

HKFOODS

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INDERES CORPORATE CUSTOMER COMPANY REPORT



Strong cash flow could accelerate hybrid redemption

HKFoods achieved a material and expected improvement in earnings in a challenging operating environment. The faster-than-expected strengthening of the balance sheet in H1 could, we estimate, enable the redemption of the hybrid bond as early as September 2025, which could have a moderately positive impact on the risk and value creation profile of the share. We raise our recommendation to Accumulate (previously Reduce) and our target price to EUR 1.7 (previously EUR 1.5).

Earnings improved in a challenging environment

In Q2, revenue dropped 3.5% year-on-year due to factors such as the timing of high export volumes in the comparison period, strikes, challenges with beef availability, and the impact of the cool summer on demand for barbecue products. However, the company was able to increase its adjusted EBIT to 6.5 MEUR (Q2'24: 4.4 MEUR, our estimate: 7.1 MEUR) through improved operational efficiency and favorable sales mix, both of which were particularly evident in the gross margin (+1.3 pp y/y). Cash flow from operating activities in Q2 was stronger than in the comparison period and our projections, and net working capital is now 14 MEUR lower than a year ago, partly due to beef inventory levels, which the company also expects to remain low in the near future.

Rate of profit growth decreasing

We slightly lowered our revenue forecasts for 2025–27 (by approximately 2%) but increased our EBIT forecasts modestly (by 1–4%) as the company demonstrated further progress in its turnaround during Q2. Our EBIT forecast for H2 is 1 MEUR lower than a year ago due to factors such as rising beef prices and strong results in the comparison period, but we still expect the company to clearly meet its guidance, according to which adjusted EBIT will grow from 2024. We estimate that earnings growth in the coming years will be moderate compared to the strong consecutive earnings growth seen in the last 10 quarters. Although the company will continue its efficiency program for at least another

year, we believe the effects of the most straightforward measures are already largely reflected in the actualized earnings figures.

Stronger balance sheet may provide opportunity for hybrid redemption

In its Q2 report, HKFoods did not comment on its intentions regarding the redemption of the hybrid bond, though the company did state that it is still analyzing the option. The redemption window will open in mid-September. In our view, the company might now have the opportunity to redeem the hybrid bond given the stronger cash flow than we expected in H1. Calculated using Q2 figures, net debt/EBITDA was 2.5x, which would weaken to 2.9x if the hybrid were redeemed. There is a thin cushion to the covenant (3x), however. According to our calculations, the net gearing covenant would remain intact as well. We have also calculated these figures based on the end-of-Q3 situation, which likewise supports the possibility of redeeming the hybrid bond. Redeeming the hybrid would save the company financing costs and could alter shareholders' perception of the company's risk and value creation profile. We have included the hybrid's quick redemption in our forecasts, but there is no guarantee that it will occur.

Valuation rather tight, but there is upside potential

HKFoods' current earnings-based valuation (adj. EV/EBIT 2025e: 10x, P/E: 21x) is not particularly attractive, but as the balance sheet strengthens and financing costs decline, P/E-based multiples will decrease rapidly. With a fair P/E ratio of 10x applied to 2027, the share's expected return would be roughly in line with the required return. We consider our current estimates to be relatively low-risk. In a positive scenario, earnings growth could continue to exceed our forecasts, which would have a significant leverage effect on the share price. Our change in recommendation also partly reflects the expected impact of the hybrid redemption on the market's required return on the share, which could positively affect the share price.

Recommendation

Accumulate
(was Reduce)

Target price:
EUR 1.70
(was EUR 1.50)

Share price:
EUR 1.53

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	33.9	34.9
EBIT-% adj.	2.8 %	3.2 %	3.3 %	3.3 %
Net Income	-5.3	9.8	13.5	16.6
EPS (adj.)	-0.05	0.07	0.15	0.19
P/E (adj.)	neg.	20.7	10.2	8.3
P/B	0.4	0.9	0.8	0.8
Dividend yield-%	11.1 %	3.1 %	3.7 %	4.3 %
EV/EBIT (adj.)	8.7	9.9	9.2	8.6
EV/EBITDA	4.3	5.2	4.9	4.6
EV/S	0.2	0.3	0.3	0.3

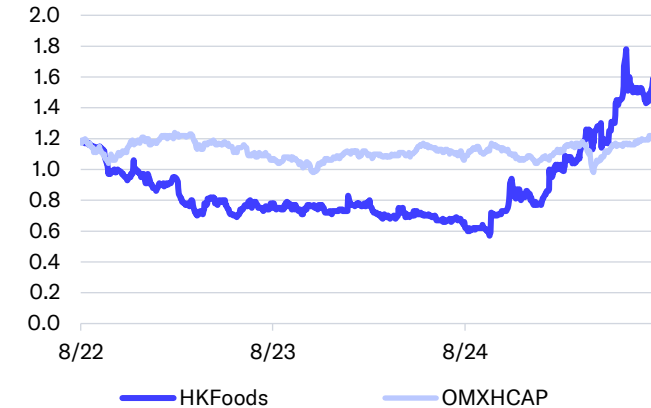
Source: Inderes

Guidance

(Unchanged)

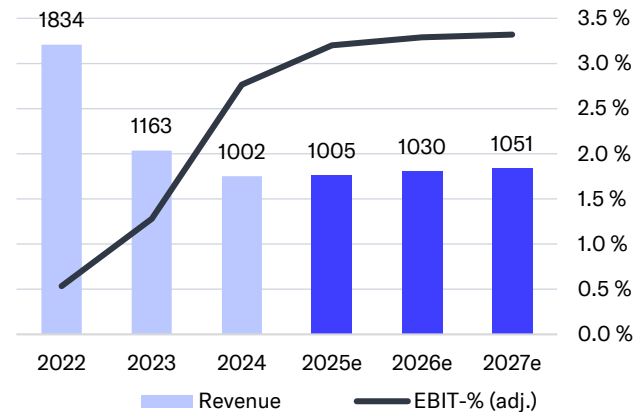
In 2025, HKFoods estimates that the Group's comparable EBIT will grow from 2024 (EUR 27.7 million).

Share price



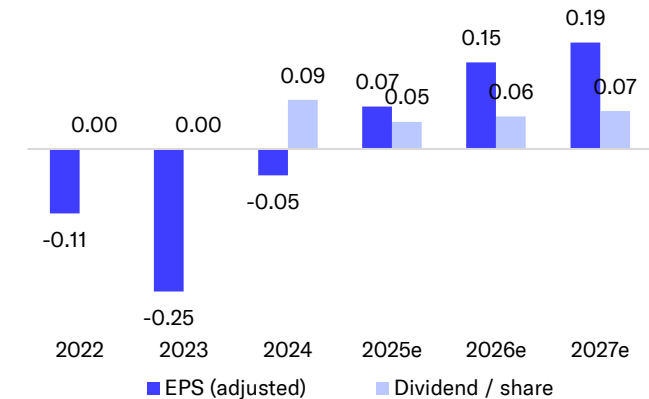
Source: Millistream Market Data AB

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 allows concentration of investments and strengthening of industrial efficiency
- Balance sheet strengthened through divestments

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	1.53	1.53	1.53
Number of shares, millions	89.9	89.9	89.9
Market cap	138	138	138
EV	318	310	301
P/E (adj.)	20.7	10.2	8.3
P/E	21.7	10.2	8.3
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	5.2	4.9	4.6
EV/EBIT (adj.)	9.9	9.2	8.6
Payout ratio (%)	45.0 %	37.8 %	35.8 %
Dividend yield-%	3.1 %	3.7 %	4.3 %

Source: Inderes

Earnings improved in a challenging environment

Operating environment was not conducive to growth

Q2 revenue was 246 MEUR, down 3.5% year-on-year. This decline was driven by the food industry strike at the beginning of the quarter, the shortage of beef, and the impact of the cool early summer on demand for barbecue products. In addition, exports declined relative to the high volumes in the comparison period, which was affected at the time by the postponement of deliveries from Q1'24 to Q2 due to port strikes. Poultry exports to China progressed as planned, and volumes are already substantial. According to the company, consumer demand in the retail channel strengthened slightly from the early part of the year, but food service remained at the same level as in the comparison period, and sales at service stations suffered due to cold weather.

For comparison, Atria Finland's revenue declined by 2% in Q2, but we estimate that the port strikes in H1'24 had a slightly greater impact on HKFoods than on Atria.

EBIT improved but was slightly below our forecast

Adjusted EBIT for Q2 improved significantly to 6.5 MEUR (Q2'24: 4.4 MEUR), positively impacted by increased operational efficiency, supported by investments and a better sales mix (fewer exports). Conversely, challenges in beef availability, higher prices, and labor disputes in the food industry weakened profitability. The gross margin improved significantly to 8.0%, continuing the trend seen in previous quarters (Q2'24: 6.7%). The company recorded costs affecting comparability of 0.3 MEUR related to the termination of employment, resulting in a reported EBIT of 6.2 MEUR.

Net financial expenses amounted to 3.7 MEUR and were slightly lower than our forecasts, which, together with lower taxes than we estimated, supported the net result. Earnings per share of EUR 0.01 were in line with our expectations.

Cash flow stronger than we expected

Cash flow from business operations (including discontinued operations) was 21.2 MEUR, a significant improvement year-on-year (Q2'24: 13.1 MEUR). Net working capital is now 14 MEUR lower than a year ago, supporting the company's cash position and the key figures used in debt covenants (net debt/EBITDA: 2.5x). We interpreted that the company does not anticipate a reversal of the positive working capital trend in the near future, as frozen beef inventories are likely to remain low. In our analyses of the hybrid bond, we have, of course, sought to take into account the typical seasonal increase in inventory levels in Q3, e.g., due to stockpiling Christmas hams.

Estimates MEUR / EUR	Q2'24 Comparison	Q2'25 Actualized	Q2'25e Inderes	Difference (%) Act. vs. inderes	2025e Inderes
Revenue	255	246	258	-5%	1005
EBITDA	11.4	13.3	15.0	-11%	61.4
EBIT (adj.)	4.4	6.5	7.1	-8%	32.2
EBIT	3.1	6.2	7.1	-12%	31.9
EPS (adj.)	-0.02	0.01	0.01	38%	0.07
Revenue growth-%	-13.2 %	-3.5 %	1.4 %	-4.9 pp	0.3 %
EBIT-% (adj.)	1.7 %	2.6 %	2.7 %	-0.1 pp	3.2 %

Lähde: Inderes

We expect more moderate earnings growth going forward

We slightly increased our earnings forecasts and expedited redemption of the hybrid bond

- We slightly lowered our revenue estimates for 2025-27 (by around 2%) due to lower-than-expected revenue in Q2.
- Our EBIT forecasts rose slightly (1–4%), as the company demonstrated further progress in its turnaround during Q2.
- Our EBIT forecast for H2 is 1 MEUR lower than a year ago due to factors such as rising beef prices and strong results in the comparison period, but we still expect the company to clearly meet its guidance, according to which adjusted EBIT will grow from 2024.
- We estimate that earnings growth in the coming years will be moderate compared to the strong consecutive earnings growth seen in the last 10 quarters. Although the company will continue its efficiency program for at least another year, we believe the effects of the most straightforward measures are already largely reflected in the actualized earnings figures. We forecast EBIT growth of only 5% and 3% for 2026-27. There could be room for improvement in the profitability margin relative to competitors' levels, but on the other hand, HKFoods' ROI is already quite close to that of its competitors, which we believe limits the potential for capital-light earnings growth.
- We adjusted our balance sheet estimates to reflect our assumption that the hybrid bond will be redeemed in September 2025. This will positively impact earnings per share, especially in our 2025-26 forecasts.

Estimate revisions	2025e	2025e	Change	2026e	2026e	Change	2027e	2027e	Change
MEUR / EUR	Old	New	%	Old	New	%	Old	New	%
Revenue	1022	1005	-2%	1048	1030	-2%	1074	1051	-2%
EBITDA	63.7	61.4	-4%	65.8	64.0	-3%	66.8	65.5	-2%
EBIT (exc. NRIs)	31.7	32.2	1%	33.1	33.9	2%	33.4	34.9	4%
EBIT	31.7	31.9	1%	33.1	33.9	2%	33.4	34.9	4%
PTP	17.8	18.0	1%	21.5	22.3	4%	23.7	25.2	6%
EPS (excl. NRIs)	0.06	0.07	32%	0.11	0.15	40%	0.17	0.19	11%
DPS	0.05	0.05	0%	0.06	0.06	0%	0.07	0.07	0%

Source: Inderes

HKFoods Oyj, Q2'25



Valuation: The story continues

On the way to becoming a defensive dividend company

HKFoods has recently taken significant steps to become a defensive, dividend-paying company in the medium term. The decline in red meat consumption will be slow and the consumption of poultry and further processed foods will increase, but in the long term, the market does not offer significant growth. Moderate growth can still be achieved, e.g., by investing in certain growth segments, like poultry and ready meals. 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.

Increasing evidence of a profitability turnaround

HKFoods' earnings have continued to improve clearly for 10 quarters. Although the company's historical earnings level has been weak, we find it likely that the recent improvement in earnings is mostly permanent. The company's strategic focus is now more tightly on one market area, and the company's financial resources to invest in efficient operations have also improved significantly compared to the past.

Although we forecast a fairly stable EBIT margin, we also see the potential for continued profitability improvement closer to the level of competitors. The adj. EBIT margin is now 3.2% (2025e), which is lower compared to e.g. Atria Suomi and Snellman (both EBIT 2024: 4.7%). If HKFoods succeeded in raising its profitability to the level of its competitors, the share price would have upside potential of up to approximately 80% from the current level, assuming a fair valuation level of EV/EBIT 9x. We consider the scenario unlikely, and it reflects the significant impact of leverage on

the fair value of the stock in different scenarios. It should also be noted that HKFoods' ROI has already closed the gap relative to its competitors'. Therefore, we believe that achieving an EBIT margin comparable to that of its competitors would require the company to make significant, capital-intensive investments, limiting the potential return on the share relative to the above scenario.

Improving balance sheet efficiency could bolster the market's perception of the company's enhanced quality

We find HK Foods' EV/EBIT (2025e: 10x) with this year's estimates to be close to the fair value and P/E is very high due to financial expenses (2025e: 21x). However, we believe that the moderate earnings growth we forecast for the coming years is sufficient to generate a reasonable annual return of around 9%, which can be considered average (assuming a fair P/E ratio of 10x for 2027). Our current Accumulate recommendation is based on the possibility of higher-than-expected earnings growth and the impending redemption of the hybrid bond, which we consider likely, though not certain.

Our DCF model indicates a valuation of EUR 1.74 for the share, supporting the view that the stock has upside. While the model requires the turnaround to prove sustainable, our long-term profitability assumption is slightly lower than the current level (terminal EBIT-%: 2.7%).

Valuation	2025e	2026e	2027e
Share price	1.53	1.53	1.53
Number of shares, millions	89.9	89.9	89.9
Market cap	138	138	138
EV	318	310	301
P/E (adj.)	20.7	10.2	8.3
P/E	21.7	10.2	8.3
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	5.2	4.9	4.6
EV/EBIT (adj.)	9.9	9.2	8.6
Payout ratio (%)	45.0 %	37.8 %	35.8 %
Dividend yield-%	3.1 %	3.7 %	4.3 %

Source: Inderes

Factors supporting the valuation of HKFoods:

- Positive development in profitability
- Gradual strengthening of the balance sheet
- Potential to become a stable dividend company

Factors negatively affecting HKFoods' valuation:

- The industry's moderate returns on capital and growth profile
- Historical profitability challenges
- Highish indebtedness and financial expenses

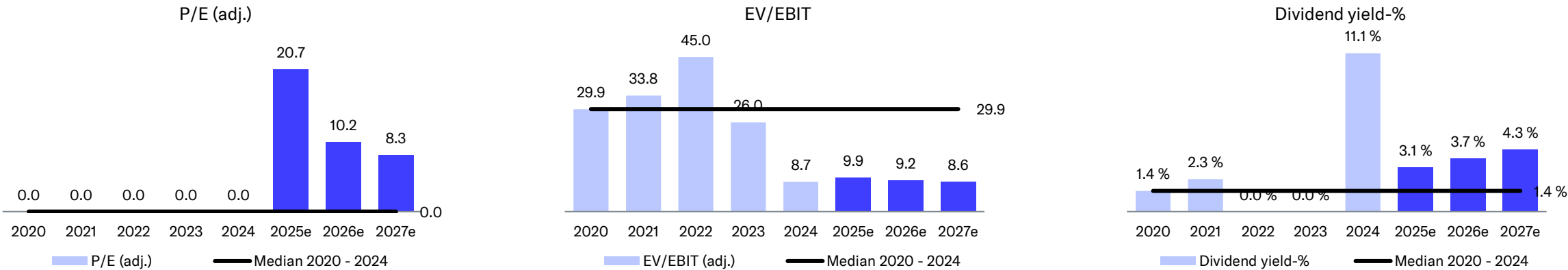
Detailed estimates

MEUR	2018	2019	2020	2021	2022	2023	2024	2025e	2026e	2027e
Revenue	1715	1744	1781	1815	1834	1163	1002	1005	1030	1051
-growth	-5.1%	1.7%	2.1%	1.9%	1.0%	-36.6%	-13.9%	0.3%	2.5%	2.0%
HKScan Finland	722	771	772	772	868	933	1002	1005	1030	1051
-growth	-2.7%	6.7%	0.2%	0.0%	12.4%	7.5%	7.4%	0.3%	2.5%	2.0%
-of which organic growth					12.4%	6.5%	3.2%	-0.4%	2.5%	2.0%
-of which growth related to the change in Polish reporting						0.9%	4.2%	0.7%	0.0%	0.0%
Gross profit	55	74	117	110	97	79	77	84	87	91
-% of revenue	3.2%	4.2%	6.6%	6.1%	5.3%	6.8%	7.7%	8.3%	8.5%	8.6%
Fixed costs (excl. depreciation)	-37	-17	-39	-32	-42	-26	-21	-22	-23	-25
EBITDA	18	57	78	78	56	53	56	61	64	65
-% of revenue	1.0%	3.3%	4.4%	4.3%	3.0%	4.5%	5.6%	6.1%	6.2%	6.2%
Depreciation and amortization	-67	-80	-57	-60	-46	-35	-34	-30	-30	-31
EBIT	-49	-23	21	18	10	17	22	32	34	35
-% of revenue	-2.9%	-1.3%	1.2%	1.0%	0.6%	1.5%	2.2%	3.2%	3.3%	3.3%
Adjusted EBIT	-48	-2	17	15	10	15	28	32	34	35
-% of revenue	-2.8%	-0.1%	1.0%	0.8%	0.5%	1.3%	2.8%	3.2%	3.3%	3.3%
HKScan Finland	-37	-2	6	9	4	21	38			
-% of revenue	-5.1%	-0.2%	0.8%	1.1%	0.4%	2.2%	3.8%			
Group administration	-14	-12	-13	-12	-12	-9	-10			
Net financial expenses	-10	-12	-11	-15	-16	-28	-20	-15	-13	-12
Profit before tax	-59	-35	12	7	-1	-9	4	18	22	25
Taxes	7	-3	-8	-8	-4	-7	-6	-5	-6	-6
Profit for the period (continuing operations)	-51	-38	5	-1	-5	-16	-2	13	17	19
Minority interest	-2	-2	-4	-3	-4	-4	-3	-4	-4	-4
Interest on hybrid bond	-1	-2	-2	-2	-2	-2	-4	-3	0	0
Shareholders' share of net profit	-54	-42	-1	-7	-11	-22	-9	7	13	16
Total dividends paid for the year	0	0	3	4	0	0	8	4	5	6
Net debt	289	276	300	315	347	278	150	170	164	155
Net debt/EBITDA			3.8x	4.0x	6.2x	5.0x	2.7x	2.7x	2.5x	2.3x

Valuation table

Valuation	2020	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Share price	1.96	1.66	0.87	0.89	0.77	1.53	1.53	1.53	1.53
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	138	138	138	138
EV	508	490	441	387	240	318	310	301	286
P/E (adj.)	neg.	neg.	neg.	neg.	neg.	20.7	10.2	8.3	6.9
P/E	neg.	neg.	neg.	neg.	neg.	21.7	10.2	8.3	6.9
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	5.2	4.9	4.6	4.3
EV/EBIT (adj.)	29.9	33.8	45.0	26.0	8.7	9.9	9.2	8.6	8.0
Payout ratio (%)	249.7 %	neg.	0.0 %	0.0 %	neg.	45.0 %	37.8 %	35.8 %	34.3 %
Dividend yield-%	1.4 %	2.3 %	0.0 %	0.0 %	11.1 %	3.1 %	3.7 %	4.3 %	5.0 %

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 Company	Market cap MEUR	EV MEUR	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%		P/B
			2025e	2026e	2025e	2026e	2025e	2026e	2025e	2026e	2025e	2026e	2025e
Atria	373	638	9.7	9.1	5.0	4.8	0.4	0.4	9.3	8.4	5.4	5.8	0.9
Apetit	90	93	11.7	10.4	5.8	5.8	0.6	0.5	13.1	11.3	4.9	5.3	0.8
Raisio	396	314	10.9	10.4	8.2	7.7	1.4	1.3	16.3	15.8	5.4	5.7	1.5
Hilton Foods	873	1273	10.3	10.0	6.7	6.5	0.3	0.3	13.5	12.7	4.2	4.5	2.2
Scandi Standard	569	773	15.4	12.6	8.7	7.8	0.6	0.6	19.1	15.1	3.1	3.8	2.4
Cranswick	3304	3503	15.2	13.6	10.7	9.7	1.1	1.0	20.0	18.5	1.8	2.0	2.8
Societe LDC	3234	2964	9.0	8.3	5.6	5.1	0.5	0.4	12.8	11.7	1.7	1.7	1.4
Bell Foods	1717	2635	14.8	14.9	6.9	6.6	0.5	0.5	12.2	12.3	2.8	2.8	1.0
Orior	87	281	25.7	19.8	7.1	6.5	0.4	0.4	19.7	11.8			2.4
Prima Meat Packers	705	861			7.0	6.7	0.3	0.3	18.6	16.5	3.4	3.4	1.0
NH Foods	3050	4012			8.9	7.8	0.5	0.5	20.1	17.0	2.7	2.9	1.0
HKFoods (Inderes)	138	318	9.9	9.2	5.2	4.9	0.3	0.3	20.7	10.2	3.1	3.7	0.9
Average			13.6	12.1	7.3	6.8	0.6	0.6	15.9	13.7	3.5	3.8	1.6
Median			11.7	10.4	7.0	6.6	0.5	0.5	16.3	12.7	3.2	3.6	1.4
Diff-% to median			-15%	-12%	-26%	-26%	-37%	-38%	27%	-20%	-4%	5%	-37%

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	56.0	52.8	8.9	11.4	19.2	16.8	56.3	12.1	13.3	18.5	17.5	61.4	64.0	65.5	67.0
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)	9.8	14.9	1.4	4.4	11.6	10.3	27.7	4.6	6.5	11.0	10.1	32.2	33.9	34.9	35.6
EBIT	10.2	17.5	1.2	3.1	11.6	6.5	22.4	4.6	6.2	11.0	10.1	31.9	33.9	34.9	35.6
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	1.8	1.8
Net financial items	-16.3	-27.7	-4.9	-4.9	-5.0	-4.7	-19.5	-3.9	-3.7	-3.8	-3.8	-15.3	-13.0	-11.5	-8.5
PTP	-0.7	-8.9	-3.7	-1.4	7.0	2.2	4.1	1.2	2.7	7.5	6.6	18.0	22.3	25.2	28.9
Taxes	-4.0	-6.6	-0.1	-0.2	-0.6	-5.1	-6.0	-0.3	-0.7	-2.0	-1.7	-4.7	-5.2	-4.9	-5.4
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	-3.6
Net earnings	-8.4	-19.5	-3.9	-2.2	5.5	-4.8	-5.3	0.3	1.0	4.5	3.7	9.5	13.5	16.6	19.9
EPS (rep.)	-0.09	-0.20	-0.04	-0.02	0.06	-0.05	-0.06	0.00	0.01	0.05	0.04	0.11	0.15	0.19	0.22

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-%		52.0 %	-275.0 %	-14.8 %	51.2 %	266.1 %	86.0 %	230.7 %	46.7 %	-5.7 %	-1.9 %	16.0 %	5.4 %	2.9 %	2.0 %
EBITDA-%	3.1 %	4.5 %	3.9 %	4.5 %	7.6 %	6.3 %	5.6 %	5.2 %	5.4 %	7.2 %	6.5 %	6.1 %	6.2 %	6.2 %	6.3 %
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 %	3.3 %	3.3 %	3.3 %
Net earnings-%	-0.5 %	-1.7 %	-1.7 %	-0.8 %	2.2 %	-1.8 %	-0.5 %	0.1 %	0.4 %	1.7 %	1.4 %	0.9 %	1.3 %	1.6 %	1.9 %

Source: Inderes

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	348	349
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	-1.1	-4.6
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	508	513

Source: Inderes

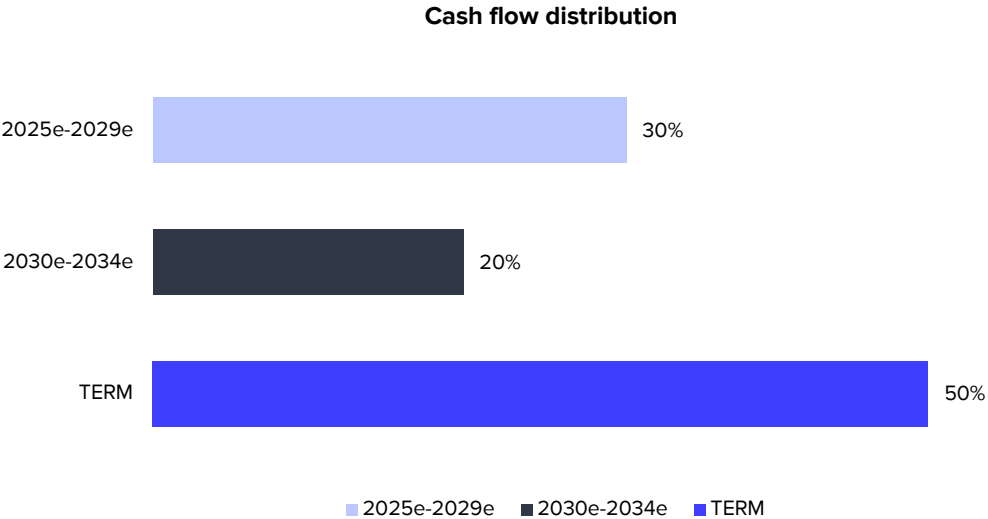
Liabilities & equity	2023	2024	2025e	2026e	2027e
Equity	238	215	185	194	205
Share capital	0.0	0.0	0.0	0.0	0.0
Retained earnings	0.0	-30.4	-35.3	-26.0	-14.5
Hybrid bonds	25.9	25.9	0.0	0.0	0.0
Revaluation reserve	0.0	0.0	0.0	0.0	0.0
Other equity	185	193	193	193	193
Minorities	26.9	26.9	26.9	26.9	26.9
Non-current liabilities	434	178	177	171	164
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	171	166	159
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	140	142	144
Interest bearing debt	17.9	14.0	19.0	18.4	17.6
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	508	513

DCF-calculation

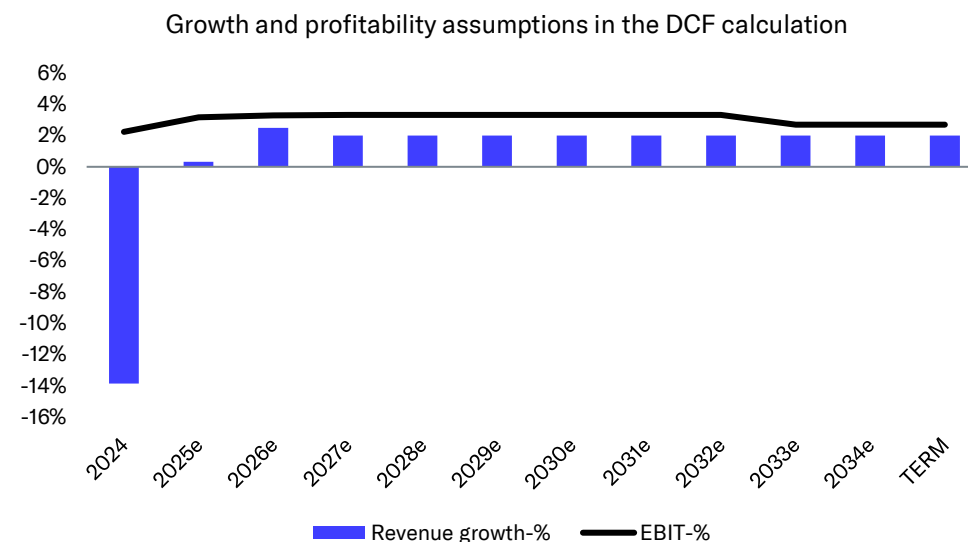
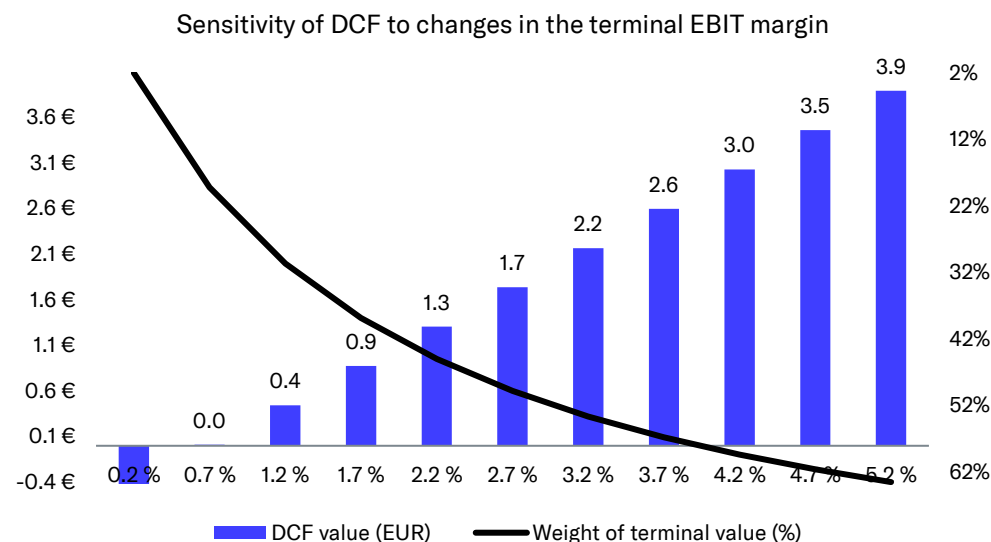
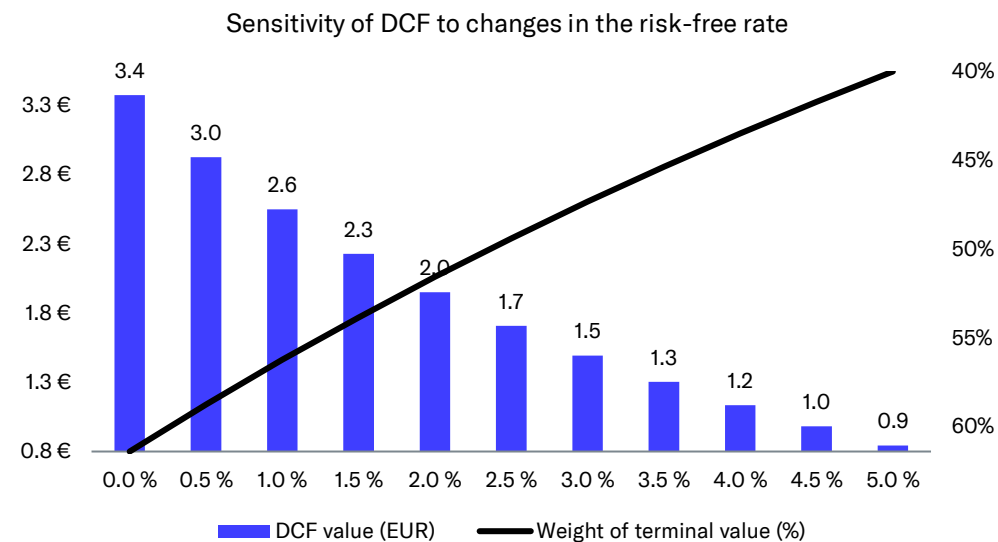
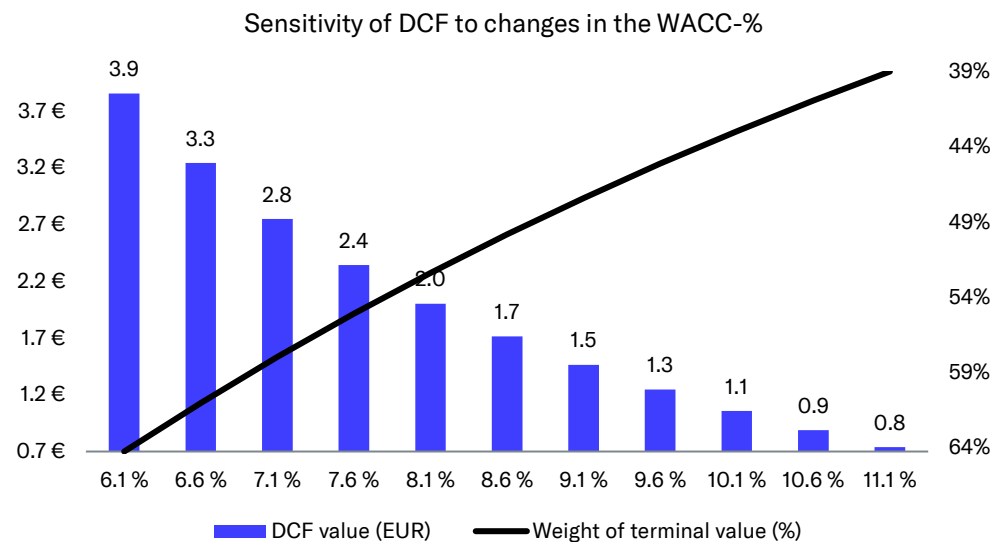
DCF model	2024	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	2034e	TERM
Revenue growth-%	-13.9 %	0.3 %	2.5 %	2.0 %	2.0 %	2.0 %	2.0 %	2.0 %	2.0 %	2.0 %	2.0 %	2.0 %
EBIT-%	2.2 %	3.2 %	3.3 %	3.3 %	3.3 %	3.3 %	3.3 %	3.3 %	3.3 %	2.7 %	2.7 %	2.7 %
EBIT (operating profit)	22.4	31.9	33.9	34.9	35.6	36.3	37.0	37.8	38.5	32.0	32.6	
+ 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	-5.2	-4.9	-5.4	-5.7	-5.9	-6.4	-6.7	-5.5	-5.7	
- Tax, financial expenses	-3.9	-4.3	-3.3	-2.4	-1.7	-1.6	-1.5	-1.1	-1.0	-0.9	-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	-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	57.9	54.2	56.8	59.0	60.2	61.4	63.2	64.4	59.7	60.5	
+ 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	-31.7	-32.3	-31.7	-35.5	-35.9	-36.3	-36.7	-37.1	-35.9	
Free operating cash flow	161	33.2	22.4	24.6	27.4	24.7	25.5	26.9	27.7	22.6	24.6	
+/- Other	-26.9	-3.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	134	29.3	22.4	24.6	27.4	24.7	25.5	26.9	27.7	22.6	24.6	378
Discounted FCFF		28.4	20.0	20.1	20.7	17.2	16.3	15.8	15.0	11.3	11.3	174
Sum of FCFF present value		350	322	302	281	261	244	227	212	197	185	174
Enterprise value DCF		350										
- Interest bearing debt		-212.3										
+ Cash and cash equivalents		36.7										
-Minorities		-23.5										
-Dividend/capital return		-7.7										
Equity value DCF		156.3										
Equity value DCF per share		1.74										

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	Per share data	2022	2023	2024	2025e	2026e
Revenue	1833.8	1163.2	1001.8	1005.1	1030.2	EPS (reported)	-0.11	-0.22	-0.11	0.07	0.15
EBITDA	56.0	52.8	56.3	61.4	64.0	EPS (adj.)	-0.11	-0.25	-0.05	0.07	0.15
EBIT	10.2	17.5	22.4	31.9	33.9	OCF / share	0.41	0.74	0.46	0.64	0.60
PTP	-0.7	-8.9	4.1	18.0	22.3	OFCF / share	-0.45	1.01	1.49	0.33	0.25
Net Income	-69.5	-26.4	-26.2	5.9	13.5	Book value / share	2.68	2.17	2.10	1.75	1.86
Extraordinary items	0.4	2.6	-5.3	-0.3	0.0	Dividend / share	0.00	0.00	0.09	0.05	0.06
Balance sheet	2022	2023	2024	2025e	2026e	Growth and profitability	2022	2023	2024	2025e	2026e
Balance sheet total	976.0	851.7	527.6	501.0	507.5	Revenue growth-%	1%	-37%	-14%	0%	2%
Equity capital	285.5	238.0	215.4	184.6	193.8	EBITDA growth-%	-28%	-6%	7%	9%	4%
Goodwill	46.8	27.8	27.8	27.8	27.8	EBIT (adj.) growth-%	-32%	52%	86%	16%	5%
Net debt	347.3	278.2	149.7	170.1	163.8	EPS (adj.) growth-%	10%	122%	-81%	-260%	104%
Cash flow	2022	2023	2024	2025e	2026e	EBITDA-%	3.1 %	4.5 %	5.6 %	6.1 %	6.2 %
EBITDA	56.0	52.8	56.3	61.4	64.0	EBIT (adj.)-%	0.5 %	1.3 %	2.8 %	3.2 %	3.3 %
Change in working capital	-13.5	25.1	-8.5	5.6	-1.4	EBIT-%	0.6 %	1.5 %	2.2 %	3.2 %	3.3 %
Operating cash flow	39.7	72.5	41.8	57.9	54.2	ROE-%	-3.0 %	-8.3 %	-2.7 %	5.5 %	8.3 %
CAPEX	-41.1	-29.9	259.2	-24.7	-31.7	ROI-%	2.4 %	3.2 %	5.0 %	8.6 %	9.4 %
Free cash flow	-43.3	98.3	134.2	29.3	22.4	Equity ratio	29.3 %	27.9 %	40.8 %	36.8 %	38.2 %
Valuation multiples	2022	2023	2024	2025e	2026e	Gearing	121.6 %	116.9 %	69.5 %	92.2 %	84.5 %
EV/S	0.2	0.3	0.2	0.3	0.3						
EV/EBITDA	7.9	7.3	4.3	5.2	4.9						
EV/EBIT (adj.)	45.0	26.0	8.7	9.9	9.2						
P/E (adj.)	neg.	neg.	neg.	20.7	10.2						
P/B	0.4	0.5	0.4	0.9	0.8						
Dividend-%	0.0 %	0.0 %	11.1 %	3.1 %	3.7 %						

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. 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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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 €



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