

HKFOODS

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INDERES CORPORATE CUSTOMER COMPANY REPORT



Convincing evidence of an earnings turnaround

Profitability improvement continued in Q1 slightly stronger than expected, although the beginning of the year was challenging in terms of market conditions and the timing of Easter. Our confidence in the sustainability of the earnings turnaround has strengthened. We also feel the company has the opportunity to continue improving its profitability closer to the level of its competitors, which means the expected return could rise significantly. Balance sheet flexibility remains limited and financing costs are high, which partly weighs in the balance. We raise our recommendation to Accumulate (previously Reduce) and our target price to EUR 1.30 (previously EUR 1.00).

Better profitability than expected in a difficult market

Q1 was positive as HKFoods improved its result slightly more than we expected, although weak domestic consumer demand weighed on revenue growth in Q1. Revenue grew slower than expected, only 2% y/y, and we believe organic growth was slightly negative. In retail, sales decreased as consumers favored cheaper products, but in Foodservice, HKFoods reported that it had gained share. The share of exports increased significantly, e.g., supported by Chinese poultry exports and the impact of the accounting technical changes in the Polish bacon unit. Both adjusted EBIT and EBITDA improved by 3.2 MEUR from the comparison period. EBIT improved to 4.6 MEUR (Q1'24: 1.4 MEUR), which slightly exceeded the 3.4 MEUR level we expected. Financial expenses were also slightly lower than our forecast, so EPS reached zero (we expected EUR -0.02).

Earnings development slows down towards the end of the year in our estimates

HKFoods maintained its guidance for 2025 and expects comparable EBIT to increase from the previous year (27.7 MEUR). We cut the group's revenue estimates slightly (1-2%), but raised EBIT estimates by 6-10%, i.e., 2-3 MEUR for 2025-27, after the Q1

report's profitability exceeded our estimate. We expect 2025 EBIT to improve to 30.7 MEUR, but the improvement is related to the already realized Q1, as our earnings forecasts for the rest of the year are at the comparison period level as a whole. We expect the company to be still able to improve its earnings in Q2 from weak comparison figures, even though the food industry strike in early April will impact company earnings negatively by some 1-2 MEUR. In H2, we believe earnings will decline slightly, as we expect, e.g., consumer demand and the cost environment to weaken from the comparison period. HKFoods is carrying out several small efficiency-improving investments this year, but we expect their impact to be less than the larger automation investments completed in mid-2024. However, we still see opportunities for the company to improve its profitability in the medium term as market conditions improve, supported in part by new growth investments in ready-made products that will be completed in 2025.

If the earnings turnaround continues, the upside is still high

The current earnings-based valuation of the stock, measured by EV/EBIT is at fair level (2025e: 9.1x) and high measured by P/E at 26x, e.g., due to financial expenses. Moderate earnings growth, balance sheet strengthening, and the redemption of the hybrid bond (in our forecasts in fall 2026) would lower the P/E ratio to only 7x in 2027e. With a fair P/E ratio of 10x, the stock would thus have an annual upside of about 14% until 2027. If HKFoods' earnings level continued to improve significantly towards the level of its competitors (Atria Suomi and Snellman EBIT 2024: 4.7% of revenue), it would strongly increase the value of the stock due to the company's high leverage (in the 4.7% scenario, the value of the stock would more than double). In our view, balance sheet risks have decreased slightly, although financial flexibility remains limited (net debt/EBITDA: 2,6x).

Recommendation

Accumulate

(was Reduce)

Target price:

EUR 1.30

(was EUR 1.00)

Share price:

EUR 1.17

Business risk



Valuation risk



	2024	2025e	2026e	2027e
Revenue	1001.8	1022.3	1047.9	1074.1
growth-%	-14%	2%	2%	3%
EBIT adj.	27.7	30.7	32.1	32.9
EBIT-% adj.	2.8 %	3.0 %	3.1 %	3.1 %
Net Income	-5.3	8.5	12.0	14.6
EPS (adj.)	-0.05	0.04	0.10	0.16
P/E (adj.)	neg.	26.2	11.9	7.2
P/B	0.4	0.7	0.6	0.6
Dividend yield-%	11.1 %	4.0 %	4.9 %	5.7 %
EV/EBIT (adj.)	8.7	9.1	8.6	8.1
EV/EBITDA	4.3	4.4	4.3	4.0
EV/S	0.2	0.3	0.3	0.2

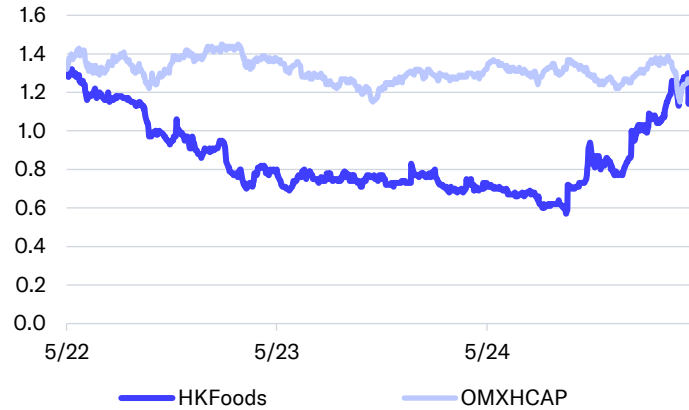
Source: Inderes

Guidance

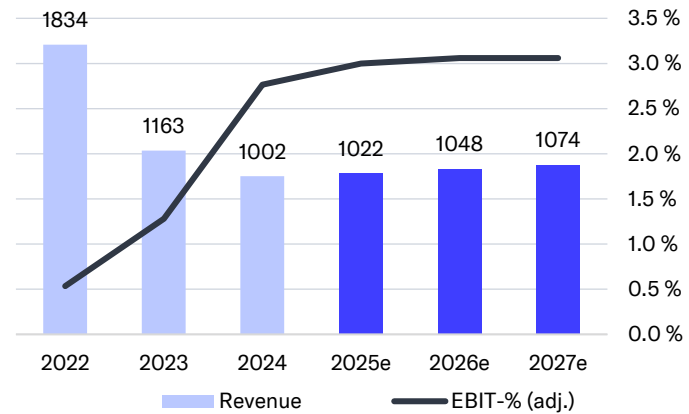
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In 2025, HKFoods estimates that the Group's comparable EBIT will grow from 2024 (EUR 27.7 million).

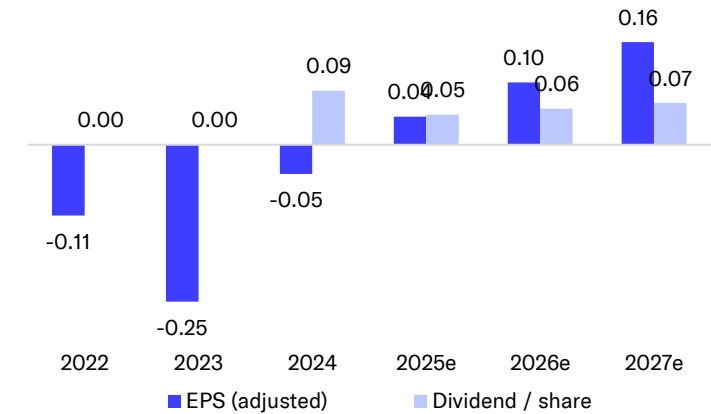
Share price



Revenue and EBIT-% (adj.)



EPS and dividend



Value drivers

- Strong commercial position in Finland through scale and well-known brands
- Investments in poultry and other growing segments such as ready meals
- Focus on Finland allows concentration of investments and strengthening of industrial efficiency
- Balance sheet strengthened through divestments

Risk factors

- Long-term decline in red meat consumption
- Fierce competition in the food sector and strong bargaining power of retailers limit profitability
- Changes in consumer demand and cost environment may affect profitability
- Animal diseases may impact export licenses
- Indebtedness remains quite high

Valuation	2025e	2026e	2027e
Share price	1.17	1.17	1.17
Number of shares, millions	89.9	89.9	89.9
Market cap	105	105	105
EV	278	276	266
P/E (adj.)	26.2	11.9	7.2
P/E	26.2	11.9	7.2
P/B	0.7	0.6	0.6
P/S	0.1	0.1	0.1
EV/Sales	0.3	0.3	0.2
EV/EBITDA	4.4	4.3	4.0
EV/EBIT (adj.)	9.1	8.6	8.1
Payout ratio (%)	52.1 %	42.7 %	40.8 %
Dividend yield-%	4.0 %	4.9 %	5.7 %

Source: Inderes

Q1: Earnings improved in a challenging market

We found the Q1 report positively toned as the company improved its EBIT more than we expected. Weak demand in retail trade at the beginning of the year and the later timing of Easter depressed revenue, in light of which improving the earnings level was a particularly good achievement.

Weak domestic retail demand held back growth

HKFoods' revenue grew by 2% in Q1, which was clearly below our forecast (9%) and also below the strong growth rate of the previous three quarters (Q2-Q4'24: 7-9%). We believe organic growth was slightly negative. According to the company, the retail market was challenging in Q1 as consumers favored cheaper products, which led to a decrease in retail revenue. Q1 is a seasonally challenging quarter for meat industry players, with demand focused on, e.g., summer and Christmas This year, the situation was also affected by Easter falling clearly in Q2, which contributed to the weak development of retail sales in Q1.

According to the release, HKFoods has continued to gain market share in the Foodservice segment (share of revenue at the comparison period level).

The share of exports in revenue doubled to 16% (Q1'24: 8%), which we believe is due to both organic and technical accounting factors. Organic export growth is related to poultry exports to China and weak comparison period export volumes due to port strikes. The accounting technical growth, on the other hand, is related to the recognition of the Polish bacon unit's revenue as external revenue from April 2024 (previously reported as part of Swedish operations).

Efficiency measures are paying off

Q1 comparable EBIT rose to 4.6 MEUR (Q1'24: 1.4 MEUR), beating our estimate of 3.4 MEUR. The company has invested in improving production efficiency, including two significant automation investments completed around mid-

2024. In addition, the improved sales structure and other cost savings supported profitability. EPS was EUR 0.00 (we expected EUR -0.02). Net financial expenses decreased to 3.9 MEUR (Q1'24: 4.9 MEUR), which was slightly better than our forecast (we expected net financing costs of 4.4 MEUR).

Cash flow is seasonally weak

Cash flow from operating activities was seasonally low at -4.7 MEUR. Cash flow weakened from the comparison period, when the divestment of the Swedish operations supported cash flow. In addition, the timing of Easter clearly in Q2, affects working capital, as product inventories are raised before important sales seasons. Interest-bearing net debt was 160 MEUR (Q1': 208 MEUR vs. Q4'24: 150 MEUR).

Estimates	Q1'24	Q1'25	Q1'25e	Q1'25e	Consensus	Difference (%)	2025e
MEUR / EUR	Comparison	Actualized	Inderes	Consensus	Low High	Act. vs. Inderes	Inderes
Revenue	229	234	249			-6%	1022
EBITDA	8.9	12.1	11.4			6%	62.7
EBIT (adj.)	1.4	4.6	3.4			34%	30.7
EBIT	1.2	4.6	3.4			34%	30.7
EPS (adj.)	-0.05	0.00	-0.02			100%	0.04
Revenue growth-%	-18.1 %	2.2 %	9.1 %			-6.9 pp	2.0 %
EBIT-% (adj.)	0.6 %	2.0 %	1.4 %			0.6 pp	3.0 %

Source: Inderes

We raised profitability forecasts

We still expect market-driven headwinds towards the end of the year

- HKFoods reiterated its guidance that expects the Group's comparable EBIT to increase from 2024 (27.7 MEUR). In our view, visibility on the guidance materializing improved slightly with strong Q1 earnings, but the most important sales seasons are still ahead.
- We lowered our revenue estimates by 1-2%, but raised our 2025-27 EBIT estimates by 6-10% following strong Q1 profitability development. Our net financial expenses expectations also decreased, which supports EPS.
- We raised the dividend forecast for 2025e to EUR 0.05. With the current higher earnings estimates, we believe the company could pay at least this much dividend without jeopardizing the redemption of the hybrid bond (in our forecasts, this occurs in September 2026).
- HKFoods points out that the 3-day strike in the meat industry hampered the company's business in April, causing product shortages during the Easter season, as well as congestion and overtime at the pork slaughterhouse. The company commented that the strike will have an impact of some 1-2 MEUR on Q2's earnings.
- We estimate that the beef shortage affecting the entire industry and the cool spring may negatively affect red meat sales in the coming quarters. HKFoods' earnings level was quite weak in Q2'24, so we expect Q2 earnings to improve this year (same drivers as in Q1 and Easter). The comparison figures are higher in H2, and we estimate that earnings may even decline at the end of the year due to the challenging demand environment and rising beef prices.
- HKFoods' investments in the Eura plant's ready-to-eat products line and Vantaa's ready-made meal production have progressed according to plan, which could gradually support organic revenue growth during the rest of the year. We expect these investments to support sales mix and earnings growth in the coming years.
- We consider our earnings estimates for the next few years to be fairly moderate, and they still reflect the company's historical long-term profitability challenges. However, HKFoods' profitability is still clearly weaker than its main competitors like Atria and Snellman (EBIT 4.7%), so in a positive scenario, earnings could improve significantly more than estimated. The company's ability to invest in efficient production has improved significantly from past years.

Estimate revisions	2025e	2025e	Change	2026e	2026e	Change	2027e	2027e	Change
MEUR / EUR	Old	New	%	Old	New	%	Old	New	%
Revenue	1047	1022	-2%	1068	1048	-2%	1090	1074	-1%
EBITDA	62.1	62.7	1%	63.5	64.7	2%	64.4	66.2	3%
EBIT (excl. NRIs)	28.8	30.7	6%	29.6	32.1	8%	30.0	32.9	10%
EBIT	28.8	30.7	6%	29.6	32.1	8%	30.0	32.9	10%
PTP	14.1	16.8	19%	18.4	20.5	11%	20.3	23.2	14%
EPS (excl. NRIs)	0.02	0.04	178%	0.07	0.10	41%	0.14	0.16	18%
DPS	0.00	0.05		0.06	0.06	0%	0.07	0.07	0%

Source: Inderes

HKFoods Oyj, Webcast, Q1'25



Valuation 1/2: We take a positive view

Potential for a defensive dividend company

HKFoods' businesses have long-term potential for defensive and dividend-paying business, albeit with a moderate return on capital. The decline in red meat consumption will be slow and the consumption of poultry and further processed foods will increase, but in the long term, the market does not offer significant growth. Moderate growth can still be achieved, e.g., by investing in certain growth segments, like poultry and ready meals. The meat and food industries in general are competitive and capital-intensive industries where it is difficult to achieve a sustainable ROCE above the required return.

Increasing evidence of a profitability turnaround

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

Although we forecast a fairly stable EBIT margin, we also see the potential for continued profitability improvement closer to the level of competitors. The EBIT margin is now about 3% (2025e), which is lower compared to e.g. Atria Suomi and Snellman (both EBIT 2024: 4.7%). If HKFoods succeeded in raising its profitability to the level of its competitors, the share price would have an upside of almost 150% from the current level, assuming a fair valuation level of EV/EBIT 9x. We consider the scenario unlikely, and it reflects the significant impact of leverage on the fair value of the stock in different scenarios.

Balance sheet position increases the investment's risk level a bit

The amount of HKFoods' debt on the balance sheet has decreased by divestments, both absolutely and relatively to EBITDA. The current net debt/EBITDA of 2.6x is approaching a sustainable level, and minor fluctuations in profitability no longer threaten solvency. The main problem on the balance sheet for the shareholder is the expensive 26 MEUR hybrid bond (interest rate 16%). Redeeming the hybrid in September 2025 would weaken the balance sheet, possibly more than the covenants allow. We expect the redemption to take place in September 2026. We believe a rapid completion of the sale of the Polish bacon business could enable redemption already this year. On the other hand, we see a risk that the divestment could be realized at a lower EV/EBIT multiple than the company's average, which could have a small negative impact on the fair value of the stock.

If turnaround continues, upside would be very attractive

We find HK Foods' EV/EBIT (2025e: 9.1x) with this year's estimates to be close to the fair value and P/E is very high due to financial expenses (2025e: 26x). We estimate that ongoing growth investments, smaller efficiency measures, and redeeming the hybrid bond will moderately support earnings growth in the coming years (2026-27e EBIT: 3.1%), which would give the stock upside. If the hybrid is redeemed in 2026, as we expect, the P/E could fall to only 7x in 2027. Assuming a fair level of about 10x, we believe the stock would offer an annual return of about 14% over the next three years, which would exceed the required return (CoE: 9.4%). However, these forecasts do not assume a significant increase in the profitability level from the current level, but rather maintaining the current level and trimming financial expenses by redeeming the hybrid.

Valuation	2025e	2026e	2027e
Share price	1.17	1.17	1.17
Number of shares, millions	89.9	89.9	89.9
Market cap	105	105	105
EV	278	276	266
P/E (adj.)	26.2	11.9	7.2
P/E	26.2	11.9	7.2
P/B	0.7	0.6	0.6
P/S	0.1	0.1	0.1
EV/Sales	0.3	0.3	0.2
EV/EBITDA	4.4	4.3	4.0
EV/EBIT (adj.)	9.1	8.6	8.1
Payout ratio (%)	52.1 %	42.7 %	40.8 %
Dividend yield-%	4.0 %	4.9 %	5.7 %

Source: Inderes

Factors supporting the valuation of HKFoods:

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

Factors negatively affecting HKFoods' valuation:

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

Valuation 2/2: We take a positive view

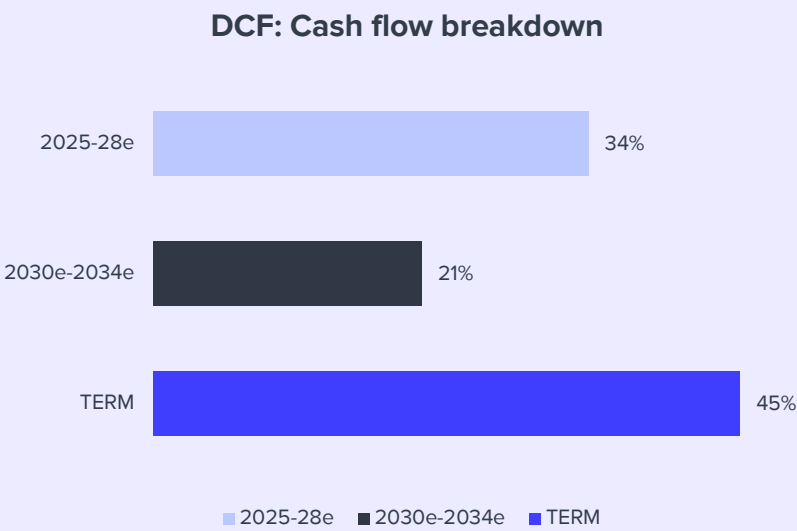
If the result were to improve more than we expect in the coming years and closer to the competitors' level (4.7%), we believe this would be strongly reflected in the share price through a high debt leverage. This would make the upside very attractive. The possibility offered by the positive scenario partly affects our view, although the valuation of the stock looks fairly neutral with current earnings.

We consider the decreased risk level in the DCF and cost of capital

According to our valuation model based on our cash flow forecasts, HKFoods' equity value is 121 MEUR, or EUR 1.35 per share. The model assumes an improvement in EBIT to 3.1% for 2026-32 and a decline to 2.4% from 2033 onwards. The forecasts naturally exceed HKFoods' historical profitability, which has long been very weak. Our long-term revenue growth forecast is 2% per year

We have used a 9.4% cost of equity (CoE) and a 8.7% weighted average cost of capital (WACC) in the calculation. We cut our cost of capital assumptions (WACC previously 9.1%) because, in our view, the risk level of HKFoods' business has decreased due to the rather long-lasting turnaround in profitability and the strengthening of the balance sheet. We have used WACC levels of 7.8-8.0% in the valuation of other Finnish food companies operating in established business.

The proportion of long-term cash flows in the calculation is relatively low (45%), which lowers the risk level. Short-term cash flows are elevated, due to, e.g., payments from the divestment of the Baltic businesses. On the other hand, the calculation does not consider the hybrid's interest expenses (4 MEUR/year), which we currently expect to roll over to September 2026.



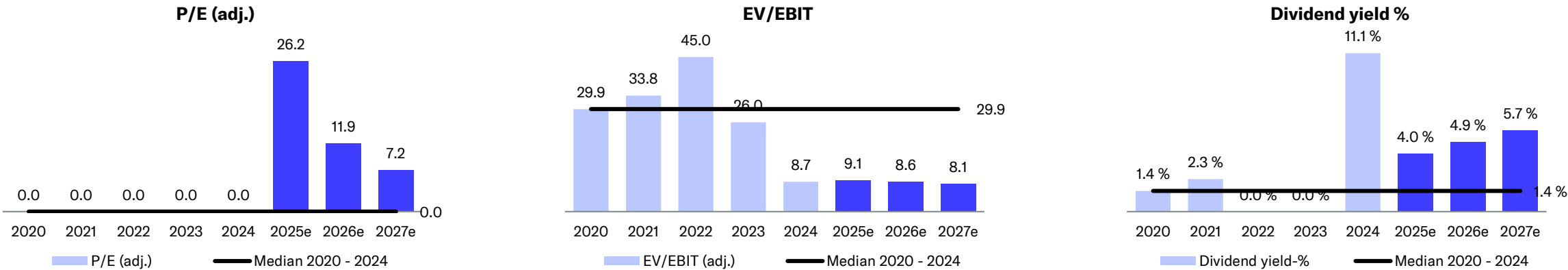
Detailed estimates

MEUR	2018	2019	2020	2021	2022	2023	2024	2025e	2026e	2027e
Revenue	1715	1744	1781	1815	1834	1163	1002	1022	1048	1074
-growth	-5.1%	1.7%	2.1%	1.9%	1.0%	-36.6%	-13.9%	2.0%	2.5%	2.5%
HKScan Finland	722	771	772	772	868	933	1002	1022	1048	1074
-growth	-2.7%	6.7%	0.2%	0.0%	12.4%	7.5%	7.4%	2.0%	2.5%	2.5%
-of which organic growth					12.4%	6.5%	3.2%	0.0%	2.5%	2.5%
-of which growth related to the change in Polish reporting						0.9%	4.2%	2.0%	0.0%	0.0%
Gross margin	55	74	117	110	97	79	77	86	89	92
-% of revenue	3.2%	4.2%	6.6%	6.1%	5.3%	6.8%	7.7%	8.4%	8.5%	8.6%
Fixed costs (excl. depreciation)	-37	-17	-39	-32	-42	-26	-21	-23	-24	-26
EBITDA	18	57	78	78	56	53	56	63	65	66
-% of revenue	1.0%	3.3%	4.4%	4.3%	3.0%	4.5%	5.6%	6.1%	6.2%	6.2%
Depreciation and amortization	-67	-80	-57	-60	-46	-35	-34	-32	-33	-33
Operating profit (EBIT)	-49	-23	21	18	10	17	22	31	32	33
-% of revenue	-2.9%	-1.3%	1.2%	1.0%	0.6%	1.5%	2.2%	3.0%	3.1%	3.1%
Adjusted EBIT	-48	-2	17	15	10	15	28	31	32	33
-% of revenue	-2.8%	-0.1%	1.0%	0.8%	0.5%	1.3%	2.8%	3.0%	3.1%	3.1%
HKScan Finland	-37	-2	6	9	4	21	38			
-% of revenue	-5.1%	-0.2%	0.8%	1.1%	0.4%	2.2%	3.8%			
Group administration	-14	-12	-13	-12	-12	-9	-10			
Net financial expenses	-10	-12	-11	-15	-16	-28	-20	-15	-13	-12
Profit before tax	-59	-35	12	7	-1	-9	4	17	20	23
Taxes	7	-3	-8	-8	-4	-7	-6	-5	-5	-5
Profit for the period (continuing operations)	-51	-38	5	-1	-5	-16	-2	12	15	18
Minority interest	-2	-2	-4	-3	-4	-4	-3	-4	-4	-4
Interest on hybrid loans	-1	-2	-2	-2	-2	-2	-4	-4	-3	0
Shareholders' share of net profit	-54	-42	-1	-7	-11	-22	-9	4	8	14
Total dividends paid for the year	0	0	3	4	0	0	8	4	5	6
Net debt	289	276	300	315	347	278	150	145	166	157
Net debt/EBITDA			3.8x	4.0x	6.2x	5.0x	2.7x	2.3x	2.5x	2.3x

Valuation table

Valuation	2020	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Share price	1.96	1.66	0.87	0.89	0.77	1.17	1.17	1.17	1.17
Number of shares, millions	97.0	97.1	97.3	97.4	89.9	89.9	89.9	89.9	89.9
Market cap	190	161	85	87	69	105	105	105	105
EV	508	490	441	387	240	278	276	266	256
P/E (adj.)	neg.	neg.	neg.	neg.	neg.	26.2	11.9	7.2	5.8
P/E	neg.	neg.	neg.	neg.	neg.	26.2	11.9	7.2	5.8
P/B	0.7	0.6	0.4	0.5	0.4	0.7	0.6	0.6	0.6
P/S	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.1
EV/Sales	0.3	0.3	0.2	0.3	0.2	0.3	0.3	0.2	0.2
EV/EBITDA	6.5	6.3	7.9	7.3	4.3	4.4	4.3	4.0	3.8
EV/EBIT (adj.)	29.9	33.8	45.0	26.0	8.7	9.1	8.6	8.1	7.6
Payout ratio (%)	249.7 %	neg.	0.0 %	0.0 %	neg.	52.1 %	42.7 %	40.8 %	37.8 %
Dividend yield-%	1.4 %	2.3 %	0.0 %	0.0 %	11.1 %	4.0 %	4.9 %	5.7 %	6.5 %

Source: Inderes



Peer group valuation

Peer group valuation Company	Market cap MEUR	EV MEUR	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%		P/B
			2025e	2026e	2025e	2026e	2025e	2026e	2025e	2026e	2025e	2026e	2025e
Atria	359	636	9.7	9.2	4.9	4.8	0.4	0.4	9.1	8.1	5.5	5.9	0.9
Apetit	88	91	11.4	10.1	5.7	5.7	0.5	0.5	12.7	11.0	5.1	5.4	0.8
Raisio	372	301	10.6	9.8	7.7	7.3	1.3	1.2	15.5	13.4	6.0	6.3	1.4
Hilton Foods	957	1367	10.8	10.5	7.0	6.8	0.3	0.3	14.5	13.6	4.0	4.2	2.4
Scandi Standard	547	726	13.9	11.7	7.8	7.0	0.6	0.5	17.7	14.0	3.3	4.1	2.2
Cranswick	3418	3547	15.0	14.4	10.5	10.1	1.1	1.1	20.2	19.3	1.8	1.9	2.9
Societe LDC	2779	2474	7.4	6.9	4.4	4.1	0.4	0.4	10.8	10.4	2.0	2.1	1.2
Bell Foods	1816	2733	15.4	15.5	7.2	6.8	0.5	0.5	12.9	13.1	2.6	2.6	1.0
Orior	133	326	29.3	22.7	8.2	7.5	0.5	0.5	28.7	17.7	7.9	9.5	3.6
Prima Meat Packers	712	747			5.8	5.3	0.3	0.3	17.9	16.6	3.5	3.5	0.9
NH Foods	3341	4357			9.2	8.2	0.5	0.5	20.9	16.8	2.5	2.7	1.0
HKFoods (Inderes)	105	278	9.1	8.6	4.4	4.3	0.3	0.3	26.2	11.9	4.0	4.9	0.7
Average			13.7	12.3	7.1	6.7	0.6	0.6	16.4	14.0	4.0	4.4	1.7
Median			11.4	10.5	7.2	6.8	0.5	0.5	15.5	13.6	3.5	4.1	1.2
Diff-% to median			-20%	-18%	-38%	-37%	-48%	-48%	70%	-13%	15%	18%	-45%

Source: Refinitiv / Inderes

Income statement

Income statement	2022	2023	Q1'24	Q2'24	Q3'24	Q4'24	2024	Q1'25	Q2'25e	Q3'25e	Q4'25e	2025e	2026e	2027e	2028e
Revenue	1834	1163	229	255	252	267	1002	234	258	256	274	1022	1048	1074	1096
Suomi	868	933	229	255	252	267	1002	234	258	256	274	1022	1048	1074	1096
EBITDA	56.0	52.8	8.9	11.4	19.2	16.8	56.3	12.1	15.0	19.2	16.4	62.7	64.7	66.2	67.4
Depreciation	-45.8	-35.3	-7.7	-8.3	-7.5	-10.4	-33.9	-7.4	-7.9	-8.0	-8.7	-32.0	-32.7	-33.4	-33.9
EBIT (excl. NRI)	9.8	14.9	1.4	4.4	11.6	10.3	27.7	4.6	7.1	11.2	7.7	30.7	32.1	32.9	33.5
EBIT	10.2	17.5	1.2	3.1	11.6	6.5	22.4	4.6	7.1	11.2	7.7	30.7	32.1	32.9	33.5
Share of profits in assoc. compan.	5.4	1.3	0.1	0.3	0.4	0.4	1.2	0.5	0.3	0.3	0.3	1.4	1.4	1.8	1.8
Net financial items	-16.3	-27.7	-4.9	-4.9	-5.0	-4.7	-19.5	-3.9	-3.9	-3.8	-3.7	-15.3	-13.0	-11.5	-8.7
PTP	-0.7	-8.9	-3.7	-1.4	7.0	2.2	4.1	1.2	3.5	7.7	4.4	16.8	20.5	23.2	26.6
Taxes	-4.0	-6.6	-0.1	-0.2	-0.6	-5.1	-6.0	-0.3	-1.1	-2.2	-1.2	-4.8	-5.0	-4.9	-5.0
Minority interest	-3.7	-4.0	-0.1	-0.5	-0.9	-1.9	-3.4	-0.2	-0.7	-1.0	-1.6	-3.5	-3.6	-3.6	-3.6
Net earnings	-8.4	-19.5	-3.9	-2.2	5.5	-4.8	-5.3	0.3	1.7	4.6	1.6	8.2	12.0	14.6	18.0
EPS (rep.)	-0.09	-0.20	-0.04	-0.02	0.06	-0.05	-0.06	0.00	0.02	0.05	0.02	0.09	0.13	0.16	0.20

Key figures	2022	2023	Q1'24	Q2'24	Q3'24	Q4'24	2024	Q1'25	Q2'25e	Q3'25e	Q4'25e	2025e	2026e	2027e	2028e
Revenue growth-%	1.0 %	-36.6 %	-18.1 %	-13.2 %	-12.9 %	-11.6 %	-13.9 %	2.2 %	1.4 %	1.9 %	2.6 %	2.0 %	2.5 %	2.5 %	2.0 %
Adjusted EBIT growth-%		52.0 %	-275.0 %	-14.8 %	51.2 %	266.1 %	86.0 %	230.7 %	59.4 %	-3.4 %	-24.6 %	10.6 %	4.6 %	2.5 %	2.0 %
EBITDA-%	3.1 %	4.5 %	3.9 %	4.5 %	7.6 %	6.3 %	5.6 %	5.2 %	5.8 %	7.5 %	6.0 %	6.1 %	6.2 %	6.2 %	6.2 %
Adjusted EBIT-%	0.5 %	1.3 %	0.6 %	1.7 %	4.6 %	3.8 %	2.8 %	2.0 %	2.7 %	4.4 %	2.8 %	3.0 %	3.1 %	3.1 %	3.1 %
Net earnings-%	-0.5 %	-1.7 %	-1.7 %	-0.8 %	2.2 %	-1.8 %	-0.5 %	0.1 %	0.7 %	1.8 %	0.6 %	0.8 %	1.1 %	1.4 %	1.6 %

Source: Inderes

Balance sheet

Assets	2023	2024	2025e	2026e	2027e
Non-current assets	651	351	340	339	338
Goodwill	27.8	27.8	27.8	27.8	27.8
Intangible assets	16.2	16.2	16.2	16.2	16.2
Tangible assets	285	252	254	257	259
Associated companies	24.3	21.8	21.8	21.8	21.8
Other investments	246	0.0	0.0	0.0	0.0
Other non-current assets	26.2	12.4	-1.1	-4.6	-8.1
Deferred tax assets	25.1	21.2	21.2	21.2	21.2
Current assets	201	177	165	170	175
Inventories	75.2	59.6	62.4	65.0	67.7
Other current assets	0.0	0.0	0.0	0.0	0.0
Receivables	97.3	80.3	81.9	84.0	86.1
Cash and equivalents	28.7	36.7	20.4	21.0	21.5
Balance sheet total	852	528	505	509	513

Source: Inderes

Liabilities & equity	2023	2024	2025e	2026e	2027e
Equity	238	215	212	190	200
Share capital	0.0	0.0	0.0	0.0	0.0
Retained earnings	0.0	-30.4	-34.0	-29.4	-19.9
Hybrid bonds	25.9	25.9	25.9	0.0	0.0
Revaluation reserve	0.0	0.0	0.0	0.0	0.0
Other equity	185	193	193	193	193
Minorities	26.9	26.9	26.9	26.9	26.9
Non-current liabilities	434	178	154	174	166
Deferred tax liabilities	0.0	0.0	0.0	0.0	0.0
Provisions	0.0	0.0	0.0	0.0	0.0
Interest bearing debt	289	172	148	169	161
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	145	5.4	5.4	5.4	5.4
Current liabilities	179	134	139	145	147
Interest bearing debt	17.9	14.0	16.5	18.7	17.9
Payables	162	120	123	126	129
Other current liabilities	0.0	0.0	0.0	0.0	0.0
Balance sheet total	852	528	505	509	513

DCF-calculation

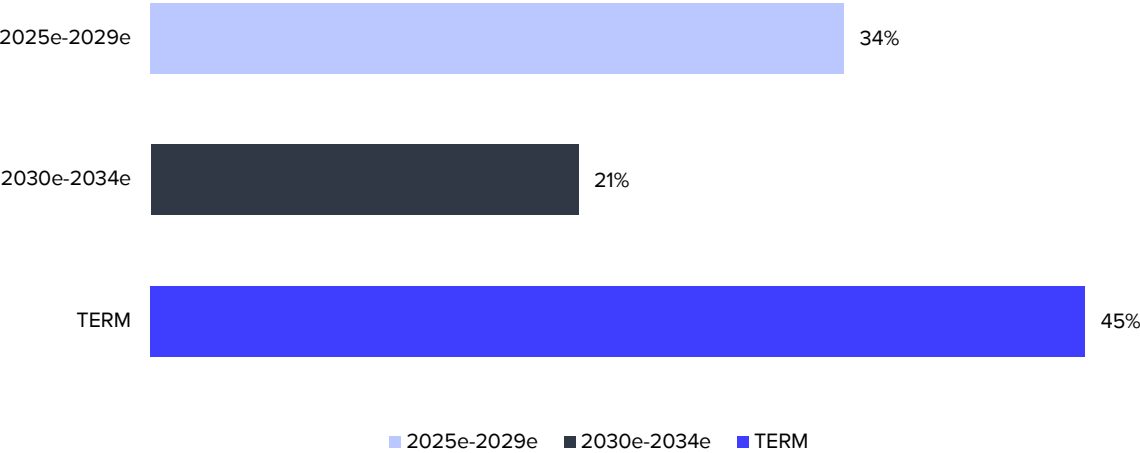
DCF model	2024	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	2034e	TERM
Revenue growth-%	-13.9 %	2.0 %	2.5 %	2.5 %	2.0 %	2.0 %	2.0 %	2.0 %	2.0 %	2.0 %	2.0 %	2.0 %
EBIT-%	2.2 %	3.0 %	3.1 %	3.1 %	3.1 %	3.1 %	3.1 %	3.1 %	3.1 %	2.4 %	2.4 %	2.4 %
EBIT (operating profit)	22.4	30.7	32.1	32.9	33.5	34.2	34.9	35.6	36.3	29.0	29.6	
+ Depreciation	33.9	32.0	32.7	33.4	33.9	34.4	34.9	35.5	36.0	36.5	36.7	
- Paid taxes	-2.1	-4.8	-5.0	-4.9	-5.0	-5.2	-5.4	-5.9	-6.2	-4.8	-5.0	
- Tax, financial expenses	-3.9	-3.1	-3.4	-2.6	-1.7	-1.7	-1.6	-1.2	-1.1	-1.0	-1.0	
+ Tax, financial income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Change in working capital	-8.5	-1.9	-1.6	-1.6	-1.0	-1.1	-1.1	-0.6	-0.6	-0.6	-0.6	
Operating cash flow	41.8	52.9	54.8	57.0	59.7	60.7	61.7	63.4	64.4	59.1	59.8	
+ Change in other long-term liabilities	-139.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	259	-21.2	-31.7	-32.3	-36.2	-36.6	-37.0	-37.4	-37.8	-38.2	-39.3	
Free operating cash flow	161	31.7	23.1	24.8	23.5	24.2	24.8	26.0	26.6	20.9	20.5	
+/- Other	-26.9	-0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	134	31.4	23.1	24.8	23.5	24.2	24.8	26.0	26.6	20.9	20.5	312
Discounted FCFF		29.7	20.1	19.8	17.3	16.4	15.5	14.9	14.1	10.2	9.2	139
Sum of FCFF present value		307	277	257	237	220	203	188	173	159	149	139
Enterprise value DCF		307										
- Interest bearing debt		-212.3										
+ Cash and cash equivalents		36.7										
-Minorities		-15.3										
-Dividend/capital return		-7.7										
Equity value DCF		121										
Equity value DCF per share		1.35										

WACC

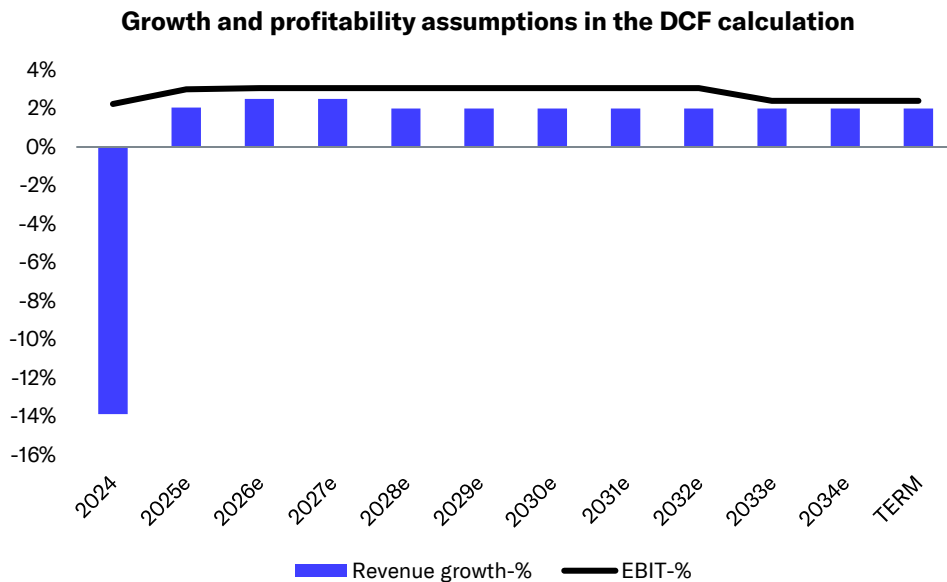
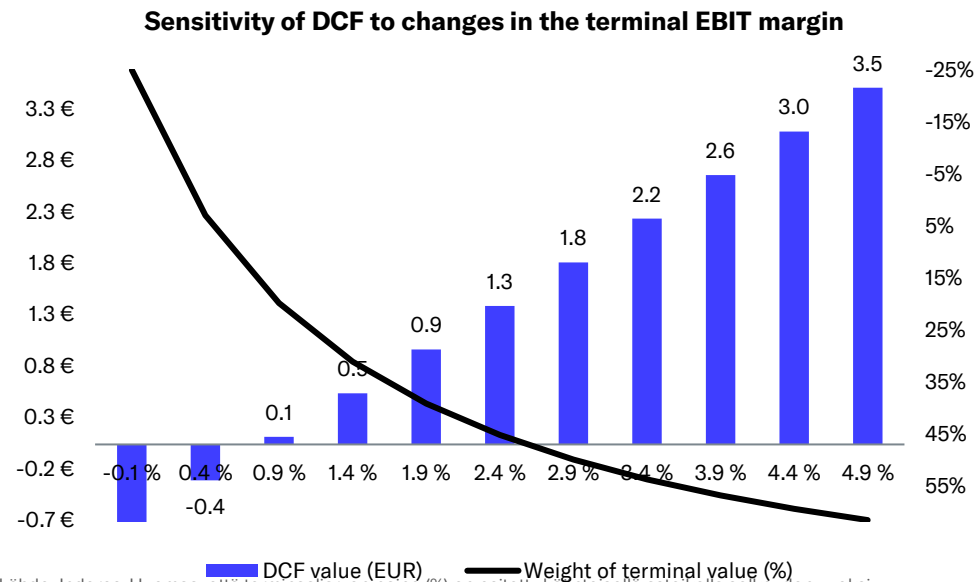
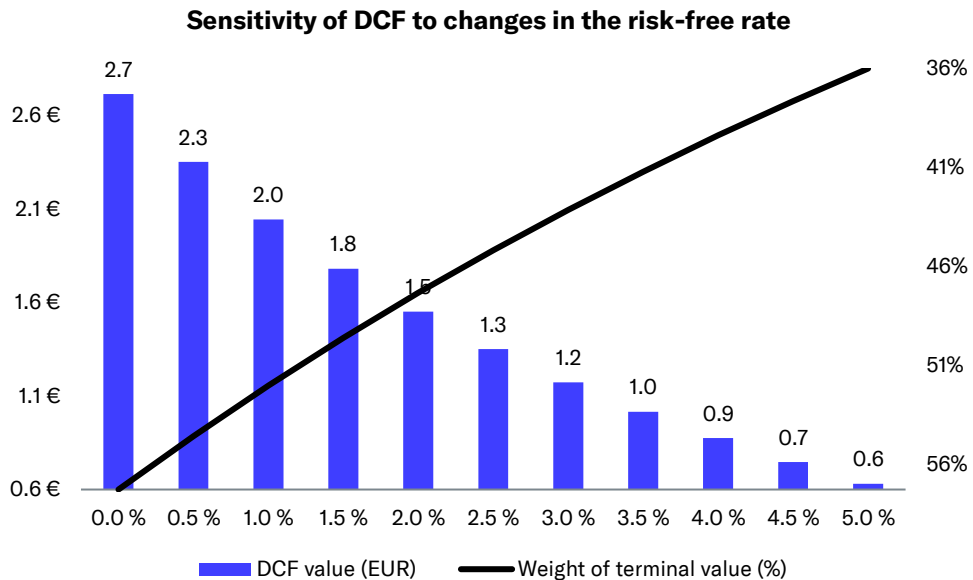
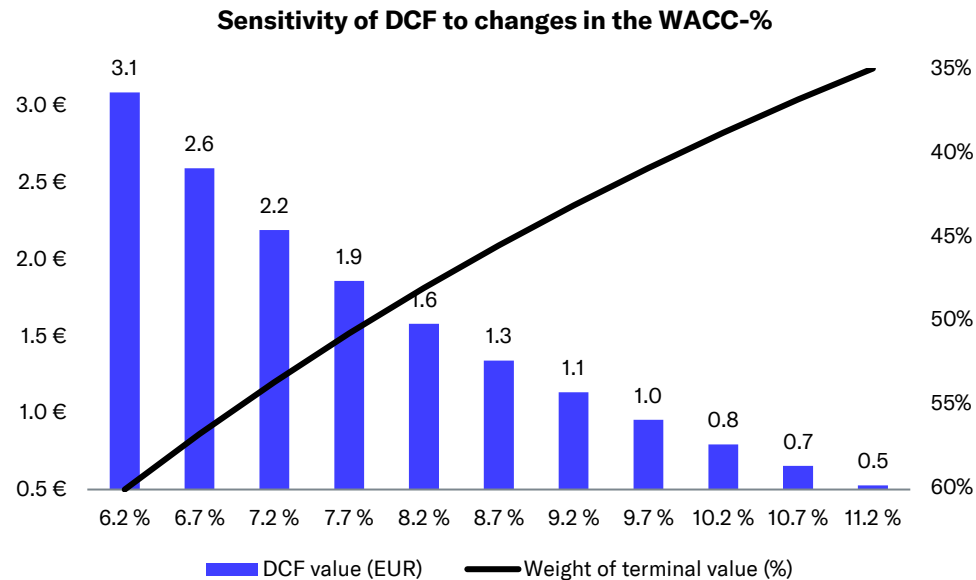
Tax-% (WACC)	20.0 %
Target debt ratio (D/(D+E))	15.0 %
Cost of debt	6.0 %
Equity Beta	1.45
Market risk premium	4.75%
Liquidity premium	0.00%
Risk free interest rate	2.5 %
Cost of equity	9.4 %
Weighted average cost of capital (WACC)	8.7 %

Source: Inderes

Cash flow distribution



DCF sensitivity calculations and key assumptions in graphs



Lähde: Inderes. Huomaa, että terminaaliarvon paino (%) on esitetty kaanteisella asteikolla selkeyden vuoksi.

Summary

Income statement	2022	2023	2024	2025e	2026e	Per share data	2022	2023	2024	2025e	2026e
Revenue	1833.8	1163.2	1001.8	1022.3	1047.9	EPS (reported)	-0.11	-0.22	-0.11	0.04	0.10
EBITDA	56.0	52.8	56.3	62.7	64.7	EPS (adj.)	-0.11	-0.25	-0.05	0.04	0.10
EBIT	10.2	17.5	22.4	30.7	32.1	OCF / share	0.41	0.74	0.46	0.59	0.61
PTP	-0.7	-8.9	4.1	16.8	20.5	FCF / share	-0.45	1.01	1.49	0.35	0.26
Net Income	-69.5	-26.4	-26.2	8.2	12.0	Book value / share	2.68	2.17	2.10	2.06	1.82
Extraordinary items	0.4	2.6	-5.3	0.0	0.0	Dividend / share	0.00	0.00	0.09	0.05	0.06
Balance sheet	2022	2023	2024	2025e	2026e	Growth and profitability	2022	2023	2024	2025e	2026e
Balance sheet total	976.0	851.7	527.6	505.0	509.2	Revenue growth-%	1%	-37%	-14%	2%	2%
Equity capital	285.5	238.0	215.4	211.7	190.5	EBITDA growth-%	-28%	-6%	7%	11%	3%
Goodwill	46.8	27.8	27.8	27.8	27.8	EBIT (adj.) growth-%	-32%	52%	86%	11%	5%
Net debt	347.3	278.2	149.7	144.5	166.4	EPS (adj.) growth-%	10%	122%	-81%	-197%	121%
Cash flow	2022	2023	2024	2025e	2026e	EBITDA-%	3.1 %	4.5 %	5.6 %	6.1 %	6.2 %
EBITDA	56.0	52.8	56.3	62.7	64.7	EBIT (adj.)-%	0.5 %	1.3 %	2.8 %	3.0 %	3.1 %
Change in working capital	-13.5	25.1	-8.5	-1.9	-1.6	EBIT-%	0.6 %	1.5 %	2.2 %	3.0 %	3.1 %
Operating cash flow	39.7	72.5	41.8	52.9	54.8	ROE-%	-3.0 %	-8.3 %	-2.7 %	4.4 %	6.9 %
CAPEX	-41.1	-29.9	259.2	-21.2	-31.7	ROI-%	2.4 %	3.2 %	5.0 %	8.2 %	8.9 %
Free cash flow	-43.3	98.3	134.2	31.4	23.1	Equity ratio	29.3 %	27.9 %	40.8 %	41.9 %	37.4 %
Valuation multiples	2022	2023	2024	2025e	2026e	Gearing	121.6 %	116.9 %	69.5 %	68.2 %	87.4 %
EV/S	0.2	0.3	0.2	0.3	0.3						
EV/EBITDA	7.9	7.3	4.3	4.4	4.3						
EV/EBIT (adj.)	45.0	26.0	8.7	9.1	8.6						
P/E (adj.)	neg.	neg.	neg.	26.2	11.9						
P/B	0.4	0.5	0.4	0.7	0.6						
Dividend-%	0.0 %	0.0 %	11.1 %	4.0 %	4.9 %						

Source: Inderes

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

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Recommendation history (>12 mo)

Date	Recommendation	Target	Share price
6/1/2024	Reduce	0.65 €	0.70 €
8/8/2024	Reduce	0.55 €	0.63 €
9/26/2024	Reduce	0.70 €	0.72 €
11/6/2024	Reduce	0.85 €	0.88 €
1/15/2025	Reduce	1.00 €	1.00 €
2/17/2025	Reduce	1.00 €	1.09 €
5/8/2025	Accumulate	1.30 €	1.17 €



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