

Sievi Capital

Company report

03/01/2023 08:44



Olli Vilppo
+358 40 761 9380
olli.vilppo@inderes.fi

✓ Inderes corporate customer

This report is a summary translation of the report "Indoorin joulukauppa meni penkin alle" published on 3/1/2023 at 8:49 am

inde
res.

Indoor's Christmas sales was a bust

We lower our target price to EUR 1.20 (previous 1.35) and reiterate our Accumulate recommendation. Indoor's Q4 development was clearly disappointing and far below our low estimates. KH-Koneet was reasonably good, but its performance did not compensate for Indoor's weakness this time. After the estimate changes we made, the sum of the parts that determines our target price fell to EUR 1.20 per share and we still see a clear value in the share compared to the current low price and expect the value to gradually be released as the new strategy progresses.

Indoor's Q4 offered no joy

Indoor's Q4 net sales fell by 14% to EUR 47 million and EBIT was EUR -0.1 million (Q4'21: 2.5 MEUR), which was clearly below our expectations. According to Statistics Finland, retail sale of furniture and home furnishings fell by 6% in Q4, and compared to this the performance was surprisingly weak. KH-Koneet's net sales decreased by 11% to EUR 52 million in Q4 and EBITDA at EUR 3.9 million was at the same level as in the comparison period adjusted for the changes in Törnells Maskinuthyrning's cost recognition. KH's performance was below our expectation in Q4, but there is no drama involved and it was largely due to an exceptionally good comparison period. HTJ and Logistikas developed well. NRG's quarter was characterized by the bankruptcy of Vema Lift.

Sum of the parts fell again with the negative changes in Indoor and KH

We cut Indoor's estimates for the next quarters and expect especially H1'23 to be very difficult for the furniture industry. We expect 2024 earnings levels to return roughly to pre-pandemic levels. We lowered our view of the value of the Indoor holding to EUR 29.0 million (previously 33.3 MEUR). Indoor's 2023e P/E ratio 16x is elevated in the earnings slump, but the 2024e P/E ratio is 8x. KH-Koneet has progressed strongly in its Swedish conquest, but we expect that the slowdown in the construction market will start to counterbalance the good performance, so 2023 result will be slightly below 2022 levels. We lowered our estimates for KH-Koneet but its value fell less to EUR 50.6 million, because we now consider Sievi's option to increase its holding to 100%. The liability related to the option is shown under other liabilities. KH's 2023 P/E ratio is now around 9x. In terms of value development of the target companies, the greatest potential is still directed at KH-Koneet, which, if strong growth continues, could increase its value clearly. However, as construction slows KH-Koneet's development also involves risks and before visibility improves applying a safety margin to its valuation multiples is justified. For other holdings, changes are small at Group level due to their size classes. We cut the value of the NRG holding to only EUR 0.5 million due to the high debt burden. We raised the values of the Logistikas (8.5 MEUR) and HTJ (13 MEUR) holdings thanks to their good development.

We still see hidden value in the parts

The sum of the parts we calculate for Sievi Capital is now EUR 70 million or EUR 1.20 per share relative to which we feel the share is undervalued. Compared to Sievi's net asset value (EUR 1.47) the balance sheet-based P/B pricing (0.7x) is also still very low compared to historical levels. The strategy update and change in the operating model (H1'23) are a clear short-term driver for the share which we expect to push the share price closer to our sum of the parts. Ultimately, Sievi intends to become an industrial group built around KH-Koneet Group and dispose of other target companies. We believe that the remaining KH-Koneet would as an independent listed company be priced with higher multiples than our current estimates, provided that it proves the sustainability of its earnings level in a weaker market as well. For Indoor, we find it very likely that Sievi eventually exits it by listing it on the stock exchange.

Recommendation

Accumulate

(previous Accumulate)

EUR 1.20

(previous EUR 1.35)

Share price:

1.08



	2022	2023e	2024e	2025e
EBIT adj.	-10.1	6.5	12.0	13.2
EBIT-% adj.	-505.0 %	323.8 %	400.0 %	440.0 %
Net Income	-8.2	5.0	8.7	9.6
EPS (adj.)	-0.14	0.09	0.15	0.16
P/E (adj.)	neg.	12.4	7.2	6.6
P/B	0.8	0.7	0.6	0.6
Dividend yield-%	0.0 %	0.0 %	0.0 %	0.0 %
EV/EBIT (adj.)	neg.	12.3	6.8	6.3
EV/EBITDA	neg.	12.3	6.8	6.3

Source: Inderes

Indoor's Q4 sales fell clearly short of our expectations

Indoor's Q4 sales were clearly below expectations

Indoor Group's Q4 net sales decreased by 14% to EUR 47 million as the exceptionally difficult market situation continued. Its EBITDA (IFRS) decreased to EUR 4.8 million (Q4'21: 7.3 MEUR). Q4 was some EUR 5 million below our expectations at net sales level and some EUR 2 million at EBITDA level. However, high inventories had still been unloaded reasonably from H1'22 levels and net debt was thus close to the comparison period at EUR 76 million (2021: 74 MEUR). The company also opened the impact of the change negotiations in the fall and various adjustment measures are estimated to have a cost saving effect of about EUR 1 million per year. The 2022 result also included EUR 3.2 million in costs recorded from the ongoing ERP system upgrade, which contributed to the increase in fixed costs. These costs will no longer incur once the ERP upgrade is completed.

KH-Koneet, the other important business, continued performing reasonably well

KH-Koneet Group's net sales fell by 11% in Q4 to EUR 52 million and EBITDA decreased to EUR 3.4 million (Q4'21: 3.9 MEUR). The Q4 result was weakened by changes in the recognition method related to the sales of fixed asset machines in Törnells Maskinuthyrning acquired for EUR 0.5 million and specifications in allocation that resulted in cost recognition. The development was weaker than we expected as we had predicted sales growth and improving EBITDA in Q4 despite the cooling construction cycle. We believe the underperformance compared to our expectations was due in particular to the sales of Q4'21 being exceptionally good and we had not considered this in our estimates. There should have been no major concerns in the market demand or the company's performance.

Good performance in smaller holdings

Among the smaller holdings, HTJ continued to develop steadily, generating good cash flow, and it exceeded our expectations clearly in Q4, when EBITDA rose to EUR 1.1 million (Q4'21 0.4 MEUR) according to our calculations. Logistikas, in turn, developed almost in line with our expectations, but its EBITDA improved to EUR 0.7 million in Q4 (Q4'21: 0.4 MEUR). Following the bankruptcy of Vema Lift, Nordic Rescue Group has so much debt that the owners' share in the companies is marginal. However, cutting losses was important so that Sievi does not have to invest more money in the company.

As expected, no dividend was proposed to be paid. The new dividend policy will be revealed in connection with the CMD this fall when future guidelines on capital use will be explained in more detail.

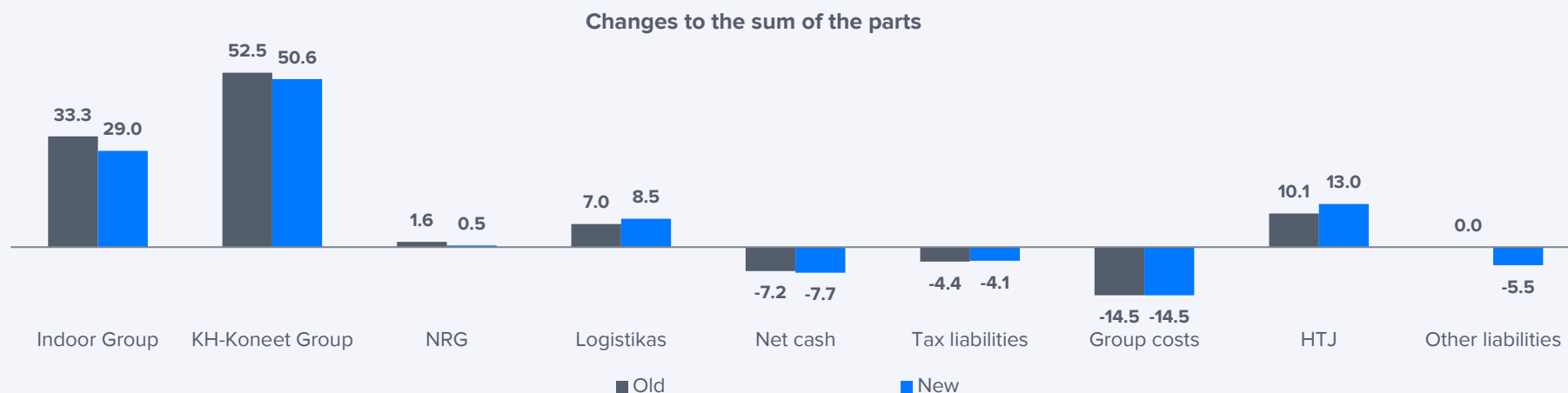
Net sales	2021	2022	2022e	Growth	Difference (%)
MEUR	Comparison	Actualized	Inderes	Actualized	Act. vs. Inderes
Indoor Group	205	192	197	-6 %	-2 %
KH-Koneet Group	169	195	207	15 %	-6 %
Logistikas	22	32	31	45 %	2 %
Nordic Rescue Group	10	6	6	-40 %	0 %
HTJ	19	23	23	22 %	0 %
EBITDA	2021	2022	2022e	Growth	Difference (%)
MEUR	Comparison	Actualized	Inderes	Actualized	Act. vs. Inderes
Indoor Group (IFRS)	32,3	20,3	22,4	-37 %	-9 %
KH-Koneet Group	10,3	12,6	14,5	22 %	-13 %
Logistikas	1,7	2,4	2,5	41 %	-4 %
HTJ	2,3	2,9	2,4	26 %	21 %

Source: Inderes

Changes in the sum of the parts calculation

The changes we made

- We changed our approach to the option of increasing Sievi's holding in KH-Koneet and HTJ. Thus other liabilities were also included in the sum of the parts as a new item related to the imputed value of these options in Sievi's balance sheet. The holdings in HTJ and KH will be calculated as 100% in the future, because we believe that the company will eventually exercise these options.
- We cut the value of the Indoor Group holding to EUR 29.0 million (previously 33.3 MEUR), because our expectations especially concerning the 2023 earnings level decreased clearly and at least H1'23 will be very difficult for the company before consumers' purchasing power starts to recover. There is also clear uncertainty about normal performance at this stage, as the earnings slump is clearly deeper than we expected.
- KH-Koneet's development was also below our expectations, but we believe this was more due to the fact that we had not realized that the Q4 comparison period was exceptionally good. There should have been no major concerns in the market demand or the company's performance. We cut our estimates but KH-Koneet's value fell less to EUR 50.6 million (previous 52.5 MEUR), because we now consider Sievi's option to increase its holding to 100%.
- We raised the values of the Logistikas and HTJ holdings with their good Q4 development, and their net debt also continued to be absorbed by strong cash flow.
- We lowered the value of NRG as the net debt that increased as a result of the Vema Lift bankruptcy form an ever-larger share of NRG's debt-free value.



Price below the conservative sum of the parts

Sum of the parts creates the basis for valuation

Company-specific estimates and the valuation multiples we use are presented in full on pages 6-10. Page 11 presents the valuation of the holdings' peer groups. The sum of the parts we calculate for Sievi Capital is now EUR 69.7 million or EUR 1.20 per share. Sievi's ROE fell to -9% in 2022. The company's strong track record in previous years has started to show signs of cracking. Indoor's operating environment has naturally been difficult and in the longer term ROE % is still excellent.

Key future value drivers:

1) success in the development of KH-Koneet, 2) success in developing other target companies prior to exit so that sales prices can rise. We feel it was the right solution to focus on KH-Koneet, because we believe the greatest potential of the holdings lies here. As the strong growth of KH continues, it could increase its value clearly, both through earnings growth and an increasing acceptable valuation level. However, the cooling of the target market also brings short-term risks to earnings development.

Indoor's value for Sievi has in recent years come from its stable strong cash flow. Before the pandemic years (2013-2019), the Finnish furniture market was relatively stable and we believe that it will start stabilizing again from H2'23, when consumers' purchasing power starts to catch up to inflation. As the operating environment normalizes, the company will, according to our estimates, again grind out a strong dividend yield to its owners from 2024, since almost the entire net result can be paid out as dividends as working capital or investments only tie up limited amounts of capital.

Logistikas and HTJ also generate good cash flow with their capital light businesses. Their values already

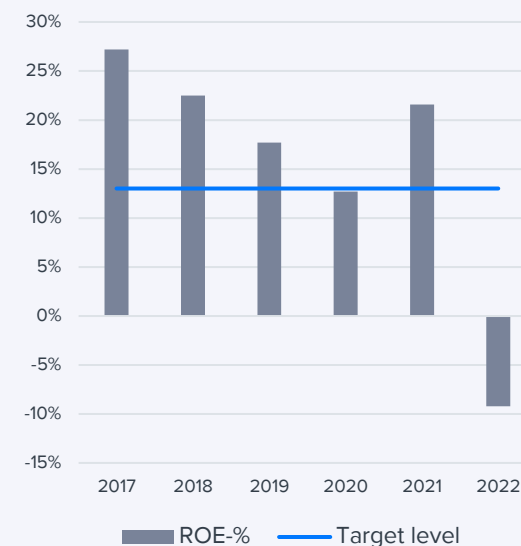
have good conditions for positive development with the current performance level as net debt decreases. The performance potential of NRG has clearly fallen after Vema Lift's bankruptcy. At the same time, the risks related to its turnaround have disappeared. The weight of NRG in our sum of the parts is very low.

New strategy aims to release the value hidden in the parts

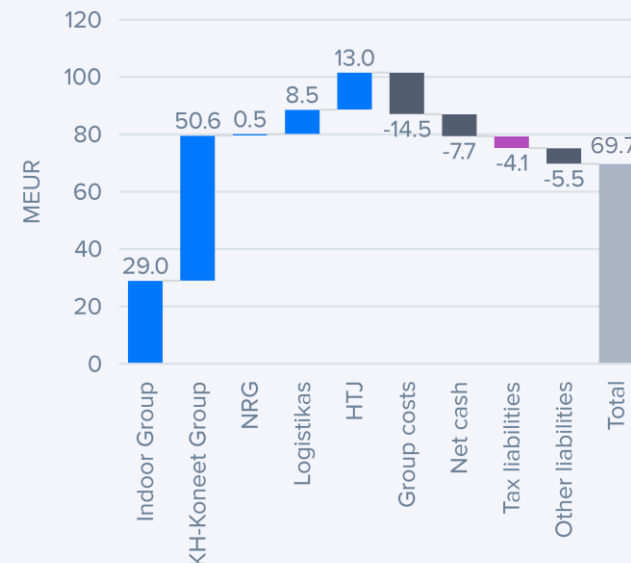
Sievi will first transform its operations from a private equity investment company into a conglomerate in H1'23. The root cause of the transformation into a conglomerate is that the earnings of Sievi's various unlisted holdings and Group expenses are combined in the same income statement, balance sheet and cash flow statement (cf. e.g. Aspo). This makes it easier for investors to make their own assessment of the corporate cluster's value compared to the current model, where changes in the fair value of holdings in the balance sheet determine Sievi's result. We believe the change in reporting alone will move the share toward the value indicated by our sum of the parts (now EUR 1.20).

Ultimately, Sievi intends to become an industrial group built around KH-Koneet Group and dispose of other target companies. On page 12, we have added our DCF calculation for KH-Koneet. The calculation indicates that KH-Koneet could independently be as valuable as Sievi's market cap at present and that the investor would thus in a way receive the other parts of Sievi free of charge. The calculation is preliminary, as it is based on FAS accounting and the transition to IFRS accounting may result in substantial changes.

However, relying on the DCF model of KH-Koneet in valuation requires that the company proves the sustainability of its current strong performance also in a weaker market.



Sum of the parts



NB: The 'other liabilities' row in the sum of the parts relates to the redemption option of KH-Koneet's and HTJ's minorities

Indoor Group

Indoor Group has been a very successful investment for Sievi Capital, especially through the strong cash flow the company generates.

Company description

Indoor Group Oy owns retail chains Asko and Sotka, and the company also includes the sofa factory Insofa Oy located in Lahti, as well as Indoor Group AS that is responsible for Estonian operations.

Business model

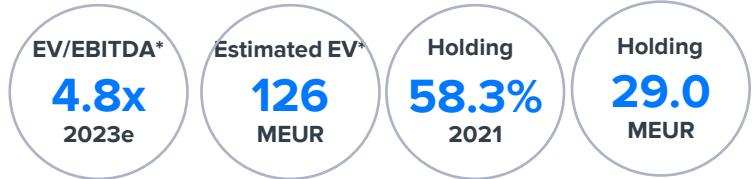
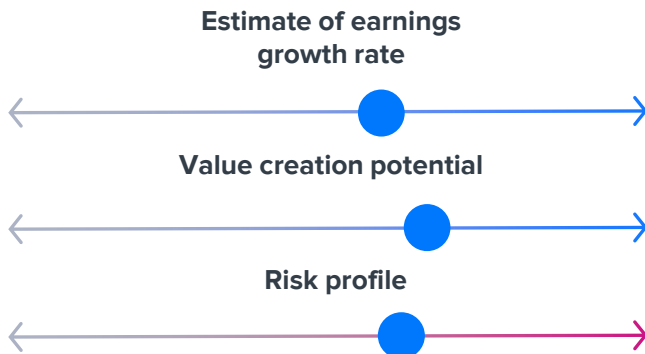
Indoor Group has a nationwide retail network in Finland. The importance of e-commerce has also increased in the company's multi-channel business model.

Investment story

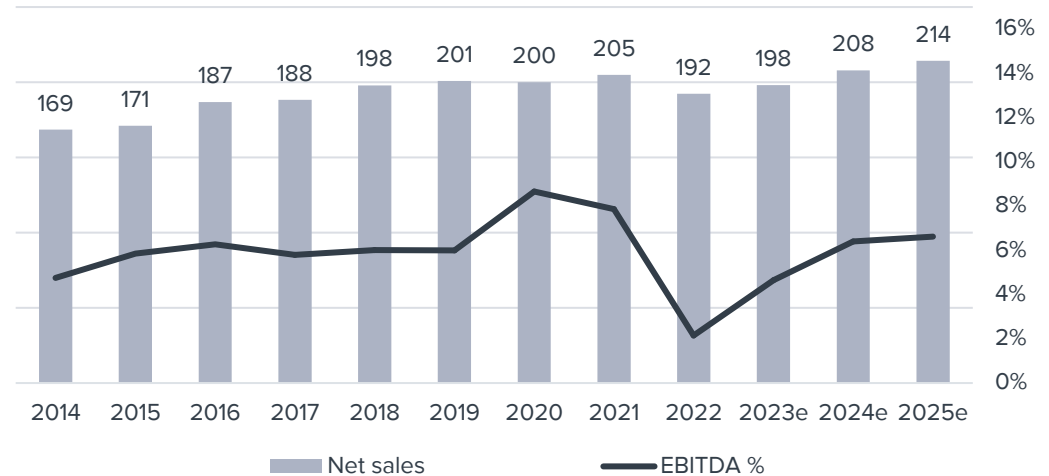
Sievi Capital acquired a majority holding in Indoor in 2017 from Kesko. During COVID years the company's performance was strong. The strategy updated in summer 2020 aims to continue improving profitability so that the EBIT margin would double from the 2019 level.

Competitive advantage

Indoor Group's competitive edge is well-known brands, good market position and the high volumes it generates. The own sofa factory in Lahti also enables demand-driven product tailoring for Asko.



Key figures and estimates ******(FAS):



Value drivers

- Sharpening brands and pricing
- Utilizing customer data
- The source of growth is expansion of product groups and e-commerce
- Strong cash flow and good return on capital
- Streamlining operations by harmonizing background processes



Risk factors

- Low consumer confidence and declining purchasing power lasting longer than expected
- Overall market growth has been slow before COVID
- Forcing growth through expensive acquisitions
- Tighter competition
- Successful upgrade of ERP system



Valuation

- Valuation with EV/EITDA ratios on level with the peer group when the non-recurring ERP system costs are adjusted. 2023 P/E ratios are, however, elevated as poor performance is particularly evident in the bottom line.
- We expect Indoor to return to generating a more normal result in 2024 when the P/E ratio is 8x.

*EV and EBITDA according to IFRS accounting **FAS accordant EBITDA in the graph to maintain a comparable time series In IFRS accounting, EBITDA is some EUR 17.3 million higher and net liabilities EUR 66.6 million higher than in FAS. The dip in profitability we expect in 2022 is also explained by the ERP project and the related cloud service investment (-3.2 MEUR) that is processed as a cost.

KH-Koneet Group

KH-Koneet Group has been a successful investment for Sievi Capital as the company group has developed excellently since its formation.

Company description

KH-Koneet Group is an importer and retailer of construction and earth-moving machinery. It also offers maintenance and spare part services.

The company also has an earth-moving machinery rental company founded in 2018 and in 2019 the company expanded to Sweden with an acquisition.

Business model

KH-Koneet has a comprehensive network and service offering in Finland and now also in 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.

Investment story

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 market shares are still low

Competitive advantage

The company has also been able to build strong relationships and a good negotiating position to both manufacturers and customers. The company's agile and self-directed organization also brings a clear competitive advantage.

Estimate of earnings growth rate



Value creation potential



Risk profile



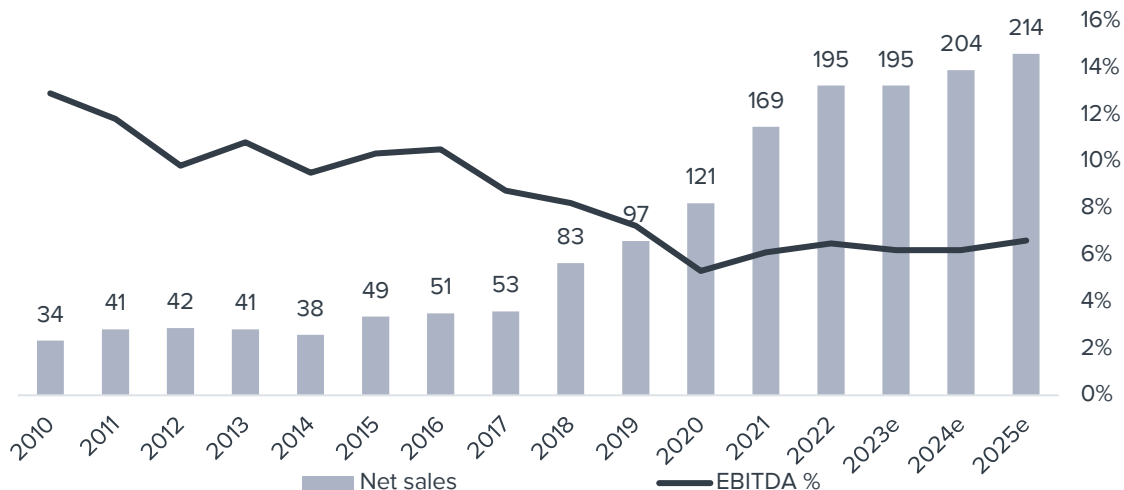
EV/EBITDA
6.5x
2023e

Estimated EV
78.4
MEUR

Holding
100%
2022

Holding
50.6
MEUR

Key figures and estimates:



Value drivers

- Sales growth in Sweden through expansion of the network and representation
- Introducing the operating model of KH-Koneet to Sweden and raising profitability to the level of Finland
- Increase rental activities



Risk factors

- Success of the acquisition
- Deterioration of the market situation
- Tightening competition
- Manufacturer's M&A transactions
- Effect of component shortage on availability
- As the Group grows, maintaining a self-directed culture can create challenges



Valuation

- We currently value the company with a conservative EV/EBITDA ratio of 6.5x with 2023 estimates
- A discount to peers is justified as the peers are large companies that manufacture construction and earth-moving machinery and that are priced at a premium compared to importers.

2010-2016 figures are pro-forma figures including Edeco Tools Oy, KH-Koneet Oy, KH-Engineering Oy

*Sievi Capital's holding at the end of 2022 was 90.7%, but it has an option to increase its holding to 100%

Nordic Rescue Group

The company carried out the acquisition in February 2020 and it has so far been a clear failure on Sievi.

Company description

Saurus' premises are located in Jyväskylä and Sala Brand's in Sweden. The Group has a strong position on its domestic markets in Finland and Sweden.

Business model

Saurus' and Sala Brand's business consists of the assembly of rescue vehicles. Sales is targeted directly at domestic end customers.

Investment story

The former owner of the companies Kiitokori sold the companies in a generation changeover. Under Sievi, NRG's story has been bumpy, as Vema Lift failed to deliver on its promises concerning international growth. Vema Lift was declared bankrupt at the end of 2022.

Competitive advantage

Strong brands and market position in Finland and Sweden, skilled personnel and long customer relationships also bring competitive advantages.



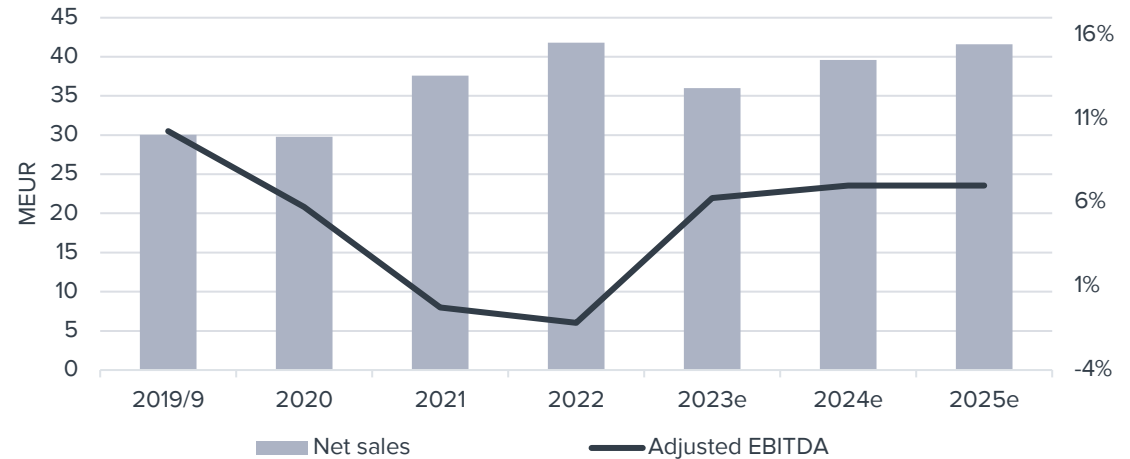
EV/EBITDA
6.0x
2023e

Estimated EV
13.5
MEUR

Holding
68.1%
2022

Holding
0.5
MEUR

Key figures and estimates:



Value drivers

- After Vema Lift's bankruptcy, the focus is on the Finnish and Swedish markets
- Easing of component shortage
- Increasing production capacity at the rate of demand
- Accelerating production lead times and improving working capital
- Adjusting the cost level of the parent company to the shrinking group



Risk factors

- Weakening economic situation
- Tightening competitive situation
- A new component shortage could again have a negative impact on platform deliveries, as the position in the value chain is not particularly good



Valuation

- Very limited impact on the value of Sievi due to the company's high debt burden

Logistikas

The acquisition of Logistikas was carried out in December 2020. Logistikas is a logistics service company specialized in demanding customer relationships.

Company description

Logistikas currently operates in seven locations in Finland, both in its own logistics centers and in customers' premises. The Group employs approximately 230 people.

Business model

The services offered by the Group includes service products for local logistics, internal logistics and local warehousing, as well as expert services and comprehensive procurement services. The business model only ties a limited amount of capital.

Investment story

Logistikas has gained the reputation of a reliable operator, especially among demanding customers. The company's profitability has also risen to a strong level. With the support of Sievi Capital, the company carried out its first acquisition in July in Vaasa.

Competitive advantage

The company's competitive advantages are the ability to provide a comprehensive service package, strong customer relationships, satisfied personnel, highly invested information system and a good location near the Port of Rauma.

Estimate of earnings growth rate



Value creation potential



Risk profile



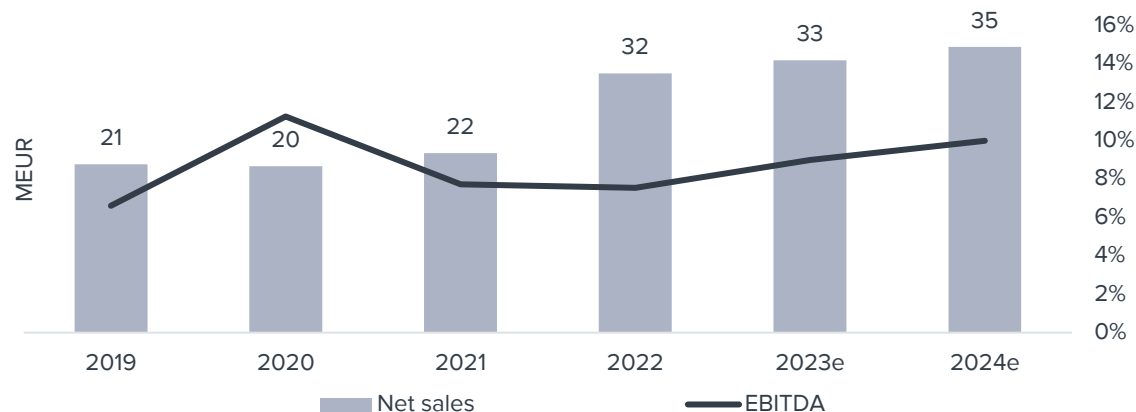
EV/EBITDA
6.5x
2023e

Estimated EV
19.5
MEUR

Holding
65.9%
2021

Holding
8.5
MEUR

Key figures and estimates:



Value drivers

- The outsourcing rate in logistics is still low in Finland which supports the market
- Continuing sales growth within existing customers
- Continuing new customer acquisition
- Acquisitions boost growth
- Costs scale with net sales growth



Risk factors

- Weakening economic situation
- Tightening competitive situation
- Failure in acquisitions



Valuation

- The company's business model requires little investment and its cash flow profile is good. Therefore, we believe the 2023e EV/EBITDA range of 6-7x we apply is conservative.
- However, the company is small and unlisted, which depresses the acceptable multiples

*2019 figures are pro-forma figures

Rakennuttajatoimisto HTJ

Rakennuttajatoimisto HTJ is Sievi Capital's latest acquisition carried out in October 2021.

Company description

HTJ is a construction consulting company established in 1999. The company provides building construction management and supervision services, as well as building engineering services and infrastructure construction services.

Business model

The company focuses on expert activities that generate good ROE and cash flow. The foundation of the service offering is versatile construction management, supervision and project management services.

Investment story

The market for the services provided by HTJ is estimated to have grown by an average of some 6% p.a. in 2015-2020. Under Sievi, HTJ also carried out its first acquisition (Infrap Oy spring 2022). In the past, the company has grown only organically.

Competitive advantage

The company has a strong growth track record and the business has grown organically by some 50% since 2017. Long-term customer relationships, skilled and committed personnel, and a strong service concept and brand form the competitive advantages of HTJ's operations.

Estimate of earnings growth rate



Value creation potential



Risk profile



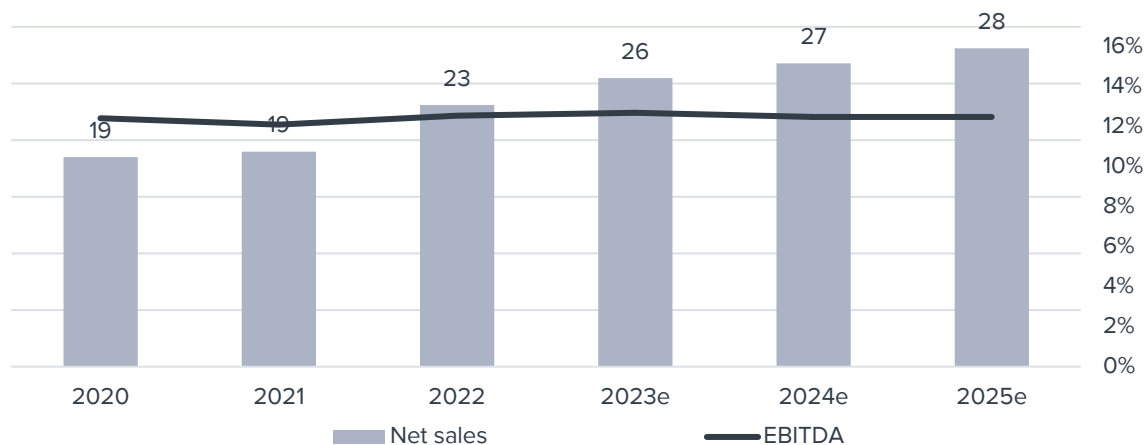
EV/EBITDA
6.5x
2023e

Estimated EV
21.1
MEUR

Holding
100%
2022

Holding
13.0
MEUR

Key figures and estimates:



Value drivers

- Strongly growing target market
- Continue growing stronger than the market organically
- In recent years, the biggest growth has come from infrastructure services, which continue to show significant growth potential
- Acquisitions as a growth catalyst



Risk factors

- Weakening economic situation
- Tightening competitive situation
- Failure in acquisitions



Valuation

- A clear discount to listed peers is justified due to the smaller size.
- We look at 2023 multiples as the Infrap acquisition is only then visible in full-year earnings estimates.

*Sievi Capital's holding at the end of 2022 was 91.7%, but it has an option to increase its holding to 100%

Peer group valuations

Indoor Group*	EV	EV/EBITDA 22	EV/EBITDA 23	P/E 22	P/E 23
Surteco Group SE	467	5.5	5.1	11.3	11.6
Nobia AB	603	4.7	5.6	10.3	25.0
Maisons du Monde SA	1139	5.2	5.0	17.0	13.8
Leon's Furniture Ltd	1130	4.5	4.6	7.5	7.6
Williams-Sonoma Inc	1140	4.7	4.4	8.9	7.7
Median	1130	4.7	5.0	10.3	11.6
Indoor Group (IFRS)	126	5.4	4.8	59.8	16.4
Difference -%	-89 %	14 %	-5 %	479 %	41 %

NB! Indoor's 2022 EBITDA weakened temporarily by EUR 3.2 million due to the ERP system update and we have adjusted this item in our 2022 estimates. We also expect EUR 1 million in non-recurring items in the 2023 result.

HTJ	EV	EV/EBITDA 22	EV/EBITDA 23	EV/S 22
Sitowise Group Oyj	261	10.6	8.8	1.3
Sweco AB (publ)	4381	16.5	14.4	2.0
Afry AB	2280	10.4	9.4	1.1
Rejlers AB (publ)	325	9.1	8.5	1.0
WSP Global Inc	17588	16.6	14.1	2.8
Etteplan Oyj	426	8.8	8.3	1.2
Arcadis NV	4619	12.4	9.3	1.3
Median	2280	10.6	9.3	1.3
HTJ	21	7.3	6.5	0.9
Difference -%	-99 %	-32 %	-30 %	-27 %

KH-Koneet Group	EV	EV/EBITDA 22	EV/EBITDA 23	P/E 22	P/E 23
Ponsse Oyj	780	10.0	9.2	19.9	17.9
Palfinger AG	1832	8.1	7.1	14.9	12.3
Volvo AB	50258	8.2	8.3	11.1	11.9
Deere & Comp	165191	16.1	12.6	18.4	13.8
Caterpillar Inc	145190	14.7	12.9	17.3	15.1
AGCO Corp	10567	7.5	6.4	11.9	10.4
Terex Corp	4117	9.6	8.1	14.0	11.8
Median	10567	9.6	8.3	14.9	12.3
KH-Koneet Group	78	6.2	6.5	8.6	9.5
Difference -%	-99 %	-35 %	-22 %	-42 %	-23 %

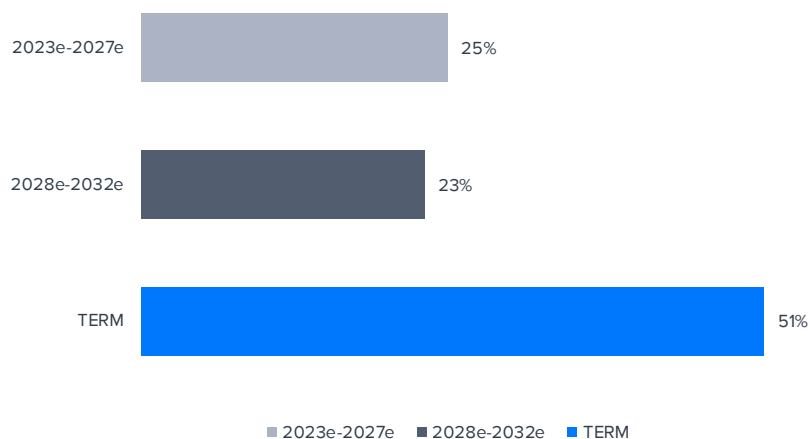
Nordic Rescue Group	EV	EV/EBITDA 22	EV/EBITDA 23	EV/S 22
Rosenbauer Int AG	680	23.6	9.9	0.7
Oshkosh Corp	5299	11.8	8.6	0.7
REV Group Inc	859	8.9	7.7	0.4
Median	859	11.8	8.6	0.7
Nordic Rescue Group*	13.5	-6.8	6.0	0.3
Difference -%	-98 %	-157 %	-30 %	-53 %

Source: Inderes and Refinitiv, valuation levels for peers collected on February 28, 2022. * Indoor Group EV includes lease liabilities under IFRS

DCF calculation

DCF calculation KH-Koneet	2022	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	TERM
Revenue growth-%	15.4 %	0.0 %	5.0 %	5.0 %	5.0 %	5.0 %	5.0 %	2.0 %	2.0 %	2.0 %	2.0 %	2.0 %
EBIT-%	4.4 %	4.2 %	4.2 %	4.7 %	4.7 %	4.8 %	4.9 %	5.1 %	5.2 %	5.2 %	5.2 %	5.2 %
EBIT (operating profit)	8.6	8.1	8.7	10.2	10.5	11.4	12.2	12.9	13.5	13.7	14.0	
+ Depreciation	2.9	2.3	2.0	1.8	1.7	1.6	1.5	1.5	1.4	1.3	1.3	
- Paid taxes	-2.4	-1.5	-1.5	-1.9	-2.0	-2.2	-2.4	-2.5	-2.6	-2.7	-2.6	
- Tax, financial expenses	-0.2	-0.3	-0.3	-0.3	-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	-8.0	-2.0	-2.2	-2.4	-2.5	-2.6	-2.7	-1.1	-1.2	-1.2	-1.2	
Operating cash flow	0.9	6.6	6.6	7.5	7.5	8.0	8.4	10.5	10.8	11.0	11.3	
+ 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	0.0	
- Gross CAPEX	-0.5	-1.0	-1.0	-1.1	-1.1	-1.1	-1.1	-1.0	-1.0	-1.0	-1.4	
Free operating cash flow	0.4	5.6	5.6	6.5	6.5	7.0	7.4	9.5	9.8	10.0	9.9	
+/- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	0.4	5.6	5.6	6.5	6.5	7.0	7.4	9.5	9.8	10.0	9.9	124
Discounted FCFF		5.2	4.7	4.9	4.5	4.4	4.2	4.9	4.6	4.2	3.8	48.0
Sum of FCFF present value		93.5	88.3	83.6	78.7	74.2	69.8	65.6	60.7	56.1	51.8	48.0
Enterprise value DCF		93.5										
- Interesting bearing debt		-44.9										
+ Cash and cash equivalents		17.0										
- Minorities		0.0										
- Dividend/capital return		0.0										
Equity value DCF		65.6										
Oman pääoman arvo DCF per Sievin osake		1.1										

Cash flow distribution



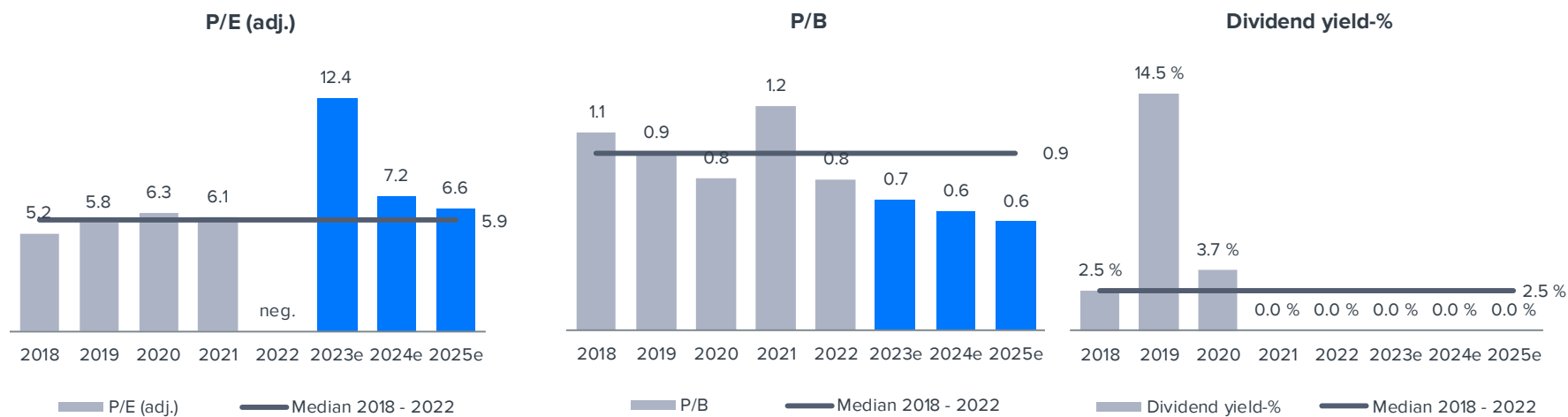
Wacc	
Tax-% (WACC)	20.0 %
Target debt ratio (D/(D+E))	20.0 %
Cost of debt	5.0 %
Equity Beta	1.30
Market risk premium	4.75%
Liquidity premium	3.00%
Risk free interest rate	2.5 %
Cost of equity	11.7 %
Weighted average cost of capital (WACC)	10.1 %

Source: Inderes

Valuation table

Valuation	2018	2019	2020	2021	2022	2023e	2024e	2025e	2026e
Share price	1.22	1.28	1.08	1.92	1.18	1.08	1.08	1.08	1.08
Number of shares, millions	57.8	57.8	58.0	58.1	58.1	58.1	58.1	58.1	58.1
Market cap	70	74	63	112	69	63	63	63	63
EV	74	42	54	116	77	80	81	83	86
P/E (adj.)	5.2	5.8	6.3	6.1	neg.	12.4	7.2	6.6	6.0
P/E	5.2	5.8	6.3	6.1	neg.	12.4	7.2	6.6	6.0
P/FCF	4.4	8.1	5.7	4.5	neg.	31.0	5.9	5.5	5.1
P/B	1.1	0.9	0.8	1.2	0.8	0.70	0.63	0.6	0.5
P/S	19.0	>100	19.6	9.7	34.3	31.4	20.9	20.9	20.9
EV/Sales	19.9	83.3	16.9	10.1	38.6	39.9	27.1	27.8	28.6
EV/EBITDA	4.5	2.6	4.6	5.8	neg.	12.3	6.8	6.3	5.9
EV/EBIT (adj.)	4.5	2.6	4.6	5.8	neg.	12.3	6.8	6.3	5.9
Payout ratio (%)	12.8 %	83.5 %	23.4 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	38.7 %
Dividend yield-%	2.5 %	14.5 %	3.7 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	6.5 %

Source: Inderes



Disclaimer and recommendation history

The information presented in Inderes reports is obtained from several different public sources that Inderes considers to be reliable. Inderes aims to use reliable and comprehensive information, but Inderes does not guarantee the accuracy of the presented information. Any opinions, estimates and forecasts represent the views of the authors. Inderes is not responsible for the content or accuracy of the presented information. Inderes and its employees are also not responsible for the financial outcomes of investment decisions made based on the reports or any direct or indirect damage caused by the use of the information. The information used in producing the reports may change quickly. Inderes makes no commitment to announcing any potential changes to the presented information and opinions.

The reports produced by Inderes are intended for informational use only. The reports should not be construed as offers or advice to buy, sell or subscribe investment products. Customers should also understand that past performance is not a guarantee of future results. When making investment decisions, customers must base their decisions on their own research and their estimates of the factors that influence the value of the investment and take into account their objectives and financial position and use advisors as necessary. Customers are responsible for their investment decisions and their financial outcomes.

Reports produced by Inderes may not be edited, copied or made available to others in their entirety, or in part, without Inderes' written consent. No part of this report, or the report as a whole, shall be transferred or shared in any form to the United States, Canada or Japan or the citizens of the aforementioned countries. The legislation of other countries may also lay down restrictions pertaining to the distribution of the information contained in this report. Any individuals who may be subject to such restrictions must take said restrictions into account.

Inderes issues target prices for the shares it follows. The recommendation methodology used by Inderes is based on the share's 12-month expected total shareholder return (including the share price and dividends) and takes into account Inderes' view of the risk associated with the expected returns. The recommendation policy consists of four tiers: Sell, Reduce, Accumulate and Buy. As a rule, Inderes' investment recommendations and target prices are reviewed at least 2–4 times per year in connection with the companies' interim reports, but the recommendations and target prices may also be changed at other times depending on the market conditions. The issued recommendations and target prices do not guarantee that the share price will develop in line with the estimate. Inderes primarily uses the following valuation methods in determining target prices and recommendations: Cash flow analysis (DCF), valuation multiples, peer group analysis and sum of parts analysis. The valuation methods and target price criteria used are always company-specific and they may vary significantly depending on the company and (or) industry.

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.

The analysts who produce Inderes' research and Inderes employees cannot have 1) shareholdings that exceed the threshold of significant financial gain or 2) shareholdings exceeding 1% in any company subject to Inderes' research activities. Inderes Oyj can only own shares in the target companies it follows to the extent shown in the company's model portfolio investing real funds. All of Inderes Oyj's shareholdings are presented in itemised form in the model portfolio. Inderes Oyj does not have other shareholdings in the target companies analysed. The remuneration of the analysts who produce the analysis are not directly or indirectly linked to the issued recommendation or views. Inderes Oyj does not have investment bank operations.

Inderes or its partners whose customer relationships may have a financial impact on Inderes may, in their business operations, seek assignments with various issuers with respect to services provided by Inderes or its partners. Thus, Inderes may be in a direct or indirect contractual relationship with an issuer that is the subject of research activities. Inderes and its partners may provide investor relations services to issuers. The aim of such services is to improve communication between the company and the capital markets. These services include the organisation of investor events, advisory services related to investor relations and the production of investor research reports.

More information about research disclaimers can be found at www.inderes.fi/research-disclaimer.

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 price	Share price
23-08-19	Reduce	1.25 €	1.24 €
30-10-19	Reduce	1.25 €	1.23 €
29-11-19	Accumulate	1.30 €	1.21 €
08-01-20	Reduce	1.40 €	1.40 €
30-01-20	Reduce	1.25 €	1.35 €
04-03-20	Reduce	1.15 €	1.18 €
27-04-20	Reduce	0.90 €	0.87 €
29-04-20	Accumulate	0.92 €	0.88 €
23-06-20	Accumulate	0.98 €	0.89 €
26-08-20	Accumulate	1.10 €	1.04 €
30-10-20	Buy	1.15 €	1.01 €
25-02-21	Buy	1.30 €	1.19 €
14-04-21	Accumulate	1.55 €	1.49 €
30-04-21	Accumulate	1.55 €	1.48 €
17-06-21	Buy	1.65 €	1.34 €
18-08-21	Accumulate	2.10 €	2.06 €
19-08-21	Accumulate	2.80 €	2.39 €
30-09-21	Buy	2.80 €	1.95 €
01-11-21	Accumulate	2.50 €	2.09 €
15-12-21	Accumulate	2.00 €	1.94 €
04-03-22	Buy	1.80 €	1.52 €
17-03-22	Accumulate	1.80 €	1.64 €
06-05-22	Buy	1.80 €	1.36 €
18-08-22	Accumulate	1.50 €	1.29 €
04-11-22	Buy	1.40 €	1.14 €
16-12-22	Buy	1.40 €	1.17 €
21-02-23	Accumulate	1.35 €	1.20 €
01-03-23	Accumulate	1.20 €	1.08 €



Inderes' mission is to connect listed companies and investors. We produce high-quality research and content for the needs of our extensive investor community.

At Inderes we believe that open data is every investor's fundamental right. We guarantee investors' access to award-winning research, insightful video content and an active investor community.

For listed companies we ensure that there is always high-quality information available on the company for investors and shareholders for decision making, and that data collected from investors can be utilized by the companies.

Over 100 Finnish listed companies want to serve their shareholders and investors through us by utilizing our company research services, data driven IR services, content creation and consulting.

Inderes Oyj

Itämerentori 2

FI-00180 Helsinki, Finland

+358 10 219 4690

Award-winning research at [inderes.fi](https://www.inderes.fi)



STARMINE
ANALYST AWARDS
FROM REFINITIV



THOMSON REUTERS
ANALYST AWARDS



Juha Kinnunen
2012, 2016, 2017, 2018, 2019, 2020



Mikael Rautanen
2014, 2016, 2017, 2019



Sauli Vilén
2012, 2016, 2018, 2019, 2020



Antti Viljakainen
2014, 2015, 2016, 2018, 2019, 2020



Olli Koponen
2020



Joni Grönqvist
2019, 2020



Erkki Vesola
2018, 2020



Petri Gostowski
2020



Atte Riikola
2020

**Research belongs
to everyone.**