KH GROUP

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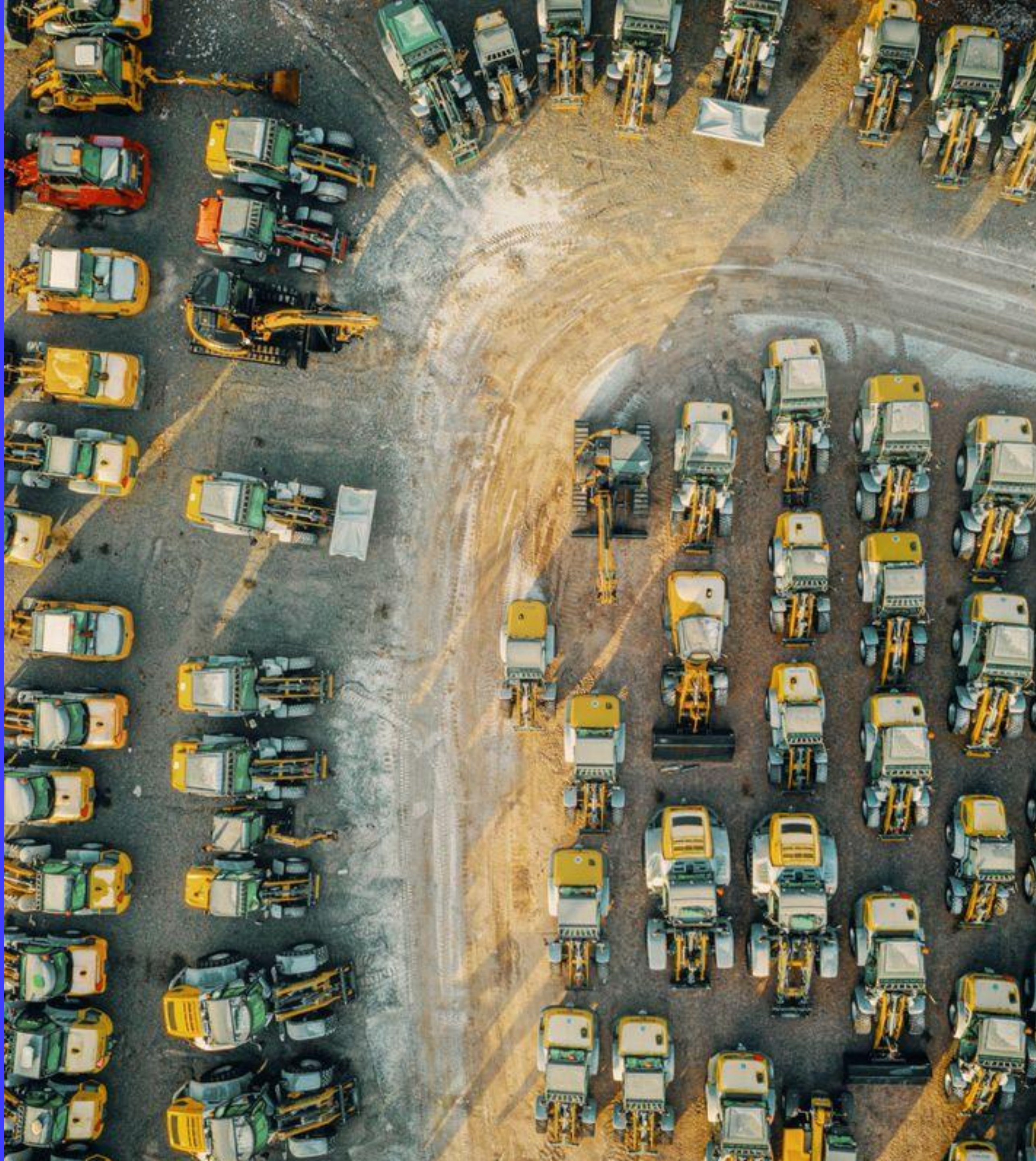
INDERES CORPORATE CUSTOMER

EXTENSIVE REPORT



Go time ahead

With the Indoor Group divestment, KH Group's structural transformation journey is complete and its strategy now focuses on KH-Koneet and NRG. We have increased our estimates based on the preliminary Q4 data provided by KH Group. The group's strong finish to the year reinforces the view that its earnings slump is behind it. However, the current valuation level prices in future earnings improvements a little too strongly. We raise our target price to EUR 0.60 (was EUR 0.45) and reiterate our Reduce recommendation.

Entity was formed through Sievi Capital's transformation toward industrial group

KH Group was formed when the old Sievi Capital transformed from an investment company to an industrial group built around its subsidiary, KH-Koneet. After divesting Logistikas, HTJ, and Indoor Group in recent years, Sievi Capital's holdings now include only KH-Koneet, which focuses on machine sales and rentals, and Nordic Rescue Group (NRG), which provides rescue vehicles. KH Group has since integrated NRG into its strategy, completing its structural transformation journey. Due to changes in business logic and new management, the old Sievi Capital's track record is not relevant to the KH Group, which, together with the management changes implemented last year, makes it difficult to assess the KH Group from a capital allocation perspective.

Machine sales and rescue vehicles

KH-Koneet has a strong track record of profitable growth in Finland, and the company has rapidly grown to become one of Sweden's largest machine dealerships. A weak operating environment has weighed on KH-Koneet's profitability in recent years. Despite this, the profitability development of the Swedish business has left something to be desired thus far. It is critical for the international growth story that the company can improve the relative profitability of its business abroad so that growing in size would create value.

With the support of its owners, NRG has made an impressive turnaround from a cash crisis in recent years, and the company's business is highly profitable in the current environment of strong demand. The company's order book is solid for the current year, and the order book for 2027 is filling up nicely. However, based on current performance, we are cautious about the company's ability to maintain its current, exceptionally high level of profitability.

In recent years, KH Group has strengthened its balance sheet through the divestment of subsidiaries, but no capital has been left over for dividend distribution. In fall 2025, the company separated from the subsequently bankrupt Indoor Group by repaying its loans for 2.0 MEUR. According to the company, the divestment will improve financing availability for ongoing operations. However, it did not directly address concerns about the group's ability to allocate capital efficiently. The recent positive profit warning sent an encouraging signal about the subsidiaries' earnings potential, which is particularly welcome for KH-Koneet given the CEO change that will happen during H1.

Discouraging valuation despite positive growth outlook

With our 2025 estimates, KH Group's EV/EBIT multiple is at a very high 18x level while, with our estimates for this year that incorporate a significant earnings improvement, the multiple is still high at 13x. However, due to KH Group's low relative profitability and significant financial leverage, earnings-based valuation is sensitive to even small forecast changes. Our DCF model, which indicates longer-term potential, implies a value of EUR 0.63 per share for the group, although the model relies on a sustainable improvement in profitability.

Recommendation
Reduce
(was Reduce)

Target price:
EUR 0.60
(was EUR 0.45)

Share price:
EUR 0.55

Business risk

Valuation risk

	2024	2025e	2026e	2027e
Revenue	194	205	217	238
growth-%	-52%	6%	6%	10%
EBIT adj.	7.2	6.4	7.8	10.1
EBIT-% adj.	3.7 %	3.1 %	3.6 %	4.2 %
PTP	1.6	-2.0	3.1	5.5
Net Income	6.7	-2.1	2.1	4.1
EPS (adj.)	-0.40	0.04	0.04	0.07
Dividend	0.00	0.00	0.00	0.00

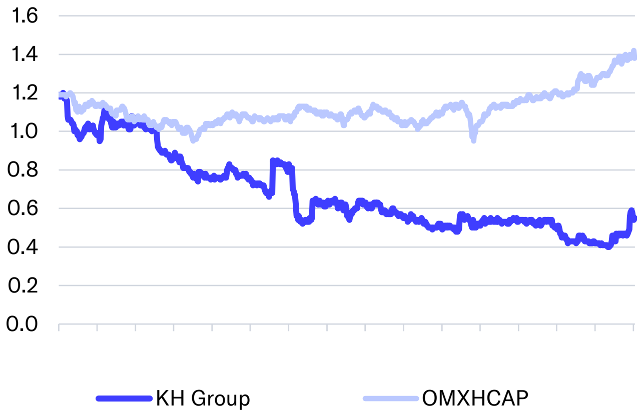
P/E (adj.)	neg.	15.5	15.4	7.7
P/B	0.6	0.7	0.6	0.6
Dividend yield-%	0.0 %	0.0 %	0.0 %	0.0 %
EV/EBIT (adj.)	14.2	17.9	12.7	9.8
EV/EBITDA	5.0	6.8	4.4	4.0
EV/S	0.5	0.6	0.5	0.4

Source: Inderes

Guidance (Upgraded)

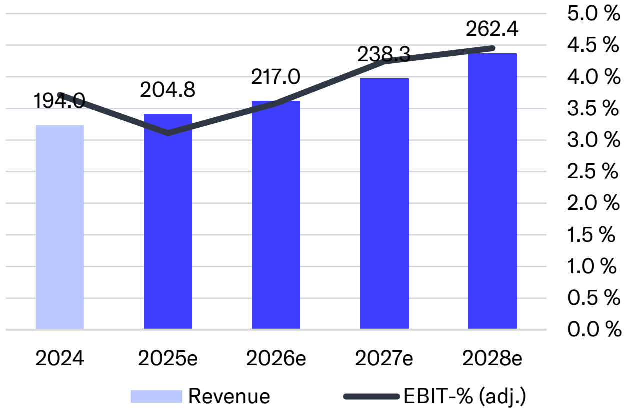
Based on preliminary information, KH Group estimates that in 2025, the revenue from continuing operations will be 205 MEUR and the comparable EBIT will be 6.4 MEUR.

Share price



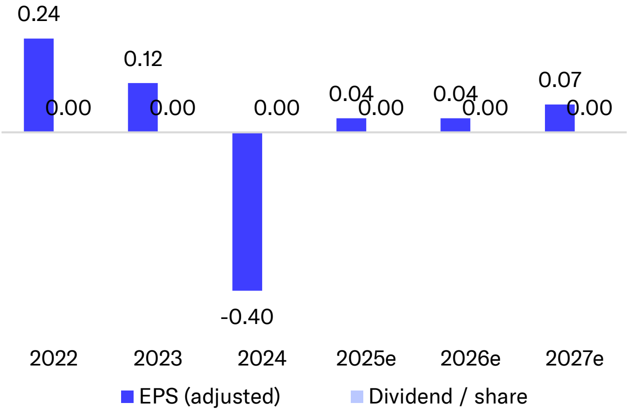
Source: Millistream Market Data AB

Revenue and EBIT-% (adj.)



Source: Inderes

EPS and dividend



Source: Inderes

Value drivers

- Systematic development of holdings
- M&A transactions
- Renewal of subsidiaries' financing base and simplification of structures
- Developing the brand portfolio

Risk factors

- Deteriorating economic situation
- The risk related to KH-Koneet's development due to the change in management
- KH Maskin's profitability challenges dragging on
- Loss of investment opportunities due to tight balance sheet position

Valuation	2025e	2026e	2027e
Share price	0.55	0.55	0.55
Number of shares, millions	58.1	58.1	58.1
Market cap	32	32	32
EV	114	99	99
P/E (adj.)	15.5	15.4	7.7
P/E	neg.	15.4	7.7
P/B	0.7	0.6	0.6
P/S	0.2	0.1	0.1
EV/Sales	0.6	0.5	0.4
EV/EBITDA	6.8	4.4	4.0
EV/EBIT (adj.)	17.8	12.7	9.8
Payout ratio (%)	0.0 %	0.0 %	0.0 %
Dividend yield-%	0.0 %	0.0 %	0.0 %

Source: Inderes

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KH Group in brief

KH Group is a conglomerate formed from the former Sievi Capital. The company's operations are focused on KH-Koneet and Nordic Rescue Group.

2011

Spin-off of Scanfil and IPO

2023

Name change and transition to a conglomerate

205 MEUR

Revenue from continuing operations 2025e

6.4 MEUR

Adj. EBIT from continuing operations 2025e

100% / 68.1%

The group's ownership in KH-Koneet and NRG

-2020

Sievi Capital buys KH-Koneet and Indoor Group (2017)

Päivi Marttila is appointed CEO of Sievi Capital

Finelcomp divestment (2018)

iLOQ divestment (2019)

Logistikas acquisition and Suvanto Trucks divestment (2020)

2021-2023

HTJ acquisition (2021)

Jussi Majamaa is appointed CEO of Sievi Capital

Planned merger with Boreo falls through (2021)

Decision to divest other holdings and build the company around KH-Koneet

Logistikas divestment (2023)

Lauri Veijalainen is appointed CEO of Sievi Capital

2024-

HTJ divestment (2024)

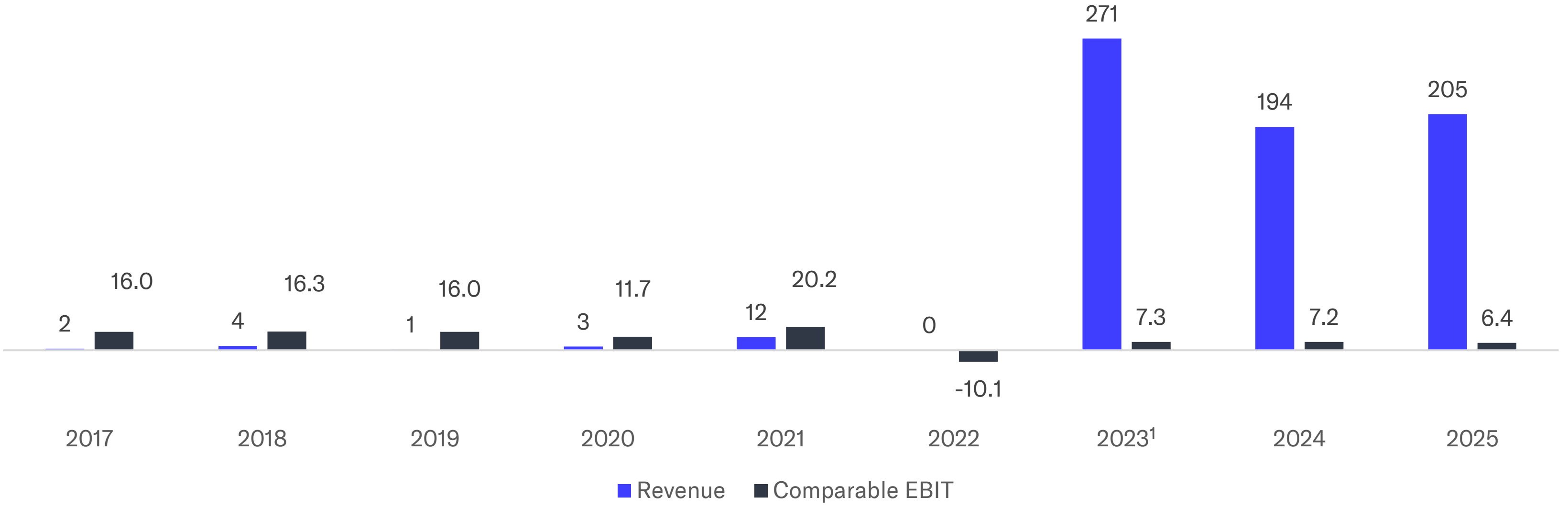
Ville Nikulainen is appointed CEO of KH Group

Indoor Group is written down and reported as an asset held for sale (2024)

Carl Haglund is appointed CEO of KH Group

NRG as part of the strategy (2025)

Indoor Group divestment (2025)



NB: Revenue reflects the investment company's interest income and dividend yield. In addition, changes in the fair value of holdings impacted the result. 1) The first half of the year used the reporting method of an investment company, which is not comparable to that of a conglomerate. The 2024 figures do not include Indoor Group

Company description and strategy

KH Group is formed from the former Sievi Capital

KH Group consists of the holdings of the former investment company Sievi Capital. For this reason, the company's structure has been complex in recent years and currently includes two independently operating companies: KH-Koneet, which focuses on machine trade, and Nordic Rescue Group, which manufactures rescue vehicles. Due to changed business logic and changed management, Sievi Capital's track record as an investment company is irrelevant when assessing KH Group.

The group reports its figures in accordance with IFRS accounting, while KH-Koneet's and NRG's own financial statements follow FAS accounting. As a result, our analysis includes both IFRS and FAS figures, which may confuse the reader.

Focus initially on KH-Koneet

Following the unsuccessful Boreo merger in 2021, Sievi Capital began strategic planning, resulting in a strategic shift for the company from an investment firm to a conglomerate centered on KH-Koneet. At that time, in addition to its current subsidiaries, the group also had a majority ownership in Logistikas, a logistics service company; Rakennuttajatoimisto HTJ, a construction company; and Indoor Group, which focuses on furniture retail.

The most important holding in terms of KH Group's investment story is KH-Koneet, around which the new conglomerate was built. In the fall of 2025, however, KH Group announced that it would incorporate NRG into its strategy, changing the direction of the previously announced transformation to some extent.

Group has no separate financial targets

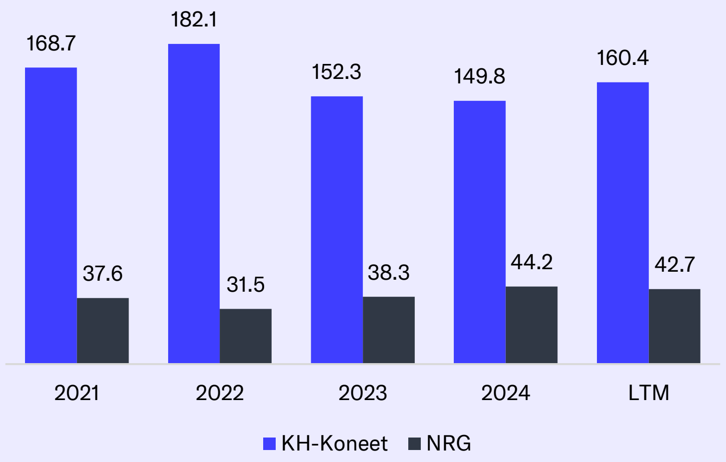
Although the group does not have separately defined group-level financial targets, KH Group intends to strengthen its balance sheet and reduce its indebtedness through operational cash flow and exits from subsidiaries during its strategic transformation. Strengthening the balance sheet depends on cash flow from operating activities, as the divestment of Indoor Group depleted the group's cash reserves and the company is no longer pursuing the sale of NRG.

During the current strategy period, KH Group intends to invest in growth and pay dividends in connection with significant exits within the limits allowed by the balance sheet structure and financing agreements. Due to the group's weak balance sheet position, our forecasts do not anticipate dividend distributions in the coming years.

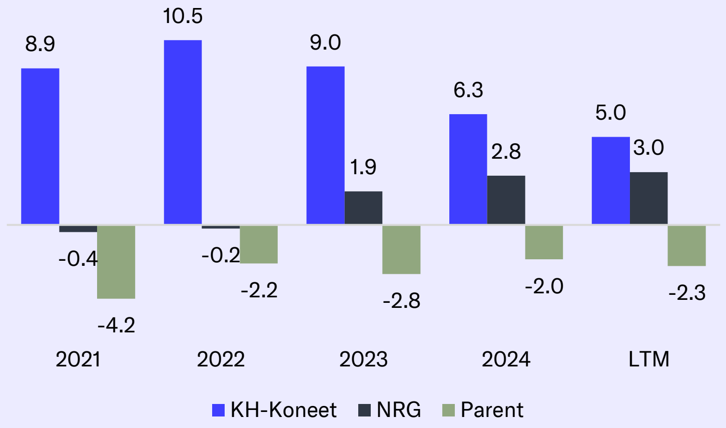
KH-Koneet is meant to grow significantly

KH-Koneet aims to build a solid foundation for growth in 2024-2025 and targets stronger growth in 2026-2028. The company intends to expand its target market by broadening its product range and extending its geographic reach. We believe the company can expand its product range especially in recycling machines. Geographically, we expect the company to pursue growth in both Finland and Sweden. The company has communicated its vision as a Nordic engineering company, so when new openings come, we consider Norway the most likely one. However, we do not expect the company to expand into new countries until the profitability of its Swedish operations improves from its current level.

Pro forma revenue by business area (MEUR)



Pro forma operating result by business area (MEUR)



1) In 2021, the parent company's expenses included 1.7 MEUR in expenses related to the unsuccessful Sievi Capital – Boreo merger. Q1'21 and Q3'21 costs extrapolated linearly.

Ownership structure is concentrated in two hands

Two major owners

The largest owner of KH Group is Preato Capital, with a 23.2% stake. Preato became the largest owner of the former Sievi Capital in spring 2021, having acquired the shares of the previous main owner, Jussi Capital, which is owned by the Takanen family. In addition to KH Group, Preato Capital is also a significant owner of Nasdaq Helsinki-listed Boreo (70% ownership as of January 1, 2026), the unlisted Consivo Group (95% ownership), and Frameworks Eyewear (47% ownership).

Preato Capital is an investment company under the control of Simon Hallqvist and focuses on small and medium-sized enterprises. After becoming the main owner of Sievi Capital, Hallqvist was appointed to the company's board of directors. In September 2021, Sievi Capital and Boreo announced that they had signed a merger agreement, whereby Boreo's owners would hold a 60% stake in the combined entity, and Sievi Capital's owners would hold a 40% stake. Another significant KH Group owner, Mikko Laakkonen (total ownership 17.8% on February 1, 2026), opposed the merger and publicly encouraged other owners to oppose it as well, citing the poor exchange ratio of the shares. The proposed merger fell through, and Hallqvist stepped down from Sievi Capital's board in spring 2022. However, he remains chairman of the KH Group's nomination committee. In our view, the presence of two major shareholders reduces the likelihood of a takeover bid for KH Group because it would require the support of both Hallqvist and Laakkonen. Although Jussi Capital divested its stake in Sievi Capital, Johanna and Juha Takanen remain among the largest KH Group owners with a combined 3.8% stake.

Management and board have variable holdings

Carl Haglund, the CEO of KH Group, joined the KH Group board of directors in May 2025 before becoming the group's CEO in September 2025. Unlike previous KH Group CEOs, Haglund has acquired 47,000 shares in the company, which we consider a positive signal. Haglund has described his current position as a temporary project, leading us to believe that he is unlikely to acquire a significant shareholding in the company. Tommi Rötkin, the CFO of KH Group, previously served as investment director at Sievi Capital and has therefore been with the group since 2020. Rötkin owns 240,000 shares of the company, which we believe serves to align the interests of management and shareholders.

KH Group's board of directors has five members: Juha Karttunen, Christoffer Landtman, Taru Narvanmaa, Jari Rautlavi, and Jon Unnérus. The board is composed entirely of Finnish citizens. Nearly half of KH Group's subsidiary revenue is generated in Sweden. With this in mind, we would welcome the addition of a Swedish member to the board. However, we would like to point out that Landtman has served as the Swedish managing director of Konecranes, so market knowledge is already represented on the board. Juha Karttunen, the chair of KH Group's board, owns 270,000 shares after recently purchasing 200,000 shares. We welcome the significant shareholdings and share purchases by the chair of the board. Among the board members, Taru Narvanmaa owns 10,000 shares. Conversely, board members Christoffer Landtman, Jari Rautjärvi, and Jon Unnérus do not own any KH Group shares. In general, we would welcome it if the board members of KH Group increased their ownership stake in the company more extensively.

KH Group's 10 largest shareholders[1]

Shareholder	Shares	Holding
Preato Capital	13,490,000	23.2%
Mikko Laakkonen	7,421,559	12.8%
ML Stable Oy[1]	2,897,268	5.0%
Johanna Takanen	1,406,000	2.4%
Juha Takanen	812,034	1.4%
Amlax Oy	688,929	1.2%
Zeroman Oy	525,000	0.9%
Yamada Machiko	523,271	0.9%
Hallqvist Ltd[2]	510,000	0.9%
Teppo Kuusisto	408,204	0.7%

Shareholding of KH Group's management and board of directors[1]

Shareholder	Shares	Holding	Position
Carl Haglund	47,000	0.1%	CEO
Tommi Rötkin	240,000	0.4%	CFO
Juha Karttunen	270,000	0.5%	Chair of the Board
Christoffer Landtman	0	0.0%	Member of the Board
Jari Rautjärvi	0	0.0%	Member of the Board
Taru Narvanmaa	10,000	0.0%	Member of the Board
Jon Unnérus	0	0.0%	Member of the Board

NB: Hallqvist AB and ML Stable are under the control of Simon Hallqvist and Mikko Lakkonen. 1) Based on KH Group's ownership list as of February 1, 2026, and press releases.

KH-Koneet Group 1/8

Company description

KH-Koneet Group is an importer, retailer, and rental company of construction and earthmoving machinery, as well as recycling equipment. The group also offers aftermarket services related to its equipment.
KH Group owns 100% of KH-Koneet.

History

Sievi Capital invested in KH-Koneet Group in 2017. The growth of the group consisting of separate companies has been strong during the investment period. Now the company seeks profitable growth, especially in Sweden, where it is still relatively smaller than in its domestic market.

Business model

KH-Koneet has a comprehensive network and service offering in Finland and Sweden. There are very few intermediate stages in the supply chain. In the company's business model, the sellers are essential and the cost structure is flexible with its success.

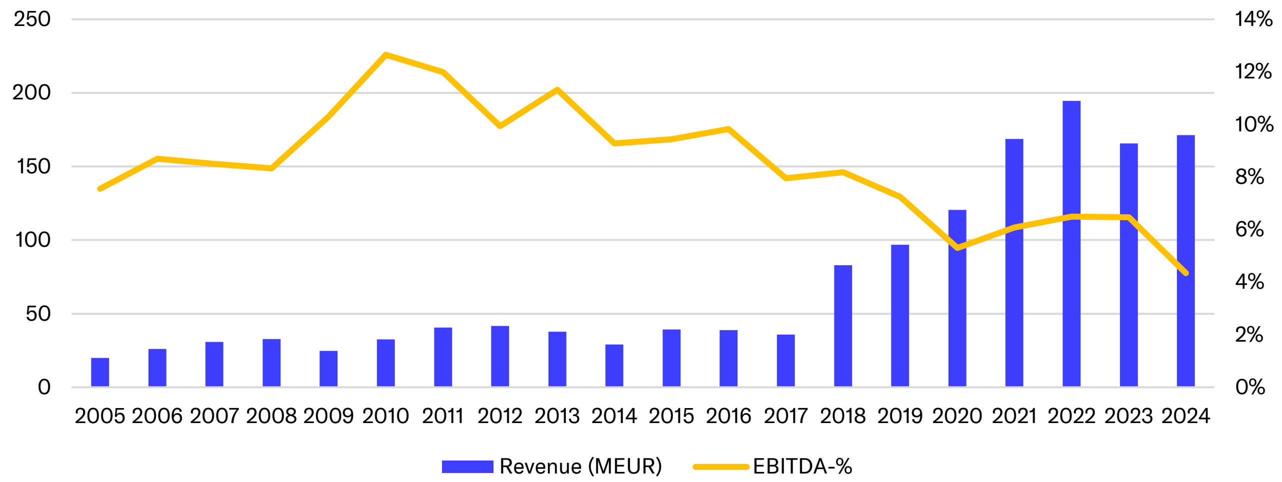
Strengths

The company has been able to build strong relationships and good bargaining power to both manufacturers and customers. The agile and self-directed organization, as well as long customer relationships and extensive machine maintenance stock are also strengths.

Value creation potential

Risk profile

Growth has been strong, but it has depressed profitability1



Value drivers

- Organic growth through expansion of the distribution network and brand representation
- Increasing rental activities
- Strengthening the relative profitability of Swedish operations
- Inorganic growth potential
- Simplifying the group structure and more closely integrating subsidiaries

Risk factors

- Permanent dilution of high relative profitability due to Swedish operations
- Weakening of pricing power with the agent model
- Vertical integration of manufacturers
- Delivery problems to Europe of Japan-based principals
- As the group grows, maintaining a self-directed culture can create challenges

1) FAS figures

KH-Koneet Group 2/8

History and Sievi Capital's investment in company

KH-Koneet Group was formed in August 2017, when Sievi Capital acquired a 70% stake in KH-Koneet, KH-Engineering, and Edeco Tools, merging them into a single entity. The debt-free purchase price for the acquisition was 29 MEUR, with an additional possible purchase price of 5 MEUR. The entrepreneurs acting as the sellers then continued as minority owners and in operational management. As part of Sievi Capital's strategy, key personnel at the acquired companies were given ownership of the companies they managed as an incentive. In 2021, Sievi Capital increased its ownership of KH-Koneet from 66.4% to 90.5%, investing 8.5 MEUR. KH Group subsequently redeemed the minority shareholders' stake in KH-Koneet, increasing its ownership from 90.7% to 95.1% in 2024, and finally reaching 100% in 2025.

Strong track record of growth has been halted by weak economic conditions and lack of financing

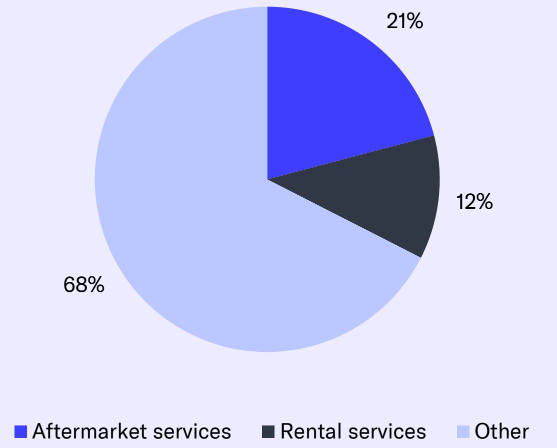
KH-Koneet Group has grown very rapidly since the group's formation. In Finland, the company's revenue has grown from 38.9 MEUR in 2016 to 177 MEUR in 2024, representing an annual growth rate of 21%. At the same time, the company has risen from being a newcomer in Sweden to becoming the fourth-largest player, with revenue of approximately 73 MEUR. Although revenue has declined since its peak in 2022, we estimate that KH-Koneet has gained market share in both Finland and Sweden. The weak construction cycle has weighed on the entire industry, but we believe that the company's performance outperformed the target market. According to KH Group, the weak financial position of its former subsidiary, Indoor Group, also reduced financing availability for KH-Koneet and NRG. For KH-Koneet, this limited the company's ability to invest in growth.

The relative profitability of KH-Koneet is supported by its high aftermarket service revenue share (21% in 2024), which is highly profitable and has a stable demand profile. Aftermarket services such as maintenance and spare parts sales are a critical part of KH-Koneet's business model, but operating them profitably necessitates a sufficient volume of serviceable equipment available to customers. We consider expansion to a new country with an acquisition justified, considering the nature of the business, as with an acquisition, the aftermarket business does not have to be ramped up from zero. Due to the stable nature of the aftermarket business, we expect its relative share of revenue to decrease as the more cyclical machine trade recovers. Despite significant growth investments, machine rental accounted for only 11.6% of KH-Koneet's revenue last year, in which we still see clear room for growth.

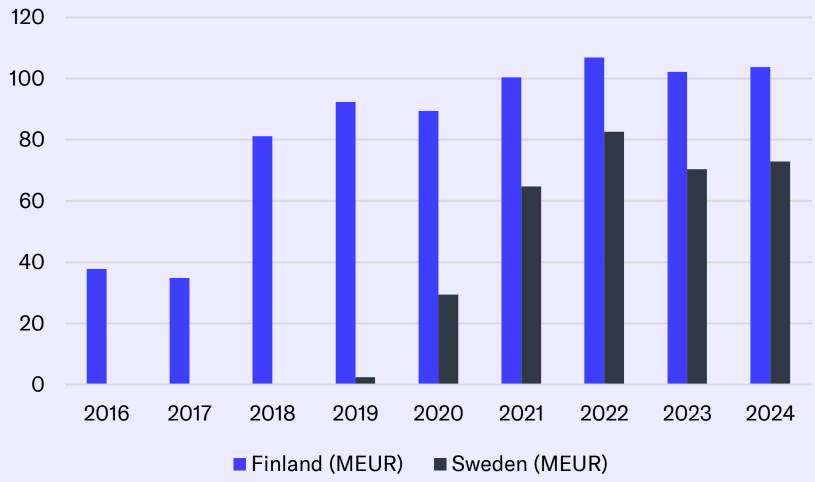
Business has been expanded both organically and inorganically

KH-Koneet acquired the Kobelco agency from Kesko shortly after the group formed. Today, the brands that the company represents in Finland include Kobelco, Kramer, Wacker Neuson, Yanmar, Dynapac, Ljungby Maskin, Brock, and Pronar. In addition, the company also sells used machinery and equipment. The Finnish subsidiary Crent Oy was established in 2018, marking the company's entry into the machine rental business. KH-Koneet's product portfolio in Finland expanded in 2024 when the company began importing Pronar recycling equipment. At the end of 2019, KH-Koneet expanded to Sweden by acquiring Beck Maskin (now KH-Maskin).

Revenue distribution of KH-Koneet (IFRS, 2024)



Revenue distribution of KH-Koneet by market area[1]



1) FAS, 2016-2022 figures not fully comparable due to reporting change

KH-Koneet Group 3/8

In June 2020, the machine renter S-Rental was also acquired in Sweden. During 2020, the Swedish portfolio strengthened significantly when, in addition to the previous Kobelco agency, KH-Mask started importing and distributing Kramer and Wacker Neuson. Sweden's offerings have quickly become almost equal to Finland, and the only significant agency that is still missing in Yanmar. In April 2022, KH-Koneet strengthened its position in the Swedish machine rental markets by acquiring Törnells Maskinuthyrning. Törnells was already familiar to the group, as the company is the former main owner of S-Rental, acquired in 2020. Although KH-Koneet has carried out several acquisitions, the growth has been mostly organic, and the share of acquired revenue is approximately 50 MEUR according to the company. The acquisition targets of KH-Koneet are typically underperforming considering their potential, and as a result, we believe the compensations paid have been moderate. When evaluating potential acquisition targets, we understand that brand representation, portfolio, and locations are key factors in determining the attractiveness of the target.

Acquisition-driven growth is reflected in structures

The impact of acquisitions is also evident in the structure of the KH Group. Today, KH Group's business consists of four fairly separate business areas: Machine dealership in Finland, machine rental in Finland, machine dealership in Sweden, and machine rental in Sweden. As far as we know, machines circulate to some extent between sales and rentals, as well as across countries. However, from a broader perspective, KH-Koneet's business operations are fairly independent of each other. We understand that KH Group's management sees opportunities for deeper cooperation and integration within KH-Koneet's businesses, as well as for simplifying legal structures. For example, in Finland, machine sales are conducted not only by KH-Koneet but also by Edeco Tools and KH Tekninen Kauppa. In our view, this division may be partly due to principal relationships, but in its new premises, KH-Koneet aims to distribute a wider range of products from different manufacturers.

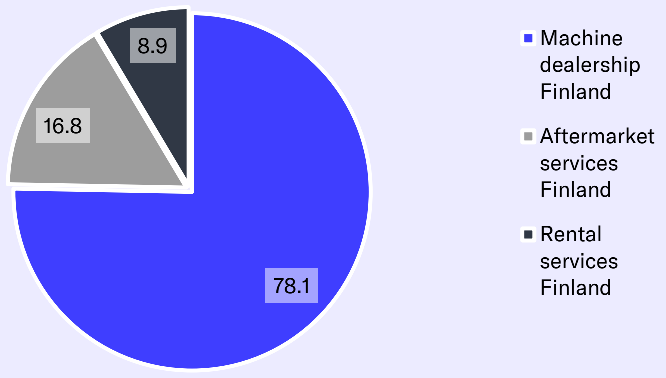
Principal relationships are critical to business operations

KH-Koneet has good relations with its global principals, whose support enables strong growth in machine trade. In Sweden, a key driver of strong organic growth has been the company's ability to expand/improve the brand portfolio of the acquisition target. Due to the importance of these relationships to the business, expanding into brand representation that competes with existing brands is problematic. Consequently, if KH-Koneet were to expand into new brand representations, we consider it likely that they would expand the company's product offering into new categories.

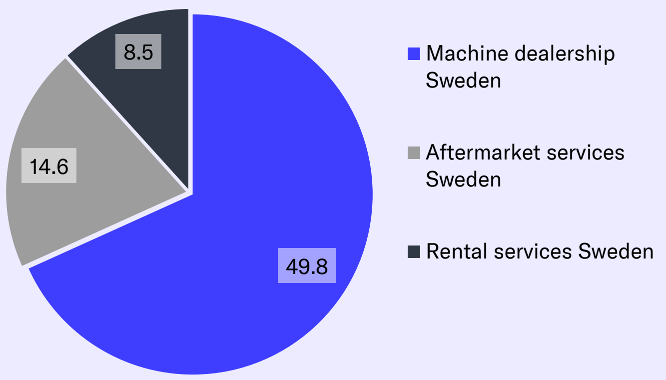
Finnish business excels in aftermarket services

In Finland, KH-Koneet's business focuses more strongly on aftermarket services and machine sales, whereas in Sweden, machine rental plays a more significant role. At the group level, we expect the weight of machine rental to increase, which will put upward pressure on KH-Koneet's relative profitability. This is because margins are generally higher in machine rental than in machine sales. From a return-on-capital perspective, we also expect the growing rental business to have a positive impact, albeit smaller than relative profitability because machine rental is more capital-intensive than machine sales.

Sales structure of KH-Koneet in Finland (2024, MEUR)



Sales structure of KH-Koneet in Sweden (2024, MEUR)[1]



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Swedish business weighs on profitability

With revenue of 73 MEUR in 2024, KH-Koneet's Swedish operations have grown to nearly the same size as its Finnish operations, which generated revenue of 104 MEUR. The relative profitability of KH-Koneet has been on a downward trend for quite some time. In our view, the ramp-up of operations in Sweden plays a key role in this and the business does not benefit from the same economies of scale, brand recognition, or long-standing customer relationships as the Finnish business. From a margin perspective, the customer mix of the Swedish operations is also more challenging than that of the Finnish operations. Due to the aforementioned factors and the lower market share of KH-Koneet's principals, we consider the profitability potential of the Swedish business to be weaker than that of the Finnish business.

Examining the figures, it appears quite likely that KH-Koneet's challenge in Sweden is the poor profitability of the machine trade because its subsidiary, S-Rental, which focuses on machine rental, has achieved an EBITA margin of 7-8% in recent years. We believe that internal items distort the comparison between companies and therefore the profitability of the Swedish subsidiaries cannot be meaningfully compared based on financial statement data.

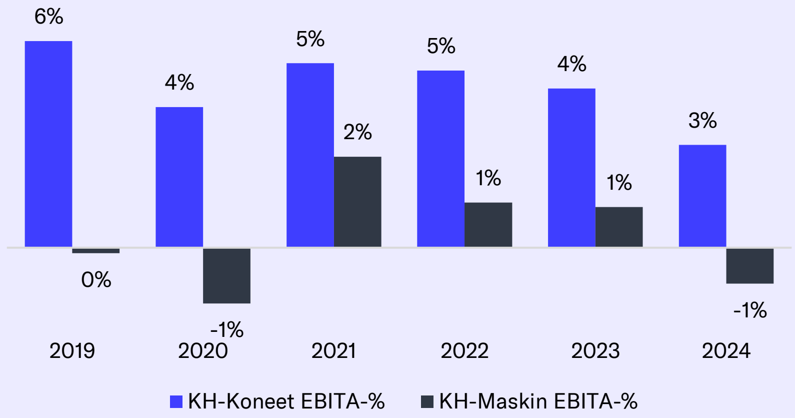
Customers are typically small, which supports pricing power

KH-Koneet’s customer base is very fragmented, and over 70% of the company’s revenue comes from a large number of very small customers (> 10 MEUR revenue). We believe KH-Koneet stands out from the larger players in the small customer segment by providing better service to customers as an agile player. When purchasing machinery, we understand that customers are offered a reasonable degree of customization, which supports the sale of value-added services. We estimate that serving small customers supports the pricing power of KH-Koneet, although sales require more hands (compared to serving large buyers). In Finland, KH-Koneet’s own reseller network is nationwide, but in Sweden, the operations focus strongly on the Stockholm-Gothenburg area. We understand that machine trade servicing is more flexible in terms of location than truck servicing, for example, which limits the need for a dense network of service points.

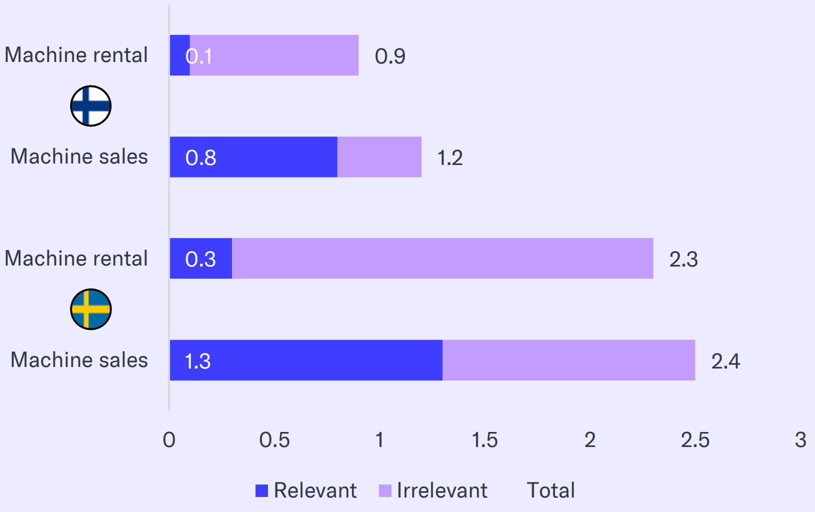
Market leader in machine trade in Finland, a top contender in Sweden

According to the company’s estimate, KH-Koneet is Finland’s largest player in machine trade measured by volume, with a market size the company estimates to be approximately 1.2 BEUR. Of this, the company estimates the market relevant to KH-Koneet is 0.8 BEUR, as the company is not active in all product categories (primarily large wheeled excavators and large wheel loaders). Measured by volume, the company is the largest player in Finland in wheel loaders and miniature excavators. In addition, according to management estimates, it is among the top three players in crawler excavators and is one of the leading players in leasing earthmoving machinery. We have summarized the company’s market share per unit by category on the following page. KH-Koneet's sales concentrate on smaller machines, so as a result of lower unit costs the company's market share measured in euros is lower than the market share per unit.

Sweden's profitability weighs on the figures of KH-Koneet[1]

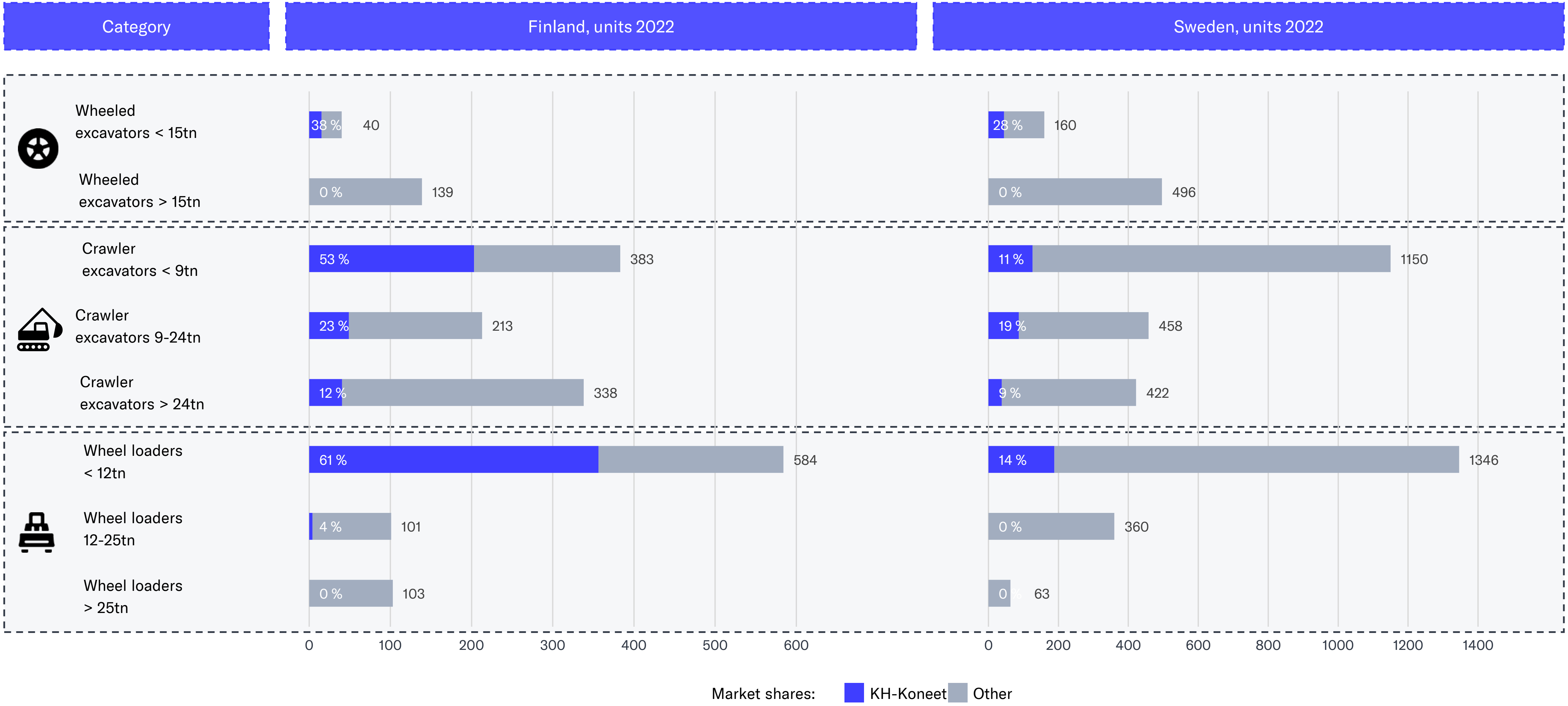


Machine sales and rental market, BEUR[2]



1) KH-Koneet's figures include KH-Maskin's figures. 2) 2023. Relevant sales market: earthmoving machine market product groups in which KH-Koneet is present.

KH-Koneet Group 5/8



Source: KH Group CMD 2023

KH-Koneet Group 6/8

In Finland, KH-Koneet has locations in six different cities: Turku, Klaukkala, Jyväskylä, Tampere, Vantaa, and Seinäjoki. In addition, the own distribution network is complemented by resellers in Finland.

In a short time, KH-Koneet has become one of the 3-4 largest machine traders in Sweden. KH Group estimates that it is the market leader in vibrating plates. The Swedish machine trade and rental market is 2–2.5 times larger than Finland's in euro terms. However, the relevant market share for KH Group is smaller than in Finland because the market is more focused on wheeled excavators, and the range offered by KH-Koneet is more limited in this area. In Sweden, the network has expanded rapidly and currently the company has its own offices in Stockholm (2 units), Enköping, Gothenburg, Luleå, and Jönköping. The reseller network is constantly expanded in Sweden, but sales are strongly focused between Gothenburg and Stockholm (~75% of revenue).

The target market has cyclical and stabler pockets

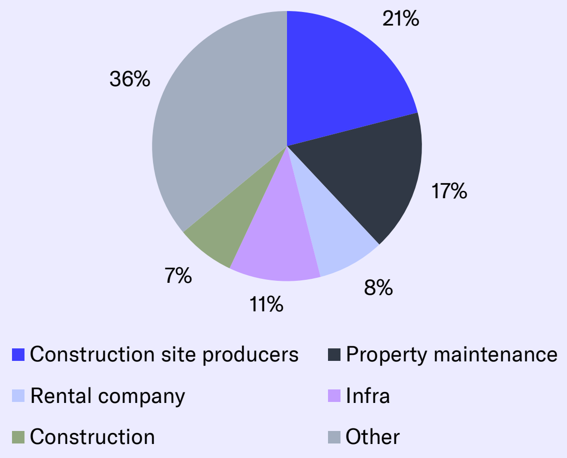
KH-Koneet's demand follows the development of cyclical new construction and stabler markets for infrastructure, renovation, and property maintenance. Construction site producers are KH-Koneet's largest customers both in Finland and Sweden. Property maintenance with a stable demand profile is a key customer group in both of KH-Koneet's operating countries, as is machine rental companies. Between 2021 and 2024, machine trade categories relevant to KH-Koneet decreased by 28% in Finland and 18% in Sweden. In early 2025, categories relevant to KH-Koneet turned to cautious growth, and Finland ended the year with 9% growth, buoyed by a strong finish to the year. The demand for machine trade and especially machine rental is post-cyclical, which means that the effects of economic cycles are reflected in KH-Koneet's demand with a delay. Machine investments are typically substantial for entrepreneurs and financed with loan money, which means that prevailing interest rates and financing conditions affect machine trade. A weak economic outlook easily leads to a situation where customers delay significant machine investments and try to manage with their existing equipment or rely on leasing equipment.

A key trend in the industry in developed economies is customers shifting from owning machines to increasingly renting them. KH-Koneet's business covers both machine sales and leasing, so the development has no significant impact on the company. Machine leasing, and especially the maintenance business, are stabler than machine sales, thereby evening out KH-Koneet's demand and profitability. We believe the capital return potential is higher in machine leasing than in machine sales, but realizing the potential requires the ability to maintain a high utilization rate of the equipment.

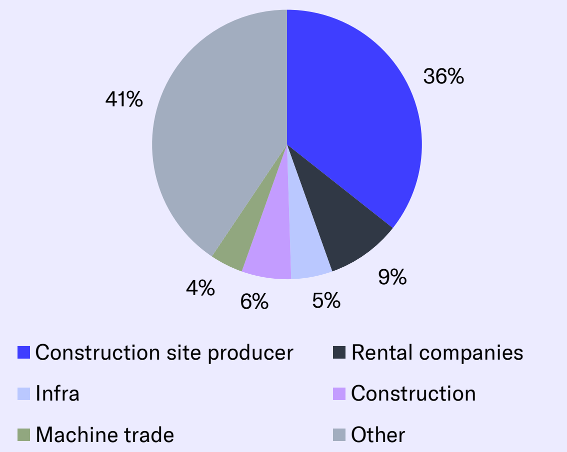
Relationships with machine manufacturers and aftermarket activities serve as barriers to entry into the industry

In our view, there are two essential barriers of entry in the machine trade: 1) the necessary relationships with machine manufacturers and 2) the customer relationships and equipment base required for profitable aftermarket operations. The distribution of new machines requires principal relationships, which we believe are challenging to create for new entrants.

Industry division of customers, Finland[1]



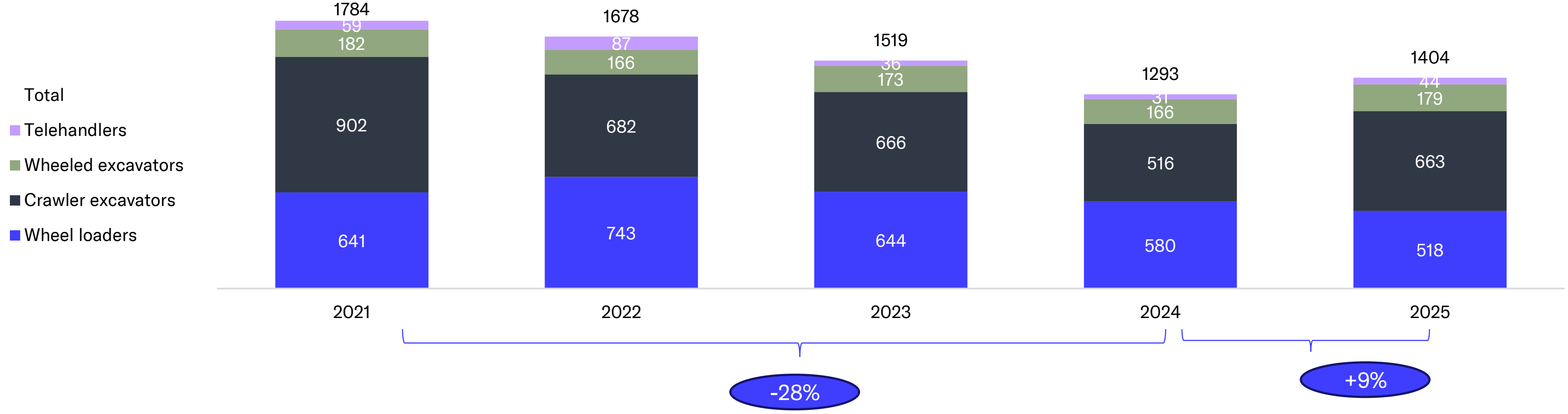
Industry division of customers, Sweden[1]



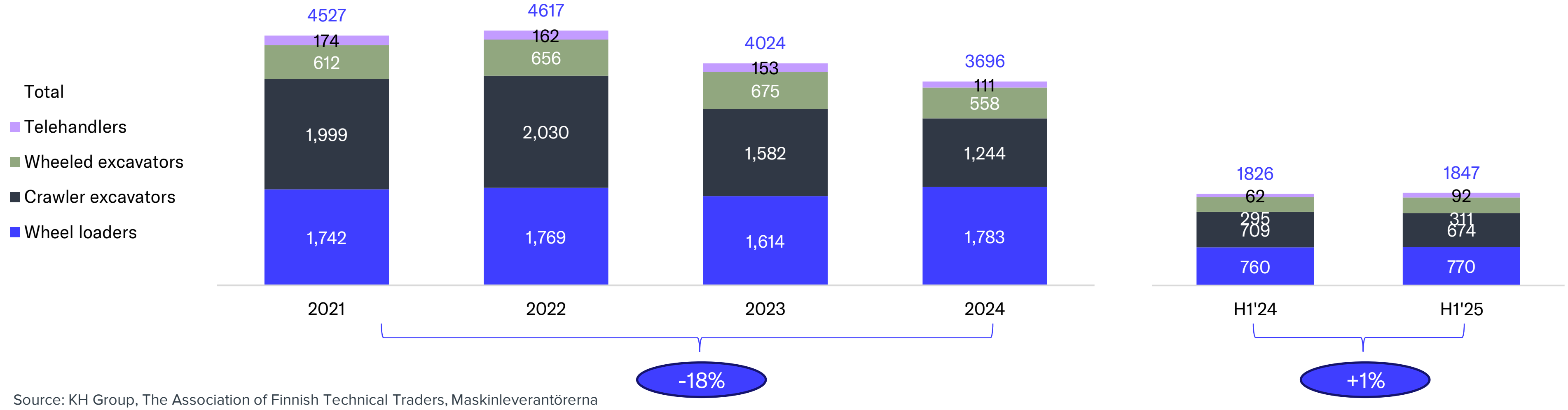
1) Source KH Group CMD, 2023

KH-Koneet Group 7/8

Development of the machine market relevant to KH-Koneet in Finland (units)



Development of the machine market relevant to KH-Koneet in Sweden (units)



Source: KH Group, The Association of Finnish Technical Traders, Maskinleverantörerna

KH-Koneet Group 8/8

Expanding existing distribution relationships is easier than establishing new ones, and KH-Koneet has expanded most of its brands in Finland to its Swedish business. A strong market position also facilitates the creation of new agent relationships, as larger players create more value for their clients ceteris paribus. We, therefore, believe the entry barrier is lower in geographical expansion than when expanding into the business in question. Ramping up a maintenance business requires substantial initial investments, as profitable aftermarket operations necessitate a sufficient volume of equipment used by customers to achieve the volume required for a profitable business. A functioning aftermarket business is also essential for maintaining principal relationships and customer satisfaction.

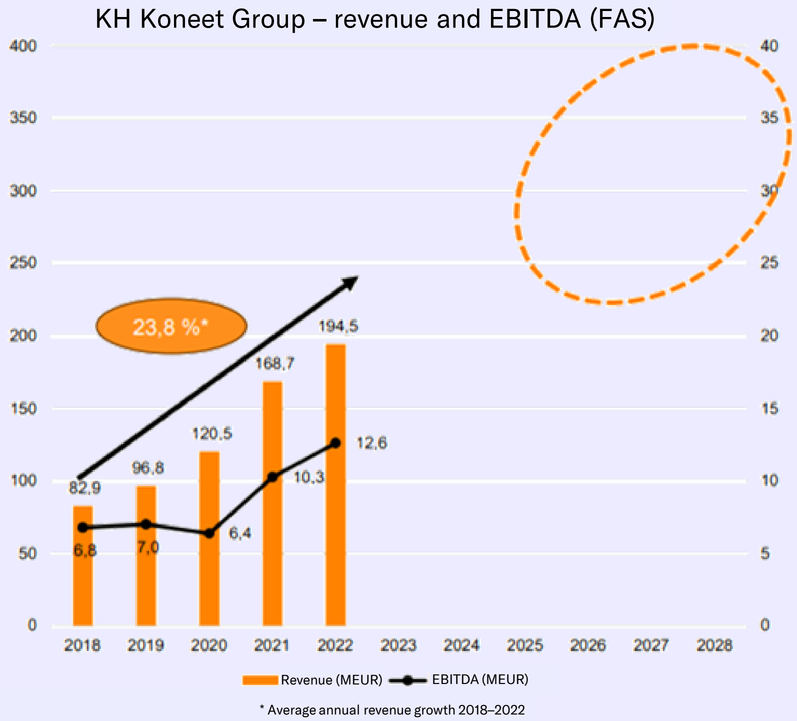
A strategy of profitable growth

KH-Koneet Group's vision is to be the leading full-service machine company in the Nordic countries, and also a leading player in the rental of earthmoving machines in both Finland and Sweden. During the strategy period 2023-2028, the company aims to grow profitably and reach approximately 250-400 MEUR in revenue and 25-40 MEUR in FAS EBITDA. This goal is extremely ambitious, especially regarding profitability, and requires notable tailwinds from the business environment to be achieved. During the strategy period, the company aims to more than double its target market of some 1.6 BEUR by expanding its portfolio to emission-free earth-moving machines, strengthening its position in wheeled excavators and expanding to recycling machines. Growth is sought in both Finland and Sweden, but the company sees growth potential especially in northern Sweden, where its distribution network is currently modest considering the size of the market. In addition to organic expansion, we consider it possible for KH-Koneet to expand its office network in Sweden also through acquisitions, e.g., by acquiring existing distributors.

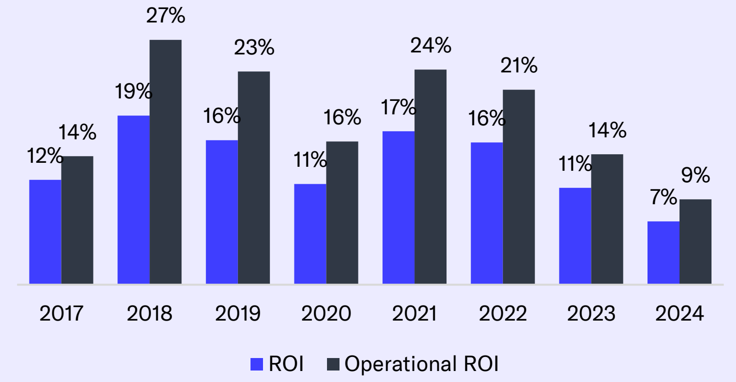
We do not doubt KH-Koneet's ability to grow, but it is essential for the company's investment story that it gets proof of profitability improving in Sweden. In our view, improved profitability in Sweden would validate the value creation of the international growth strategy, reducing the risk associated with internationalization from an investor's perspective. Based on our assessment, profitability challenges in Swedish business operations cannot be explained by business size. Consequently, we believe it is justified to limit larger investments in this area until the underlying profitability of the business is improved and growth begins to generate value.

The strategy period announced by KH Group in 2023 has two parts. In 2024–2025, the company intends to lay the groundwork by investing in the wellbeing and competence of its personnel, harmonizing operations within the group, expanding the entire service offering to all locations, as well as expanding to northern Sweden and recycling equipment. In 2026-2028, KH-Koneet aims to scale its new areas, expand its distribution portfolio, grow its rental and service business, and invest significantly in low-emission machines. We find the two-part strategy period justified when considering the rapid ramp-up of operations in Sweden and the resulting weakened profitability, as well as the subdued outlook for the construction sector when setting targets.

KH-Koneet aims for significant growth[1]



Return on invested capital of KH-Koneet[2]



1) Source: KH Group CMD 2023, 2) FAS figures adjusted for the impact of goodwill depreciation. Operational ROI does not include goodwill in the denominator.

Nordic Rescue Group 1/4

Company description

Saurus' premises are located in Jyväskylä and Sala Brand's in Sweden. The group has a strong position in Finland, and part of its revenue is also exported. The companies' customers include both public and private rescue services. KH Group owns 68.1% of NRG.

History

The former owner of the companies, Kiitokori, sold Saurus in a generation changeover. The strategic objective of NRG is to create an internationally known system supplier from previously separately managed companies.

Business model

Saurus' business consists of the assembly and maintenance of rescue vehicles, while Sala Brand manufactures and maintains fire vehicles. Sales are targeted directly at domestic end customers. The company utilizes local partners in international sales.

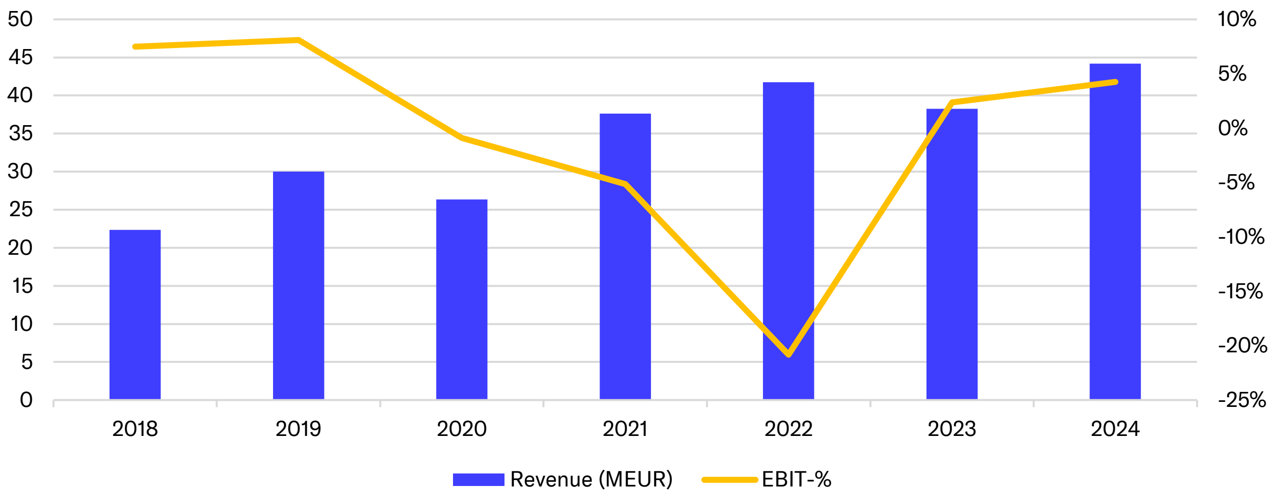
Strengths

NRG's strengths include its own product development and a competitive product portfolio. The company also has strong brands and market positions both in Finland and Sweden. Skilled personnel and long customer relationships are also beneficial to the company.

Value creation potential

Risk profile

NRG has achieved impressive earnings turnaround[1]



Value drivers

- Growth in international revenue
- Accelerating production lead times and improving working capital

Risk factors

- Weakening economic situation
- Tightening competitive situation
- Risk to international growth posed by rising protectionism

1) FAS, note: includes Vema Lift, which has exited the group

Nordic Rescue Group 2/4

History and investment in the company

Nordic Rescue Group (NRG) was born in February 2020 when Sievi Capital and Finnish Industry Investment Ltd acquired Saurus Oy and Vema lift Oy from their former owner, Kiitokori Group. The debt-free purchase price for the acquisition was around 22 MEUR, which included 2.2 MEUR in other assets for sale. In addition, the seller was entitled to a maximum earnout of 3 MEUR, which was tied to the development of the EBITDA of the acquired business.

NRG's subsidiaries have a fairly long history, as Saurus was founded in 1982. In 2021, NRG expanded to Sweden by acquiring fire vehicle manufacturer Sala Brand. The following year, NRG's structure changed again when Vema Lift, a group company focusing on hydraulic rescue lifts, filed for bankruptcy in December 2022. The bankruptcy was caused by financial difficulties within the company and extremely challenging export trade in its main market, China.

Esa Peltola has been the CEO of NRG since November 2021. Carl Haglund, the CEO of KH Group, has served as the chair of the company's board of directors for an extended period.

Products and production

Saurus' production facilities are located in Säynätsalo, and the company specializes in various fire trucks intended for civilian and military use. The company's product portfolio includes fire engines, tankers, and rescue units, among others. In addition to vehicles, its offerings include high-pressure fire extinguishing devices, supply systems, and rescue equipment. The company’s final production is largely manual assembly. Due to the light nature of production, growth investments tie up limited capital and require mainly hall space and equipment utilized in production. Chassis suppliers for Saurus' rescue vehicles include Scania, MAN, Mercedes-Benz, Renault, and Volvo. However, the chassis are tailored to customer needs and supplemented with significant amounts of various equipment. Under Sievi, new industrial-level efficiency was sought in Saurus' production by phasing and simplifying production based on the LEAN model as well as by developing logistics. Next to its own production, the company can utilize subcontracting partners as well.

Another subsidiary of the NRG group, Sala Brand, manufactures fire vehicles at its Sala, Västmanland premises. In addition to manufacturing, the company also has a maintenance business and represents the Rosenbauer (fire service vehicles) and Magirus (turntable ladders) brands. Sala Brand’s sales focus on Sweden.

Nordic Rescue Group has strong brands

Nordic Rescue Group’s competitive advantage in Finland is the trusted brands it represents. According to the company, Saurus is almost synonymous with rescue vehicles in Finland. Other strengths of the company include physical presence, flexible service, and the ability to respond to individual needs. In the Asian market, the company’s products stand out from local competitors with their Nordic premium quality. We estimate that the threshold for changing equipment suppliers of rescue vehicles is reasonably high, and many customers prefer their current equipment suppliers for larger maintenance operations. NRG offers maintenance and upkeep services through its own service points and those of its partners. Rescue vehicles and equipment undergo regular servicing, in addition to which statutory inspections are carried out. Half of the service revenue is relevant to NRG, as manufacturers like Scania are responsible for maintaining the vehicle chassis.

Saurus vehicles

Fire engines

Tankers

Combined fire engines/tanker

Rescue units

Light units

Special vehicles

Sala Brand vehicles

Fire engines

Tankers

Hookloader trucks

Special vehicles

Rosenauer fire engines (brand representation)

Magirus turntable ladders (brand representation)

Nordic Rescue Group 3/4

We estimate that the aftermarket business accounts for approximately 10% of NRG's revenue. Because of the strong customer retention and fixed costs of the aftermarket business, a large equipment base is essential for a profitable business. Thanks to a healthy order book and a profitable aftermarket business, we believe business predictability will be good for the next year or so.

Generally, customers use Saurus and Sala brand products for similar purposes, though there are typically significant differences in product characteristics due to local preferences and market practices. An example of this is the chassis of rescue vehicles, which are made of steel in Finland and aluminum in Sweden. Due to their lighter aluminum frames, rescue vehicles in Sweden can carry more equipment. The significant differences between countries and the volume required for a profitable aftermarket business create a high barrier to entry in the rescue vehicle market. At the same time, these country-specific differences, as well as the local nature of business operations they entail, limit NRG's ability to realize synergy benefits between subsidiaries. In our view, this is largely limited to sharing effective practices.

Market shares and market growth

KH Group expects the market for rescue vehicles to grow globally by some 5% per year. Population growth and urbanization in emerging markets create ever greater needs for well-organized rescue operations. The global rescue vehicle markets are around 4.3 BEUR, which is equivalent to around 21,000 new vehicles per year. In Finland, the market is growing more slowly (we believe roughly at the pace of GDP). KH Group estimates that both Finland's and Sweden's accession to the NATO defense alliance will increase investments in the rescue sector in NRG's two domestic markets in the coming years. Following Vema Lift's bankruptcy, only 2% of NRG's revenue now comes from outside Europe.

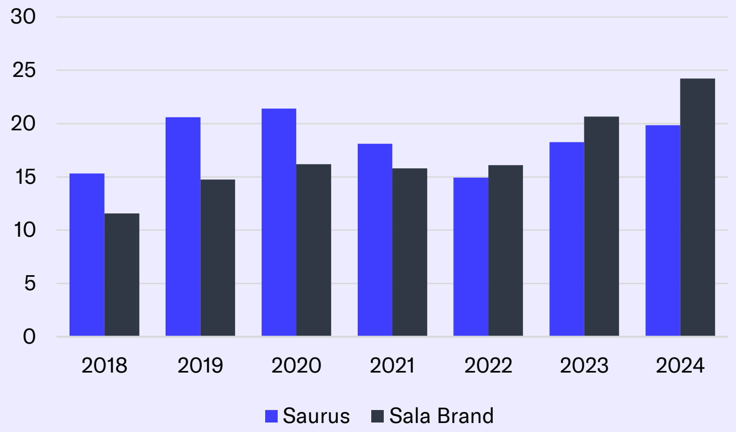
Less than half of NRG’s revenue comes from Saurus’ sales. The company delivers around 50 vehicles per year, and we estimate that it controls the majority of the domestic rescue vehicle market. The company's key customers in the domestic Finnish market include rescue departments and the Defense Forces. In our view, the company's competitors are mainly European companies. In addition to local sales, Saurus also exports, accounting for around 10% of revenue.

Sala Brand brings in the other half of the group’s revenue. We think Sala Brand’s annual vehicle delivery volume is comparable to Saurus', but the company has a lower market share in its domestic market despite its market-leading position. Unlike Saurus, Sala Brand focuses solely on its domestic Swedish market.

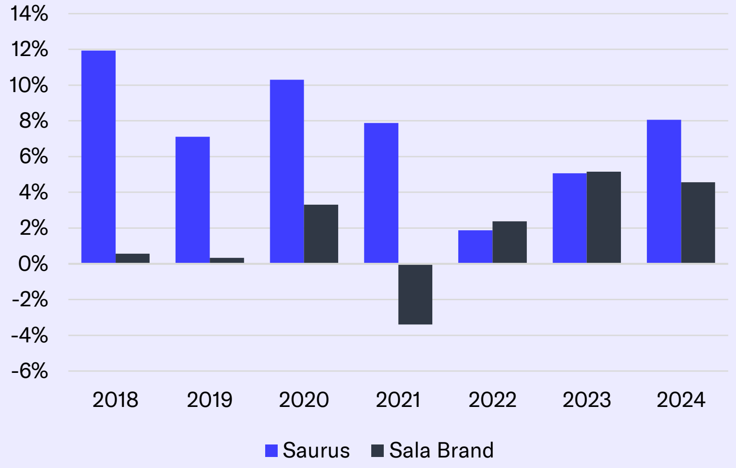
Market-specific differences are reflected in companies' profitability

In recent years, Saurus' relative profitability has been almost without exception been stronger than Sala Brand's. This can be explained by its company-specific product range and market-specific practices. Sala Brand also represents other rescue vehicle brands (Rosenbauer and Magirus), the delivery of which naturally generates lower margins than sales of its own brands. Due to these revenue streams' very different margin profiles, the relative profitability of Sala Brand's growth may vary significantly between individual quarters.

Revenues have increased in recent years (MEUR)...[1]



...and EBIT percentages have recovered[1]



1) Source: Subsidiary-specific financial statements

Nordic Rescue Group 4/4

The tighter competitive situation and local market practices in Sweden also explain the difference in the subsidiaries' relative profitability. In Sweden, rescue vehicles extensively utilize standardized base vehicles (basbil), which decreases differences between vehicles and reduces the role of vehicle-specific customization. In Sweden, the company also has a larger local competitor in Floby Rescue.

Strategy prioritizes profitability and maintaining high market share in domestic market

The key objective of the Nordic Rescue Group is to maintain a high market share in the domestic markets of Finland and Sweden, as well as high profitability. We understand that the company still sees slight growth potential in the Swedish market, but a determined increase in market share in Finland would no longer be worthwhile at current levels. For this reason, Saurus' growth opportunities depend largely on the growth of the domestic market and the success of exports. Based on comments from KH Group's management, NRG prioritizes profitability over growth. In our view, this is justified, as NRG's balance sheet position could be strengthened (Q3'25 interest-bearing net debt/EBITDA at a fairly high level of 3.4x).

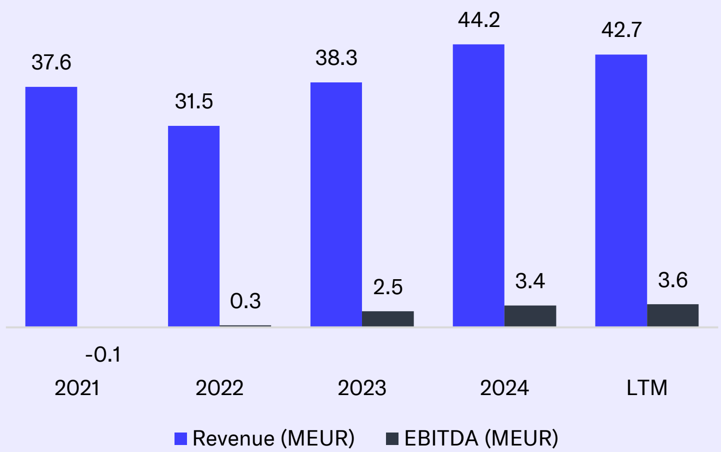
NRG has organized its international sales on an agency basis and uses local partners to provide maintenance services. Foreign customers are also supported with introduction and training services and remote access, which allows the state of the product to be analyzed from Finland. KH Group has identified Asia, South America, and the Middle East as the most promising export regions.

Most of NRG's export sales are generated through calls for tenders. From the company's perspective, the largest premium car lots are the most attractive and profitable business. Similarly, the company avoids delivering smaller series and does not participate in delivering basic vehicles to export markets at all.

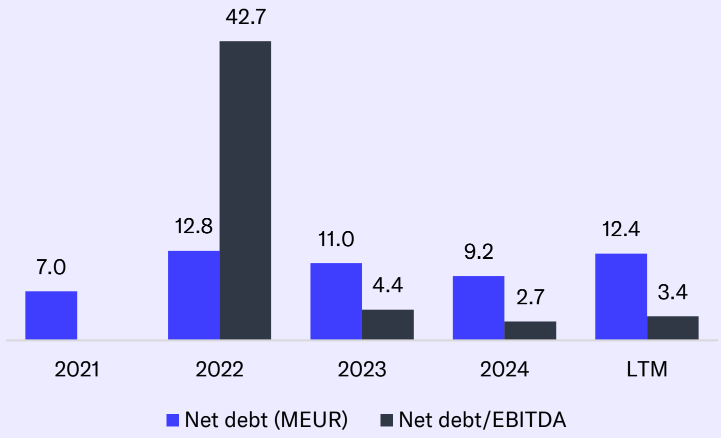
NRG becoming part of KH Group's strategy

KH Group announced in connection with its Q3'25 earnings report that it would integrate NRG into the group's strategy. NRG has been a bright spot for KH Group in recent years, as the company has achieved an impressive earnings turnaround and brought its leverage under control after facing a cash crisis a few years ago. At its current level of earnings, NRG's business is highly profitable and its growth clearly creates value. From this perspective, one might think that now would be a good time to divest the company, given its high profitability and robust order book. However, we assess that no buyer could be found for the company at a reasonable price, so NRG was incorporated into KH Group's strategy. Nevertheless, we consider it likely that the group will still be prepared to divest the company if a price agreement can be reached with a buyer. In our view, the change in NRG's ownership strategy will enable investments that strengthen long-term competitiveness, which NRG may have postponed due to the ongoing sale process. Considering the competitive dynamics of the rescue vehicle market, we find it unlikely that the company would engage in M&A activities. We estimate that these investments are more likely related to acquiring new industrial premises to increase production capacity or changing customer service models. One example of expanding the service offering would be a mobile car maintenance service, which would reduce the hassle associated with servicing vehicles.

NRG growth and profitability (IFRS)[1]



NRG has brought its leverage under control through improved profitability (IFRS)[1]



1) NB! 2022 figures do not include Vema Lift.

Financial position and capital allocation 1/2

Indoor Group was already separated before the sale

KH Group’s balance sheet is quite special due to the group’s structure stemming from the investment company background and the reporting method of the conglomerate. At the end of Q3’25, KH Group's balance sheet total was 273 MEUR. Indoor Group was already isolated in the group's assets and liabilities at the end of Q3, as the company was recorded as an asset held for sale. At the end of the quarter, 107 MEUR of the group's assets were related to Indoor, which was sold during Q4, and this divestment significantly reduces the balance sheet.

Balance sheet position is leveraged, but debt nature limits refinancing risk

At the end of Q3, KH Group's net debt from continuing operations was 79.4 MEUR. The parent company had cash reserves of 4.4 MEUR at that time, but 2.0 MEUR of this was used to repay Indoor Group's loans in connection with the divestment. During this time, the group also wrote down a shareholder loan of 1.0 MEUR granted to the company. From a cash flow perspective, the working capital of KH-Koneet and NRG is typically released during Q4. We expect this to offset the impact of the Indoor divestment on the net debt from continuing operations. At the end of Q3, net debt nevertheless was high, at 4.1x relative to EBITDA from continuing operations for the previous 12 months. In light of this, we see continued pressure on the group to strengthen its balance sheet position. However, we emphasize simultaneously that 8.5 MEUR of the group's net debt is related to lease agreements and 42.3 MEUR is related to KH-Koneet's leased equipment, which generally have a lower risk profile than bank loans.

Inventories and tangible assets play a significant role

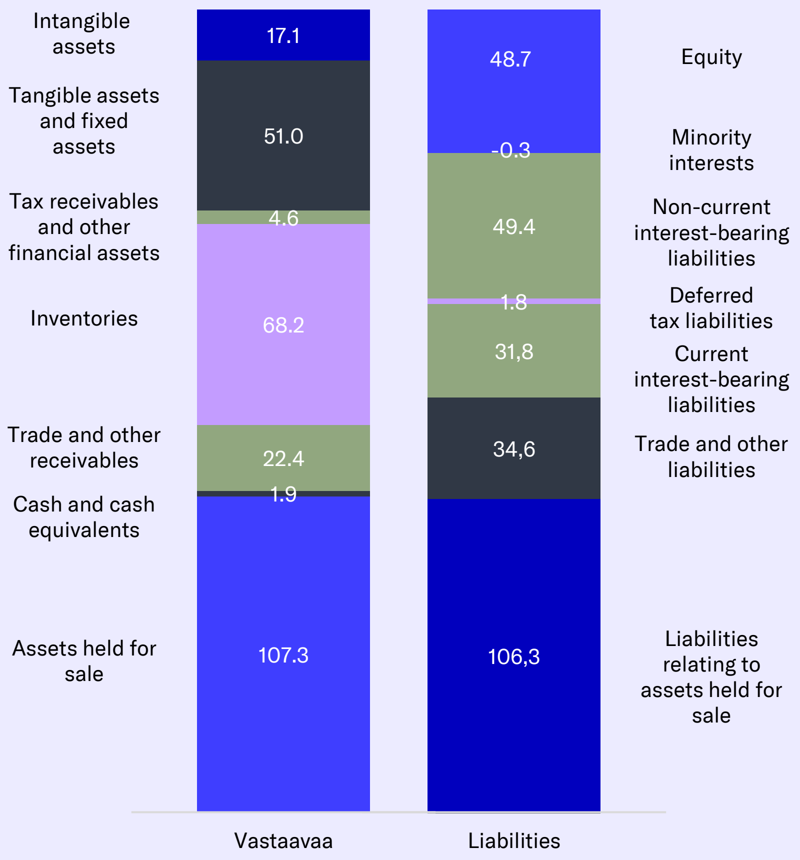
KH-Koneet's business requires a substantial inventory, reducing the group's overall capital management efficiency. At the end of Q3’25, KH Group's inventories from continuing operations were 68.2 MEUR. However, this figure does not include the leased vehicle fleet, which is classified as a tangible asset. Most of the 42.8 MEUR in KH Group’s tangible assets are KH-Koneet’s leased equipment.

At the end of Q3’25, KH Group's working capital from continuing operations was 47 MEUR. KH-Koneet's business ties up a significant amount of capital, especially in inventories. Historically, working capital has equaled around 30% of the company's revenue (FAS figures). NRG's business operations, on the other hand, are significantly less capital-intensive, requiring approximately 5–10% of working capital in relation to revenue. Therefore, KH-Koneet requires significantly more capital for growth than NRG does, and its potential return on capital is correspondingly lower. Nonetheless, KH-Koneet's prospects for investing in growth are better than NRG's.

KH Group's intangible assets, valued at 17.1 MEUR, consist of 7.7 MEUR in goodwill and 9.4 MEUR in other intangible assets (primarily related to customer relationships and trademarks). Generally, the group does not capitalize expenses related to intangible assets on its balance sheet, improving the comparability of results and cash flow. However, cash flow analysis at the group level is significantly complicated by the regularly changing group structure and short reporting history as a conglomerate. For this reason, we focus on cash flow at the subsidiary and parent company levels.

KH Group’s balance sheet position Q3’25

272.5 MEUR



Financial position and capital allocation 2/2

Cash assets from divestments have dwindled during transformation journey

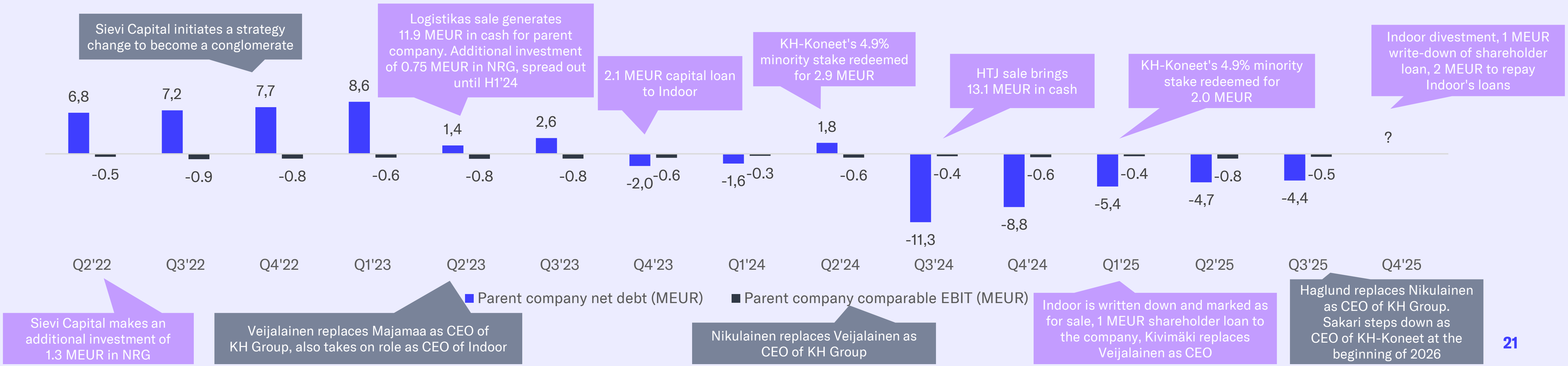
KH Group's dividend policy is to invest in the growth of the core business, as well as to pay dividends after significant exits, within the limits allowed by the balance sheet structure and financing agreements. During its transformation journey, the company has invested in its current operations, but its balance sheet position has not yet permitted dividend distribution. The main reason for this is the poor progress of Indoor Group, which led KH Group to eventually pay off the company's loans in order to divest at a nominal price. Another factor weighing on the balance sheet has been the high costs of the parent company relative to the size of KH Group's business. These costs have been driven up by the structural transformation process, the required expert services, and changes in management.

During the structural transformation process, KH Group has recognized a total of 25 MEUR in revenue from the divestments of Logistikas and HTJ. The company has granted Indoor Group a capital and shareholder loan of 3.1 MEUR with these funds and repaid Indoor's bank loans by 2 MEUR in connection with the divestment. In addition, the company has financed NRG with 2.05 MEUR, covered the parent company's ongoing costs, and significantly strengthened the parent company's balance sheet by paying off its debts (the parent company's net debt has decreased by 11.2 MEUR between Q2'22 and Q3'25).

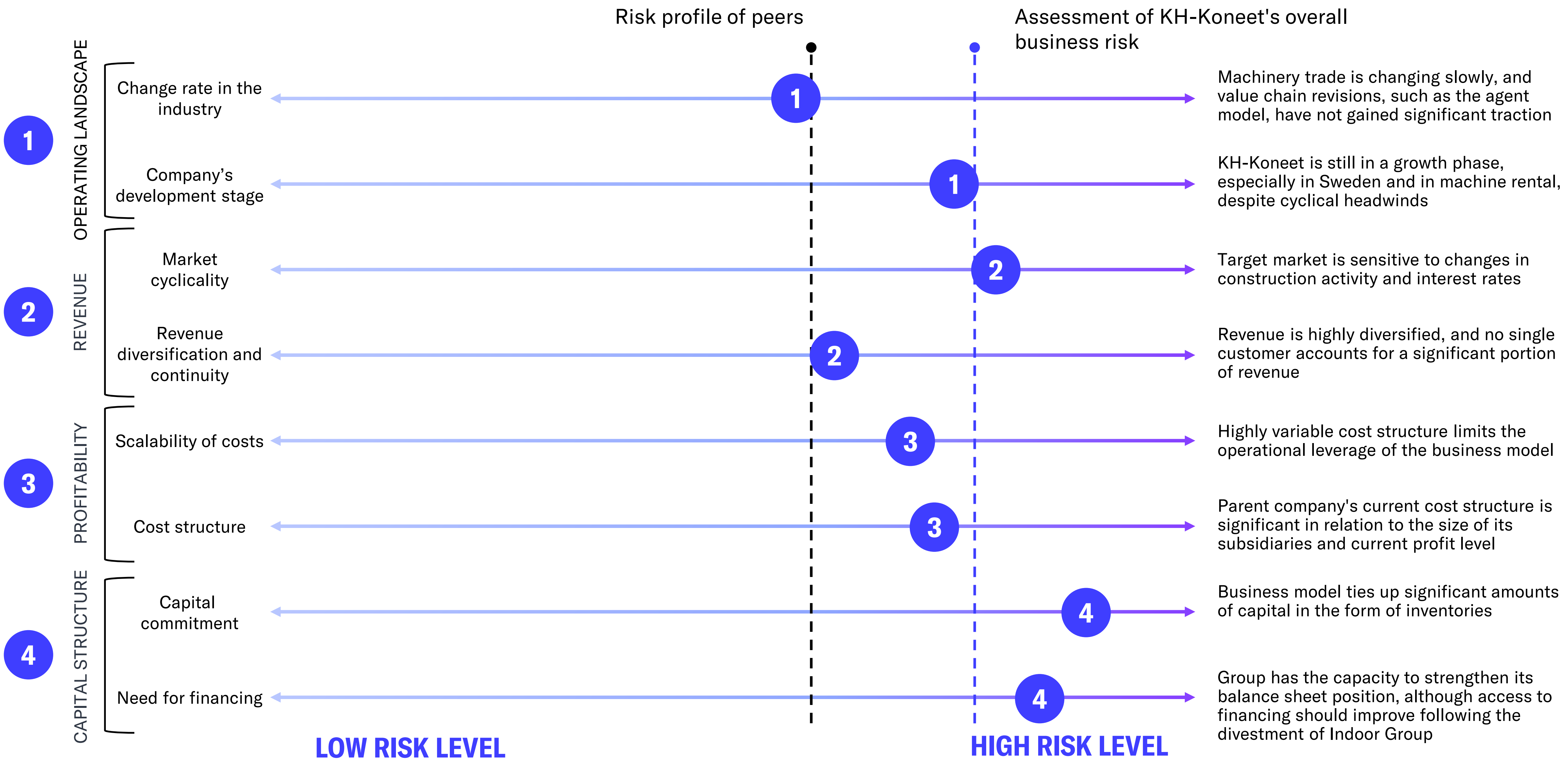
In hindsight, it is easy to say that it would have been better to divest from Indoor Group earlier. In our view, providing additional financing to NRG has been a justified solution, as it has enabled the company to achieve a convincing earnings turnaround and a significant increase in value.

The parent company has also used 4.9 MEUR to redeem KH-Koneet's 9.8% minority stake after the sellers exercised their put option. In connection with the minority redemptions, KH-Koneet was valued at market values of 59 MEUR (2024 EV/Sales 0.9x, EV/EBITDA 6.9x, IFRS) and 41 MEUR (0.7x 2024 EV/Sales and 6x EV/EBITDA, IFRS). These values are high relative to KH Group's current market capitalization of around 25 MEUR. From a capital allocation perspective, buying KH Group's own shares on the stock exchange would have theoretically been a more attractive option than redeeming KH-Koneet's minorities. The terms of the put option were already agreed upon in 2021, so the current management of KH Group did not negotiate them. The additional investment in KH-Koneet had little impact on the parent company's net debt, as the parent company's interest-bearing debt previously accounted for the mutual option to redeem KH-Koneet's minority interests.

Timeline of capital allocations and management changes at the KH Group parent company



Risk profile of the business model



Investment profile 1/2

We find KH Group to be a turnaround and value company

KH Group's investment profile is that of a turnaround company suffering from cyclical weakness. It is particularly difficult to assess the company's development at this stage because Sievi Capital's past track record is no longer relevant due to changes in strategy and management. Following the release of the new strategy, the investment case initially progressed smoothly and promisingly with the strategy-aligned divestments of Logistikas and HTJ. However, the subsequent communication about integrating NRG into the strategy and divesting Indoor Group – which once seemed like a promising IPO story – at a negative price does not align with the original plan. The silver lining is that the Indoor Group divestment simplified the group structure and, according to KH Group, improved financing availability for KH-Koneet and NRG. This should create better conditions for KH-Koneet in particular to invest in growth and potentially decrease financing costs in the future. Indoor Group filed for bankruptcy in February 2026, highlighting the company's financial distress at the time of the divestment.

Positive value drivers and opportunities

Comprehensive brand portfolio and sales network: A key factor for KH-Koneet's competitiveness is the quality of the company's brand portfolio. We believe the company has a high-quality and diverse brand portfolio, which makes it an attractive partner for retailers and strengthens the company's competitiveness compared to smaller operators. Similarly, the extensive and growing distribution network makes KH-Koneet an attractive partner for machine manufacturers thanks to its distribution power.

Good growth prospects: Thanks to the strength of the brand portfolio and extensive distribution network, KH-Koneet has the potential to grow organically more quickly than the market, both domestically and abroad. Considering the business model, we suspect that this should scale to profitability retroactively due to the delayed growth in the field population and the aftermarket business it brings. We feel the company has the potential to accelerate its geographical expansion with M&A transactions (e.g. acquiring distributors), although we expect the growth to be mainly organic in the future.

NRG's substantial order book improves business operation predictability and creates conditions for high profitability. Incorporating NRG into the strategy makes KH Group's investment story slightly more complex than anticipated. However, in our view, this is a better solution than forcing the sale of the company at a poor price.

Weaknesses and risk factors

Dependency on the brand portfolio: Due to the business model's earnings logic, KH-Koneet's competitiveness depends on strong brand representation. Losing a key brand would weaken competitiveness, revenue, and the level of earnings. In addition to agency agreements, there is a risk that the competitiveness of the key brands deteriorates, which would inevitably also be reflected in the attractiveness of the company's offering. However, we do not feel the company is significantly dependent on individual brands.

Sweden's weak profitability: This is increasingly weighing on KH-Koneet's overall profitability in line with growth. The company has grown this business rapidly, but at its current size, we no longer believe that the profitability challenges in Sweden can be justified by a lack of scale. Therefore, improving profitability in Sweden is critical for creating value through international growth. If KH-Koneet is unable to raise the profitability of its Swedish business, the company could increasingly tie up capital to low-profitability business operations, reducing the overall quality. The weakness of the construction sector has undoubtedly weighed on KH-Koneet's profitability in both Finland and Sweden, likely nullifying the work done to improve it.

Business model that ties up working capital: KH-Koneet's growth requires significant inventories, which may be subject to write-downs. For the same reason, the cash flow from operating activities is weaker than the operating result as the company grows.

Departure of KH-Koneet's founder and CEO: In our view, Teppo Sakari has managed KH-Koneet exceptionally well, so his successor will have big shoes to fill. We believe the change in management will shift the focus of the forecast risk to the Finnish business, especially since the machine trade is fairly local and people-driven.

Evidence of capital allocation in recent years has been weak It is difficult to assess the future capital allocation of KH Group due to changes in strategy and group structure, as well as frequent management turnover. The capital allocation track record in recent years has been poor, though current management has had little influence over it. From the perspective of the investment story, it is disappointing that KH Group has not been able to opportunistically consolidate the industry by taking advantage of the weakness in the machine trade in recent years. However, separating from Indoor Group should open new opportunities for the company.

Investment profile 2/2

1. The group's crown jewel provides potential for strong and profitable growth
2. KH-Koneet has high return on capital in Finland
3. The ability to create value through international growth has not yet been proven
4. Cyclical core business makes it difficult to assess normalized profitability levels
5. NRG has achieved impressive earnings turnaround

Potential

- Replicating the success of KH-Koneet's domestic market abroad would create conditions for long-term value creation
- Recovery in the construction sector creates conditions for a standard adjustment in KH-Koneet's profitability
- NRG generates strong cash flow, which rapidly strengthens the company's balance sheet position
- Decrease in parent company expenses due to simplified group structure

Risks

- KH-Koneet's profitability in Sweden is clearly weaker than in Finland, and growth is not creating value at this stage
- Decline in KH-Koneet's performance following the departure of its current founder and CEO
- Management turnover at the group level, which causes costs and risks related to business continuity
- At the group level, the ability to allocate capital efficiently remains unproven

2025 ended on a strong note

Preliminary data prompted changes to forecasts

We have increased our forecasts for KH Group based on preliminary data indicating stronger year-end results than we had expected. According to KH Group's initial, unaudited preliminary data, the group's revenue in 2025 was 205 MEUR, with comparable EBIT of 6.4 MEUR. The company had previously guided for revenue from continuing operations of 190-200 MEUR and comparable EBIT of 5-6 MEUR. In comparison, our forecasts were 200.5 MEUR in terms of revenue and 5.4 MEUR in terms of EBIT.

The improvement in earnings was driven by stronger-than-expected performance in both business areas in Q4. NRG's EBIT grew more than anticipated in its Swedish operations, while in Finland, the company managed to exceed its production plan, positively impacting both revenue and earnings. NRG has previously had good visibility into a robust order book, and the reported beat now indicates successful delivery performance. In NRG's case, shifts in individual rescue vehicle deliveries from one quarter to another can easily affect quarterly figures, which, according to our estimates, explains the somewhat noticeable deviation from the fairly recent guidance.

According to the company, KH-Koneet's efforts to increase machine sales and improve the profitability of its rental business at the end of the year were slightly more successful than initially estimated. In addition, the company benefited from favorable market developments in machine trade at the end of the year. Because KH-Koneet's profitability fluctuates significantly between quarters, it is risky to extrapolate from a single strong quarter. A strong finish to the year, coupled with signs of recovery in machine sales, are positive developments nonetheless. The bottom of the machine sales seems to have been reached in 2024, meaning that KH Group's profitability in 2025 will likely be disappointing. In the group's upcoming financial statements, we will seek insight into the sustainability of the strong earnings level in Q4, as with KH-Koneet, for example, the sale of rental equipment can cause profitability to fluctuate between quarters.

Despite encouraging preliminary information, the reported EBIT of KH Group will be significantly weaker than the comparable EBIT in Q4 due to the negative impact of 3.3 MEUR from the divestment of Indoor Group. This negative impact on earnings will weigh down our forecasts for the company's reported net earnings for the quarter and for 2025, pushing them into the negative.

Upward revisions in forecasts for the coming years focused on KH-Koneet

We have raised our forecasts for both KH-Koneet and NRG. However, the forecast changes were primarily related to KH-Koneet, which has better prospects for improving its performance due to its low profitability and the recovering business environment.

Estimate revisions MEUR / EUR	2025e Old	2025e New	Change %	2026e Old	2026e New	Change %	2027e Old	2027e New	Change %
Revenue	200	205	2%	212	217	2%	233	238	2%
EBITDA	15.7	16.7	6%	21.1	22.3	5%	23.7	24.7	4%
EBIT (exc. NRIs)	5.4	6.4	19%	6.6	7.8	17%	9.1	10.1	11%
EBIT	1.2	2.2	88%	6.6	7.8	17%	9.1	10.1	11%
PTP	-3.1	-2.0	33%	1.7	3.1	78%	4.5	5.5	23%
DPS	0.00	0.00		0.00	0.00		0.00	0.00	

Source: Inderes

Estimates 1/3

We model KH Group at the segment level

We model KH Group by business at the segment level. Due to the differences in KH-Koneet's and NRG's business operations, we believe that segment-specific modeling is the most reliable way to model the company. KH Group's regularly changing group structure complicates modeling at the group level, as older income statements, balance sheets, and cash flow statements are no longer comparable with the group's current structure.

Considering the operating environment of KH Group, its largest holding, KH-Koneet, is suffering from cyclical weakness in the construction sector. While it is difficult to estimate the exact rate of recovery, it is clear that a recovery is already underway in the machine dealership. Looking ahead to continued recovery, economists' predictions of buoyant economic growth in Finland and Sweden reinforce confidence in this outlook. NRG is currently enjoying a particularly strong demand cycle, as a result of which we are cautious about the company's ability to maintain its current high level of profitability. KH Group only verbally describes NRG's order book, which makes it difficult to assess. According to management, nonetheless, the company has good visibility for deliveries in 2026, and NRG is filling its order books for 2027 at a good pace.

2025 figures look back

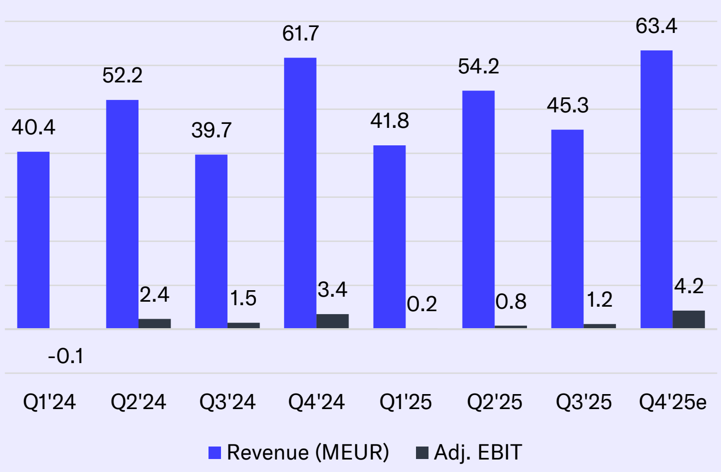
KH Group originally provided guidance for 2025 that projected revenue and earnings at the previous year's levels. However, in September, the company lowered its guidance due to weaker-than-expected profitability development at KH-Koneet. The updated guidance anticipated revenue of 190–200 MEUR (2024: 194 MEUR) and EBIT of 5–6 MEUR.

Based on preliminary information released since then, KH Group's revenue settled at 205 MEUR and comparable EBIT at 6.4 MEUR.

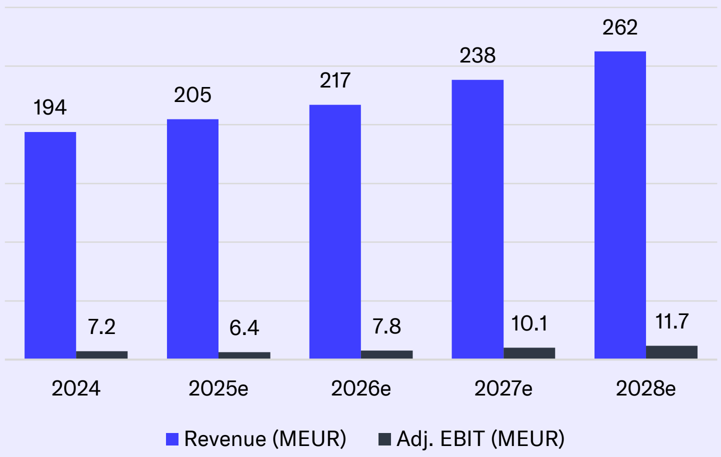
2025 started promisingly for KH Group, with both KH-Koneet and NRG improving their earnings levels in Q1 year-on-year. However, KH-Koneet's profitability weakened significantly in Q2 and Q3 relative to the comparison period. Profitability was weighed down by machine leasing in Sweden and business operations in Finland to varying degrees. The slow construction market has hurt KH-Koneet's profitability, and the Luleå office hasn't reached the level of profitability we had hoped for yet. NRG, on the other hand, managed to slightly improve its performance from the strong level of the comparison period.

Based on preliminary information, KH Group's Q4 revenue grew 3% to 63 MEUR and comparable EBIT strengthened significantly to 4.2 MEUR (Q4'24: 3.4 MEUR). We expect the clear earnings improvement to be distributed fairly evenly between KH-Koneet and NRG. In our view, the subsidiary more susceptible to timing-related factors is NRG. Q4 is the most important quarter of the year for the earnings of KH Group's businesses. Last year, this quarter had a particularly high weighting, with two-thirds of EBIT generated during that period. However, the reported result will be significantly weaker than the comparable figure because the company will record a 3.3 MEUR loss related to the divestment of Indoor Group. Although this item related to structural change is not operational, it does still impact the group's cash flow.

KH Group's quarterly development



KH Group's yearly development



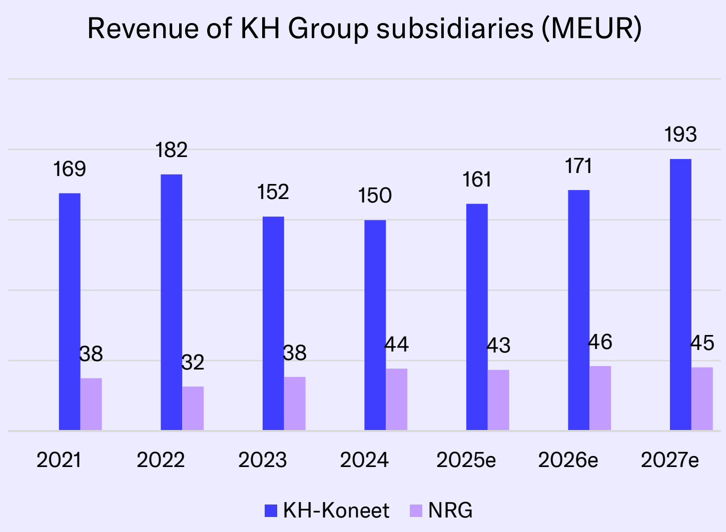
Estimates 2/3

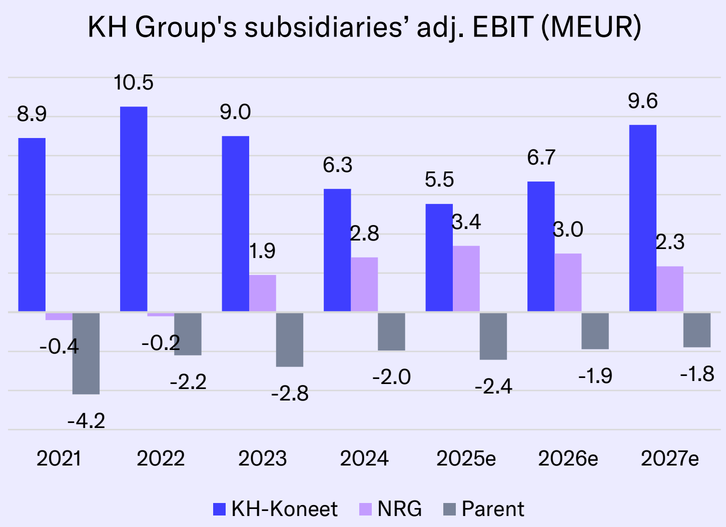
We expect KH-Koneet to improve its results

This year, we expect KH Group's revenue to increase and its performance to improve compared to last year. In our forecasts, this development is driven by KH-Koneet, whose results we expect to grow again after several years of decline. Earnings development is also supported by group administration expenses, which we expect to return to normal levels after being exceptionally high last year. Last year, group administration expenses increased due to expert fees related to the separation of Indoor Group, as well as, by our estimates, expenses related to the change in CEO, among other things. We estimate that the normalized level of group administration costs under the current group structure is approximately 1.7–1.9 MEUR, and our forecast for the coming years stands at 1.8–1.9 MEUR. These expenses cover, for example, the group's stock listing costs and the parent company's personnel and office expenses. In our view, these costs are largely fixed, so there is no significant upward pressure on them as the subsidiaries grow. This year, we expect NRG to experience a slight drop from its record-high earnings level. We expect the company's sales structure to be less favorable this year than last and for the company to implement previously postponed investments in its business operations. This weighs slightly on profitability in our forecasts, yet we still expect NRG to have a very strong year.

The development in 2027 will be largely consistent with the current year's forecasts. We expect KH-Koneet's growth to continue and accelerate, driven by the recovery in the construction sector. In our forecasts, the company will achieve a clear improvement in earnings, driven by growth and improving relative profitability. Our comparable EBIT estimate for KH-Koneet is at 9.6 MEUR. This level exceeds that of the strong year of 2021 but falls short of the cyclical peak year of 2022. Due to growth investments and increased invested capital since then, the earnings levels for those years are not directly comparable. We expect the company to improve its earnings level in both Finland and Sweden, although the anticipated comparable EBIT level of 5% does not assume the full realization of the profitability potential of the Swedish business. Since the Swedish business environment is structurally more challenging than in Finland, and since the business is at an earlier stage of development, we are remaining cautious about the profitability potential of the Swedish business for the time being. We expect the construction sector recovery to still bolster KH-Koneet's growth in 2028, when the company will surpass the previous record-year EBIT level of 2022. Our projections suggest that KH-Koneet's EBITDA will exceed 26 MEUR in 2028. However, this is not comparable to the company's target of 28 MEUR because, according to our forecasts, KH-Koneet's EBITDA under IFRS is significantly higher than under FAS.

For NRG, we anticipate declining revenue as the robust order book dwindles, which will impact the company's relative profitability. We expect the company's EBIT to normalize to 2.3-2.5 MEUR, which is below the strong levels seen in 2024-2026. The level we anticipate requires a clear improvement compared to the longer-term average (2019–2024 EBIT average of 1.9 MEUR). In our view, NRG's predictability is fairly good over a one-year horizon, but assessing its normalized profitability level in the period following the current robust order book is particularly challenging. If the company continues to win new orders and increases its substantial order book further into the future, for example by increasing the weight of its export business, we see upward pressure in our forecasts for 2027–2028. Potential export revenue could come, for example, from the reconstruction of Ukraine, which may eventually generate new demand for NRG.





Estimates 3/3

We expect the group to strengthen its balance sheet

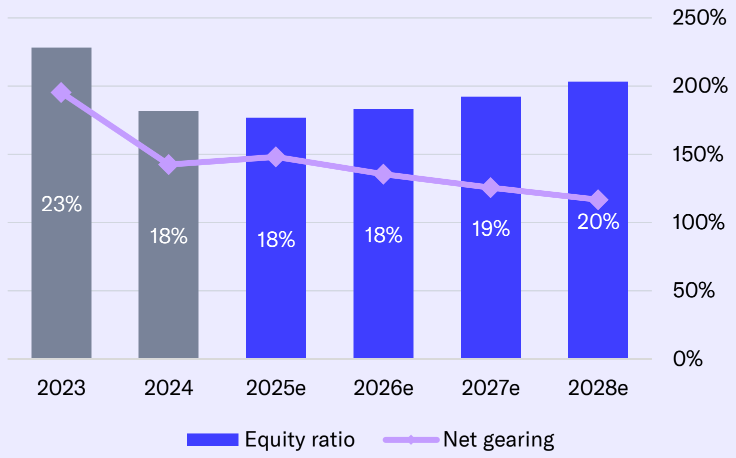
In our 2025 balance sheet estimates, the balance sheet position of KH Group weakened from 2024 levels due to the divestment of Indoor Group. Our historical balance sheet figures have accounted for Indoor Group as an asset held for sale since 2024, so the divestment of the company has not significantly affected the group's net debt, despite Indoor's leveraged balance sheet position. However, the 3.3 MEUR loss to be recorded in connection with Indoor's divestment will weaken the balance sheet position. For the time being, our forecasts still consider Indoor Group as an asset held for sale, which makes KH Group's balance sheet appear larger than it actually is. However, this has no impact on the company's key balance sheet figures for income or debt. We will update our balance sheet forecast to reflect the final impact of the separation on the group in connection with the financial statements bulletin.

We continue to see pressure on KH Group to strengthen its balance sheet position. In our forecasts for the coming years, the company's recovering earnings performance will melt away its net debt, which will decline between 2026 and 2028. We do not expect the company to distribute dividends in the coming years because we believe that KH-Koneet's growth and the strengthening of the group's balance sheet play a more important role than dividend distribution. Due to significant leverage in continuing operations, we estimate net financial expenses will total 4.6–4.7 MEUR in the coming years. High financial expenses expose KH Group's cost structure to changes in interest rates and increase the volatility of the net result. The management of KH Group is currently focusing on, among other things, optimizing the group's financial structure, in which we see room for improvement.

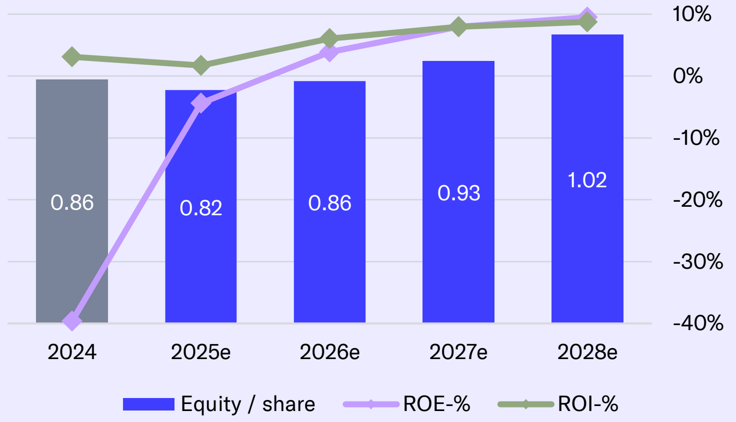
Growth and recovery of KH-Koneet's earnings level strengthen returns on capital

We forecast that KH Group's return on capital employed will remain at around 2% in 2025 due to a low level of earnings and expenses that reduce comparability. We consider a review of comparable financial figures relevant for KH Group because the costs affecting comparability have historically been mainly related to temporary write-offs caused by a change in the conglomerate's reporting and group structure changes. When calculated on the basis of comparable EBIT, KH Group's return on capital employed is expected to be 5% in 2025, according to our forecasts. The return on capital employed is naturally weakened by KH-Koneet's struggling earnings performance. Another key factor is the significant group-level expenses relative to the subsidiaries' earnings levels. In our estimation, the most effective remedy for these costs is for the subsidiaries to grow in size, as group-level costs are largely fixed in nature. Divesting NRG would not significantly reduce these costs, in our understanding. With this in mind, the company's membership in the group lightens the burden on KH-Koneet. By measuring return on capital, it is clear that both KH-Koneet's Finnish operations and NRG are creating value. Therefore, their growth from the current levels and the scaling of group expenses will directly strengthen the group's return on capital in principle. In our forecasts for the coming years, the group's return on capital employed will rise to 9% in 2028, which we believe gives KH Group further room for improvement. In our view, the key to achieving a double-digit return on invested capital is improving the earnings of KH-Koneet's Swedish operations because its current size gives it the potential to become the group's third-largest earnings contributor.

Development of balance sheet key figures



KH Group's equity per share and return on capital[1]



The return on equity remained very weak in 2024 due to the indoor Group write-down.

Income statement

Income statement	2022	2023	Q1'24	Q2'24	Q3'24	Q4'24	2024	Q1'25	Q2'25	Q3'25	Q4'25e	2025e	2026e	2027e	2028e
Revenue	429	403	40.4	52.2	39.7	61.7	194	41.8	54.2	45.3	63.4	205	217	238	262
KH-Koneet	182	152	29.2	41.1	33.6	45.8	150	33.1	43.6	37.9	46.7	161	171	193	216
Nordic Rescue Group	31.5	38.3	11.1	11.1	6.1	15.9	44.2	8.7	10.6	7.5	16.7	43.5	46.1	45.2	46.1
EBITDA	11.9	31.9	2.5	6.3	3.3	8.2	20.3	3.6	4.1	4.5	4.4	16.7	22.3	24.7	27.1
Depreciation	0.0	-35.0	-3.0	-4.2	-2.2	-5.1	-14.5	-3.7	-3.7	-3.6	-3.5	-14.5	-14.5	-14.6	-15.4
EBIT (excl. NRI)	11.9	10.8	-0.1	2.4	1.5	3.4	7.2	0.2	0.8	1.2	4.2	6.4	7.8	10.1	11.7
EBIT	11.9	-3.1	-0.5	2.1	1.1	3.1	5.8	-0.1	0.5	0.9	0.9	2.2	7.8	10.1	11.7
KH-Koneet	10.5	9.0	-0.4	2.0	1.9	2.8	6.3	-0.1	0.8	1.5	3.3	5.5	6.7	9.6	11.0
Nordic Rescue Group	-0.2	1.9	0.7	0.9	0.0	1.2	2.8	0.8	0.8	0.2	1.6	3.4	3.0	2.3	2.5
Non-allocated items and PPA depreciation	-2.2	-17.7	-0.8	-0.8	-0.8	-0.9	-3.3	-0.8	-1.1	-0.8	-0.7	-3.5	-1.9	-1.8	-1.8
Net financial items	-0.2	-12.3	-1.5	-1.4	-1.2	-0.1	-4.2	-0.4	-1.3	-0.9	-1.6	-4.2	-4.7	-4.6	-4.6
PTP	11.7	-15.4	-1.9	0.7	-0.2	3.0	1.6	-0.5	-0.9	-0.1	-0.6	-2.0	3.1	5.5	7.1
Taxes	2.1	3.3	0.2	-0.1	0.0	-0.3	-0.2	0.1	0.2	0.0	0.0	0.3	-0.6	-1.1	-1.4
Minority interest	0.0	5.2	0.5	1.5	0.0	3.3	5.3	-0.1	-0.2	0.0	-0.1	-0.4	-0.4	-0.3	-0.3
Net earnings	13.8	-6.7	-2.8	-1.5	2.8	-23.3	-24.7	-0.5	-0.8	-0.1	-0.7	-2.1	2.1	4.1	5.4
EPS (adj.)	0.24	0.12	-0.04	-0.02	0.06	-0.40	-0.40	0.00	-0.01	0.00	0.04	0.04	0.04	0.07	0.09
EPS (rep.)	0.24	-0.11	-0.05	-0.02	0.05	-0.40	-0.42	-0.01	-0.01	0.00	-0.01	-0.04	0.04	0.07	0.09

Key figures	2022	2023	Q1'24	Q2'24	Q3'24	Q4'24	2024	Q1'25	Q2'25	Q3'25	Q4'25e	2025e	2026e	2027e	2028e
Revenue growth-%	3629.6 %	-6.0 %	-59.7 %	-48.0 %	-59.3 %	-41.3 %	-51.9 %	3.5 %	3.9 %	14.1 %	2.8 %	5.6 %	6.0 %	9.8 %	10.1 %
Adjusted EBIT growth-%		-9.2 %	-105.5 %	-18.6 %	-70.9 %	100.9 %	-33.3 %	-433.3 %	-66.9 %	-21.9 %	23.8 %	-11.6 %	22.0 %	30.2 %	15.5 %
EBITDA-%	2.8 %	7.9 %	6.3 %	12.1 %	8.2 %	13.3 %	10.5 %	8.7 %	7.6 %	9.8 %	7.0 %	8.1 %	10.3 %	10.4 %	10.3 %
Adjusted EBIT-%	2.8 %	2.7 %	-0.1 %	4.5 %	3.7 %	5.5 %	3.7 %	0.5 %	1.4 %	2.6 %	6.7 %	3.1 %	3.6 %	4.2 %	4.5 %
Net earnings-%	3.2 %	-1.7 %	-6.8 %	-2.8 %	7.1 %	-37.7 %	-12.7 %	-1.2 %	-1.5 %	-0.2 %	-1.1 %	-1.0 %	0.9 %	1.7 %	2.0 %

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	213	184	184	181	183
Goodwill	39.9	7.7	7.7	7.7	7.7
Intangible assets	63.8	10.3	9.4	8.7	8.4
Tangible assets	103	51.4	52.2	53.6	57.2
Associated companies	0.0	110	110	110	110
Other investments	0.0	0.0	0.0	0.0	0.0
Other non-current assets	0.7	0.4	0.0	0.0	0.0
Deferred tax assets	5.3	4.1	4.1	1.1	0.0
Current assets	135	87.7	87.0	90.1	96.5
Inventories	100.0	60.2	61.4	62.9	66.7
Other current assets	0.0	0.0	0.0	0.0	0.0
Receivables	23.7	18.5	18.4	19.5	21.5
Cash and equivalents	11.1	9.0	7.2	7.6	8.3
Balance sheet total	348	272	271	271	280

Source: Inderes

Liabilities & equity	2023	2024	2025e	2026e	2027e
Equity	79.3	49.3	47.8	49.8	54.0
Share capital	15.2	15.2	15.2	15.2	15.2
Retained earnings	46.6	21.9	19.7	21.8	25.9
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	12.9	12.9	12.9	12.9	12.9
Other equity	0.0	0.0	0.0	0.0	0.0
Minorities	4.7	-0.6	0.0	0.0	0.0
Non-current liabilities	122	57.9	56.6	54.2	55.0
Deferred tax liabilities	12.7	2.1	2.1	2.1	2.1
Provisions	0.1	0.0	0.0	0.0	0.0
Interest bearing debt	106	55.9	54.6	52.2	53.0
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	3.6	0.0	0.0	0.0	0.0
Current liabilities	147	165	166	167	171
Interest bearing debt	60.4	23.3	23.4	22.4	22.7
Payables	86.2	31.3	32.8	34.7	38.1
Other current liabilities	0.0	110	110	110	110
Balance sheet total	348	272	271	271	280

Valuation 1/4

Valuation summary - Reduce

Because of weak demand for machine dealerships, KH Group's core business is suffering, and the share price appears to be particularly expensive due to pressure on earnings levels. Regarding KH-Koneet's Finnish operations, we are confident that the level of earnings will recover as cyclical challenges ease. However, in terms of its Swedish operations, the company has yet to demonstrate its ability to create value. In KH Group's case, it's easy to imagine a scenario in which KH-Koneet's performance recovers toward historical levels, enabling significant earnings growth and a repricing of the share. Although KH-Koneet has a strong historical track record, relying on it is becoming more difficult, in our view, due to recent developments, the poorly performing Swedish machine dealership, and the upcoming change in KH-Koneet's CEO.

The separation from Indoor Group by repaying the company's bank loans has created generally conflicting feelings about KH Group. The divestment should improve financing availability for other subsidiaries, while it has ironically eliminated the risk of inefficient capital allocation to the company. Considering its performance in recent years and regular management changes, it is essential for KH Group's investment story that it reassures the market of its ability to allocate capital in a value-creating manner.

Structural change has made valuation more straightforward

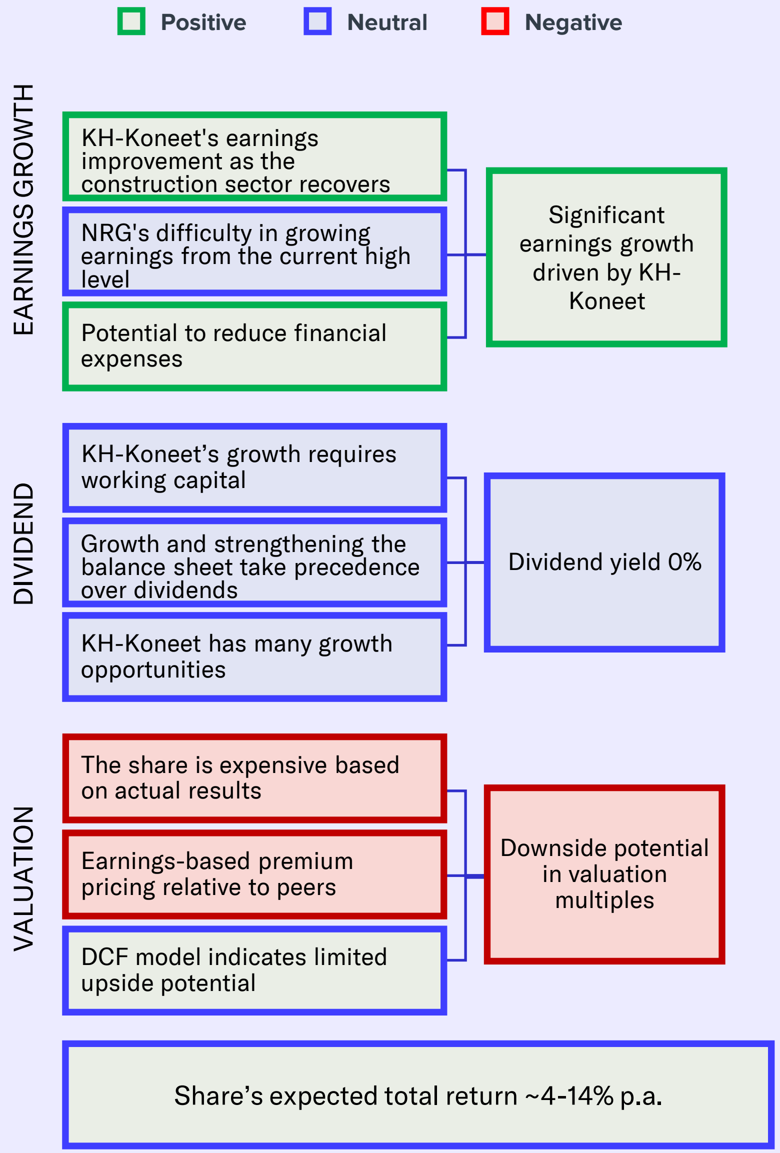
Structural changes have made the valuation of KH Group more straightforward, as the number of business operations has decreased. Additionally, there are more similarities between KH-Koneet's and NRG's business operations than there are with the group's divested holdings. This improves the usability of group-level valuation multiples and the DCF model. However, the current subsidiaries' fluctuating performance in recent years, combined with the conglomerate's limited track record, significant leverage, and frequent management changes, makes accurately determining the share's value difficult.

Expected return appears neutral

KH Group's expected return depends solely on earnings growth and changes in valuation multiples because we do not anticipate the company distributing dividends in the coming years. Due to KH-Koneet's weak current earnings level, we believe KH Group has the potential for significant earnings growth as demand in the construction sector recovers. Because of the weak earnings level, the group's earnings-based valuation multiples are correspondingly high, and we see clear downside when earnings recover. This downside to valuation multiples lowers our estimate of the share's expected annual return, which we project to fall between 4% and 14%. Meanwhile, our view of the fair value of KH Group is EUR 0.40–0.75, based on a sensitivity analysis of the DCF calculation and the expected return range for the coming years.

Due to the high risk profile of KH Group, we do not consider the expected return to be sufficient compensation for the risks associated with the share, despite the high upper limit. KH Group's financing structure is highly leveraged, which makes it more challenging than usual to estimate expected returns. Even a small change in the company's performance or acceptable valuation level can significantly impact the equity value due to the leverage effect from the debt structure.

Total shareholder return drivers 2026-2028e



Valuation 2/4

Earnings-based valuation is high due to KH-Koneet's low earnings level

In evaluating the valuation level of KH Group, we prefer earnings-based valuation multiples. The company's EV/EBIT ratios for 2026-2027 are 13x-10x, which is slightly elevated or neutral compared to its acceptable valuation level. Forward-looking multiples include an expectation of very strong growth as the company's realized earnings make its EV/EBIT multiple very high, at 18x, considering the nature of the business.

When assessing KH Group's earnings-based valuation, it is important to consider the 31.9% ownership stake of NRG's minority shareholders, as well as the pressured earnings performance of KH-Koneet due to cyclical weakness. If the minority shareholders' share of NRG's earnings and debt is taken into account in our forecasts for KH Group for the coming years, EV/EBIT-based multiples will remain practically unchanged. Thus, according to our current estimates, taking into account NRG's ownership structure does not significantly alter the group-level valuation picture.

Due to KH-Koneet's cyclically pressured profitability, the company's earnings level can strengthen very quickly as the machine dealership recovers. For this reason, we believe it is helpful to look at the group's valuation level also through KH-Koneet's peak earnings. If the EBIT level of KH-Koneet in our near-term forecasts is replaced by the company's cyclical peak year EBIT of 10.5 MEUR, the corresponding EV/EBIT ratios for KH Group are 9x. These multiples turn interesting in our view but require the cyclical earnings performance of KH-Koneet to recover back to the peak level of the previous strong construction cycle.

Despite sluggish development in recent years, we still consider KH-Koneet a growth company with all the prerequisites to grow its earnings over the cycle. However, due to the company's upcoming CEO change, the current downward trend in earnings, and the strength of the previous construction cycle, we believe there is a clear risk associated with achieving a new record profit and its timing, which keeps us cautious about the stock for now. With our current forecasts, KH-Koneet will make a new record result in 2028.

DCF model suggests that the stock is correctly priced

Our DCF model, which reflects the potential of KH Group's continuing businesses, indicates a value of EUR 0.63 per share. The model takes into account the company's longer-term normalized potential over the cycle. We assume KH Group's EBIT margin will normalize to a higher level of 5.5% compared to recent years, as KH-Koneet's Swedish operations mature, the rapid growth rate stabilizes, and the weight of machine rental, which has a higher relative profitability profile, increases. We believe it is clear that a recovery in the demand environment would also support a strengthening of relative profitability. Looking further ahead, however, strengthening the profitability of the Swedish business plays a critical role in enabling growth-driven value creation. However, in our view, it is challenging to fully rely on the long-term potential due to KH-Koneet's weak profitability development in recent years and the company's upcoming CEO change.

Valuation	2025e	2026e	2027e
Share price	0.55	0.55	0.55
Number of shares, millions	58.1	58.1	58.1
Market cap	32	32	32
EV	114	99	99
P/E (adj.)	15.5	15.4	7.7
P/E	neg.	15.4	7.7
P/B	0.7	0.6	0.6
P/S	0.2	0.1	0.1
EV/Sales	0.6	0.5	0.4
EV/EBITDA	6.8	4.4	4.0
EV/EBIT (adj.)	17.8	12.7	9.8
Payout ratio (%)	0.0 %	0.0 %	0.0 %
Dividend yield-%	0.0 %	0.0 %	0.0 %

Source: Inderes

Valuation 3/4

Due to the improvement in profitability levels assumed in KH Group's estimates, 58% of the DCF model's value is weighted to the terminal period, a reasonably high level. Because the value is weighted far into the future and the company has high leverage, the value indicated by the DCF model is sensitive to changes in estimates, as shown by the DCF model's sensitivity calculations. We apply a 12.6% cost of equity to KH Group, but the group's leverage brings the weighted average cost of capital down to 9.1%.

Balance sheet-based valuation

KH Group's balance sheet-based P/B ratio is at 0.7x based on our current year's estimates. This is a low level, both in absolute terms and compared to peer companies. However, the limited history of KH Group as a conglomerate limits the applicability of balance sheet-based valuation because the company's earnings performance has been under pressure throughout this period, and the group has incurred losses in terms of net earnings. This makes it difficult to assess the normalized return on equity and raises concerns about whether the balance sheet values of the group's assets correspond to their actual economic values.

Less need to break down the value of parts

In our view, the sum-of-the-parts approach is a viable tool for valuing KH Group, although the need to evaluate the group's value on a subsidiary-by-subsidiary basis has decreased due to the structural change. This is because the acceptable valuation multiples for KH-Koneet and NRG do not differ significantly and because the intention to dismantle the current group structure has ended. We assess that KH-Koneet's current earnings performance is weaker than its normalized earnings level, while NRG's current earnings level is stronger than its normalized earnings. Therefore, we use our 2028 estimates, which better reflect the normalized earnings power of the businesses, in our sum-of-the-parts calculation.

In the sum-of-the-parts calculation, we subtract our estimate of segment-specific net debt from the estimated enterprise value to derive the segment-specific market value. For the parent company, the acceptable valuation multiple that we apply corresponds to the average of the multiples applied to the subsidiaries, emphasizing the market value of KH Group's shareholding. Based on our sum-of-the-parts calculation looking ahead to 2028, KH Group's expected return for the next nearly three years is a wide -2...18%. However, due to the moderate valuation levels of its peers, we are cautious about the upper end of the expected return range.

KH-Koneet's substantial net debt makes the company's valuation highly sensitive to changes in acceptable valuation multiples. We have applied acceptable EV/EBIT multiples of 9-11x to KH-Koneet, which is in line with or a slight reduction compared to its peers' multiples for the year in question. Due to peers' divergent geographical exposure, target market-specific construction cycles can easily weaken the comparability of individual years.

As for NRG, we've used an EV/EBIT ratio of 8-10x. Given the company's strong progress and very high profitability in recent years, the valuation is moderate, though the generally moderate valuations of its peers also weigh on NRG's price. In our view, it is essential for the company's acceptable valuation level that it be able to strengthen confidence in its long-term growth outlook.

Sum of the parts 2028e

	Upper end	Lower end
KH-Koneet		
EBIT	11.0	11.0
x EV/EBIT multiple	11.0	9.0
= EV	121.0	99.0
-Net debt	60.9	60.9
= Market value (A)	60.1	38.1
	Upper end	Lower end
NRG		
EBIT	2.5	2.5
x EV/EBIT multiple	10.0	8.0
= EV	24.9	19.9
-Net debt	6.2	6.2
= Market cap	18.7	13.7
-Minority interests	6.0	4.4
= Value of KH Group's holding (B)	12.7	9.3
	Upper end	Lower end
Parent		
EBIT	-1.8	-1.8
x EV/EBIT multiple	10.8	8.8
= EV	-19.5	-15.8
+Net debt	1.8	1.8
= Market value (C)	-21.3	-17.6
	Upper end	Lower end
Market value indicated by the sum of the parts for 2028 (A+B+C)	51.5	29.8
KH Group's current market value	31.7	31.7
Annual expected return ~2.9y	18%	-2%
Years	2.9	

Valuation 4/4

Valuation relative to peers is mixed

Although there is no particularly good peer group available for KH Group, we believe that global machine rental companies and Nordic multi-brand automotive companies provide a basis for comparison for KH-Koneet's valuation. On the other hand, a reasonable peer group can be found for NRG, and e.g., Rosenbauer, a company whose products NRG distributes, is listed on the Vienna Stock Exchange.

In our opinion, KH-Koneet should be valued at a discount relative to global machine rental companies due to their larger size and stronger track record of value creation. We also believe that the discount pricing is justified compared to the Swedish multi-brand company Bilia. The EV/EBIT multiples for machine rental companies in 2026 are 10–16x, compared to which KH Group trades at the midpoint of the range. However, due to the unusual earnings cycle, we believe too much weight should not be placed on earnings-based multiples for a single year in the valuation. Nevertheless, the relative valuation clearly indicates that the current valuation level of KH Group factors in significant front-loaded earnings growth.

In the case of NRG, we consider earnings-based pricing compared to its peers to be justified. The company's valuation is weighed down by a higher risk profile than its peers', yet its strong cash flow profile boosts it. NRG's peers are trading at around 7-9x EV/EBIT multiples, which we consider a moderate level.

Due to its weak earnings levels, KH Group is priced high relative to its peers. However, with more stable EV/Sales and P/B multiples, its valuation becomes a clear discount. Given the significantly higher relative profitability of KH-Koneet's peers (average 2026e EBIT-% of 12%), a substantial revenue-based discount is justified. The issue of the KH Group's balance sheet-based valuation was already touched upon on the previous page.

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
United Rentals Inc	46418	58029	16.8	15.7	9.4	8.9	4.3	4.0	20.7	18.9	0.8	0.9	6.3
Ashtead Group PLC	24562	33776	15.2	15.5	8.0	8.0	3.7	3.6	19.4	19.1	1.5	1.5	4.7
McGrath RentCorp	2400	2859	14.4	13.4	9.6	9.1	3.6	3.4	19.1	17.4	1.7	1.7	2.4
Speedy Hire PLC	137	398	14.2	11.0	3.6	3.2	0.8	0.8	14.6	12.0	9.5	3.9	0.5
VP PLC	226	481	9.0	10.3	3.8	3.9	1.1	1.1	7.1	8.5	8.0	7.3	1.3
Wetteri Oyj	30	138		19.8	18.5	6.0	0.3	0.3		31.7			0.6
Bilia AB	1213	2011	16.0	13.6	8.2	7.4	0.5	0.5	15.3	12.7	4.6	5.1	2.4
Ferronordic AB	70	225	33.6	13.5	4.7	3.4	0.5	0.5		10.3			0.6
KH Group (Inderes)	32	114	17.9	12.7	6.8	4.4	0.6	0.5	15.5	15.4	0.0	0.0	0.7
Average			17.0	14.1	8.2	6.2	1.9	1.8	16.0	16.3	4.3	3.4	2.3
Median			15.2	13.6	8.1	6.7	1.0	1.0	17.2	15.0	3.1	2.8	1.9
Diff-% to median			18%	-6%	-16%	-34%	-42%	-52%	-10%	3%	-100%	-100%	-64%

Source: Refinitiv / Inderes

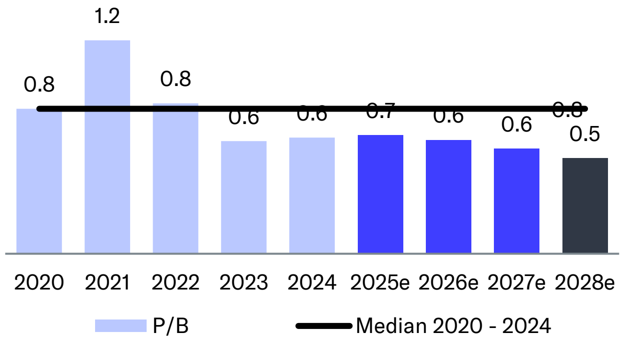
NRG peer group valuation	Market cap	EV	EV/EBIT		EV/EBITDA		EV/S		P/E		P/B
Company	MEUR	MEUR	2025e	2026e	2025e	2026e	2025e	2026e	2025e	2026e	2025e
ROSENBAUER INTL.	498	803	7.5	6.7	5.7	5.2	0.5	0.5	8.1	6.9	1.3
OSHKOSH	9308	9832	11.0	9.1	9.2	7.9	1.1	1.0	15.5	12.2	2.3
Average			9.2	7.9	7.4	6.5	0.8	0.7	11.8	9.6	1.8
Median			9.2	7.9	7.4	6.5	0.8	0.7	11.8	9.6	1.8

Valuation table

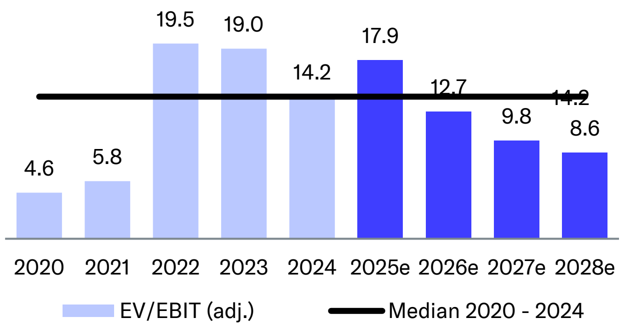
Valuation	2020	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Share price	1.08	1.92	1.18	0.81	0.56	0.55	0.55	0.55	0.55
Number of shares, millions	58.0	58.1	58.1	58.1	58.1	58.1	58.1	58.1	58.1
Market cap	63	112	69	47	32	32	32	32	32
EV	54	116	232	205	102	114	99	99	101
P/E (adj.)	6.3	6.1	5.0	6.5	neg.	15.5	15.4	7.7	5.9
P/E	6.3	6.1	5.0	neg.	neg.	neg.	15.4	7.7	5.9
P/B	0.8	1.2	0.8	0.6	0.6	0.7	0.6	0.6	0.5
P/S	19.6	9.7	0.2	0.1	0.2	0.2	0.1	0.1	0.1
EV/Sales	16.9	10.1	0.5	0.5	0.5	0.6	0.5	0.4	0.4
EV/EBITDA	4.6	5.8	19.5	6.4	5.0	6.8	4.4	4.0	3.7
EV/EBIT (adj.)	4.6	5.8	19.5	19.0	14.2	17.9	12.7	9.8	8.6
Payout ratio (%)	23.4 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Dividend yield-%	3.7 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %

Source: Inderes

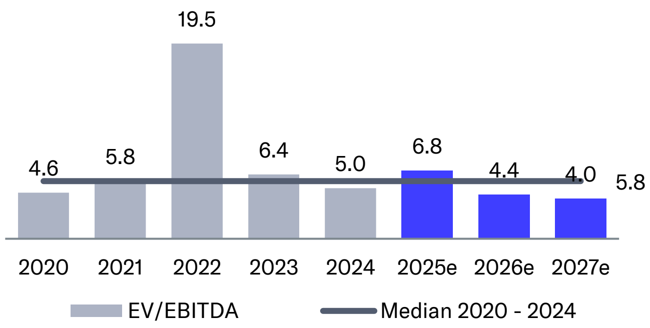
P/B



EV/EBIT



EV/EBITDA

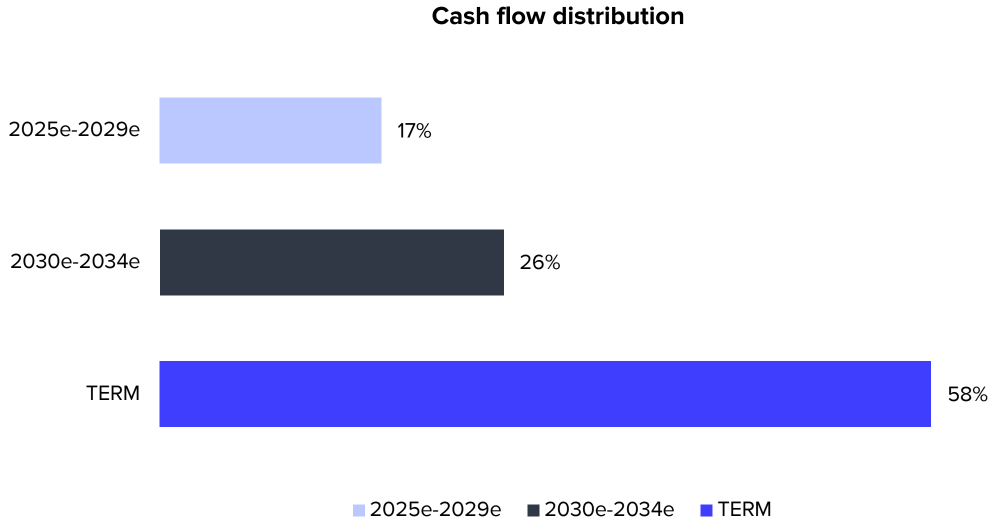


The market cap and enterprise value in the table consider the expected change in the number of shares and net debt for the forecast years.

DCF-calculation

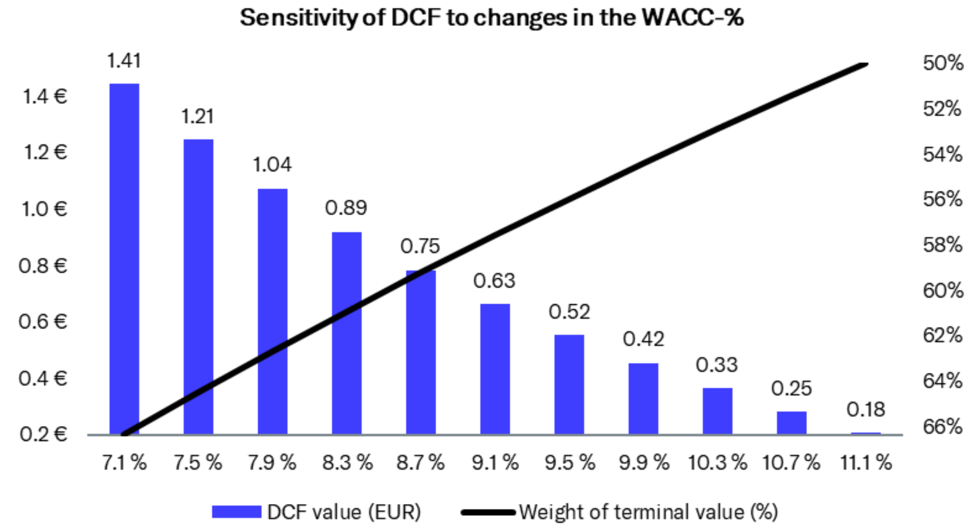
DCF model	2024	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	2034e	TERM
Revenue growth-%		5.6 %	6.0 %	9.8 %	10.1 %	2.5 %	2.5 %	2.0 %	2.0 %	2.0 %	1.5 %	1.5 %
EBIT-%	3.0 %	1.1 %	3.6 %	4.2 %	4.5 %	5.0 %	5.5 %	5.5 %	5.5 %	5.5 %	5.5 %	5.5 %
EBIT (operating profit)	5.8	2.2	7.8	10.1	11.7	13.4	15.2	15.5	15.8	16.1	16.3	
+ Depreciation	14.5	14.5	14.5	14.6	15.4	16.1	16.2	16.2	16.2	16.1	16.4	
- Paid taxes	-9.6	0.3	2.5	0.0	-1.4	-1.8	-2.2	-2.3	-2.5	-2.7	-2.8	
- Tax, financial expenses	-0.5	-0.7	-0.9	-0.9	-0.9	-0.9	-0.8	-0.7	-0.7	-0.6	-0.5	
+ Tax, financial income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Change in working capital		0.3	-0.7	-2.3	-3.7	-1.3	-1.4	-1.1	-1.2	-1.2	-0.9	
Operating cash flow		16.6	23.1	21.5	21.0	25.5	26.9	27.4	27.6	27.8	28.6	
+ 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	
- Gross CAPEX		-14.0	-15.2	-17.9	-18.5	-16.3	-16.4	-16.1	-16.0	-17.4	-17.5	
Free operating cash flow		2.7	8.0	3.6	2.5	9.2	10.5	11.3	11.6	10.4	11.1	
+/- Other		-2.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF		0.7	8.0	3.6	2.5	9.2	10.5	11.3	11.6	10.4	11.1	148
Discounted FCFF		0.7	7.4	3.0	1.9	6.5	6.9	6.8	6.3	5.2	5.1	68.0
Sum of FCFF present value		118	117	110	107	105	98.3	91.4	84.7	78.3	73.1	68.0
Enterprise value DCF		118										
- Interest bearing debt		-79.2										
+ Cash and cash equivalents		9.0										
-Minorities		-11.1										
-Dividend/capital return		0.0										
Equity value DCF		36.7										
Equity value DCF per share		0.63										

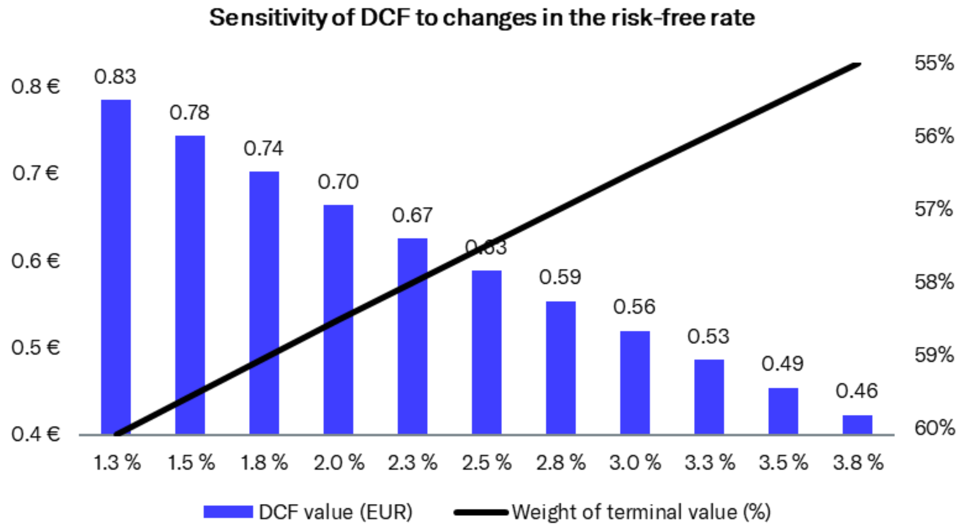
WACC	
Tax-% (WACC)	19.0 %
Target debt ratio (D/(D+E)	50.0 %
Cost of debt	7.0 %
Equity Beta	1.60
Market risk premium	4.75%
Liquidity premium	2.50%
Risk free interest rate	2.5 %
Cost of equity	12.6 %
Weighted average cost of capital (WACC)	9.1 %

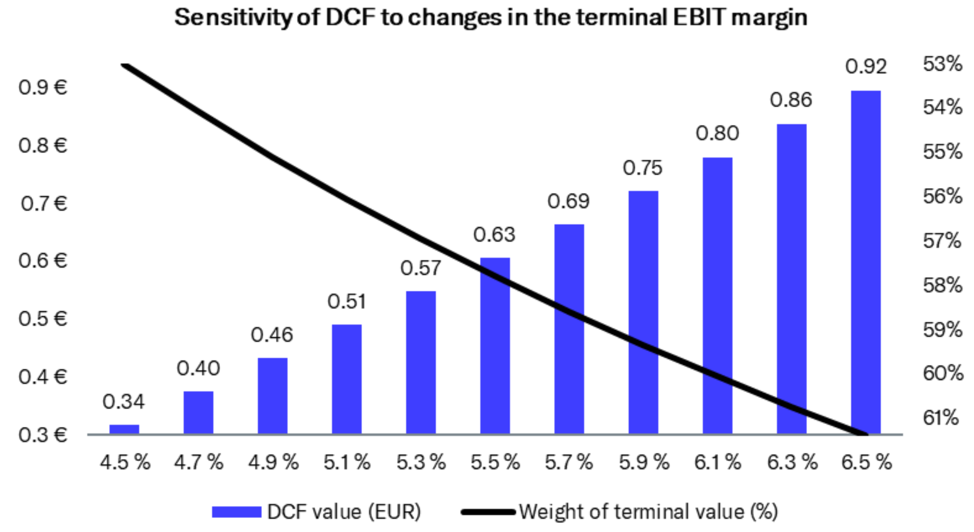


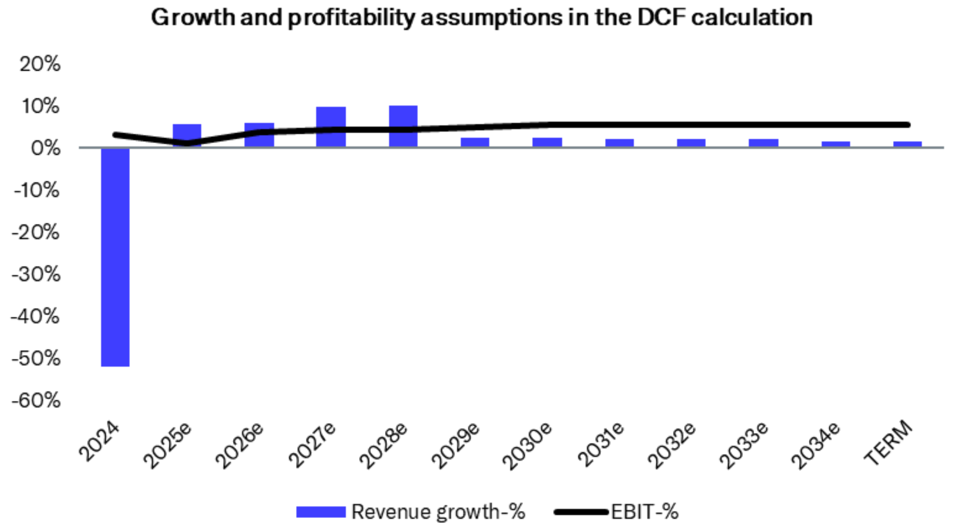
Source: Inderes

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	428.9	403.2	194.0	204.8	217.0
EBITDA	11.9	31.9	20.3	16.7	22.3
EBIT	11.9	-3.1	5.8	2.2	7.8
PTP	11.7	-15.4	1.6	-2.0	3.1
Net Income	13.8	-6.7	-24.7	-2.1	2.1
Extraordinary items	0.0	-13.9	-1.4	-4.2	0.0

Per share data	2022	2023	2024	2025e	2026e
EPS (reported)	0.24	-0.11	-0.42	-0.04	0.04
EPS (adj.)	0.24	0.12	-0.40	0.04	0.04
OCF / share	-0.64	0.75	1.90	0.29	0.40
OFCF / share	-4.17	0.17	3.91	0.01	0.14
Book value / share	1.40	1.29	0.86	0.82	0.86
Dividend / share	0.00	0.00	0.00	0.00	0.00

Balance sheet	2022	2023	2024	2025e	2026e
Balance sheet total	377.0	347.7	271.7	270.5	271.2
Equity capital	87.8	79.3	49.3	47.8	49.8
Goodwill	37.7	39.9	7.7	7.7	7.7
Net debt	158.2	154.9	70.2	70.8	67.0

Growth and profitability	2022	2023	2024	2025e	2026e
Revenue growth-%	3630%	-6%	-52%	6%	6%
EBITDA growth-%	-41%	168%	-36%	-18%	34%
EBIT (adj.) growth-%	-41%	-9%	-33%	-12%	22%
EPS (adj.) growth-%	-25%	-48%	-422%	-109%	0%
EBITDA-%	2.8 %	7.9 %	10.5 %	8.1 %	10.3 %
EBIT (adj.)-%	2.8 %	2.7 %	3.7 %	3.1 %	3.6 %
EBIT-%	2.8 %	-0.8 %	3.0 %	1.1 %	3.6 %
ROE-%	15.8 %	-8.5 %	-39.6 %	-4.4 %	4.2 %
ROI-%	6.4 %	-1.2 %	3.1 %	1.7 %	6.2 %
Equity ratio	23.3 %	22.8 %	18.1 %	17.7 %	18.4 %
Gearing	180.2 %	195.2 %	142.4 %	148.1 %	134.4 %

Cash flow	2022	2023	2024	2025e	2026e
EBITDA	11.9	31.9	20.3	16.7	22.3
Change in working capital	-55.7	14.0	100.1	0.3	-0.7
Operating cash flow	-37.3	43.4	110.3	16.6	23.1
CAPEX	-207.3	-35.1	123.2	-14.0	-15.2
Free cash flow	-242.1	9.7	227.4	0.7	8.0

Valuation multiples	2022	2023	2024	2025e	2026e
EV/S	0.5	0.5	0.5	0.6	0.5
EV/EBITDA	19.5	6.4	5.0	6.8	4.4
EV/EBIT (adj.)	19.5	19.0	14.2	17.9	12.7
P/E (adj.)	5.0	6.5	neg.	15.5	15.4
P/B	0.8	0.6	0.6	0.7	0.6
Dividend-%	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %

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. Per-share figures are calculated using the number of shares at year-end.

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

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

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

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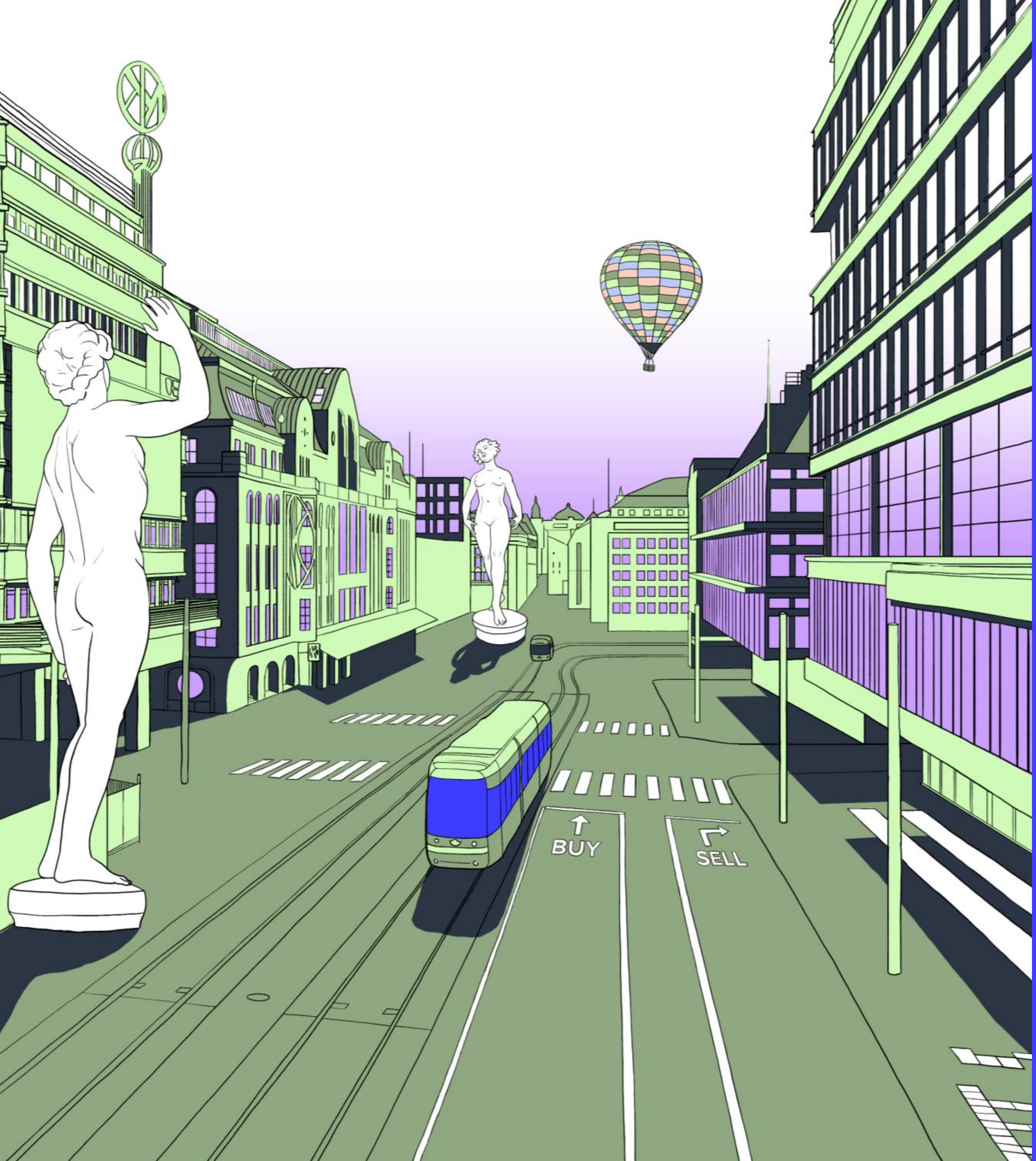
Inderes has made an agreement with the issuer and target of this report, which entails compiling a research report.

Recommendation history (>12 mo)

Date	Recommendation	Target	Share price
12/15/2021	Accumulate	2.00 €	1.94 €
3/4/2022	Buy	1.80 €	1.52 €
3/17/2022	Accumulate	1.80 €	1.64 €
5/6/2022	Buy	1.80 €	1.36 €
8/18/2022	Accumulate	1.50 €	1.29 €
11/4/2022	Buy	1.40 €	1.14 €
12/16/2022	Buy	1.40 €	1.17 €
2/21/2023	Accumulate	1.35 €	1.20 €
3/1/2023	Accumulate	1.20 €	1.08 €
5/5/2023	Buy	1.20 €	1.03 €
8/18/2023	Accumulate	1.05 €	0.95 €
Analyst changed			
10/30/2023	Accumulate	0.90 €	0.77 €
11/2/2023	Accumulate	0.90 €	0.79 €
3/11/2024	Accumulate	0.80 €	0.68 €
3/22/2024	Accumulate	0.95 €	0.85 €
5/2/2024	Accumulate	0.80 €	0.70 €
5/7/2024	Reduce	0.65 €	0.61 €
6/10/2024	Accumulate	0.72 €	0.64 €
8/12/2024	Reduce	0.60 €	0.58 €
8/19/2024	Accumulate	0.65 €	0.57 €
11/4/2024	Accumulate	0.68 €	0.60 €
3/17/2025	Accumulate	0.68 €	0.56 €
3/24/2025	Accumulate	0.65 €	0.55 €
5/7/2025	Accumulate	0.65 €	0.53 €
8/18/2025	Accumulate	0.60 €	0.51 €
9/22/2025	Reduce	0.52 €	0.49 €
11/3/2025	Reduce	0.50 €	0.46 €
11/28/2025	Reduce	0.45 €	0.42 €
2/13/2026	Reduce	0.60 €	0.55 €



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