4.9	4.9	5.3	20.4	6.6	4.5	3.5	3.4	18.0	18.9	24.7	26.4
<b>EBITA</b>	19.5	18.6	3.5	3.3	4.5	4.7	16.1	6.2	4.4	3.3	3.2	17.1	18.9	24.7	26.4
<b>EBIT</b>	18.3	16.4	2.9	2.7	3.7	3.8	13.2	5.5	3.6	2.3	2.3	13.7	15.5	21.7	23.4
Net financial items	-2.4	-6.1	-1.4	-0.3	-0.4	-0.7	-2.9	-1.1	-0.9	-1.2	-1.0	-4.2	-3.9	-3.8	-3.8
<b>PTP</b>	15.9	10.3	1.5	2.4	3.3	3.0	10.3	4.4	2.7	1.0	1.3	9.5	11.6	17.9	19.6
Taxes	-3.2	-2.4	-0.4	-0.8	-0.5	-0.6	-2.4	-0.9	-0.6	-0.3	-0.3	-2.0	-2.3	-3.8	-4.1
Minority interest	-0.1	-0.1	0.0	-0.1	0.0	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	-0.1
<b>Net earnings</b>	12.6	7.8	1.1	1.5	2.8	2.4	7.8	3.5	2.2	0.8	1.1	7.5	9.3	14.1	15.4
<b>EPS (adj.)</b>	0.33	0.29	0.08	0.09	0.09	0.08	0.34	0.11	0.06	0.03	0.03	0.23	0.26	0.40	0.43
<b>EPS (rep.)</b>	0.36	0.22	0.03	0.04	0.08	0.07	0.22	0.10	0.06	0.02	0.03	0.21	0.26	0.40	0.43
<b>Key figures</b>	<b>2020</b>	<b>2021</b>	<b>Q1'22</b>	<b>Q2'22</b>	<b>Q3'22</b>	<b>Q4'22</b>	<b>2022</b>	<b>Q1'23</b>	<b>Q2'23</b>	<b>Q3'23</b>	<b>Q4'23e</b>	<b>2023e</b>	<b>2024e</b>	<b>2025e</b>	<b>2026e</b>
<b>Revenue growth-%</b>	11.9 %	12.0 %	15.0 %	11.2 %	16.0 %	14.1 %	14.0 %	13.9 %	9.2 %	-0.7 %	-3.6 %	4.5 %	-3.4 %	4.0 %	3.2 %
<b>Adj. EBITA growth-%</b>		2.4 %	10.8 %	-17.0 %	0.6 %	-5.2 %	-3.6 %	27.0 %	-8.4 %	-30.0 %	-35.6 %	-11.7 %	5.2 %	30.4 %	6.7 %
<b>Adj. EBITA-%</b>	12.9 %	11.8 %	10.6 %	9.5 %	10.7 %	9.2 %	10.0 %	11.8 %	8.0 %	7.6 %	6.2 %	8.4 %	9.2 %	11.5 %	11.9 %
<b>Net earnings-%</b>	7.9 %	4.4 %	2.3 %	2.9 %	6.1 %	4.2 %	3.8 %	6.2 %	3.8 %	1.7 %	1.9 %	3.5 %	4.5 %	6.6 %	6.9 %

Source: Inderes

# Balance sheet

Assets	2021	2022	2023e	2024e	2025e
<b>Non-current assets</b>	<b>177</b>	<b>202</b>	<b>201</b>	<b>198</b>	<b>196</b>
Goodwill	135	158	158	158	158
Intangible assets	7.5	10.2	10.8	7.5	4.5
Tangible assets	31.4	31.8	29.7	30.0	30.8
Associated companies	0.0	0.0	0.0	0.0	0.0
Other investments	1.9	1.9	1.9	1.9	1.9
Other non-current assets	0.0	0.0	0.0	0.0	0.0
Deferred tax assets	1.1	0.9	0.9	0.9	0.9
<b>Current assets</b>	<b>72.7</b>	<b>78.3</b>	<b>76.9</b>	<b>84.7</b>	<b>98.1</b>
Inventories	0.0	0.0	0.0	0.0	0.0
Other current assets	0.0	0.0	0.0	0.0	0.0
Receivables	53.3	62.9	64.1	61.9	64.4
Cash and equivalents	19.4	15.4	12.8	22.8	33.8
<b>Balance sheet total</b>	<b>250</b>	<b>281</b>	<b>278</b>	<b>283</b>	<b>294</b>

Source: Inderes

Liabilities & equity	2021	2022	2023e	2024e	2025e
<b>Equity</b>	<b>115</b>	<b>117</b>	<b>121</b>	<b>126</b>	<b>135</b>
Share capital	0.1	0.1	0.1	0.1	0.1
Retained earnings	18.8	23.4	27.4	32.4	41.4
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	0.3	0.3	0.3	0.3	0.3
Other equity	95.5	92.8	92.8	92.8	92.8
Minorities	0.2	0.3	0.3	0.3	0.3
<b>Non-current liabilities</b>	<b>72.6</b>	<b>94.6</b>	<b>91.6</b>	<b>91.6</b>	<b>91.6</b>
Deferred tax liabilities	1.6	1.6	1.6	1.6	1.6
Provisions	0.0	0.0	0.0	0.0	0.0
Interest bearing debt	71.0	93.0	90.0	90.0	90.0
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	0.0	0.0	0.0	0.0	0.0
<b>Current liabilities</b>	<b>62.3</b>	<b>69.2</b>	<b>65.5</b>	<b>65.3</b>	<b>67.4</b>
Interest bearing debt	7.6	7.9	10.4	10.0	10.0
Payables	51.0	59.6	53.4	53.6	55.8
Other current liabilities	3.7	1.6	1.6	1.6	1.6
<b>Balance sheet total</b>	<b>250</b>	<b>281</b>	<b>278</b>	<b>283</b>	<b>294</b>

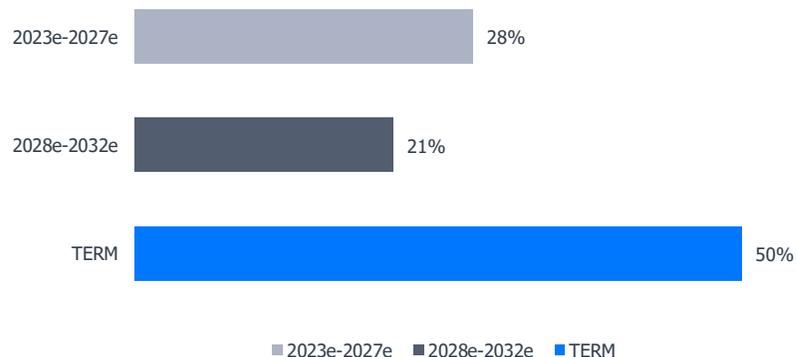
# DCF calculation

DCF model	2022	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	TERM
Revenue growth-%	14.0 %	4.5 %	-3.4 %	4.0 %	3.2 %	3.0 %	4.0 %	2.5 %	2.0 %	1.0 %	1.0 %	1.0 %
EBIT-%	6.4 %	6.4 %	7.5 %	10.1 %	10.6 %	10.5 %	10.0 %	9.0 %	9.0 %	9.0 %	9.0 %	9.0 %
<b>EBIT (operating profit)</b>	<b>13.2</b>	<b>13.7</b>	<b>15.5</b>	<b>21.7</b>	<b>23.4</b>	<b>23.9</b>	<b>23.7</b>	<b>21.9</b>	<b>22.3</b>	<b>22.6</b>	<b>22.9</b>	
+ Depreciation	10.6	11.5	11.0	10.2	9.2	8.6	8.3	8.1	8.0	8.0	8.0	
- Paid taxes	-2.2	-2.0	-2.3	-3.8	-4.1	-4.3	-4.2	-3.9	-4.0	-4.0	-4.1	
- Tax, financial expenses	-0.7	-0.9	-0.8	-0.8	-0.8	-0.8	-0.8	-0.8	-0.8	-0.8	-0.8	
+ 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	-3.0	-7.4	2.4	-0.3	-0.3	-0.3	-0.4	-0.2	-0.2	-0.1	-0.1	
<b>Operating cash flow</b>	<b>17.9</b>	<b>14.8</b>	<b>25.9</b>	<b>27.0</b>	<b>27.3</b>	<b>27.2</b>	<b>26.6</b>	<b>25.1</b>	<b>25.4</b>	<b>25.7</b>	<b>25.9</b>	
+ Change in other long-term liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-36.1	-10.0	-8.0	-8.0	-8.0	-8.0	-8.0	-8.0	-8.0	-8.0	-8.0	
<b>Free operating cash flow</b>	<b>-18.2</b>	<b>4.8</b>	<b>17.9</b>	<b>19.0</b>	<b>19.3</b>	<b>19.2</b>	<b>18.6</b>	<b>17.1</b>	<b>17.4</b>	<b>17.7</b>	<b>17.9</b>	
+/- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	-18.2	4.8	17.9	19.0	19.3	19.2	18.6	17.1	17.4	17.7	17.9	246
<b>Discounted FCFF</b>		<b>4.8</b>	<b>16.3</b>	<b>15.9</b>	<b>15.0</b>	<b>13.8</b>	<b>12.3</b>	<b>10.4</b>	<b>9.8</b>	<b>9.2</b>	<b>8.6</b>	<b>118</b>
Sum of FCFF present value		234	229	213	197	182	168	156	145	136	126	118
<b>Enterprise value DCF</b>		<b>234</b>										
- Interest bearing debt		-101.0										
+ Cash and cash equivalents		15.4										
-Minorities		-0.2										
-Dividend/capital return		-3.6										
<b>Equity value DCF</b>		<b>144</b>										
<b>Equity value DCF per share</b>		<b>4.1</b>										

WACC	
Tax-% (WACC)	20.0 %
Target debt ratio (D/(D+E))	25.0 %
Cost of debt	4.0 %
Equity Beta	1.35
Market risk premium	4.75%
Liquidity premium	1.20%
Risk free interest rate	2.5 %
<b>Cost of equity</b>	<b>10.1 %</b>
<b>Weighted average cost of capital (WACC)</b>	<b>8.4 %</b>

Source: Inderes

## Cash flow distribution



# Summary

Income statement	2020	2021	2022	2023e	2024e	Per share data	2020	2021	2022	2023e	2024e
Revenue	160.1	179.3	204.4	<b>213.6</b>	<b>206.3</b>	EPS (reported)	0.36	0.22	0.22	<b>0.21</b>	<b>0.26</b>
EBITDA	26.3	25.8	23.8	<b>25.2</b>	<b>26.5</b>	EPS (adj.)	0.33	0.29	0.34	<b>0.23</b>	<b>0.26</b>
EBIT	18.3	16.4	13.2	<b>13.7</b>	<b>15.5</b>	OCF / share	0.79	0.50	0.50	<b>0.42</b>	<b>0.73</b>
PTP	15.9	10.3	10.3	<b>9.5</b>	<b>11.6</b>	FCF / share	-0.15	-0.23	-0.51	<b>0.14</b>	<b>0.50</b>
Net Income	12.7	7.8	7.8	<b>7.5</b>	<b>9.3</b>	Book value / share	1.90	3.24	3.29	<b>3.39</b>	<b>3.53</b>
Extraordinary items	1.1	-2.6	-4.3	<b>-0.7</b>	<b>0.0</b>	Dividend / share	0.00	0.10	0.10	<b>0.12</b>	<b>0.14</b>
<b>Balance sheet</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023e</b>	<b>2024e</b>	<b>Growth and profitability</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023e</b>	<b>2024e</b>
Balance sheet total	221.5	249.8	280.7	<b>277.9</b>	<b>282.6</b>	Revenue growth-%	12%	12%	14%	<b>5%</b>	<b>-3%</b>
Equity capital	66.9	114.9	116.9	<b>120.8</b>	<b>125.8</b>	EBITDA growth-%	36%	-2%	-8%	<b>6%</b>	<b>5%</b>
Goodwill	118.1	135.2	157.6	<b>157.6</b>	<b>157.6</b>	EBIT (adj.) growth-%	130%	10%	-8%	<b>-17%</b>	<b>8%</b>
Net debt	86.5	59.3	85.6	<b>87.6</b>	<b>77.2</b>	EPS (adj.) growth-%	144%	-10%	16%	<b>-33%</b>	<b>13%</b>
<b>Cash flow</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023e</b>	<b>2024e</b>	EBITDA-%	16.4 %	14.4 %	11.6 %	<b>11.8 %</b>	<b>12.9 %</b>
EBITDA	26.3	25.8	23.8	<b>25.2</b>	<b>26.5</b>	EBIT (adj.)-%	10.7 %	10.6 %	8.5 %	<b>6.7 %</b>	<b>7.5 %</b>
Change in working capital	2.1	-3.2	-3.0	<b>-7.4</b>	<b>2.4</b>	EBIT-%	11.4 %	9.1 %	6.4 %	<b>6.4 %</b>	<b>7.5 %</b>
Operating cash flow	27.9	17.7	17.9	<b>14.8</b>	<b>25.9</b>	ROE-%	20.4 %	8.6 %	6.8 %	<b>6.3 %</b>	<b>7.5 %</b>
CAPEX	-33.1	-25.8	-36.1	<b>-10.0</b>	<b>-8.0</b>	ROI-%	11.7 %	9.0 %	6.4 %	<b>6.2 %</b>	<b>7.0 %</b>
Free cash flow	-5.1	-8.2	-18.2	<b>4.8</b>	<b>17.9</b>	Equity ratio	30.2 %	46.0 %	41.6 %	<b>43.5 %</b>	<b>44.5 %</b>
						Gearing	129.3 %	51.6 %	73.2 %	<b>72.5 %</b>	<b>61.4 %</b>
<b>Valuation multiples</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023e</b>	<b>2024e</b>						
EV/S	0.6	1.9	1.3	<b>0.9</b>	<b>0.9</b>						
EV/EBITDA (adj.)	3.8	13.3	11.3	<b>7.4</b>	<b>6.8</b>						
EV/EBIT (adj.)	5.9	18.2	15.4	<b>13.2</b>	<b>11.6</b>						
P/E (adj.)	0.0	27.4	15.0	<b>12.5</b>	<b>11.0</b>						
P/B	0.0	2.5	1.6	<b>0.8</b>	<b>0.8</b>						
Dividend-%		1.2 %	1.9 %	<b>4.2 %</b>	<b>4.9 %</b>						

Source: Inderes

# Disclaimer and recommendation history

The information presented in Inderes reports is obtained from several different public sources that Inderes considers to be reliable. Inderes aims to use reliable and comprehensive information, but Inderes does not guarantee the accuracy of the presented information. Any opinions, estimates and forecasts represent the views of the authors. Inderes is not responsible for the content or accuracy of the presented information. Inderes and its employees are also not responsible for the financial outcomes of investment decisions made based on the reports or any direct or indirect damage caused by the use of the information. The information used in producing the reports may change quickly. Inderes makes no commitment to announcing any potential changes to the presented information and opinions.

The reports produced by Inderes are intended for informational use only. The reports should not be construed as offers or advice to buy, sell or subscribe investment products. Customers should also understand that past performance is not a guarantee of future results. When making investment decisions, customers must base their decisions on their own research and their estimates of the factors that influence the value of the investment and take into account their objectives and financial position and use advisors as necessary. Customers are responsible for their investment decisions and their financial outcomes.

Reports produced by Inderes may not be edited, copied or made available to others in their entirety, or in part, without Inderes' written consent. No part of this report, or the report as a whole, shall be transferred or shared in any form to the United States, Canada or Japan or the citizens of the aforementioned countries. The legislation of other countries may also lay down restrictions pertaining to the distribution of the information contained in this report. Any individuals who may be subject to such restrictions must take said restrictions into account.

Inderes issues target prices for the shares it follows. The recommendation methodology used by Inderes is based on the share's 12-month expected total shareholder return (including the share price and dividends) and takes into account Inderes' view of the risk associated with the expected returns. The recommendation policy consists of four tiers: Sell, Reduce, Accumulate and Buy. As a rule, Inderes' investment recommendations and target prices are reviewed at least 2–4 times per year in connection with the companies' interim reports, but the recommendations and target prices may also be changed at other times depending on the market conditions. The issued recommendations and target prices do not guarantee that the share price will develop in line with the estimate. Inderes primarily uses the following valuation methods in determining target prices and recommendations: Cash flow analysis (DCF), valuation multiples, peer group analysis and sum of parts analysis. The valuation methods and target price criteria used are always company-specific and they may vary significantly depending on the company and (or) industry.

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

**Buy** The 12-month risk-adjusted expected shareholder return of the share is very attractive

**Accumulate** The 12-month risk-adjusted expected shareholder return

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

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

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

The analysts who produce Inderes' research and Inderes employees cannot have 1) shareholdings that exceed the threshold of significant financial gain or 2) shareholdings exceeding 1% in any company subject to Inderes' research activities. Inderes Oyj can only own shares in the target companies it follows to the extent shown in the company's model portfolio investing real funds. All of Inderes Oyj's shareholdings are presented in itemised form in the model portfolio. Inderes Oyj does not have other shareholdings in the target companies analysed. The remuneration of the analysts who produce the analysis are not directly or indirectly linked to the issued recommendation or views. Inderes Oyj does not have investment bank operations.

Inderes or its partners whose customer relationships may have a financial impact on Inderes may, in their business operations, seek assignments with various issuers with respect to services provided by Inderes or its partners. Thus, Inderes may be in a direct or indirect contractual relationship with an issuer that is the subject of research activities. Inderes and its partners may provide investor relations services to issuers. The aim of such services is to improve communication between the company and the capital markets. These services include the organisation of investor events, advisory services related to investor relations and the production of investor research reports.

More information about research disclaimers can be found at [www.inderes.fi/research-disclaimer](http://www.inderes.fi/research-disclaimer).

Inderes has made an agreement with the issuer and target of this report, which entails compiling a research report.

## Recommendation history (>12 mo)

Date	Recommendation	Target	Share price
3/29/2021	Reduce	8.60 €	8.50 €
5/20/2021	Accumulate	9.30 €	8.78 €
8/26/2021	Accumulate	9.30 €	8.27 €
11/11/2021	Accumulate	9.30 €	8.33 €
3/3/2022	Accumulate	7.60 €	6.50 €
5/4/2022	Accumulate	7.20 €	6.05 €
5/19/2022	Buy	7.20 €	5.74 €
8/18/2022	Accumulate	6.50 €	5.50 €
10/27/2022	Buy	5.50 €	3.90 €
11/2/2022	Buy	5.50 €	4.15 €
11/29/2022	Accumulate	5.50 €	4.75 €
3/1/2023	Accumulate	5.40 €	4.89 €
5/10/2023	Accumulate	5.10 €	4.40 €
8/17/2023	Buy	5.00 €	4.00 €
9/5/2023	Buy	5.00 €	3.99 €
10/20/2023	Accumulate	4.00 €	3.38 €
11/3/2023	Accumulate	3.30 €	2.88 €



### Connecting investors and companies

Inderes connects investors and listed companies. We help over 400 Nordic listed companies to better serve their shareholders. Our community is home to over 70 000 active investors. Our social objective is to democratize information in the financial markets.

We build solutions for listed companies that enable seamless and effective investor relations. Majority of our revenue comes from services to listed companies, including Commissioned Research, Virtual Events, AGM services, and IR technology and consultation.

Inderes is listed on Nasdaq First North growth market and operates in Finland, Sweden, Norway and Denmark.

### Inderes Oyj

Itämerentori 2  
FI-00180 Helsinki, Finland  
+358 10 219 4690

Award-winning research at [inderes.fi](https://www.inderes.fi)



STARMINE  
ANALYST AWARDS  
FROM REFINITIV



THOMSON REUTERS  
ANALYST AWARDS



Juha Kinnunen  
2012, 2016, 2017, 2018, 2019, 2020



Mikael Rautanen  
2014, 2016, 2017, 2019



Sauli Vilén  
2012, 2016, 2018, 2019, 2020



Antti Viljakainen  
2014, 2015, 2016, 2018, 2019, 2020



Olli Koponen  
2020



Joni Grönqvist  
2019, 2020



Erkki Vesola  
2018, 2020



Petri Gostowski  
2020



Atte Riikola  
2020

**Research belongs to  
everyone.**