

NYAB

Company report

2/26/2024



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✓ Inderes corporate customer

This report is a summary translation of the report “Ohjeistus suurimman mielenkiinnon kohteena raportilla” published on 2/26/2024 at 8:20 am EET.

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Focus on guidance

We reiterate our EUR 0.45 target price on NYAB but upgrade our recommendation to Reduce (was Sell), reflecting a flattening of the medium-term valuation picture as a result of the share price decline. The company will publish its Q4 report on Wednesday. We expect revenue to decline year-on-year, reflecting the December profit warning, while EBIT is expected to be at a good level. In line with the declining net profit, we expect the company to reduce its dividend slightly. However, the main focus of the report is the outlook and guidance for the current year, which we expect to signal a significant increase in both revenue and operating profit.

We forecast Q4 growth to be below the comparison period, in line the profit warning

In Q4, we expect the company's revenue to have decreased by 5% year-on-year and to have amounted to 85.3 MEUR. The development in revenue is explained by the factors mentioned in the company's year-end profit forecast relating to the unusually early and severe winter in the northern parts of Sweden and Finland, which also delayed the realization of projects. We expect the reported EBIT to have settled at 7.0 MEUR. Regarding the EBIT in the comparison period, it should be noted that the result was supported by the sale of Skarta Energy (capital gain of 14.7 MEUR). At the bottom of the P&L, we forecast that the result will be depressed by losses in associates and higher financing costs due to the re-domiciliation costs. We assume that taxes were at a moderate level in line with the deductible losses of the parent company and, reflecting this overall picture, the reported net result to amount to 5.0 MEUR. We expect the dividend proposal to indicate a slight decrease from last year (2023e: EUR 0.006/share vs. 2022 EUR 0.007/share) reflecting the net profit.

Focus on outlook and particularly on guidance

This year, we expect NYAB's revenue to grow by 17% to 325 MEUR and EBIT to increase to 20.8 MEUR. In light of this, the guidance should indicate a significant increase in revenue and profit. We expect the company's development to be supported in particular by the postponement of projects for the rest of the year to the current year and the major projects announced in Q4 (see comments [here](#) and [here](#)). In addition, we expect the reported figures to be supported by a stronger Swedish krona. We have not changed our operating forecasts for the coming years and expect the current strong revenue growth (+13%) to continue in 2025. Reported EBIT margin levels for the coming years are also unchanged (2024e-2026e: 6.4%-7.3%), supported by the decline in PPA write-offs in the current year. Instead, we made minor revisions to our working capital projections for end-2023, as we expect the slowdown in volumes to support cash flow developments.

Valuation is high for 2024; will level off in coming years if earnings growth materializes as forecast

We forecast an adjusted 2024 P/E ratio of 20x and a corresponding EV/EBIT ratio of 15x. As a result, looking at this year, we believe there is room for downward revisions to earnings-based multiples relative to our valuation range (P/E: 13-17x, EV/EBIT 12-16x). In contrast, if earnings growth materializes as we forecast, the multiples fall to neutral levels next year (2025e EV/EBIT 12x, P/E 16x). However, with the decline in the share price, the expected medium-term return has turned slightly positive, which is still below our required return despite our forecast of a dividend yield of 1-2% in the coming years. The challenge of short-term valuation is also indicated by our sum-of-the-parts model, which now stands at EUR 0.41-0.50 per share (previously EUR 0.38-0.49). At the current price level, we believe that the stock is quite fully priced in the short term, which means that the risk-adjusted expected return over the next 12 months remains weak.

Recommendation

Reduce

(previous Sell)

EUR 0.45

(previous EUR 0.45)

Share price:

0.49



Key figures

	2022	2023e	2024e	2025e
Revenue	253.3	277.8	325.0	367.2
growth-%	92%	10%	17%	13%
EBIT adj.	27.2	17.6	21.7	25.8
EBIT-% adj.	10.7 %	6.3 %	6.7 %	7.0 %
Net Income	23.3	10.5	15.3	21.0
EPS (adj.)	0.04	0.02	0.02	0.03

P/E (adj.)	24.8	25.9	20.3	16.0
P/B	3.4	1.9	1.8	1.6
Dividend yield-%	0.8 %	1.2 %	1.6 %	2.2 %
EV/EBIT (adj.)	22.9	18.7	15.0	12.2
EV/EBITDA	20.5	15.6	12.9	10.7
EV/S	2.5	1.2	1.0	0.9

Source: Inderes

Guidance

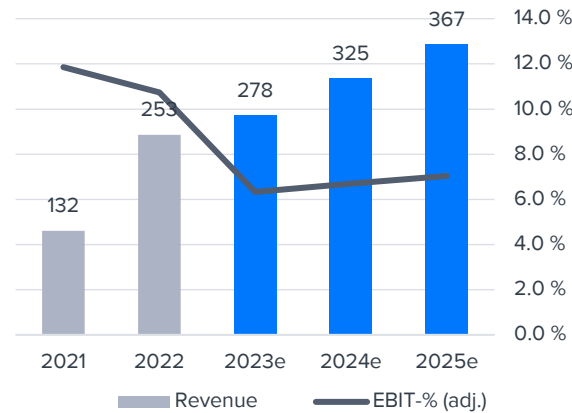
(Unchanged)

NYAB estimates that its revenue will be 270-285 MEUR and EBIT 14-17 MEUR in 2023.

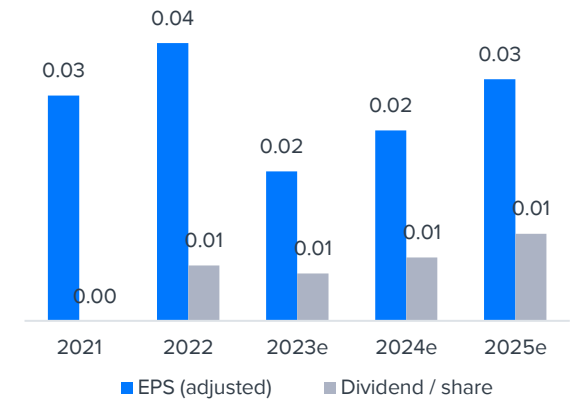
Share price



Revenue and EBIT-%



EPS and dividend



Value drivers

- Continued growth and higher profitability than competitors
- Strong market position in target markets, especially in the Norrbotten region
- The company is well positioned in the green transition and urbanization it offers, with promising growth prospects well into the future
- Focus on less cyclical and counter-cyclical construction sectors
- Sustainable improvement in the profitability of Finnish businesses
- Potential of the renewable energy project development joint venture, Skarta Energy (including sale of ownership)
- Acquisitions that create value



Risk factors

- Fluctuations in demand in the construction market and general economic developments
- Pricing and project risks
- Tighter competition
- Personnel risks
- EUR/SEK currency pair (+/-) may swing reported figures
- Failure in acquisitions

Valuation	2023e	2024e	2025e
Share price	0.49	0.49	0.49
Number of shares, millions	706.7	706.7	706.7
Market cap	346	346	346
EV	330	326	316
P/E (adj.)	25.9	20.3	16.0
P/E	32.9	22.6	16.4
P/B	1.9	1.8	1.6
P/S	1.2	1.1	0.9
EV/Sales	1.2	1.0	0.9
EV/EBITDA	15.6	12.9	10.7
EV/EBIT (adj.)	18.7	15.0	12.2
Payout ratio (%)	40.4 %	37.0 %	36.9 %
Dividend yield-%	1.2 %	1.6 %	2.2 %

Source: Inderes

Q4 expectations

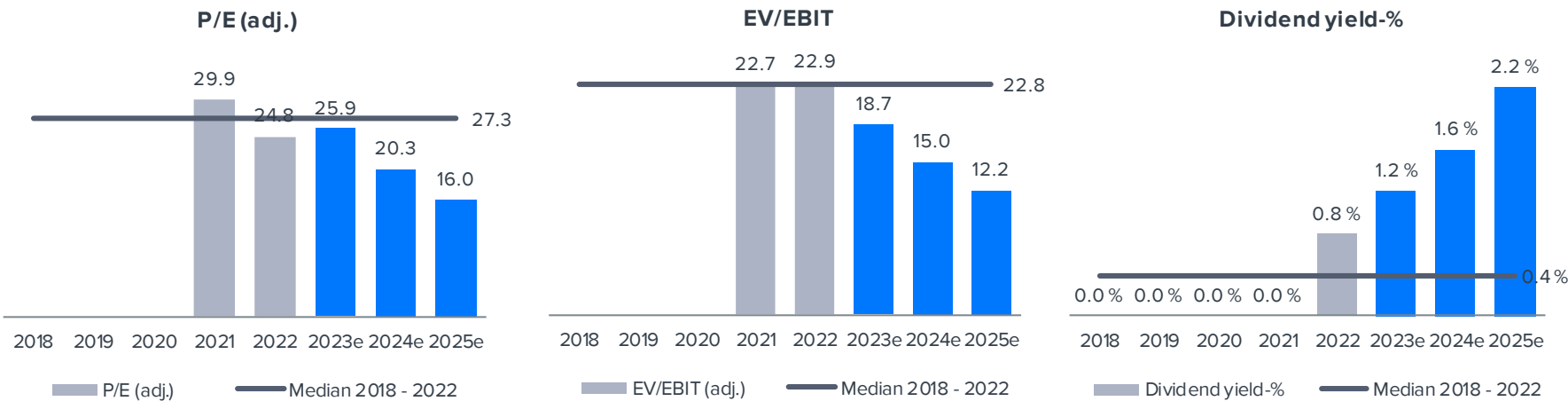
Estimates	Q4'22	Q4'23	Q4'23e	Q4'23e	Consensus		2023e
MEUR / EUR	Comparison	Actualized	Inderes	Consensus	Low	High	Inderes
Revenue	89.8		85.3				278
EBIT	19.2		7.0				15.5
PTP	19.3		5.6				11.5
Net profit	19.3		5.0				10.5
DPS	0.007		0.006				0.006
Revenue growth-%			-5.0 %				9.7 %
EBIT-% (rep.)	21.4 %		8.2 %				5.6 %

Source: Inderes

Valuation table

Valuation	2018	2019	2020	2021	2022	2023e	2024e	2025e	2026e
Share price				0.85	0.87	0.49	0.49	0.49	0.49
Number of shares, millions				414.2	706.7	706.7	706.7	706.7	706.7
Market cap				352	615	346	346	346	346
EV				354	622	330	326	316	304
P/E (adj.)				29.9	24.8	25.9	20.3	16.0	14.4
P/E				29.9	26.4	32.9	22.6	16.4	14.6
P/B				13.5	3.4	1.9	1.8	1.6	1.5
P/S				2.7	2.4	1.2	1.1	0.9	0.9
EV/Sales				2.7	2.5	1.2	1.0	0.9	0.8
EV/EBITDA				21.1	20.5	15.6	12.9	10.7	9.1
EV/EBIT (adj.)				22.7	22.9	18.7	15.0	12.2	10.3
Payout ratio (%)				0.0 %	21.2 %	40.4 %	37.0 %	36.9 %	38.9 %
Dividend yield-%				0.0 %	0.8 %	1.2 %	1.6 %	2.2 %	2.7 %

Source: Inderes



Peer group valuation

Peer group valuation	Market cap	EV	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%		P/B
Company	MEUR	MEUR	2023e	2024e	2023e	2024e	2023e	2024e	2023e	2024e	2023e	2024e	2023e
Peab	1522	3061	13.2	16.8	8.6	9.7	0.6	0.6	7.8	12.3	4.8	3.9	1.1
NCC	1199	1565	11.2	10.1	5.6	5.9	0.3	0.3	8.7	9.5	4.9	5.4	1.6
Skanska	6965	6301	15.6	10.2	11.1	7.6	0.4	0.4	19.1	12.7	3.7	4.0	1.3
YIT	337	1306	28.8	32.5	18.3	19.6	0.6	0.7					0.4
AF Gruppen	1158	1323	15.9	10.5	10.0	7.3	0.5	0.5	20.9	13.2	6.1	6.3	4.2
NRC Group	72	159	12.7	9.2	5.2	4.6	0.3	0.3	13.5	8.0	4.5	6.7	0.3
Veidekke	1236	1023	8.9	7.7	5.0	4.6	0.3	0.3	14.6	12.6	7.5	7.7	4.8
MT Hoejgaard Holding	168	173	3.5	3.0	2.4	2.2	0.1	0.1	15.5	4.1			1.6
Kreate	67	84	11.4	8.4	6.3	5.2	0.3	0.3	16.2	11.8	4.7	6.6	1.6
Sitowise	103	191	14.3	11.9	7.6	6.9	0.9	0.9	14.0	11.2	3.5	4.2	0.9
Sweco	3584	4080	17.9	16.3	13.0	11.7	1.6	1.5	21.4	19.2	2.5	2.8	3.7
AFRY	1658	2080	13.5	11.5	8.5	7.8	0.9	0.8	15.4	13.3	3.6	3.8	1.5
Enersense	64	104	16.4	9.5	6.6	5.0	0.3	0.3		39.1	2.6	3.1	1.2
Eltel	101	233		11.7	8.0	4.1	0.3	0.3		32.3			0.5
Dovre Group	43	36	5.2	5.2	5.2	4.5	0.2	0.2	10.1	13.4	2.5	2.5	1.1
Netel	55	127	8.8	6.6	6.2	4.8	0.4	0.4	7.5	5.2		6.5	0.5
NYAB (Inderes)	346	330	18.7	15.0	15.6	12.9	1.2	1.0	25.9	20.3	1.2	1.6	1.9
Average			13.1	11.3	8.0	7.0	0.5	0.5	14.2	14.5	4.2	4.9	1.6
Median			13.2	10.2	7.1	5.6	0.4	0.3	14.6	12.6	4.1	4.2	1.3
Diff-% to median			42%	48%	118%	131%	234%	191%	77%	61%	-70%	-61%	49%

Source: Refinitiv / Inderes

Income statement

Income statement	2021	Q1'22	Q2'22	Q3'22	Q4'22	2022	Q1'23	Q2'23	Q3'23	Q4'23e	2023e	2024e	2025e	2026e
Revenue	132	17.5	55.7	90.3	89.8	253	39.2	65.3	88.1	85.3	278	325	367	400
Group	132	17.5	55.7	90.3	89.8	253	39.2	65.3	88.1	85.3	278	325	367	400
EBITDA	16.7	-0.4	3.5	6.6	20.8	30.4	-0.6	5.4	8.0	8.4	21.2	25.3	29.6	33.5
Depreciation	-1.1	-0.4	-1.3	-1.3	-1.6	-4.6	-1.4	-1.4	-1.4	-1.4	-5.6	-4.5	-4.2	-4.2
EBIT (excl. NRI)	15.6	-0.9	2.7	5.7	19.7	27.2	-1.5	4.6	7.1	7.5	17.6	21.7	25.8	29.6
EBIT	15.6	-0.9	2.2	5.2	19.2	25.7	-2.1	4.0	6.6	7.0	15.5	20.8	25.3	29.3
Group	15.6	-0.9	2.2	5.2	19.2	25.7	-2.1	4.0	6.6	7.0	15.5	20.8	25.3	29.3
Share of profits in assoc. compan.	0.0	0.0	0.0	0.0	-0.1	0.0	-0.2	-0.4	-0.4	-0.5	-1.5	-1.3	-0.6	-0.3
Net financial items	0.0	-0.1	-0.3	-0.2	0.2	-0.4	-0.3	-0.4	-0.9	-1.0	-2.6	-2.6	-1.3	-1.2
PTP	15.6	-0.9	1.9	5.0	19.3	25.3	-2.6	3.3	5.2	5.6	11.5	17.0	23.4	27.8
Taxes	-3.4	-0.1	-1.3	-0.6	0.0	-2.0	-0.3	0.5	-0.6	-0.6	-1.0	-1.7	-2.4	-4.2
Minority interest	-0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net earnings	11.8	-1.0	0.7	4.3	19.3	23.3	-2.8	3.7	4.6	5.0	10.5	15.3	21.0	23.6
EPS (adj.)	0.03	0.00	0.00	0.01	0.03	0.04	0.00	0.01	0.01	0.01	0.02	0.02	0.03	0.03
EPS (rep.)	0.03	0.00	0.00	0.01	0.03	0.03	0.00	0.01	0.01	0.01	0.01	0.02	0.03	0.03

Key figures	2021	Q1'22	Q2'22	Q3'22	Q4'22	2022	Q1'23	Q2'23	Q3'23	Q4'23e	2023e	2024e	2025e	2026e
Revenue growth-%						92.3 %	124.0 %	17.2 %	-2.5 %	-5.0 %	9.7 %	17.0 %	13.0 %	9.0 %
Adjusted EBIT growth-%						74.3 %	79.1 %	72.1 %	24.7 %	-62.1 %	-35.3 %	23.6 %	18.8 %	14.6 %
EBITDA-%	12.7 %	-2.5 %	6.3 %	7.3 %	23.1 %	12.0 %	-1.7 %	8.3 %	9.1 %	9.8 %	7.6 %	7.8 %	8.0 %	8.4 %
Adjusted EBIT-%	11.9 %	-4.9 %	4.8 %	6.3 %	22.0 %	10.7 %	-3.9 %	7.0 %	8.1 %	8.8 %	6.3 %	6.7 %	7.0 %	7.4 %
Net earnings-%	8.9 %	-5.8 %	1.2 %	4.8 %	21.5 %	9.2 %	-7.2 %	5.7 %	5.2 %	5.9 %	3.8 %	4.7 %	5.7 %	5.9 %

Source: Inderes

Balance sheet

Assets	2021	2022	2023e	2024e	2025e
Non-current assets	8.5	160	161	161	161
Goodwill	0.0	121	121	121	121
Intangible assets	0.0	3.8	1.9	1.0	0.7
Tangible assets	8.2	17.7	18.3	18.9	19.4
Associated companies	0.0	11.1	12.6	12.6	12.6
Other investments	0.0	5.6	7.1	7.1	7.1
Other non-current assets	0.0	0.0	0.0	0.0	0.0
Deferred tax assets	0.2	0.5	0.5	0.5	0.5
Current assets	45.3	99.1	94.1	114	137
Inventories	0.7	2.3	2.5	2.9	3.3
Other current assets	0.0	0.0	0.0	0.0	0.0
Receivables	35.2	83.0	75.0	91.0	103
Cash and equivalents	9.4	13.8	16.5	19.9	30.5
Balance sheet total	53.7	259	256	275	298

Source: Inderes

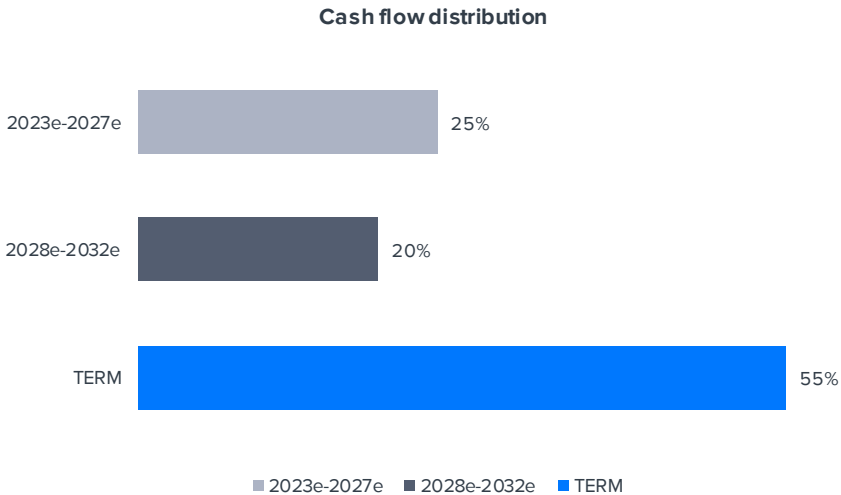
Liabilities & equity	2021	2022	2023e	2024e	2025e
Equity	26.7	180	186	197	212
Share capital	0.0	0.1	0.1	0.1	0.1
Retained earnings	26.7	40.3	45.9	56.9	72.3
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	0.0	0.0	0.0	0.0	0.0
Other equity	-0.5	140	140	140	140
Minorities	0.5	0.0	0.0	0.0	0.0
Non-current liabilities	5.1	17.2	14.6	14.6	14.6
Deferred tax liabilities	2.4	4.4	4.4	4.4	4.4
Provisions	0.0	0.1	0.1	0.1	0.1
Interest bearing debt	2.7	12.6	10.0	10.0	10.0
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	0.0	0.1	0.1	0.1	0.1
Current liabilities	21.9	61.5	55.0	63.5	71.1
Interest bearing debt	0.8	8.2	5.0	5.0	5.0
Payables	21.1	53.3	50.0	58.5	66.1
Other current liabilities	0.0	0.0	0.0	0.0	0.0
Balance sheet total	53.7	259	256	275	298

DCF calculation

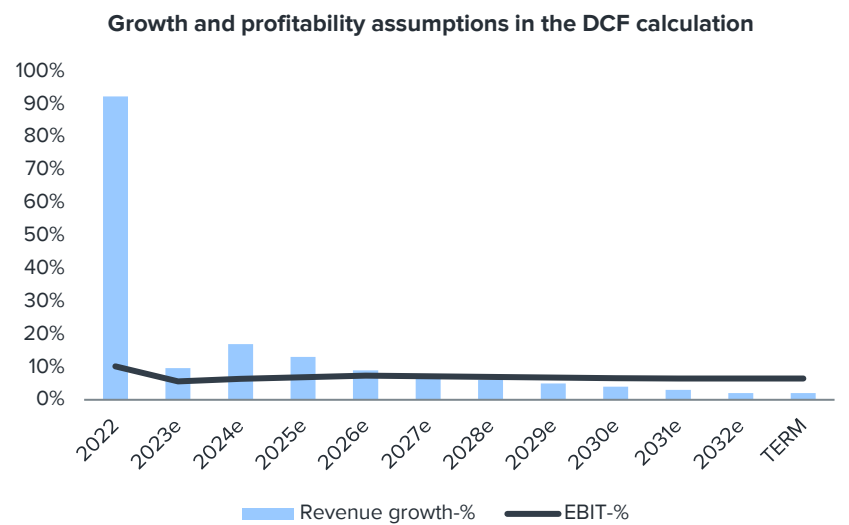
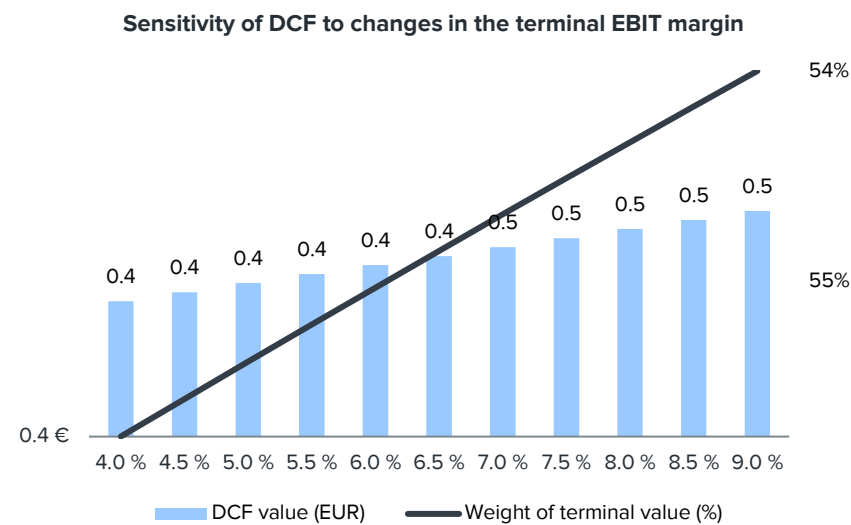
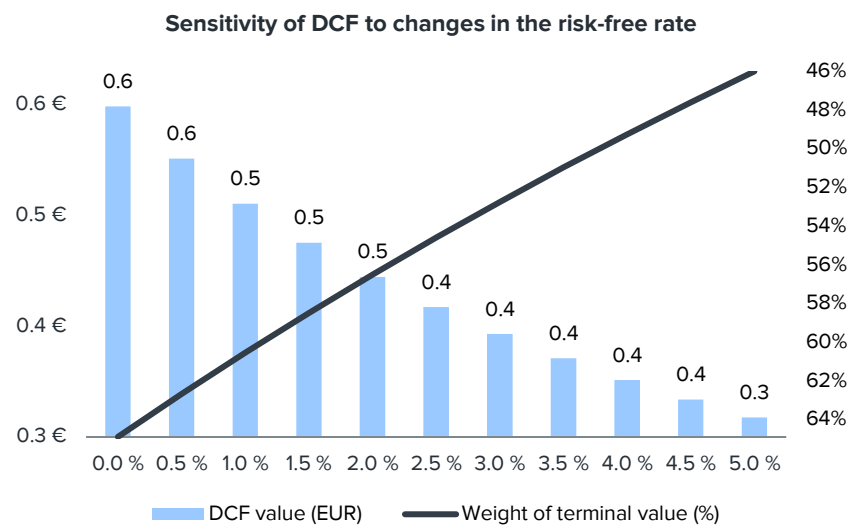
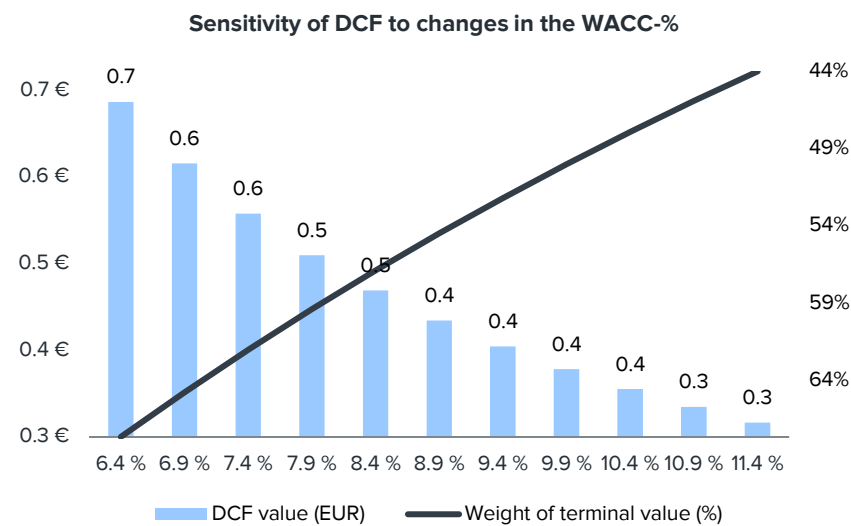
DCF model	2022	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	TERM
Revenue growth-%	92.3 %	9.7 %	17.0 %	13.0 %	9.0 %	7.0 %	6.0 %	5.0 %	4.0 %	3.0 %	2.0 %	2.0 %
EBIT-%	10.2 %	5.6 %	6.4 %	6.9 %	7.3 %	7.2 %	7.0 %	6.8 %	6.6 %	6.5 %	6.5 %	6.5 %
EBIT (operating profit)	25.7	15.5	20.8	25.3	29.3	30.8	31.8	32.4	32.7	33.2	33.9	
+ Depreciation	4.6	5.6	4.5	4.2	4.2	4.2	4.2	4.3	4.4	4.5	4.6	
- Paid taxes	-0.3	-1.0	-1.7	-2.4	-4.2	-6.1	-6.3	-6.4	-6.5	-6.6	-6.7	
- Tax, financial expenses	0.0	-0.2	-0.2	-0.1	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	
+ 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	-17.2	4.5	-7.9	-4.6	-3.6	-3.1	-2.8	-2.5	-2.1	-1.6	-1.1	
Operating cash flow	12.9	24.5	15.5	22.4	25.5	25.7	26.7	27.6	28.4	29.3	30.4	
+ Change in other long-term liabilities	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-145	-5.7	-4.3	-4.4	-4.5	-4.6	-4.7	-4.8	-4.9	-5.0	-4.7	
Free operating cash flow	-132	18.8	11.2	18.0	21.0	21.1	22.0	22.8	23.5	24.3	25.8	
+/- Other	190	5.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	58.3	24.4	11.2	18.0	21.0	21.1	22.0	22.8	23.5	24.3	25.8	379
Discounted FCFF		24.8	10.4	15.4	16.5	15.2	14.6	13.9	13.1	12.4	12.1	178
Sum of FCFF present value		326	301	291	275	259	244	229	215	202	190	178
Enterprise value DCF		326										
- Interest bearing debt		-20.8										
+ Cash and cash equivalents		13.8										
-Minorities		0.0										
-Dividend/capital return		-4.9										
Equity value DCF		328										
Equity value DCF per share		0.46										

WACC	
Tax-% (WACC)	20.5 %
Target debt ratio (D/(D+E))	20.0 %
Cost of debt	5.0 %
Equity Beta	1.30
Market risk premium	4.75%
Liquidity premium	1.50%
Risk free interest rate	2.5 %
Cost of equity	10.2 %
Weighted average cost of capital (WACC)	8.9 %

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	2021	2022	2023e	2024e	Per share data	2021	2022	2023e	2024e
Revenue	131.7	253.3	277.8	325.0	EPS (reported)	0.03	0.03	0.01	0.02
EBITDA	16.7	30.4	21.2	25.3	EPS (adj.)	0.03	0.04	0.02	0.02
EBIT	15.6	25.7	15.5	20.8	OCF / share	0.02	0.02	0.03	0.02
PTP	15.6	25.3	11.5	17.0	FCF / share	0.02	0.08	0.03	0.02
Net Income	11.8	23.3	10.5	15.3	Book value / share	0.06	0.26	0.26	0.28
Extraordinary items	0.0	-1.5	-2.1	-0.9	Dividend / share	0.00	0.01	0.01	0.01
Balance sheet	2021	2022	2023e	2024e	Growth and profitability	2021	2022	2023e	2024e
Balance sheet total	53.7	259.1	255.5	275.1	Revenue growth-%	0%	92%	10%	17%
Equity capital	26.7	180.4	186.0	197.0	EBITDA growth-%		82%	-30%	20%
Goodwill	0.0	121.2	121.2	121.2	EBIT (adj.) growth-%		74%	-35%	24%
Net debt	-5.8	7.0	-1.5	-4.9	EPS (adj.) growth-%		23%	-46%	27%
Cash flow	2021	2022	2023e	2024e	EBITDA-%	12.7 %	12.0 %	7.6 %	7.8 %
EBITDA	16.7	30.4	21.2	25.3	EBIT (adj.)-%	11.9 %	10.7 %	6.3 %	6.7 %
Change in working capital	-4.7	-17.2	4.5	-7.9	EBIT-%	11.8 %	10.2 %	5.6 %	6.4 %
Operating cash flow	8.8	12.9	24.5	15.5	ROE-%	47.0 %	22.6 %	5.7 %	8.0 %
CAPEX	-2.4	-144.7	-5.7	-4.3	ROI-%	51.7 %	22.2 %	7.0 %	9.5 %
Free cash flow	6.4	58.3	24.4	11.2	Equity ratio	49.7 %	69.6 %	72.8 %	71.6 %
Valuation multiples	2021	2022	2023e	2024e	Gearing	-21.7 %	3.9 %	-0.8 %	-2.5 %
EV/S	2.7	2.5	1.2	1.0					
EV/EBITDA (adj.)	21.1	20.5	15.6	12.9					
EV/EBIT (adj.)	22.7	22.9	18.7	15.0					
P/E (adj.)	29.9	24.8	25.9	20.3					
P/B	13.5	3.4	1.9	1.8					
Dividend-%	0.0 %	0.8 %	1.2 %	1.6 %					

Source: Inderes

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Recommendation history (>12 mo)

Date	Recommendation	Target	Share price
4/25/2023	Reduce	0.70 €	0.71 €
5/15/2023	Reduce	0.70 €	0.67 €
7/28/2023	Reduce	0.70 €	0.73 €
8/11/2023	Reduce	0.55 €	0.62 €
8/28/2023	Sell	0.55 €	0.63 €
10/11/2023	Reduce	0.55 €	0.51 €
11/13/2023	Reduce	0.50 €	0.49 €
12/27/2023	Sell	0.45 €	0.56 €
2/26/2024	Reduce	0.45 €	0.49 €



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