

Pöytä puhdas uudelle alulle

Yhtiö on kartellikorvausten ja tehostamisohjelmien myötä uuden alun kynnyksellä. Haasteellinen taloustilanne ja uusien painopistealueiden kasvattaminen viivyyttää selkeää kannattavuuden nousua ennusteissamme vasta vuosille 2015-16, joten pidämme suosituksemme vähennä-tasolla.

Kartellikorvaukset syövät tuloksen

Lemminkäinen kirjaa 64 milj. euroa kartellikorvauksia Q4'13 tulokseen ja kirjaa lisäksi tehostusohjelmaan liittyen 30 milj. eurolla alaskirjauksia ja kuluja. Tappioiden myötä yhtiön omavaraisuusaste painuu hyvin heikolle tasolle, mutta vahva likviditeettiasema poistaa välittömän osakeannin tarpeen. Näkemyksemme mukaan mahdollinen osakeanti ajoittuu hetkeen, jolloin kannattavuuden paranemisesta on merkkejä.

Uudet painopisteet - parempi kannattavuus

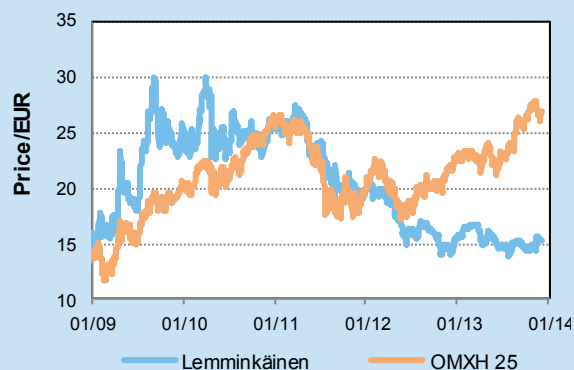
Yhtiö pyrkii kasvattamaan jatkossa vaativien infraprojektien ja omaperustaisen asuntotuotannon osuutta liikevaihdosta urakkatuotannon ja matalakatteisten projektien kustannuksella. Tämän pitäisi yhdessä viime vuosina toteutettujen tehostusohjelmien kanssa nostaa selkeästi yhtiön kannattavuutta nykytasolta, mutta samalla tase- ja myyntiriskit kasvavat. Sekä Suomen että Venäjän asuntorakentamisen markkinat ovat kuitenkin kehittyneet viime vuosina vähemmän pääomaan sitovaan suuntaan.

Ei osinkoa – arvostustaso hyvin haastava

Johdon kanssa käymiemme keskustelujen pohjalta emme odota Lemminkäisen maksavan osinkoja kuluvalta tilikaudelta. Taseen heikkouden takia oletamme että osinkoa ei jaeta myöskään vuodelta 2014. Ennusteistamme lasketut P/E kertoimet 15x ja 11x vuosille 2014-15 ylittävät selvästi verrokkiryhmän keskiarvot, joten sijoittaja ei saa arvostuksen kautta kompensatioita ennusteiden korkeaa riskitasoa vastaan. Vähennä-suositusta (myy-suosituksen sijaan) puoltaa kuitenkin matalat tase- ja liikevaihtopohjaiset kertoimet

RATING

REDUCE



Share price, EUR (last close) **15.24**

Target price, EUR 14.50

Latest change in recommendation 27-Nov-13

No. of shares outstanding, '000's 19 650

No. of shares fully diluted, '000's 19 650

Market cap, MEUR 299

Free float, %

Reuters code LEM1S.HE

Bloomberg code LEM1S FH

Next interim report 07-Feb-14

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BUY



ACCUMULATE



REDUCE



SELL

KEY FIGURES

	Sales MEUR	EBIT MEUR	EBIT %	Ptx profit MEUR	EPS EUR	P/E (x)	EV/Sales (x)	P/CF (x)	EV/EBIT (x)	DPS EUR
2011	2 184	44	2.0%	25	1.81	11.4	0.4	28.7	18.5	0.50
2012	2 268	50	2.2%	30	2.29	6.2	0.3	3.3	12.5	0.60
2013e	2 337	-5	-0.2%	-32	-4.57	-3.3	0.3	5.8	-153.5	0.00
2014e	2 324	47	2.0%	19	1.02	15.0	0.3	3.1	15.7	0.00
2015e	2 395	68	2.8%	35	1.44	10.6	0.3	3.7	10.7	0.40
Market cap, MEUR			299	BV per share 2013E, EUR		13.3		CAGR EPS 2012-15, %		-14.3
Net debt 2013E, MEUR			456	Price/book 2013E		1.1		CAGR sales 2012-15, %		1.8
Enterprise value, MEUR			756	Dividend yield 2013E, %		0.0		ROE 2013E, %		-28.4
Total assets 2013E, MEUR			1 247	Tax rate 2013E, %		20.0		ROCE 2013E, %		0.8
Goodwill 2013E, MEUR			81	Equity ratio 2013E, %		20.9		PEG, P/E 13/CAGR		0.0

INTERIM FIGURES

MEUR	2012Q1	2012Q2	2012Q3	2012Q4	2012	2013Q1	2013Q2	2013Q3	2013Q4e	2013e	2014e	2015e
Net sales	315	526	689	738	2 268	307	521	751	758	2 337	2 324	2 395
EBITDA	-16	19	53	35	91	-32	1	78	16	62	92	109
EBITDA margin (%)	-5.2	3.7	7.7	4.7	4.0	-10.6	0.1	10.3	2.1	2.6	4.0	4.5
EBIT	-22	8	40	24	50	-38	-12	62	-16	-5	47	68
EBIT margin (%)	-6.8	1.5	5.9	3.2	2.2	-12.5	-2.4	8.2	-2.1	-0.2	2.0	2.8
Net financial items	-3	-6	-2	-9	-20	-5	-7	-8	-7	-27	-28	-32
Pre-tax profit	-24	1	39	15	30	-43	-19	54	-24	-32	19	35
Tax	4	-2	-5	-6	-9	11	3	-13	6	6	1	-7
Tax rate (%)	17.7	100.0	14.4	38.4	29.9	25.2	13.5	23.7	24.0	20.0	-5.4	20.0
Net profit	-20	-1	57	9	45	-32	-17	41	-82	-90	20	28
EPS	-1.02	-0.07	2.92	0.46	2.29	-1.64	-0.84	2.09	-4.18	-4.57	1.02	1.44
EPS adjusted (diluted no. of shares)	-1.02	-0.07	2.92	0.46	2.29	-1.64	-0.84	2.09	-2.65	-3.05	1.02	1.44
Dividend per share	0.00	0.00	0.00	0.00	0.60	0.00	0.00	0.00	0.00	0.00	0.00	0.40
SALES, MEUR												
Building Construction	124	159	147	252	682	123	116	149	252	641	605	618
Infrastructure Construction	67	116	204	205	591	50	125	215	207	597	603	609
Technical Building Services	61	57	51	61	230	44	55	55	61	214	206	210
International Operations	104	239	324	268	934	97	236	351	268	951	980	1 029
Other Operations and Eliminations	-39	-45	-37	-48	-170	-7	-10	-18	-30	-66	-70	-70
Total	315	526	689	738	2 268	307	521	751	758	2 337	2 324	2 395
SALES GROWTH, Y/Y %												
Building Construction	-13.7	-11.0	-17.1	14.2	-5.3	-0.8	-26.7	1.4	0.0	-6.1	-5.6	2.0
Infrastructure Construction	2.3	-23.4	-10.0	33.6	-0.9	-24.9	7.7	5.4	1.0	0.9	1.0	1.0
Technical Building Services	16.3	1.4	-18.9	-10.6	-4.1	-27.4	-4.2	6.6	0.0	-6.8	-4.0	2.0
International Operations	43.2	27.4	6.9	8.5	15.4	-6.7	-1.5	8.3	0.0	1.8	3.1	5.0
Other Operations and Eliminations	23.4	-6.0	-22.0	-12.1	-6.9	-81.5	-77.4	-50.7	-37.6	-61.2	6.1	0.0
Total	4.7	0.0	-4.7	16.2	3.8	-2.8	-0.8	9.1	2.7	3.1	-0.6	3.1
EBIT, MEUR												
Building Construction	-1	2	2	16	20	4	-2	8	11	21	22	26
Infrastructure Construction	-4	11	37	-1	44	-11	3	22	-3	11	15	15
Technical Building Services	1	1	0	1	3	-1	0	-1	1	-2	1	2
International Operations	-16	1	25	6	17	-26	-5	32	7	8	21	36
Other Operations and Eliminations	-2	-7	-24	1	-33	-4	-8	1	-32	-43	-12	-12
Total	-22	8	40	24	50	-38	-12	62	-16	-5	47	68
EBIT margin, %												
Building Construction	-0.5	1.4	1.2	6.4	2.9	3.3	-1.7	5.0	4.5	3.3	3.6	4.3
Infrastructure Construction	-5.7	9.3	18.2	-0.3	7.4	-22.2	2.7	10.3	-1.5	1.9	2.5	2.5
Technical Building Services	1.3	1.9	0.6	1.6	1.4	-3.2	-0.9	-1.3	1.5	-0.8	0.4	1.0
International Operations	-15.0	0.5	7.7	2.3	1.8	-27.1	-2.0	9.1	2.5	0.8	2.1	3.5
Other Operations and Eliminations	6.1	16.6	63.5	-1.9	19.3	50.7	83.3	-5.9	106.7	65.3	17.1	17.1
Total	-6.8	1.5	5.9	3.2	2.2	-12.5	-2.4	8.2	-2.1	-0.2	2.0	2.8

INCOME STATEMENT, MEUR	2008	2009	2010	2011	2012	2013e	2014e	2015e
Sales	2 482	1 964	1 830	2 184	2 268	2 337	2 324	2 395
<i>Sales growth (%)</i>	14.2	-20.8	-6.9	19.4	3.8	3.1	-0.6	3.1
Costs	-2 324	-1 907	-1 765	-2 102	-2 176	-2 275	-2 232	-2 286
Reported EBITDA	158	58	65	82	91	62	92	109
Extraordinary items in EBITDA	0	0	0	0	0	0	0	0
<i>EBITDA margin (%)</i>	6.4	2.9	3.6	3.8	4.0	2.6	4.0	4.5
Depreciation	-35	-34	-36	-38	-41	-67	-45	-41
EBITA	123	23	29	44	50	-5	47	68
Goodwill amortization / writedown	0	0	0	0	0	0	0	0
Reported EBIT	123	23	29	44	50	-5	47	68
<i>EBIT margin (%)</i>	5.0	1.2	1.6	2.0	2.2	-0.2	2.0	2.8
Net financials	-32	-33	-22	-19	-20	-27	-28	-32
Pre-tax profit	91	-10	7	25	30	-32	19	35
Extraordinary items	0	0	0	0	0	0	0	0
Taxes	-27	-14	-6	-8	-9	6	1	-7
Minority shares	-8	0	0	0	0	0	0	0
Net profit	56	-24	1	36	45	-90	20	28
BALANCE SHEET, MEUR								
Assets								
Fixed assets	207	208	225	246	243	216	213	208
Goodwill	75	78	85	86	77	81	81	81
Inventory	398	355	370	449	494	502	500	515
Receivables	476	305	343	413	371	386	383	395
Liquid funds	250	74	26	30	94	35	35	36
Total assets	1 413	1 034	1 065	1 243	1 304	1 247	1 239	1 263
Liabilities								
Equity	343	299	333	350	373	261	275	298
Deferred taxes	19	19	18	22	25	25	25	25
Interest bearing debt	587	399	376	436	440	491	471	458
Non-interest bearing current liabilities	456	303	321	415	428	444	442	455
Other interest free debt	7	11	15	14	24	24	24	24
Total liabilities	1 413	1 034	1 065	1 243	1 304	1 247	1 239	1 263
CASH FLOW, MEUR								
+ EBITDA	158	58	65	82	91	62	92	109
- Net financial items	-32	-33	-22	-19	-20	-27	-28	-32
- Taxes	-27	-14	-6	-8	-9	6	1	-7
- Increase in Net Working Capital	-70	65	-32	-55	9	-6	3	-14
+/- Other	0	0	0	19	24	-64	0	0
= Cash flow from operations	28	75	5	19	95	-29	68	56
- Capex	-49	-39	-60	-60	-20	-52	-42	-37
- Acquisitions	0	0	0	0	0	0	0	0
+ Divestments	0	0	0	0	0	0	0	0
= Net cash flow	-21	37	-55	-41	75	-82	26	19
+/- Change in interest-bearing debt	229	-187	-23	60	5	51	-20	-12
+/- New issues/buybacks	-1	-5	33	-9	-13	-10	-6	-6
- Paid dividend	-31	-15	0	-10	-10	-12	0	0
+/- Change in loan receivables	0	0	2	3	17	-11	0	0
Change in cash	176	-170	-43	3	74	-64	0	1

KEY FIGURES	2009	2010	2011	2012	2013e	2014e	2015e
M-cap	412	511	405	281	299	299	299
Net debt	325	350	405	346	456	436	423
Enterprise value	772	868	813	627	756	736	722
Sales	1 964	1 830	2 184	2 268	2 337	2 324	2 395
EBITDA	58	65	82	91	62	92	109
EBIT	23	29	44	50	-5	47	68
Pre-tax	-10	7	25	30	-32	19	35
Earnings	-24	1	36	45	-90	20	28
Book value	275	328	349	372	261	275	298
Valuation multiples							
EV/sales	0.4	0.5	0.4	0.3	0.3	0.3	0.3
EV/EBITDA	13.4	13.4	9.9	6.9	12.2	8.0	6.6
EV/EBITA	33.1	29.5	18.5	12.5	-153.5	15.7	10.7
EV/EBIT	33.1	29.9	18.5	12.5	-153.5	15.7	10.7
EV/operating cash flow	8.1	49.4	57.4	7.4	14.6	7.6	8.8
EV/cash earnings	147.8	26.8	14.5	10.1	20.7	11.3	10.4
P/E	-17.4	425.6	11.4	6.2	-3.3	15.0	10.6
P/E (adj.)	13.6	182.4	11.4	6.2	-5.0	15.0	10.6
P/B	1.5	1.6	1.2	0.8	1.1	1.1	1.0
P/sales	0.2	0.3	0.2	0.1	0.1	0.1	0.1
P/CF	4.3	29.0	28.7	3.3	5.8	3.1	3.7
Target EV/EBIT	23.2	24.2	12.0	14.5	-150.5	15.4	10.5
Target P/E	8.7	37.4	18.9	7.6	-4.8	14.2	10.1
Target P/B	1.3	1.8	1.1	0.9	1.1	1.0	1.0
Per share measures							
Number of shares	17 021	19 645	19 645	19 650	19 650	19 650	19 650
Number of shares (diluted)	17 021	19 645	19 645	19 650	19 650	19 650	19 650
EPS	-1.39	0.06	1.81	2.29	-4.57	1.02	1.44
EPS (adj.)	1.78	0.14	1.81	2.29	-3.05	1.02	1.44
Cash EPS	0.31	1.65	2.86	3.15	1.85	3.31	3.55
Operating cash flow per share	5.63	0.90	0.72	4.31	2.63	4.94	4.17
Capital employed per share	36.66	34.76	38.46	36.11	36.49	36.21	36.68
Book value per share	16.17	16.70	17.75	18.95	13.26	14.00	15.15
Book value excl. goodwill	11.58	12.38	13.39	15.03	9.17	9.90	11.06
Dividend per share	0.00	0.50	0.50	0.60	0.00	0.00	0.40
Dividend payout ratio, %	0.0	818.5	27.6	26.2	0.0	0.0	27.8
Dividend yield, %	0.0	1.9	2.4	4.2	0.0	0.0	2.6
Efficiency measures							
ROE	-8.0	0.4	10.5	12.5	-28.4	7.5	9.9
ROCE	5.4	5.5	7.4	7.8	0.8	6.3	9.0
Financial ratios							
Capex/sales, %	2.0	3.3	2.7	0.9	2.2	1.8	1.5
Capex/depreciation excl. goodwill,%	102.7	149.1	155.3	70.0	73.2	93.3	89.4
Net debt/EBITDA, book-weighted	5.6	5.4	4.9	3.8	7.4	4.7	3.9
Debt/equity, market-weighted	1.0	0.7	1.1	1.6	1.6	1.6	1.5
Equity ratio, book-weighted	28.9	31.3	28.2	28.6	20.9	22.2	23.6
Gearing	1.1	1.0	1.2	0.9	1.7	1.6	1.4
Number of employees, average	8 500	8 314	8 421	8 180	7 800	7 800	7 800
Sales per employee, EUR	231 106	220 063	259 340	277 200	299 608	297 913	307 048
EBIT per employee, EUR	2 741	3 488	5 225	6 125	-631	6 026	8 663

VALUATION RESULTS		BASE CASE DETAILS		VALUATION ASSUMPTIONS		ASSUMPTIONS FOR WACC	
Current share price	15.24	PV of Free Cash Flow	268	Long-term growth, %	2.0	Risk-free interest rate, %	4.30
DCF share value	15.75	PV of Horizon value	400	WACC, %	8.5	Market risk premium, %	4.8
Share price potential, %	3.3	Unconsolidated equity	0	Spread, %	0.5	Debt risk premium, %	1.7
Maximum value	18.7	Marketable securities	94	Minimum WACC, %	8.0	Equity beta coefficient	1.20
Minimum value	13.2	Debt - dividend	-452	Maximum WACC, %	9.0	Target debt ratio, %	40
Horizon value, %	59.9	Value of stock	309	Nr of shares, Mn	19.7	Effective tax rate, %	22

DCF valuation, MEUR	2012	2013e	2014e	2015e	2016e	2017e	2018e	2019e	2020e	2021e	2022e	Horizon
Net sales	2 268	2 337	2 324	2 395	2 481	2 556	2 632	2 711	2 793	2 877	2 934	2 993
<i>Sales growth, %</i>	<i>3.8</i>	<i>3.1</i>	<i>-0.6</i>	<i>3.1</i>	<i>3.6</i>	<i>3.0</i>	<i>3.0</i>	<i>3.0</i>	<i>3.0</i>	<i>3.0</i>	<i>2.0</i>	<i>2.0</i>
Operating income (EBIT)	50	-5	47	68	95	102	105	108	98	86	88	90
<i>EBIT margin, %</i>	<i>2.2</i>	<i>-0.2</i>	<i>2.0</i>	<i>2.8</i>	<i>3.8</i>	<i>4.0</i>	<i>4.0</i>	<i>4.0</i>	<i>3.5</i>	<i>3.0</i>	<i>3.0</i>	<i>3.0</i>
+ Depreciation+amort.	41	67	45	41	40	39	40	41	42	43	44	
- Income taxes	-16	-4	3	-14	-21	-22	-23	-24	-22	-19	-19	
- Change in NWC	9	-6	3	-14	-16	-14	-15	-15	-15	-16	-11	
<i>NWC / Sales, %</i>	<i>18.8</i>	<i>18.5</i>	<i>18.5</i>	<i>18.5</i>	<i>18.6</i>	<i>18.6</i>	<i>18.6</i>	<i>18.6</i>	<i>18.6</i>	<i>18.6</i>	<i>18.6</i>	
+ Change in other liabs	17	-11	0	0	0	0	0	0	0	0	0	
- Capital Expenditure	-20	-52	-42	-37	-34	-41	-45	-47	-48	-50	-49	-50
<i>Investments / Sales, %</i>	<i>0.9</i>	<i>2.2</i>	<i>1.8</i>	<i>1.5</i>	<i>1.4</i>	<i>1.6</i>	<i>1.7</i>	<i>1.7</i>	<i>1.7</i>	<i>1.7</i>	<i>1.7</i>	<i>1.7</i>
- Other items	24	-64	0	0	0	0	0	0	0	0	0	
= Unlevered Free CF (FCF)	105	-76	55	45	64	63	62	64	55	45	53	836
= Discounted FCF (DFCF)		-75	51	38	50	46	41	39	31	23	26	400
= DFCF min WACC		-75	51	38	50	47	42	40	32	24	27	452
= DFCF max WACC		-75	50	38	49	45	40	38	30	23	24	356

COMPANY DESCRIPTION: Lemminkäinen is known for its expertise in building construction, infrastructure construction and technical building services. Finland is our main market, but we also operate in the other Nordic countries, Russia and Baltic countries. With a hundred years of experience we create conditions that make living, working and travelling easy, safe and healthy. In the future, we will be seeking growth from renovation, Russian residential construction and Nordic infrastructure construction in particular.

OWNERSHIP STRUCTURE	SHARES	MEUR	%
Pnt Group Oy	3 674 583	56.001	18.7%
Forsten Noora Eva Johanna	1 966 983	29.977	10.0%
Pentti Heikki Oskari Kuolinpesä	1 906 067	29.048	9.7%
Pentti Olavi	1 709 565	26.054	8.7%
Varma Mutual Pension Insurance Company	823 342	12.548	4.2%
Pentti-Von Walzel Anna Eva Kristina	634 701	9.673	3.2%
Pentti-Kortman Eva Katarina	634 701	9.673	3.2%
Pentti Timo Kaarle Kristian	634 701	9.673	3.2%
Ilmarinen Mutual Pension Insurance Company	432 304	6.588	2.2%
Mandatum Life Insurance	282 963	4.312	1.4%
Ten largest	12 699 909	193.547	65%
Residual	6 950 267	105.922	35%
Total	19 650 176	299.469	100%

EARNINGS CALENDAR

February 07, 2014

FY 2013 Results

OTHER EVENTS

April 09, 2014

AGM

COMPANY MISCELLANEOUS

CEO: Timo Kohtamäki, CEO

Salmisaarenaukio 2, PL 169, 00181 HELSINKI

CFO: Robert Öhman, talous- ja rahoitusjohtaja

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IR: Katri Sundström, IR

RECOMMENDATION HISTORY, last 12 months	Recommendation	Target	Share price
23.12.2013	Reduce	14,5	15,3
28.11.2013	Reduce	15,0	15,3
15.11.2013	Sell	13,0	15,0
8.8.2013	Sell	13,0	14,6
18.4.2013	Reduce	13,0	16,1
8.2.2013	Accumulate	17,5	15,9
12.2.2013	Sell	8,2	11,3
14.1.2013	Sell	8,2	10,2
29.10.2012	Sell	7,0	8,3
10.8.2012	Sell	7,0	7,9

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