EVLI

DOVRE

Commercial Services & Supplies/Finland, May 20, 2022
Company report

Initiating coverage with BUY

Dovre is now in a favorable position in the sense that demand is robust for all three segments, yet we expect earnings growth to continue well beyond this year.

Project Personnel continues to perform this year

The Norwegian oil and gas sector continues to stand in a favorable spot, and Project Personnel delivered solid figures already in FY '21; performance continued to improve towards the end of the year with no sign of inflation affecting the results. Q1'22 results demonstrated no sign of weakness. Meanwhile there was some softness in Consulting due to a high comparison period, however the segment has always been a stable performer and we expect earnings growth again next year. Project Personnel may be in a particularly favorable spot right now, but Consulting has arguably more long-term potential. This would require successful execution in terms of new customers; Dovre may also find M&A targets to help growth. The new customers will probably not be too far from Consulting's core Norwegian public sector civil and infrastructure projects, yet the segment could be looking to expand in Finland as well.

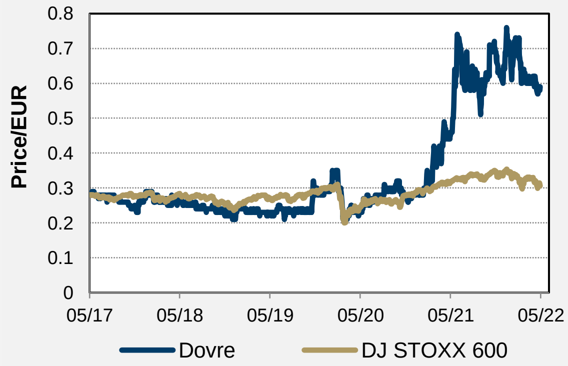
Consulting and Renewable Energy have more potential

Inflation does not seem to bother Project Personnel or Consulting, and even Renewable Energy appears to have been able to anticipate certain challenges well enough. We estimate EUR 201m revenue for this year and see EBIT at EUR 8.4m. The 4.2% EBIT margin would already be very decent, and translate to a high double-digit ROI, but we estimate Dovre's profitability has more long-term potential as the results for Consulting and Renewable Energy are likely to remain a bit modest this year. The outlook for Dovre's key client sectors is robust; we view our 5% organic CAGR estimates moderate. We also see Dovre's EBIT margin poised to climb towards 5% in the coming years even when we estimate a conservative 4% EBIT margin for Project Personnel.

Valuation is not demanding

We regard SOTP the most appropriate way to value Dovre with its three distinct segments. We see the fair range around EUR 0.70-0.75 per share based on the FY '21-22 peer multiples. We tilt towards the lower end of the range as valuations have been under pressure lately. Our TP is EUR 0.70; our rating is BUY.

Rating: BUY



Share price, EUR (Last trading day's closing price)	0.59
Target price, EUR	0.70
Latest change in	20-May-22
Latest report on company	20-May-22
Research paid by issuer:	YES
No. of shares outstanding,	105,960
No. of shares fully diluted,	105,960
Market cap, EURm	63
Free float, %	94.3
Exchange rate	-
Reuters code	DOV1V.HE
Bloomberg code	DOV1V FH
Average daily volume, EURm	0.1
Next interim report	18-Aug-22
Web site	https://www.dovregroup.com/

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BUY HOLD SELL

KEY FIGURES

	Sales EURm	EBIT EURm	EBIT %	FCF EURm	EPS EUR	P/E (x)	EV/Sales (x)	EV/EBIT (x)	FCF yield %	DPS EUR
2020	77.4	2.4	3.1%	0.2	0.02	17.0	0.3	11.0	0.7	0.01
2021	142.7	6.1	4.3%	0.5	0.03	19.5	0.5	11.6	0.7	0.00
2022E	200.9	8.4	4.2%	2.7	0.05	12.5	0.3	7.0	4.3	0.01
2023E	211.6	9.5	4.5%	3.8	0.05	11.9	0.3	5.9	6.2	0.01
2024E	220.4	10.6	4.8%	3.8	0.06	10.3	0.2	5.0	6.1	0.01

Market cap, EURm	63	Gearing 2022E, %	-11.1	CAGR EPS 2021-24, %	18.0
Net debt 2022E, EURm	-4	Price/book 2022E	1.9	CAGR sales 2021-24, %	15.6
Enterprise value, EURm	59	Dividend yield 2022E, %	1.7	ROE 2022E, %	16.3
Total assets 2022E, EURm	88	Tax rate 2022E, %	18.5	ROCE 2022E, %	21.0
Goodwill 2022E, EURm	21	Equity ratio 2022E, %	37.9	PEG, P/E 22/CAGR	1.0

Investment summary

Dovre's expertise is in large energy and infrastructure projects

Dovre provides project personnel and project development services for large energy and infrastructure as well as industrial investments. The company's activities are organized around three distinct segments which together cover a range of its clients' project lifecycles. Dovre has a presence on three continents and is headquartered in Finland. Historically Norway has been the most important country, where Dovre offers high-skilled temporary project labor for oil and gas clients' projects in their late phases. Dovre is also active with the Norwegian public sector's civil and infrastructure investments, where the company works mostly on their early review stages. Dovre has a history of M&A expansion, and the latest significant addition established a new segment which focuses on wind power construction in Finland. Norway will remain a very important market, however Finland's relative weight may increase a bit in the coming years. Dovre's footholds in Singapore and North America also contribute to its position in the eyes of large oil and gas clients. Dovre now employs some 800 personnel.

Demand outlook is favorable across the segments and profitability is on a solid footing

The three segments have their own histories and financial profiles. Dovre is an established player with long-standing client relationships within Project Personnel and Consulting. Neither business ties up much capital, but the former is still dependent on the capital expenditures of the Norwegian oil and gas sector. Client cost awareness remains a factor which limits profitability potential, but Dovre has managed to keep its own costs in check while demand outlook should hold up for the foreseeable future. Consulting has always been a stable performer in terms of profitability and hence the main question relates to growth through new customers. The Renewable Energy construction segment has a limited history but clearly the best long-term growth outlook; it may be focused on Finnish wind power for now, but expansion to Northern Sweden is imminent while the Baltic countries represent a long-term opportunity. The segment may also begin to address other renewables besides wind power at some point in the future.

Inflation does not seem to be a major issue

Dovre already reached a very decent 4.3% EBIT margin in FY '21. Q1'22 results showed again strong performance for Project Personnel, which we deem an encouraging sign as cost awareness continues to define the project labor business. Inflation is neither likely to be an issue for Consulting. The Renewable Energy construction business is the one most sensitive to inflation pressures, but the segment seems to have prepared well and Q1'22 results displayed relatively strong profitability despite the slow winter season.

New customer acquisitions are a focus area for Consulting

In our view the segments' EBIT margins should continue to hold up and improve even with relatively modest top line growth rates going forward. We believe the Renewable Energy acquisition will help lift revenue to EUR 200m this year, while we estimate some 5% organic CAGR for the coming years. Project Personnel's Q1 suggests this year will be strong, whereas Consulting may have a relatively modest performance due to the high comparison period. Consulting has plenty of growth potential in the longer-term perspective, but this must be facilitated through new customers. These accounts may cover industries like transportation, construction, ICT, and public sector.

Project Personnel is strong in the short-term, Consulting and Renewable Energy have more potential

Project Personnel may be in a cyclically favorable spot, however Consulting and Renewable Energy are more likely to drive earnings growth after this year. High single-digit or low double-digit growth would be valuable in the case of Consulting due to its high margins, whereas Renewable Energy's long-term growth and profitability potential is harder to assess.

We estimate Dovre's long-term organic CAGR at around 5%

We do not estimate very high organic CAGR for Project Personnel after this year. Our 3% CAGR estimate for Consulting may prove too low, whereas Renewable Energy is likely to see at least high single-digit rates in the coming years.

EBIT margin should continue to edge towards 5%

We estimate only 4% EBIT margin for Project Personnel in the coming years, although we deem 5% a realistic level. Consulting should have no trouble performing around 15%. We see Renewable Energy's margin climbing towards 5% in the long-term.

We rate Dovre BUY, TP EUR 0.70 per share

We consider SOTP the most appropriate approach, and the peer multiples for FY '21-22 suggest around EUR 0.70-0.75 per share value. Our TP is thus EUR 0.70; we rate Dovre BUY as we would view 8x EV/EBIT a well justified level on our FY '22 estimates.

Company overview

Dovre background

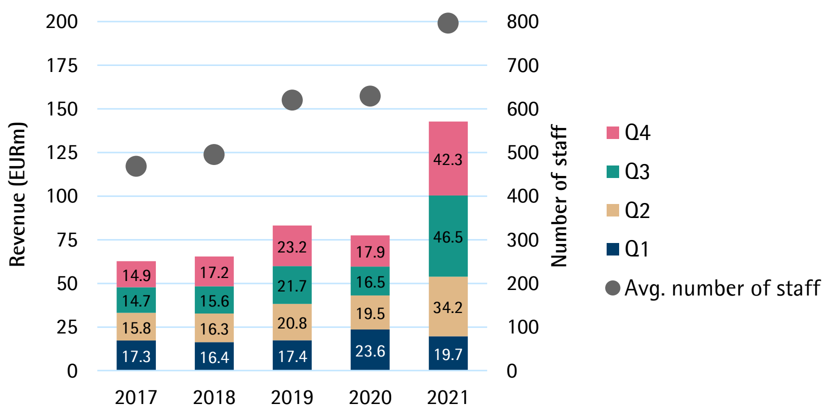
The company, founded in 1983 and known as Proha Oyj until 2011, has been listed on the Helsinki Stock Exchange since 1999. Dovre initially developed project management software, besides engaging in project management consulting within Finland, in the 1980s and 1990s but acquired two Norwegian project personnel services companies in the 2000s. The respective 2004 and 2006 acquisitions of Dovre Group AS and Fabcon AS expanded the company's presence into the US and Canada. This basically established Dovre in its current form with a global offering of project personnel and project management services. The 2015 acquisition of Norwegian Petroleum Consulting Group (NPC) further solidified Dovre's presence in the Norwegian oil and gas sector staffing services market while adding a meaningful Asian foothold. Dovre acquired 51% of the specialist renewable energy construction company Suvic in 2021 and thus established a third segment to complement its expertise in energy and infrastructure projects.

The Group's parent company is domiciled in Finland, but the operations have historically tilted towards Norway where the two fully owned segments conduct most of their business. Consulting has historically been a stable performer, while Project Personnel's value chain positioning is more challenging. The latter's dependence on the oil and gas sector means demand is bound to fluctuate and profitability potential remains limited by the clients' cost awareness. The segment however seems to have improved in terms of cost control, which in our view suggests sustained high profitability now that the Norwegian oil and gas sector is in a favorable position.

Project Personnel and Consulting operate in the global project management and consulting industries, although to a large extent in the Nordics and especially in Norway, while Renewable Energy is a specialist construction company with a focus on renewable energy projects in Finland. Dovre has also established a presence in Singapore as well as North America, but growth is mostly driven by certain types of key customers including the Norwegian oil and gas sector, the Norwegian public sector, and the Finnish wind power industry.

Norwegian oil and gas field commissioning work, Norwegian public sector investments' quality assurance as well as Finnish wind power construction projects are the most important sectors driving Dovre's results. Today Dovre employs approximately 800 staff and has offices in five countries on three continents. Mr Arve Jensen has acted as the CEO of Dovre since 2018 and has been employed by the group since 1993.

Figure 1: Dovre annual revenue and number of employees, 2017-21



Source: Dovre

Business model

Dovre's three segments focus on energy and infrastructure projects in Norway as well as Finland

Dovre Group provides several kinds of project development services for the energy and infrastructure sectors. The company, which helps its clients manage large projects throughout their lifecycles, comprises three business areas: Project Personnel (specialist consultants for projects), Consulting (corporate advice and project management), and Renewable Energy (wind power construction services). The business areas are distinct, but they all involve specialized professional services for large-scale investment projects. Dovre has a global presence and serves clients in markets such as wind power, oil and gas, infrastructure, shipping, roads and railroads as well as nuclear energy. Dovre's client list includes public sector as well as private company names like Equinor, Exxon, Aramco, Shell, OX2, Fortum, and the Norwegian Ministry of Finance. Today most of Dovre's revenue derives from Norway and Finland, but the company is also present in Singapore and North America.

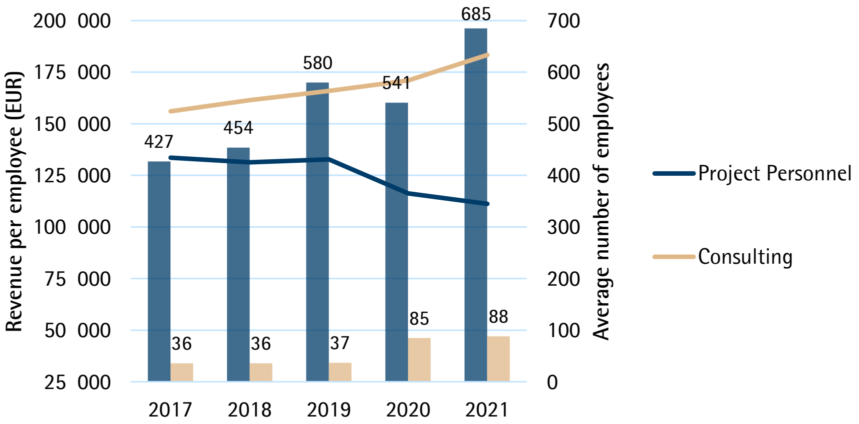
Dovre's business is about helping to deliver large investment projects

Dovre operates through long-term relationships which tend to be facilitated by 5-year frame agreements. The company can offer specialist project personnel quickly and efficiently: Dovre's clients tend to be large global players who appreciate flexibility as they often have wide project portfolios. Their projects can vary a lot in terms of scale and are usually going through different project stages at any given point of time, however there are also clients who have only one major active project in development. Dovre as a group is not dependent on any individual clients or projects over the long-term, however there may be some significant local project or client exposures from time to time, particularly within Suvic as the subsidiary delivers turn-key wind farm projects in the capacity of a single contractor.

The ability to recruit and retain specialist consultants for the long-term is the key in securing a competitive offering of expertise for Dovre's clients. Dovre's long-term framework agreements and expanding client network mean the company can offer stable and secure workflows for its consultants, many of whom have been with the company for a long time.

The Project Personnel segment employs some 700 experts but can access a global network of project professionals. Dovre has more than 30 years of experience from large investment projects, a considerable merit from a client perspective since project execution consistency is valuable in the types of investments Dovre's clients look to finalize. Dovre group employs a total of around 800 staff.

Figure 2: Project Personnel and Consulting revenue per employee, 2017-21



Source: Dovre

Oil and gas, civil and infrastructure as well as wind power are Dovre's key markets

Wind power is Dovre's most important market following the acquisition of Suvic in 2021: the acquisition set up a new segment called Renewable Energy, which offers wind farm construction services mostly in the form of turnkey projects. In practical terms this means the onshore wind power construction markets in Finland and Northern Sweden are now major Dovre growth drivers, but the Norwegian oil and gas sector is still important as it constitutes most of the business for the Project Personnel segment, while Consulting works to a large extent for the Norwegian public sector.

Dovre segments

Dovre has three segments for which it reports revenue and operating profit on a quarterly basis. The segments are distinct, but Project Personnel and Consulting have certain complementary qualities and shared history. Renewable Energy, meanwhile, is a recent addition and more separate from the two.

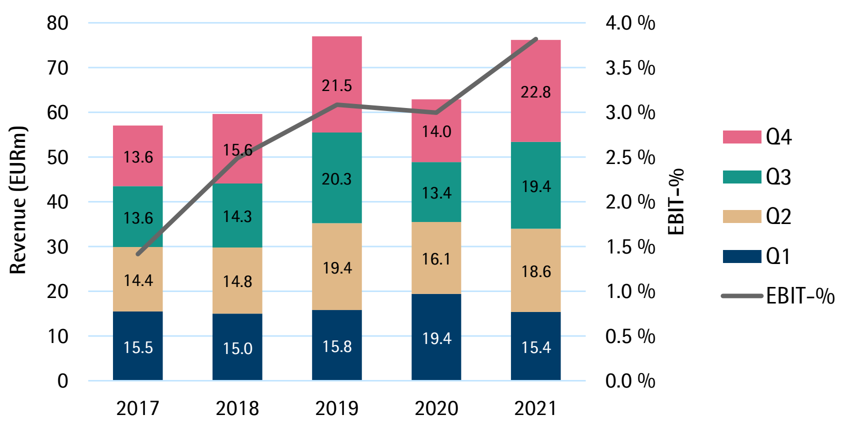
Project Personnel

The segment provides temporary labor for large projects' late phases

Project Personnel provides professional temporary high-skilled labor for large-scale energy sector investment projects, including oil and gas as well as hydro, wind, solar and nuclear power, where Dovre can support its clients through every stage of the recruitment process. Large-scale investment projects, such as ones in the oil and gas sector, employ several kinds of personnel especially in their later commissioning phases and the companies who execute such projects often can't employ all the required staff on a permanent basis. The workforce supplied by Project Personnel comprises e.g. project managers, procurement and contract managers, planning and cost control managers; engineering, construction and commissioning personnel; many of the positions are supervisory roles.

Project Personnel activity is about 95% project execution work, which is a major difference to Consulting where the work lies mostly around the projects' preview phases. The aim is to help client projects happen within time and financial budgets; Dovre can offer either single individuals or entire teams as required by client-specific needs and has instant access to pre-qualified candidates from a wide global pool of around 70,000 individuals.

Figure 3: Project Personnel quarterly revenue and annual profitability, 2017-21



Source: Dovre

The Project Personnel business resembles a white-collar recruiting agency, which often charge non-recurring success fees, but with the distinction that it features constant charging along the project lifecycles and is in this sense not unlike certain other temporary workforce providers such as Eezy. The business proposition includes, besides the provision of key professional resources, administrative and mobility services. Such supportive services span areas like payroll administration, compliance and insurance provision, visas and work permits as well as travel arrangements. Dovre shoulders such administrative tasks so that the consultants can focus on their assigned project work.

Dovre's global network of project professionals includes about 70,000 individuals, some of whom have been with the company for more than 20 years. A typical project professional generates annual revenue to the tune of EUR 0.1m. The Project Personnel segment employed an average of 685 people in 2021. Inflation is not a major issue for the segment as the costs are mostly in the form of salaries; increased personnel costs can often be compensated through contract re-negotiations. Project Personnel's gross margin has remained steady over time, and the segment has also been able to control its fixed costs. Project Personnel can respond to changes in demand much faster than Consulting due to its temporary workforce structure.

Dovre's projects tend to last anywhere between a month and several years, while the average length of an individual assignment was more than a year in 2021. The consultants tend to work in all the phases of a given project, but volumes mostly stem from project execution including commissioning.

Project Personnel competes with both small local and large global players, including names such as IKM Consultants, Omega 365, Nes Fircroft, Airswift and Brunel. Brunel is the only publicly traded close competitor and hence a very relevant peer.

The business is asset-light, but O&G clients' cost awareness limits margins

Project Personnel's operating model is flexible, in other words there is no significant fixed cost base as the business essentially acts in an intermediary capacity by connecting clients with workforce; margins are not very high, while on the other hand the business does not tie up capital and risks remain moderate. Project Personnel is a somewhat cyclical business due to the inherent nature of the major clients' industry, and market developments especially in Norway can have an impact on the results. In our view price competition is also more of an issue for Project Personnel than for Consulting or Renewable Energy as the oil and gas industry has many well-established operating standards.

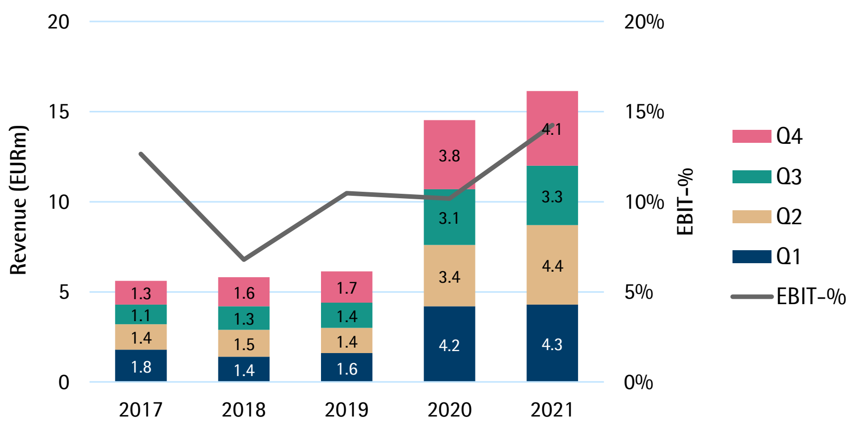
Consulting

The segment employs permanent consultants who tend to focus on civil and infrastructure projects' early phases

Consulting is about advisory work on projects at a high corporate level. Consulting contrasts with Project Personnel in the sense that it employs permanent personnel often involved in the early stages of a project, whereas Project Personnel is about temporary workforce who tend to focus on later project phases. The Consulting work covers the development and execution of large projects and portfolios, including risk management, project portfolio management, supply chain management, market and cost-benefit analyses, feasibility studies and so on. Consulting resembles Project Personnel in the sense that there is a high incidence of recurring revenue, however Consulting is a lot less cyclical business than Project Personnel due to the exposure on Norwegian public sector where many investments are done in a counter-cyclical fashion.

Consulting complements Project Personnel as large public sector investment projects often entail several years of concept development and planning before execution can take place. A client may have several on-going projects at any given time, but there are also cases where a single large project is crucial and significant relative to all other running costs.

Figure 4: Consulting quarterly revenue and annual profitability, 2017-21



Source: Dovre

Consulting enjoys highly recurring revenues and is also less cyclical than Project Personnel

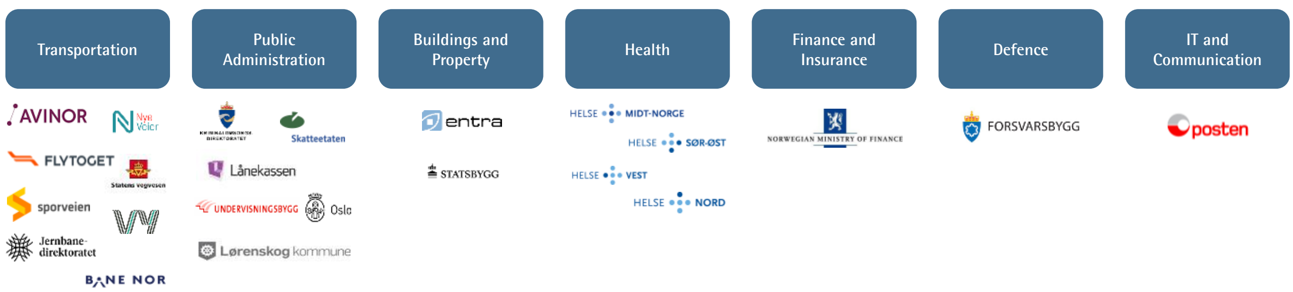
The Consulting business can be characterized as management consulting type of work, in other words projects related to general strategic issues, however the business tends to compete with local project management focused companies. There is also a fully owned IT consulting subsidiary in Finland (Proha) which provides IT services related to project portfolio management. A typical consultant generates annual revenue of about EUR 0.2m, on which Dovre earns a margin of around 14%. The Consulting segment employed an average of 88 people in 2021. Consulting is similar to Project Personnel in the sense that costs are mostly salaries and hence inflation is not a major problem as billing rates are relatively easy to adjust. Gross margin is higher within Consulting than Project Personnel due to the work's different nature as it encompasses full-time professionals who work on public sector projects from an office point of view, whereas Project Personnel involves more field work.

Consulting should be able to grow, in the long term, somewhat faster than the other two segments because the unit is still relatively small but also due to the fact that the business addresses a wider range of sectors, including transportation, construction, ICT, defense, and healthcare.

Norwegian civil and infrastructure projects are predominant, but there is growth potential within Finnish industrial clients

Consulting is about 80-90% other projects than oil and gas sector work, in other words mostly different large Norwegian projects within the infrastructure and civil sectors, including references such as railroad operators and the Norwegian Tax Administration. The work within the Norwegian public sector accounts is often about government investment projects' external quality assurance, however Consulting also has certain industrial clients such as Cargotec, Kvaerner, KONE and Valmet. We believe industrial projects, particularly in Finland, represent one significant growth avenue for the segment.

Figure 5: Consulting infrastructure & civil client industries and references



Source: Dovre

The defense sector represents an opportunity for Dovre as the company already counts the Norwegian Defence Estates Agency as a reference account. The sector is growing, especially in Europe, but it is not easy to access due to the very discreet nature of defense policy work.

There are many organic growth opportunities, but M&A can help improve offering

A part of the Norwegian Project Personnel business was transferred under the Consulting business in January 2020. The change was done to better reflect the units' core competencies. The Project Personnel business is now better defined by a workforce with special energy sector expertise, but in general there is considerable overlap between the client sectors served by Project Personnel and Consulting, which often manifests in the form of cross-selling opportunities. This often means the involvement of Consulting in the early design stages of a project, followed by Project Personnel staffing in the later more labor-intensive commissioning phases. The Consulting work can help Dovre to better understand the schedule and scale of the later phases. Consulting and Project Personnel are also similar in the sense that for them both competitive positioning depends on their local experience, knowledge and relationships, particularly in the Norwegian oil and gas industry as well as the local public sector. Consulting is still not a major presence in Finland, and it remains to be seen how well the business can address the needs of certain Finnish industrial clients. We believe select acquisitions are one tool to improve competitive positioning in this respect.

Dovre purchased eSite, a company which provides 3D imaging services for industrial plants, from Fortum in 2021. The target's value proposition is to improve project execution and plant performance by facilitating remote site visits through its reality capture technology; eSite is now placed under Consulting where we believe it helps to address specific client needs for companies such as Valmet.

Consulting competes, to varying extents, with companies such as Sweco, Etteplan, Sitowise and AFRY. These are all publicly traded Nordic consulting operations and tend to focus on large civil and infrastructure projects. The mentioned companies are all significantly larger than Consulting, but they are also present in e.g. quality assurance reviews. There are smaller consulting companies like Marstrand AS, Metier OEC AS and Holte Consulting AS who are closer competitors, but none of them are publicly traded.

Renewable Energy

The segment constructs onshore wind farms in Finland and Northern Sweden

Renewable Energy is centered around wind power construction and development projects in Finland, lately in the Western and Northern regions of the country, but the business is also expanding to Northern Sweden. These geographic areas are very similar in that their wind power resources are tilted towards onshore farms, as is the case with most global wind power capacity. Finland and Sweden are also both in favorable spots in the sense that they are already established wind power markets but still have plenty of room to grow. Wind power growth outlook has been strong in both countries before and should be further boosted by the latest geopolitical changes.

Suvic is an onshore wind farm specialty construction company established in Oulu, Finland in 2017 and of which Dovre owns 51%. The projects vary in scope from foundational constructions to complete turn-key deliveries, including roads, lifting platforms, foundations, power stations, but the company also offers contracting for the energy and industrial construction sectors. The company can additionally cover design work, but we understand advanced concrete foundations are a particular Suvic specialty.

Construction quality standards are increasing both onshore and offshore

Offshore wind projects represent a potential expansion area for Renewable Energy as such farms are not that different compared to onshore ones. Pack ice limits offshore farms' construction potential around Finland and Sweden; this geographical consideration is the most important factor which might keep Suvic away from such projects in the short-term perspective. Offshore farms also tend to be larger than onshore ones, a fact that might limit Suvic's ability to deliver projects in the capacity of a single contractor. Growing turbine sizes imply higher quality requirements for turbine manufacturers, component suppliers as well as farm contractors like Suvic; offshore turbines will remain larger but onshore turbine sizes are also growing, a consideration which Suvic is positioned to address with its focus on advanced concrete foundations.

The Renewable Energy segment is by nature quite different compared to Project Personnel and Consulting, in other words the segment does not enjoy similar recurring type of revenue streams but is driven by turn-key project developments where the company acts as a single contractor. The segment employed 22 personnel in 2021 but generated Q1'22 LTM revenue of EUR 71m, which demonstrates the difference relative to Project Personnel and Consulting as Renewable Energy's revenue per employee was significantly higher due to the large material expenses involved. Renewable Energy's direct comparison to the other two segments is not therefore all that useful. Suvic deploys some 2-3 managers per site, while one project has a duration of roughly around twelve months. Suvic employs its own personnel and is not considering hiring any outsourced labor. Suvic's order backlog for 2022 amounts to EUR 90m and we believe growth should continue also next year, when the company might be able to break the EUR 100m revenue threshold.

Suvic's clients are to a large extent companies domiciled outside Finland, e.g. in Germany and Sweden, who are looking to invest in wind power farms in the country. This international aspect should also help Suvic's expansion efforts beyond Finland. Suvic's references include energy companies like OX2 and Fortum, while competitors in Finland comprise both domestic and international players. The former group includes e.g. SkartaNYAB and Kreate, which are both publicly traded companies but have a wider business focus than Suvic.

Renewable Energy activity is mostly conducted during the summer months as winter weather and frost limit construction opportunities in countries such as Finland and Sweden. Cost inflation can be an issue in individual projects, but potential price rises are to be accounted for in the budgeting phase.

Suvic has been able to navigate certain recent challenges so far

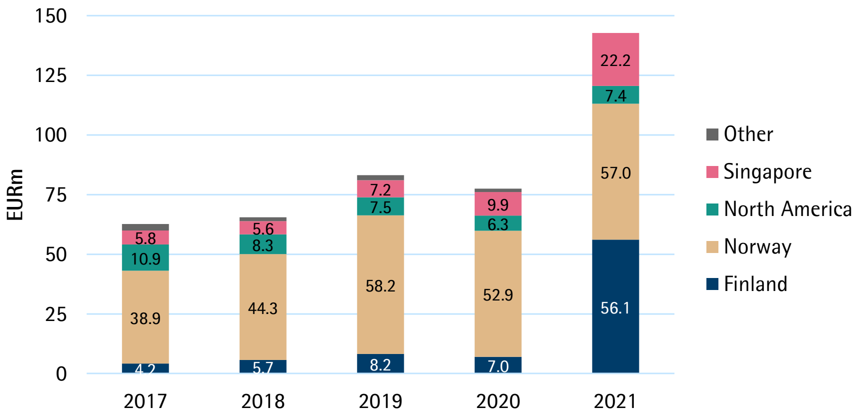
Copper, fuel and concrete, among other materials, surged in price already in 2021. Suvic was able to tackle the issue by anticipating the price inflation in its own budget calculations. The main challenges in 2021 were about inflation while 2022 is more about raw material availability. Steel availability has been an issue since late 2021, however Suvic has so far been able to manage without any significant problems. Supplier network management can be another challenge, particularly when demand is high. Poor execution was an issue for Suvic in some previous cases in 2021, due to certain subcontractors, but we understand the company has a relatively steady track record of delivering on its projects. Wind power farm construction companies like Suvic need to pledge collateral to the tune of some 10-20% of a given project value and here Dovre can help facilitate better terms.

Suvic has a horizontal value chain strategy, in other words the company is not going to expand into e.g. maintenance but instead could begin to deliver certain other types of renewable energy projects besides wind power, including solar and hydro. The potential expansion into such projects would naturally entail the hiring of some new specialized staff. The potential expansion into offshore wind projects would similarly require new recruits.

Dovre geographical market areas

Dovre has offices in six countries but can execute assignments in over 20. Norway has long dominated Dovre's geographic footprint with its roughly EUR 50m revenue, however Finland has become the largest presence since the Suvic acquisition with its EUR 71m in Q1'22 LTM revenue.

Figure 6: Annual geographical revenue distribution, 2017-21



Source: Dovre

The Project Personnel business is driven by the Norwegian oil and gas sector, but the segment also has a meaningful presence in Singapore. The segment has two offices in North America, one in Canada (St. John's, Newfoundland) and the other in the US (Houston, Texas), which are involved in the oil and gas business. The Consulting business happens mostly within Norway while there are growing levels of activity in Finland.

Renewable Energy is likely to drive expansion to new countries

Finland now represents some 50% of Dovre revenue following the 2021 acquisition of Suvic (Renewable Energy). There remains considerable renewable energy expansion potential within Finland, and Dovre believes it should also be able to provide more such services in Northern Sweden. We believe Renewable Energy continues to focus on onshore wind farm developments within the Nordic countries as pack ice in the Baltic Sea limits the potential for offshore wind farms in the region. A lot of the wind power potential in e.g. Germany lies around offshore developments, however the local competitive dynamic is also different and hence Suvic may not expand there any time soon. The Baltic countries also have plenty of offshore wind power potential, but it is still early to say when Suvic or Project Personnel might establish a presence there. We nevertheless believe the Baltics represent the next logical expansion step for Suvic, after a presence in Sweden has been established.

Singapore is another important market for Dovre within Project Personnel and generated EUR 22m in 2021 revenue, driven by oil and gas (around 80-90%) and making it the third-most significant country after Norway and Finland. In Singapore about 95% of personnel are working in the construction yards, whereas in Norway some project personnel also have office-bound assignments. The Singaporean assignments are also of somewhat shorter duration compared to Norway. There are not that significant profitability differences between Dovre's country units, but Singapore and Norway have particularly strong margins.

Dovre established a new subsidiary in Russia in 2019, however this amounted only to a minor move and the company did not incur any meaningful losses as a result when it closed the office in March 2022.

Strategy and targets

Dovre's segments and strategy now straddle two key energy markets (in addition to industrial and infrastructure projects), namely wind power and hydrocarbons. The Renewable Energy segment is almost purely about wind power so far, whereas the sector's share within Project Personnel and Consulting is still small but growing as the former remains tilted towards Norwegian oil and gas clients while the latter mostly works with Norwegian public sector investment projects.

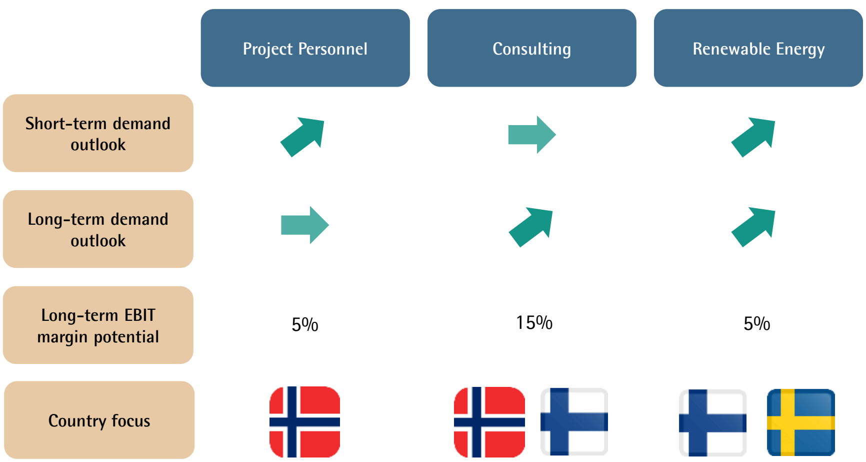
Dovre is positioned to harness its O&G clients' pivot to renewables

The oil and gas industry remains an important market for Dovre, however we note many hydrocarbon producers are increasingly tilting towards different kinds of renewable energy sources. In this sense Dovre's oil and gas legacy can in fact turn out to be an asset as the company is positioned to help energy producers pivot their portfolios away from hydrocarbons. The most recent regime changes in Northern European energy policy will, in any case, mean Dovre's demand outlook is sound for many years to come. The Nordic countries will continue to increasingly invest in wind power, while the Norwegian oil and gas sector benefits, at least in the short to medium term, from the urgent need to cut European dependence on Russian hydrocarbons.

The Norwegian clients' outlook is favorable for the foreseeable future

Norwegian gas is sold to Europe while oil is traded all over the world. The outlook for Norwegian gas capex is therefore particularly strong following the war in Ukraine, which helps to drive the Project Personnel business for the foreseeable future. Meanwhile the Norwegian public sector's already strong financial position has improved further, however this is unlikely to translate to any marked windfalls for Consulting as Norway has long been able to invest in virtually any civil and infrastructure projects deemed necessary. We see Dovre already has basically all the relevant client contacts it needs in Norwegian Consulting, while the company may be looking to strengthen its presence in Finland. In our view the acquisition of eSite was specifically aimed to improve offering for certain types of Finnish industrial clients.

Figure 7: Dovre segment outlook summary



Source: Evli Research

Finland is a focus country due to Suvic and certain Consulting prospects

Dovre acquired 51% of Suvic for a total consideration of approximately EUR 3m, or an EV of some EUR 6m, in Q1'21. The purchase was therefore valued at about 2.5x Q1'22 LTM EV/EBIT, which we consider an attractive level for a small specialty construction company. Dovre also purchased eSite, an industrial virtual reality solutions company, from Fortum in August 2021. The acquisition added capabilities for Consulting especially with regards to many industrial types of client accounts, as opposed to the historically dominant Norwegian public sector. There are many M&A opportunities in different sectors, including beyond current value chain positions, but also organic possibilities. Dovre may however refrain from additional acquisitions for a year or two as it looks to support Suvic's expansion. The short-term outlook remains robust for all the three segments, but long-term growth opportunities are tilted more towards Consulting and Renewable Energy rather than Project Personnel. We believe a large part of these prospects reside in Finland, in the case of both Consulting and Renewable Energy, while the latter has further potential in the neighboring countries.

So far Dovre has not been involved in any Danish wind power projects and neither would we expect this to be the case going forward as the market already has its own deeply established players. Renewable Energy now has its hands full in Finland, and soon in Northern Sweden, while the Baltic states represent a logical expansion step in the long-term perspective.

Earnings have further room to grow as we see organic CAGR of around 5% and additional upside to EBIT margin

Dovre does not have actual long-term financial targets. We nevertheless estimate, based on the FY '22 guidance and Q1 results as well as Suvic's order book for the year, the company to land near EUR 200m revenue already this year. We do not expect y/y EBIT margin improvement as Consulting has to face a strong comparison period, while inflation and material availability issues may still limit Renewable Energy's EBIT margin this year. We nonetheless estimate clear absolute improvement in EBIT for the year. Demand outlook appears robust across all the three segments and hence group top line could continue to grow at an above 5% CAGR in the coming years. In our view the company could therefore reach near EUR 250m in revenue in 2025, while a 5% EBIT margin seems a realistic long-term target and we believe Dovre could reach such a level in a couple of years. Our long-term estimates are a bit modest relative to this potential, but we nevertheless expect Dovre's performance to translate to an above 20% long-term ROI.

Energy markets' outlook

The Norwegian oil and gas sector continues to generate for many more decades

Oil and gas investments are sensitive to changes in the underlying market prices, however the Norwegian government has implemented certain tax policies to support such projects in a counter-cyclical fashion. Norwegian oil and gas capital expenditures do not therefore completely dry up even in a more challenging market, as was the case in 2014-15. The Norwegian oil and gas capex bottomed out in 2017 at around NOK 150bn, which amounted to a drop of some 40% from the 2014 highs. Approximately 50% of the estimated resource base has now been depleted, which means there is enough left to sustain production for many more decades.

The Norwegian oil and gas export value has surged since early 2021, amounting to more than NOK 100bn per month in late 2021, compared to some NOK 20bn per month in the spring of 2020. The level was around NOK 40bn per month before the pandemic. There were 5 new fields coming on stream in 2021 and 8 going through development plans, on top of the 94 producing fields, according to the Norwegian Petroleum Directorate. There were 40 exploration wells as of 2021, while 20 discoveries were made during the year. The annual capital expenditures now amount to more than NOK 150bn.

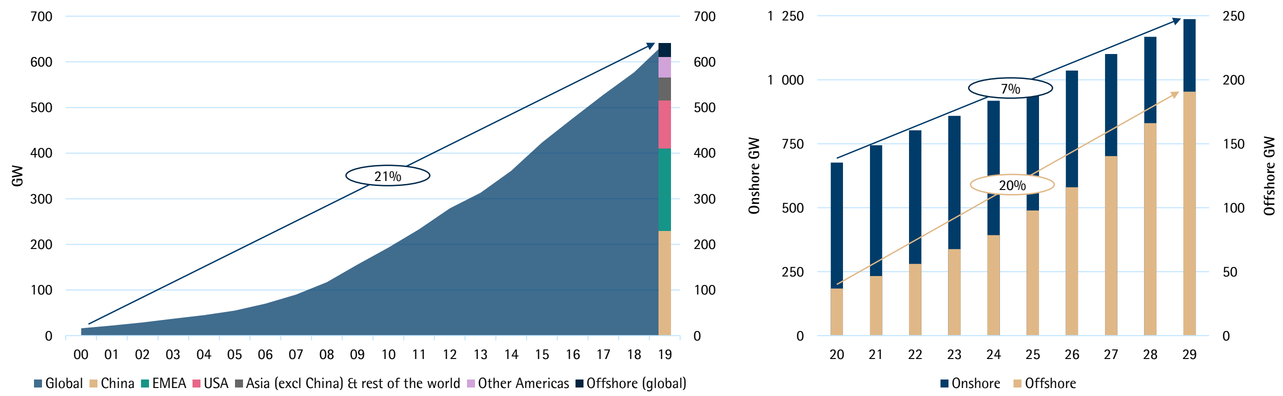
Norwegian oil and gas production levels have stayed relatively steady since the late 1990s, at somewhat above 200m standard cubic meters of oil equivalent. The figure amounted to about 230m standard cubic meters in 2021 and was set to increase by a few percentage points even before the war in Ukraine. The output is roughly equally divided between oil and gas.

There will be fresh Norwegian oil and gas production wells in the aftermath of the latest geopolitical shifts since many European countries are compelled to find alternative energy sources to replace Russian imports. European countries are bound to accelerate investments in renewable sources like wind power, but such significant projects can't be finalized soon enough to meet interim energy demands.

Wind power capacity continues to grow at double-digit rates in the long-term

Global wind power capacity should double during the 2020s. China is set to remain the leader, followed by the US and Europe. Global wind power capacity is still tilted towards onshore farms as the installed onshore base amounts to roughly 750GW, however offshore installations are growing relatively faster from their current 50GW global figure. Recent estimates have put annual onshore growth rates a bit under 10%, while offshore capacity growth should top 20%. Onshore installations will therefore continue to drive absolute capacity growth figures even if offshore farms receive a relatively large share of media attention.

Figure 8: Global historical and forecast wind power capacity CAGRs



Source: Bloomberg New Energy Finance, Global Wind Energy Council, Wood Mackenzie

A rule of thumb states 1GW of wind power capacity costs around EUR 1bn to construct. The Finnish wind power capacity currently stands around 3GW; assuming a very conservative 10% CAGR for the foreseeable future, or some 300MW annual capacity additions in the next few years, we would estimate Suvic's annual total addressable market in Finland to be around EUR 300m. To give some context, Europe in total is adding a bit more than 15GW of capacity each year.

The combined annual construction market in Finland and Sweden may be worth up to some EUR 2bn

Global Wind Energy Council forecasts Finland to add a cumulative total of about 6GW in onshore capacity in the next five years, which would imply a CAGR of some 25%. Meanwhile Sweden should add slightly higher absolute amounts of onshore capacity, around 1.5GW annually. These figures would imply the combined Finnish and Swedish annual onshore construction market at above EUR 2bn, Sweden somewhat larger than Finland at more than EUR 1bn.

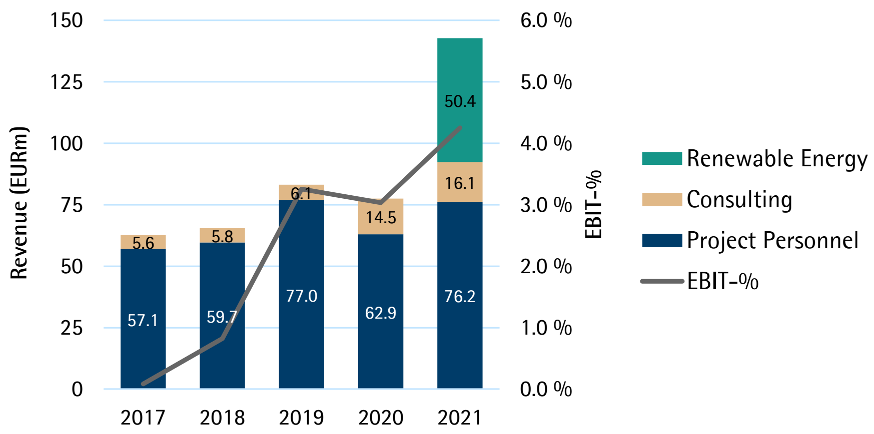
Financials and estimates

Dovre reports results quarterly, the Q1 and Q3 releases being relatively light trading statements while the half and full-year reports involve more detail on certain line items, balance sheet and cash flow.

Income statement and cash flow

Dovre's revenue is relatively stable on the part of Project Personnel and Consulting as the two segments do not display particularly significant seasonality and the businesses comprise many client projects at any given point of time. Renewable Energy, by contrast, is rather different in this sense as Q1 is always relatively quiet and certain specific projects generate most of the segment's revenue.

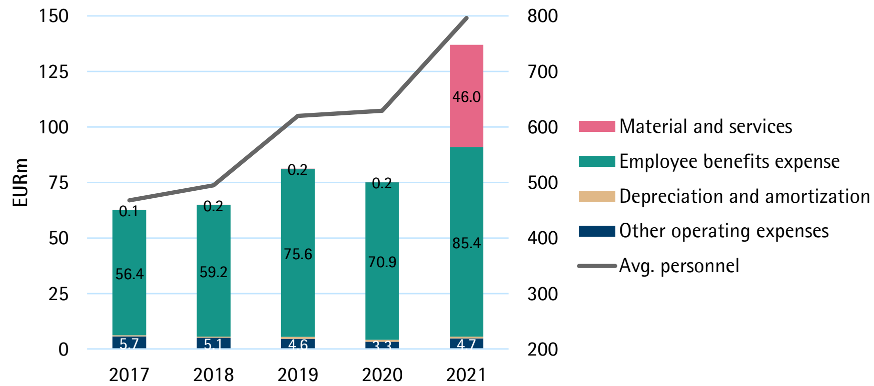
Figure 9: Dovre annual segmental revenue and profitability, 2017-21



Source: Dovre

Material and service expenses grew from EUR 0.2m to EUR 46.0m in 2021 due to the establishment of the Renewable Energy segment. The line item will naturally continue to grow in 2022 along with the specialty construction segment. Meanwhile employee benefit expenses amounted to EUR 85m in 2021 and grew by 20% y/y, which was in line with revenue growth.

Figure 10: Dovre annual cost structure and personnel, 2017-21



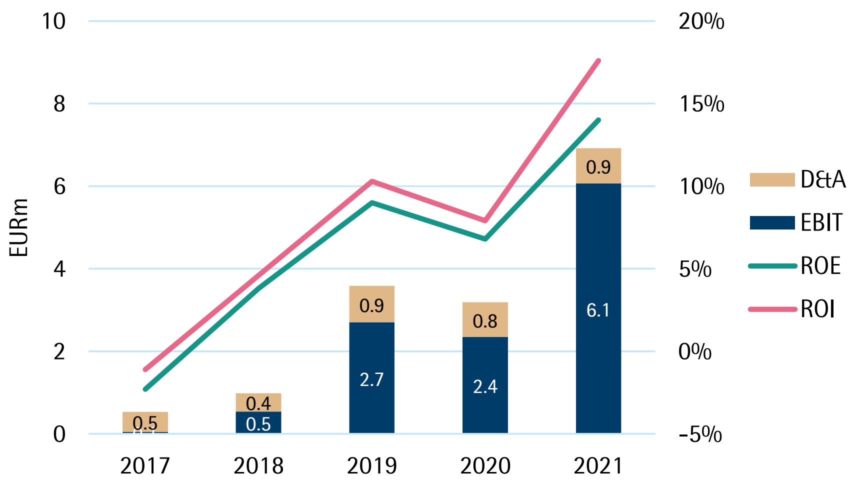
Source: Dovre

Other operating expenses include items such as administration and travel expenses. These costs are relatively fixed and have averaged some EUR 5m in the past years, however we note Dovre was able to cut them back temporarily by some EUR 1.5m in 2020. Other functions and unallocated expenses include general costs as well as amortization of client agreements and relations.

5% EBIT margin and 20% ROI appear realistic long-term financial targets

Profitability, in terms of EBIT, improved in 2021 for both Project Personnel and Consulting by more than 50% as their top lines grew at double-digit rates. Consulting was driven by extraordinarily high activity levels in Norway. Dovre's Q1'22 LTM EBIT margin was 4.1%; we see meaningful additional improvement potential on the margin especially when Consulting and Renewable Energy continue to grow. We note Dovre's FY '21 EBIT margin of 4.3% already translated to a ROI of 17.6%; we see further sustainable upside potential on profitability margins and hence we would expect Dovre to reach above 20% ROI in the long-term perspective.

Figure 11: Dovre annual profitability and returns on capital, 2017-21



Source: Dovre

Dovre's net financial costs amounted to EUR 0.5m in 2021, on an average interesting-bearing debt of some EUR 8m during the year. Capital expenditures amounted to EUR 2.6m in 2021, which was mostly due to the purchase of Suvic's shares. The capex figure was EUR 1.0m in 2020. The three segments have, in general, low capex needs, but we would expect Consulting to be the one most likely to receive such funding especially in certain IT project and M&A cases.

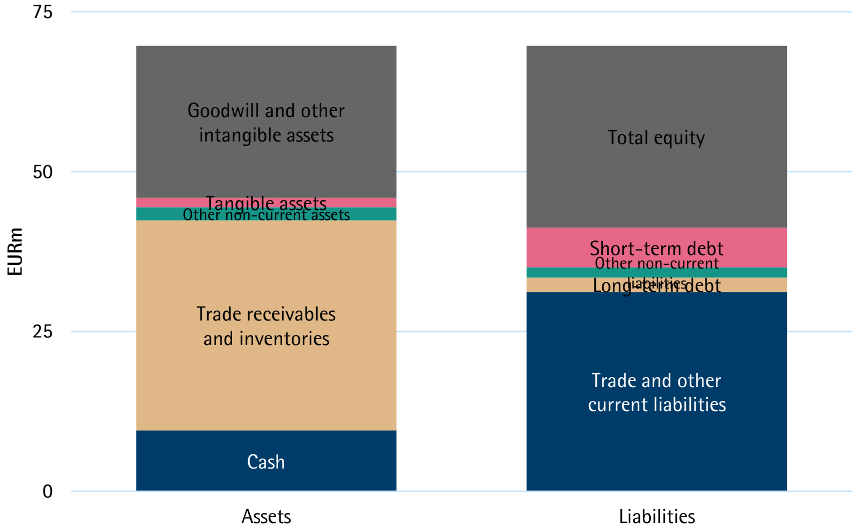
Balance sheet

Dovre's business model, especially with regards to Project Personnel and Consulting, is asset-light; trade receivables and other receivables are the most important asset line item in the balance sheet. The acquisition of Suvic led only to a slightly less favorable net working capital position.

The company's cash balance stood at EUR 9.5m at the end of FY '21, meaning Dovre had a positive net cash position, and we would expect the company to maintain a liquid position in the short-term to help Suvic's growth ambitions. Dovre's balance sheet also includes an unquoted equity investment in SaraRasa Bioindo Pte. Ltd., of which Dovre owned 19.86% at the end of FY '21. The stake in the Indonesian biofuel production plant was valued at EUR 1.1m and is likely to be divested at some point in the future.

Dovre's book equity value amounted to EUR 28.4m at the end of FY '21, which translates to an equity ratio of 41%, and can be viewed relative to the company's interest-bearing liabilities as they include some EUR 6m in short-term debt and EUR 2m in long-term debt.

Figure 12: Dovre balance sheet composition, YE '21



Source: Dovre

Trade payables and other liabilities are slightly smaller than trade receivables, hence Dovre operates with a positive net working capital. Net working capital management is not a major issue for the Project Personnel and Consulting segments, however trade receivables increased by some EUR 13m after the acquisition of Suvic. Dovre still does not carry any high levels of inventories as the figure amounted to only EUR 0.7m at the end of FY '21.

Estimates

Q1'22 results suggest earnings continue to improve despite general concerns around inflation

Dovre's Q1'22 results improved significantly y/y as the comparison period did not include the Renewable Energy segment, however the underlying performance was also a lot better due to Project Personnel, where the 47% y/y top line growth led to a EUR 0.5m y/y EBIT improvement. Consulting's performance was somewhat modest as revenue remained flat. Dovre reported EUR 6.1m in FY '21 EBIT. Q1'21 did not include Suvic and based on the Q1'22 Suvic EBIT of EUR 0.5m we would expect the actual adjusted FY '21 Dovre comparison figure to have been close to EUR 6.5m.

We estimate Dovre to reach EUR 200m in revenue and EUR 8.4m in EBIT for FY '22, while Dovre's guidance for 2022 is revenue of more than EUR 165m and EBIT is expected to be better than last year (EUR 6.1m in 2021).

We see Project Personnel headed towards EUR 4m EBIT

We expect significant profitability improvement for Project Personnel in 2022, driven by the Norwegian oil and gas sector, while Consulting is likely to see somewhat muted relative development this year as 2021 benefited from extraordinarily high activity levels in Norway. Project Personnel, by contrast, had a particularly soft comparison period for Q1 and hence top line growth is unlikely to remain as high in the coming quarters. We nonetheless estimate Project Personnel FY '22 EBIT to increase by EUR 1.0m y/y to EUR 3.9m. We expect the segment to reach EUR 100m top line in the coming years while its EBIT margin should remain at least around 4%.

Table 1: Estimates summary

Dovre	FY '20	Q1'21	Q2'21	Q3'21	Q4'21	FY '21	Q1'22	Q2'22e	Q3'22e	Q4'22e	FY '22e
Revenue	*77.5*	*19.7*	*34.2*	*46.5*	*42.3*	*142.7*	*47.8*	*51.1*	*53.8*	*48.2*	*200.9*
Project Personnel	62.9	15.4	18.6	19.4	22.8	76.2	22.7	23.1	23.4	23.9	93.1
y/y growth	-18 %	-21 %	16 %	44 %	62 %	21 %	47 %	24 %	21 %	5 %	22 %
Consulting	14.5	4.3	4.4	3.3	4.1	16.1	4.4	4.5	3.4	4.3	16.6
y/y growth	137 %	2 %	27 %	7 %	13 %	11 %	2 %	5 %	3 %	2 %	3 %
Renewable Energy			11.2	23.8	15.4	50.4	20.7	23.5	27.0	20.0	91.2
y/y growth								110 %	13 %	30 %	81 %
EBIT	*2.4*	*0.8*	*0.9*	*2.5*	*1.9*	*6.1*	*1.7*	*1.7*	*2.7*	*2.3*	*8.4*
Project Personnel	1.9	0.6	0.5	0.7	1.1	2.9	1.1	0.7	0.9	1.2	3.9
EBIT-%	3 %	4 %	3 %	4 %	5 %	4 %	5 %	3 %	4 %	5 %	4 %
Consulting	1.5	0.6	0.7	0.4	0.6	2.3	0.4	0.6	0.5	0.6	2.1
EBIT-%	10 %	14 %	16 %	12 %	14 %	14 %	9 %	13 %	15 %	14 %	13 %
Renewable Energy			-0.2	1.7	0.4	1.9	0.5	0.7	1.6	0.8	3.6
EBIT-%			-2 %	7 %	3 %	4 %	2 %	3 %	6 %	4 %	4 %
Other & Unallocated	-1.0	-0.4	-0.1	-0.3	-0.2	-1.0	-0.3	-0.3	-0.3	-0.3	-1.2

Source: Evli Research

Suvic's Q1 is always a slow quarter, while Q3 is by far the best. Q3 is, by contrast, slower for Project Personnel and Consulting due in part e.g. to the long summer holidays in Norway. Suvic reported Q1'22 LTM revenue of EUR 71.1m and EUR 2.4m in EBIT, in other words an EBIT margin of 3.4%. We expect the margin to improve to 3.9% in FY '22. The current highly inflationary environment raises some uncertainty around the profitability improvement, but we note Suvic is a relatively small specialist construction company and hence arguably better positioned to deal with any potential project execution issues.

We estimate EUR 91m in FY '22 revenue for Renewable Energy, based on Suvic's order backlog for the year. We therefore estimate 28% top line growth relative to the EUR 71.1m Q1'22 LTM figure. We expect Suvic's annual revenues to stabilize around EUR 100m in the short to medium term perspective, although there is more long-term potential.

We estimate only somewhat conservative 4% long-term EBIT margin for Project Personnel

Our long-term EBIT margin estimates for Project Personnel remain somewhat moderate for now as we pencil in only 4% level going forward; we wouldn't be too surprised to see the segment top the 4% profitability level in the future, and we consider 5% a realistic prospect in the coming years. A possible risk, or at the minimum a limiting factor, relates to price competition within the oil and gas sector projects.

Consulting Finland could drive growth above our estimates

We gauge 15% to be a realistic long-term EBIT margin level for Consulting as the segment has already had a few quarters around that mark. We are estimating only some 3% revenue CAGR for the coming years but reckon the segment could well reach a rate many percentage points above that. We consider execution in Finland one factor which could prove our growth estimates too low.

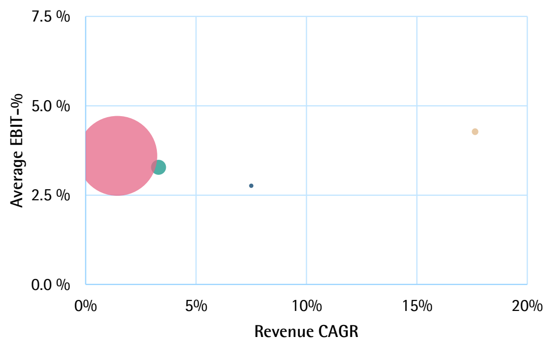
In our view Renewable Energy could reach a 5% EBIT margin in the long-term. We expect relative profitability to improve to 3.9% this year, and further improvement to 4.5% in FY '23. We estimate revenue CAGR to be only in the high single digits after FY '22, although this may prove to be a conservative view.

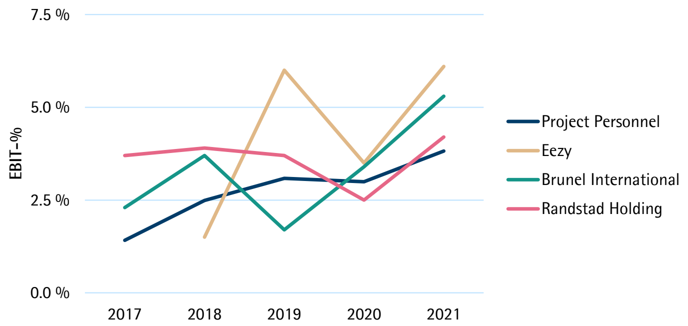
Valuation

Consulting deserves relatively high multiples, Project Personnel only moderate ones, while Renewable Energy involves more uncertainty

We consider sum-of-the-parts analysis a very suitable approach for valuing Dovre, given that the three segments are separate and distinctive from each other in terms of profitability and growth outlook. Project Personnel has demonstrated a relatively steady and improving profitability performance in the past few years, however the segment's long-term growth and margin outlook is on the modest side compared to Consulting and Renewable Energy; hence we view moderate earnings multiples appropriate for Project Personnel, as implied by the segment's peer group. We similarly argue Consulting deserves the highest multiples of the three segments due to its high-performing peer group, but the valuation is also backed up by the segment's lofty profitability and plentiful long-term growth prospects. We find Renewable Energy's acceptable valuation level lands between the two as the segment has lower profitability potential than Consulting but better growth outlook than Project Personnel.

Figure 13: Project Personnel peers' financial profile and performance, 2017-21



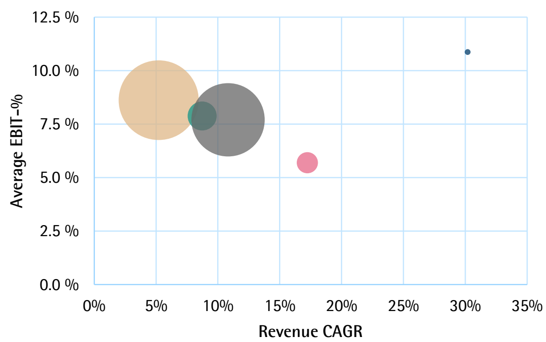


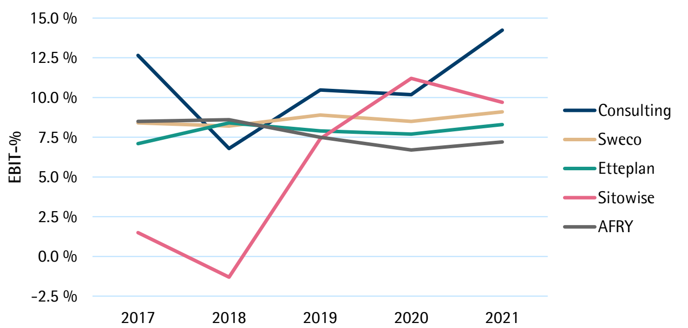
Source: FactSet, Dovre
Note: Bubble size represents average revenue over the sample years

Project Personnel's performance is unlikely to lag its peers' too much

In our opinion Brunel International, Eezy and Randstad Holding are the most suitable peer companies for Project Personnel. We view relatively modest valuation multiples, compared to Consulting and Renewable Energy, appropriate for Project Personnel as the segment's margins remain somewhat low and the business is also highly exposed to the cyclical oil and gas sector. Project Personnel's EBIT margin has been steady relative to peers', and we believe profitability is to continue improving especially when the Q1'22 results displayed a strong 4.8% margin. We consider 5% EBIT margin a realistic long-term level for the segment, which would be a bit above the peers' average level in the recent past. We note Brunel, arguably the most relevant peer, has already topped the 5% EBIT margin level and targets over 6% in 2025. Project Personnel is, on the other hand, a considerably smaller business than its peers, but we view the peer multiples overall appropriate for the segment.

Figure 14: Consulting peers' financial profile and performance, 2017-21



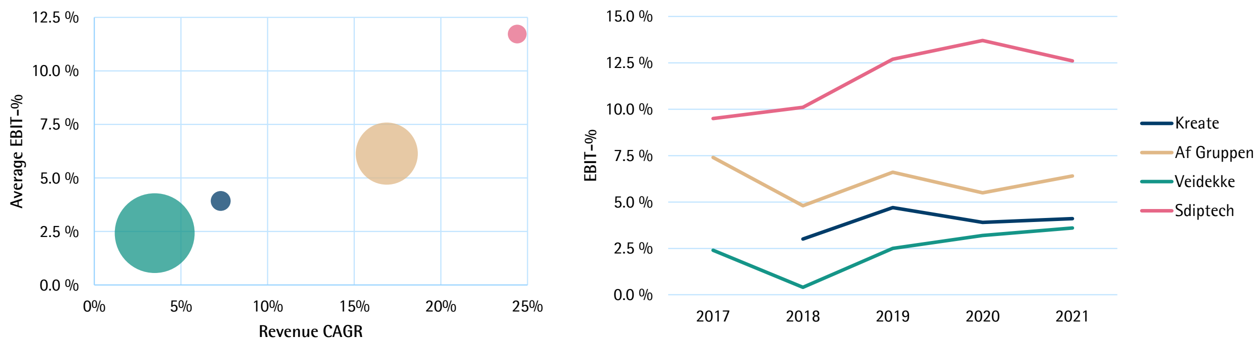


Source: FactSet, Dovre
Note: Bubble size represents average revenue over the sample years

Consulting's performance stands up to that of the peer group

In our view AFRY, Etteplan, Sitowise and Sweco are the key Consulting peers. We argue Consulting rightly deserves higher valuation multiples than Project Personnel as the business has not only better margins but also more stable demand outlook. The long-term growth outlook for Consulting is also better than that for Project Personnel. Consulting's growth prospects are stabler than those for Renewable Energy, although the latter may still have more long-term potential in its chosen niche markets. The profitability of Consulting in fact outperforms those of its peers, which by itself would support higher relative multiples especially when Consulting should still have plenty of room to grow. Consulting's margins, however, haven't been as stable as those of AFRY, Etteplan and Sweco; we argue the overall effect of these considerations, together with the segment's relatively small size, is that the peer multiples are highly appropriate for Consulting.

Figure 15: Renewable Energy peers' financial profile and performance, 2017-21



Source: FactSet
Note: Bubble size represents average revenue over the sample years

Specialty construction margins are relatively stable, but Suvic's focus differs from peers'

We identify Af Gruppen, Kreate, Sdiptech and Veidekke as peers for Renewable Energy. The construction business in general can be challenging to approach from a valuation perspective as profitability levels may be unstable due to project execution issues. We regard Suvic's specialty construction profile, more specifically its focus on wind farms and other renewable energy sites, as a positive in this sense because it should help the company concentrate on projects where it is less likely to blunder with the key execution assumptions. The renewable energy focus also means long-term growth potential is higher than that of peers whose businesses are still tilted towards more traditional sectors of construction. We note Suvic's 3.4% Q1'22 LTM EBIT margin corresponds well with Kreate's and Veidekke's performance; we expect Suvic's profitability to improve closer to a 5% margin in the future. In our opinion Suvic's niche renewables positioning (which entails strong long-term growth prospects), relatively short history and small size relative to peers make Renewable Energy more difficult to value fairly than Project Personnel or Consulting. There is, in other words, more uncertainty around the appropriate valuation level, but we view the median peer group multiples fair enough.

Consulting peer multiples, their median FY '22 EV/EBIT at 14x, stand clearly above those of Project Personnel and Renewable Energy. The respective comparable medians amount to 8.5x and about 10x.

Table 2: Dovre peer group valuation

DOVRE PEER GROUP	MCAP MEUR	EV/EBITDA 21	EV/EBITDA 22	EV/EBITDA 23	EV/EBIT 21	EV/EBIT 22	EV/EBIT 23	EBIT-% 21	EBIT-% 22	EBIT-% 23
Brunel International	525	8.2x	7.0x	5.9x	11.8x	8.5x	6.9x	5.0 %	5.3 %	5.9 %
Eezy	125	10.2x	7.1x	6.2x	17.3x	10.8x	8.8x	5.6 %	6.4 %	7.2 %
Randstad	9132	8.6x	6.2x	6.0x	10.9x	7.6x	7.3x	4.4 %	4.7 %	4.8 %
AFRY	1684	14.7x	8.5x	8.0x	22.3x	13.2x	11.5x	7.9 %	7.5 %	8.3 %
Etteplan	408	10.9x	9.1x	8.2x	18.6x	14.7x	13.2x	8.6 %	8.8 %	9.2 %
Sitowise Group	198		8.8x	8.1x		12.9x	11.8x	10.1 %	10.0 %	10.6 %
SWECO	3912	22.9x	13.9x	13.0x	32.4x	19.3x	17.8x	9.3 %	9.8 %	10.2 %
AF Gruppen	1727	10.0x	8.5x	7.7x	13.5x	11.2x	10.1x	5.8 %	5.4 %	5.7 %
Kreate Group	76		6.5x	5.8x		9.0x	8.0x	4.4 %	4.0 %	4.4 %
Sdiptech	1021	31.8x	16.3x	13.9x	47.2x	21.5x	17.9x	13.4 %	16.9 %	17.8 %
Veidekke	1308	6.5x	4.5x	4.2x	10.9x	7.4x	6.6x	3.6 %	3.7 %	4.0 %
Peer Group Average	1829	**13.8x**	**8.8x**	**7.9x**	**20.5x**	**12.4x**	**10.9x**	**7.1 %**	**7.5 %**	**8.0 %**
Peer Group Median	1021	**10.2x**	**8.5x**	**7.7x**	**17.3x**	**11.2x**	**10.1x**	**5.8 %**	**6.4 %**	**7.2 %**
Dovre (Evli est.)	**63**	**10.2x**	**6.4x**	**5.5x**	**11.6x**	**7.0x**	**5.9x**	**4.3 %**	**4.2 %**	**4.5 %**
Dovre prem./disc. to peer median		*0 %*	*-24 %*	*-29 %*	*-33 %*	*-38 %*	*-41 %*	*-26 %*	*-35 %*	*-38 %*

Source FactSet, Evli Research

Dovre now trades at about 7x EV/EBIT on our FY '22 estimates, a level which we deem not too challenging especially as the Q1 figures already showcased a marked y/y EBIT improvement even when excluding the contribution due to the Suvic acquisition. We believe there's a good chance Dovre will specify its FY '22 profitability guidance upwards sometime after the summer. Project Personnel is likely to continue to contribute a significant share of value going forward, while Consulting earnings are valued relatively high.

Table 3: Dovre sum-of-the-parts valuation

Segment	EBIT '21	EV/EBIT '21 *	EV 1)	EBIT '22e	EV/EBIT '22e *	EV 1)
Project Personnel	2.9	11.8x	34	3.9	8.5x	33
Consulting	2.3	22.3x	51	2.1	14.0x	29
Renewable Energy 2)	2.4	13.5x	17	3.6	10.1x	19
Other & Unallocated 3)	-1.0	15.9x	-16	-1.2	10.9x	-13
Total	6.6	13.1x	86	8.4	8.1x	68
Net debt (Evli YE est.)			-1			-4
Equity value			87			72
Per share			0.82			0.68

**Peer group median (FactSet)*

1) 51% stake in Renewable Energy

2) Q1'22 LTM for FY '21

3) Multiple based on the segmental average

We base our EUR 0.70 TP on our sum-of-the-parts valuation approach. We use peer EV/EBIT multiples for FY '21-22 to arrive at an equally-weighted average value of EUR 0.75 per share; our TP tilts towards the lower end of the range as valuations have been under pressure since late last year. Our rating is BUY.

VALUATION RESULTS		BASE CASE DETAILS		VALUATION ASSUMPTIONS		ASSUMPTIONS FOR WACC	
Current share price	0.59	PV of Free Cash Flow	54	Long-term growth, %	2.5	Risk-free interest rate, %	2.25
DCF share value	1.02	PV of Horizon value	53	WACC, %	9.2	Market risk premium, %	5.8
Share price potential, %	72.9	Unconsolidated equity	0	Spread, %	0.0	Debt risk premium, %	2.8
Maximum value	1.0	Marketable securities	10	Minimum WACC, %	9.2	Equity beta coefficient	1.20
Minimum value	1.0	Debt - dividend	-8	Maximum WACC, %	9.2	Target debt ratio, %	15
Horizon value, %	49.8	Value of stock	108	Nr of shares, Mn	106.0	Effective tax rate, %	20

DCF valuation, EURm	2021	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	Horizon
Net sales	143	201	212	220	229	235	241	247	253	259	266	272
Sales growth, %	*84.4*	*40.8*	*5.3*	*4.2*	*3.9*	*2.5*	*2.5*	*2.5*	*2.5*	*2.5*	*2.5*	*2.5*
Operating income (EBIT)	6	8	9	11	12	12	12	12	13	13	13	14
Operating income margin, %	*4.3*	*4.2*	*4.5*	*4.8*	*5.3*	*5.0*	*5.0*	*5.0*	*5.0*	*5.0*	*5.0*	*5.0*
+ Depreciation+amort.	1	0	0	0	0	0	0	0	0	0	0	
EBITDA	7	8	9	11	12	12	12	12	13	13	13	
- Paid taxes	-1	-2	-2	-2	-2	-2	-2	-2	-3	-3	-3	
- Change in NWC	-2	-1	0	0	0	0	0	0	0	0	0	
NWC / Sales, %	*1.2*	*1.4*	*1.4*	*1.5*	*1.5*	*1.5*	*1.5*	*1.5*	*1.5*	*1.5*	*1.5*	
+ Change in other liabs	1	0	0	0	0	0	0	0	0	0	0	
- Operative CAPEX	-2	-1	-1	-2	-2	-2	-2	-2	-2	17	-2	
opCAPEX / Sales, %	*1.8*	*0.6*	*0.5*	*0.9*	*0.9*	*0.9*	*0.8*	*0.8*	*0.8*	*-6.6*	*0.9*	
- Acquisitions	0	0	0	0	0	0	0	0	0	0	0	
+ Divestments	0	0	0	0	0	0	0	0	0	0	0	
- Other items	0	0	0	0	0	0	0	0	0	0	0	
= FCFF	2	5	6	6	7	7	7	8	8	27	8	125
= Discounted FCFF		4	5	5	5	5	5	4	4	13	3	53
= DFCF min WACC		4	5	5	5	5	5	4	4	13	3	53
= DFCF max WACC		4	5	5	5	5	5	4	4	13	3	53

INTERIM FIGURES

EVLI ESTIMATES, EURm	2021Q1	2021Q2	2021Q3	2021Q4	2021	2022Q1	2022Q2E	2022Q3E	2022Q4E	2022E	2023E	2024E
Net sales	19.7	34.2	46.4	42.4	142.7	47.8	51.1	53.8	48.2	200.9	211.6	220.4
EBITDA	1.0	1.1	2.7	2.2	7.0	1.9	1.9	2.9	2.5	8.4	9.4	10.5
EBITDA margin (%)	*5.1*	*3.3*	*5.8*	*5.1*	*4.9*	*4.0*	*3.7*	*5.4*	*5.2*	*4.2*	*4.5*	*4.8*
EBIT	0.8	0.9	2.5	1.9	6.1	1.7	1.7	2.7	2.3	8.4	9.5	10.6
EBIT margin (%)	*4.1*	*2.6*	*5.4*	*4.5*	*4.3*	*3.6*	*3.3*	*5.0*	*4.8*	*4.2*	*4.5*	*4.8*
Net financial items	-0.1	-0.1	-0.1	-0.2	-0.5	-0.1	-0.1	-0.1	-0.1	-0.4	-0.4	0.0
Pre-tax profit	0.7	0.8	2.4	1.7	5.6	1.6	1.6	2.6	2.2	8.0	9.1	10.6
Tax	-0.2	-0.2	-0.5	-0.5	-1.3	-0.2	-0.3	-0.5	-0.4	-1.5	-1.8	-2.1
Tax rate (%)	*22.9*	*23.5*	*20.7*	*26.1*	*23.0*	*12.5*	*20.0*	*20.0*	*20.0*	*18.5*	*20.0*	*20.0*
Net profit	0.5	0.6	1.9	0.6	3.7	1.4	0.8	1.6	1.3	5.0	5.3	6.1
EPS	0.01	0.01	0.02	0.01	0.03	0.01	0.01	0.01	0.01	0.05	0.05	0.06
EPS adjusted (diluted no. of shares)	0.01	0.01	0.02	0.01	0.03	0.01	0.01	0.01	0.01	0.05	0.05	0.06
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.01	0.01
SALES, EURm												
Project Personnel	15.4	18.7	19.3	22.8	76.2	22.7	23.1	23.4	23.9	93.1	96.8	100.2
Consulting	4.3	4.3	3.3	4.2	16.1	4.4	4.5	3.4	4.3	16.6	17.2	17.7
Renewable Energy	0.0	11.2	23.8	15.4	50.4	20.7	23.5	27.0	20.0	91.2	97.6	102.5
Total	19.7	34.2	46.4	42.4	142.7	47.8	51.1	53.8	48.2	200.9	211.6	220.4
SALES GROWTH, Y/Y %												
Project Personnel	*-20.6*	*16.1*	*44.0*	*62.9*	*21.1*	*47.4*	*23.5*	*21.2*	*4.8*	*22.2*	*4.0*	*3.5*
Consulting	*2.4*	*22.9*	*6.5*	*13.5*	*11.0*	*2.3*	*4.7*	*3.0*	*2.4*	*3.1*	*3.5*	*3.0*
Renewable Energy	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*		*109.8*	*13.4*	*29.9*	*81.0*	*7.0*	*5.0*
Total	*-16.5*	*74.5*	*181.2*	*139.5*	*84.4*	*142.6*	*49.4*	*15.9*	*13.7*	*40.8*	*5.3*	*4.2*
EBIT, EURm												
Project Personnel	0.6	0.5	0.7	1.1	2.9	1.1	0.7	0.9	1.2	3.9	3.9	4.0
Consulting	0.6	0.7	0.4	0.6	2.3	0.4	0.6	0.5	0.6	2.1	2.4	2.7
Other functions	-0.3	-0.1	-0.2	-0.1	-0.7	-0.2	-0.2	-0.2	-0.2	-0.8	-0.8	-0.8
Unallocated	-0.1	0.0	-0.1	-0.1	-0.3	-0.1	-0.1	-0.1	-0.1	-0.4	-0.4	-0.4
Renewable Energy	0.0	-0.2	1.7	0.4	1.9	0.5	0.7	1.6	0.8	3.6	4.4	5.1
Total	0.8	0.9	2.5	1.9	6.1	1.7	1.7	2.7	2.3	8.4	9.5	10.6
EBIT margin, %												
Project Personnel	*3.9*	*2.7*	*3.6*	*4.8*	*3.8*	*4.8*	*3.0*	*3.8*	*5.0*	*4.2*	*4.0*	*4.0*
Consulting	*14.0*	*16.3*	*12.1*	*14.3*	*14.3*	*9.1*	*13.3*	*14.7*	*14.0*	*12.7*	*14.0*	*15.0*
Unallocated		*0.0*			*-75,000.0*							
Renewable Energy	*0.0*	*-1.8*	*7.1*	*2.6*	*3.8*	*2.4*	*3.0*	*5.9*	*4.0*	*3.9*	*4.5*	*5.0*
Total	*4.1*	*2.6*	*5.4*	*4.5*	*4.3*	*3.6*	*3.3*	*5.0*	*4.8*	*4.2*	*4.5*	*4.8*

INCOME STATEMENT, EURm	2017	2018	2019	2020	2021	2022E	2023E	2024E
Sales	62.7	65.5	83.1	77.4	142.7	200.9	211.6	220.4
Sales growth (%)	*-25.2*	*4.5*	*26.9*	*-6.9*	*84.4*	*40.8*	*5.3*	*4.2*
EBITDA	0.5	1.0	3.5	3.2	7.0	8.4	9.4	10.5
EBITDA margin (%)	*0.8*	*1.6*	*4.2*	*4.2*	*4.9*	*4.2*	*4.5*	*4.8*
Depreciation	-0.5	-0.4	-0.9	-0.8	-0.9	0.0	0.0	0.1
EBITA	0.0	0.6	2.6	2.4	6.1	8.4	9.5	10.6
Goodwill amortization / writedown	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	0.0	0.6	2.6	2.4	6.1	8.4	9.5	10.6
EBIT margin (%)	*0.0*	*0.9*	*3.1*	*3.1*	*4.3*	*4.2*	*4.5*	*4.8*
Reported EBIT	-0.3	0.6	2.6	2.4	6.1	8.4	9.5	10.6
EBIT margin (reported) (%)	*-0.5*	*0.9*	*3.1*	*3.1*	*4.3*	*4.2*	*4.5*	*4.8*
Net financials	-0.4	0.5	-0.1	-0.2	-0.5	-0.4	-0.4	0.0
Pre-tax profit	-0.4	1.1	2.5	2.2	5.6	8.0	9.1	10.6
Taxes	-0.1	-0.2	-0.6	-0.5	-1.3	-1.5	-1.8	-2.1
Minority shares	0.0	0.0	0.0	0.0	-0.6	-1.5	-2.0	-2.4
Net profit	-0.9	0.9	2.0	1.7	3.7	5.0	5.3	6.1
Cash NRIs	-0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-cash NRIs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
BALANCE SHEET, EURm								
Assets								
Fixed assets	4	4	3	3	3	5	6	8
Goodwill	15	15	15	16	21	21	21	21
Right of use assets	0	0	0	0	0	0	0	0
Inventory	0	0	0	0	1	1	1	1
Receivables	12	12	15	14	32	45	48	50
Liquid funds	5	5	7	9	10	13	14	15
Total assets	36	37	41	44	70	88	92	97
Liabilities								
Shareholder's equity	23	23	24	24	28	33	38	43
Minority interest	0	0	0	0	0	0	0	0
Convertibles	0	0	0	0	0	0	0	0
Lease liabilities	0	0	0	0	0	0	0	0
Deferred taxes	1	1	1	1	1	1	1	1
Interest bearing debt	3	3	3	6	8	10	8	5
Non-interest bearing current liabilities	10	10	13	13	30	42	45	46
Other interest-free debt	0	0	0	0	1	1	1	1
Total liabilities	36	37	41	44	70	88	92	97
CASH FLOW, EURm								
+ EBITDA	0	1	3	3	7	8	9	11
- Net financial items	-3	1	0	0	0	0	0	0
- Taxes	0	0	-1	0	-1	-1	-2	-2
- Increase in Net Working Capital	-1	0	-1	2	-2	-1	0	0
+/- Other	3	0	0	0	-1	-1	-2	-2
= Cash flow from operations	-1	1	2	5	3	4	5	6
- Capex	0	0	0	-5	-2	-1	-1	-2
- Acquisitions	0	0	0	0	0	0	0	0
+ Divestments	0	0	0	0	0	0	0	0
= Free cash flow	-1	1	2	0	1	3	4	4
+/- New issues/buybacks	-1	0	0	0	2	0	0	0
- Paid dividend	-1	-1	-1	-1	-1	0	-1	-1
+/- Other	1	0	0	3	0	1	-2	-2
Change in cash	-3	0	1	2	1	4	1	1

KEY FIGURES	2018	2019	2020	2021	2022E	2023E	2024E
M-cap	21	30	29	72	63	63	63
Net debt (excl. convertibles)	-2	-3	-2	-1	-4	-6	-9
Enterprise value	19	26	26	71	59	56	53
Sales	66	83	77	143	201	212	220
EBITDA	1	3	3	7	8	9	11
EBIT	1	3	2	6	8	9	11
Pre-tax	1	3	2	6	8	9	11
Earnings	1	2	2	4	5	5	6
Equity book value (excl. minorities)	23	24	24	28	33	38	43
Valuation multiples							
EV/sales	0.3	0.3	0.3	0.5	0.3	0.3	0.2
EV/EBITDA	17.8	7.5	8.2	10.2	7.0	5.9	5.1
EV/EBITA	31.1	10.0	11.0	11.6	7.0	5.9	5.0
EV/EBIT	31.1	10.0	11.0	11.6	7.0	5.9	5.0
EV/OCF	14.7	11.1	5.5	23.6	15.2	11.2	9.2
EV/FCFF	21.2	12.3	81.0	33.1	13.1	9.1	8.6
P/FCFE	16.2	14.2	153.8	143.0	23.3	16.3	16.4
P/E	23.2	14.9	17.0	19.5	12.5	11.9	10.3
P/B	0.9	1.3	1.2	2.5	1.9	1.7	1.5
Target EV/EBITDA	*0.0*	*0.0*	*0.0*	*0.0*	*8.4*	*7.2*	*6.2*
Target EV/EBIT	*0.0*	*0.0*	*0.0*	*0.0*	*8.4*	*7.1*	*6.1*
Target EV/FCF	*0.0*	*0.0*	*0.0*	*0.0*	*26.3*	*17.6*	*17.0*
Target P/B	*0.0*	*0.0*	*0.0*	*0.0*	*2.2*	*2.0*	*1.7*
Target P/E	*0.0*	*0.0*	*0.0*	*0.0*	*14.8*	*14.1*	*12.2*
Per share measures							
Number of shares	100,169	101,950	102,960	105,960	105,960	105,960	105,960
Number of shares (diluted)	100,169	101,950	102,960	105,960	105,960	105,960	105,960
EPS	0.01	0.02	0.02	0.03	0.05	0.05	0.06
Operating cash flow per share	0.01	0.02	0.05	0.03	0.04	0.05	0.05
Free cash flow per share	0.01	0.02	0.00	0.00	0.03	0.04	0.04
Book value per share	0.22	0.23	0.23	0.27	0.32	0.35	0.40
Dividend per share	0.01	0.01	0.01	0.00	0.01	0.01	0.01
Dividend payout ratio, %	110.7	51.3	60.9	0.0	21.1	20.2	17.5
Dividend yield, %	4.8	3.4	3.6	0.0	1.7	1.7	1.7
FCF yield, %	6.2	7.0	0.7	0.7	4.3	6.2	6.1
Efficiency measures							
ROE	4.0	8.6	7.1	14.1	16.3	14.8	15.1
ROCE	2.2	9.9	8.4	18.3	21.0	21.5	22.7
Financial ratios							
Inventories as % of sales	0.0	0.0	0.0	0.5	0.5	0.5	0.5
Receivables as % of sales	18.5	18.5	17.7	22.5	22.5	22.5	22.5
Non-interest bearing liabilities as % of sales	15.5	15.5	17.1	21.1	21.1	21.1	21.1
NWC/sales, %	2.7	2.7	0.2	1.2	1.4	1.4	1.5
Operative CAPEX/sales, %	0.0	0.3	6.0	1.8	0.6	0.5	0.9
CAPEX/sales (incl. acquisitions), %	0.0	0.3	6.0	1.8	0.6	0.5	0.9
FCFF/EBITDA	0.8	0.6	0.1	0.3	0.5	0.7	0.6
Net debt/EBITDA, book-weighted	-2.3	-1.0	-0.7	-0.2	-0.4	-0.7	-0.9
Debt/equity, market-weighted	0.1	0.1	0.2	0.1	0.2	0.1	0.1
Equity ratio, book-weighted	61.5	57.8	53.6	40.8	37.9	40.7	43.9
Gearing, %	-10.8	-14.9	-10.1	-3.7	-11.1	-17.2	-21.7

COMPANY DESCRIPTION: Dovre Group is a global provider of project management services. The Group's parent Dovre Group Plc is domiciled in Finland and is listed on Nasdaq Helsinki (symbol DOV1V).
Dovre Group has three business areas: Project Personnel, Consulting and Renewable Energy.

INVESTMENT CASE: The three segments' organic development has been strong in recent years, while outlook for the key markets, namely the Norwegian oil and gas industry, the Norwegian public sector and the Finnish wind power construction market, remains favorable in the short and long-term. We believe Dovre is therefore likely to reach a healthy 5% organic CAGR in the coming years, which would also help EBIT margin to improve to around 5%.

OWNERSHIP STRUCTURE	SHARES	EURm	%
ETRA CAPITAL OY	20,000,000	11.800	18.9%
JOENSUUN KAUPPA JA KONE OY	10,955,791	6.464	10.3%
KOSKELO ILARI	6,000,000	3.540	5.7%
SKANDINAVISKA ENSKILDA BANKEN AB (PUBL) HELSINKI BRANCH	2,836,216	1.673	2.7%
SIIK SEPPO SAKARI	2,033,243	1.200	1.9%
K22 FINANCE OY	2,000,000	1.180	1.9%
MÄKELÄ PEKKA MIKAEL	1,775,713	1.048	1.7%
PAASI KARI	1,631,048	0.962	1.5%
SIIK RAUNI MARJUT	1,512,029	0.892	1.4%
KAKKONEN KARI HEIKKI ILMARI	1,500,000	0.885	1.4%
Ten largest	50,244,040	29.644	47%
Residual	55,715,960	32.872	53%
Total	105,960,000	62.516	100%

EARNINGS CALENDAR	
August 18, 2022	Q2 report
October 26, 2022	Q3 report

OTHER EVENTS

COMPANY MISCELLANEOUS	
CEO: Arve Jensen	Ahventie 4 B
CFO: Sirpa Haavisto	Tel: +358 20 436 2000
IR:	

DEFINITIONS

P/E	$\frac{\text{Price per share}}{\text{Earnings per share}}$	EPS	$\frac{\text{Profit before extraord. items and taxes– income taxes + minority interest}}{\text{Number of shares}}$
P/BV	$\frac{\text{Price per share}}{\text{Shareholders' equity + taxed provisions per share}}$	DPS	Dividend for the financial period per share
Market cap	Price per share * Number of shares	OCF (Operating cash flow)	EBITDA – Net financial items – Taxes – Increase in working capital – Cash NRIs ± Other adjustments
EV (Enterprise value)	Market cap + net debt + minority interest at market value – share of associated companies at market value	FCF (Free cash flow)	Operating cash flow – operative CAPEX – acquisitions + divestments
EV/Sales	$\frac{\text{Enterprise value}}{\text{Sales}}$	FCF yield, %	$\frac{\text{Free cash flow}}{\text{Market cap}}$
EV/EBITDA	$\frac{\text{Enterprise value}}{\text{Earnings before interest, tax, depreciation and amortization}}$	Operative CAPEX/sales	$\frac{\text{Capital expenditure – divestments – acquisitions}}{\text{Sales}}$
EV/EBIT	$\frac{\text{Enterprise value}}{\text{Operating profit}}$	Net working capital	Current assets – current liabilities
Net debt	Interest bearing debt – financial assets	Capital employed/Share	$\frac{\text{Total assets – non-interest bearing debt}}{\text{Number of shares}}$
Total assets	Balance sheet total	Gearing	$\frac{\text{Net debt}}{\text{Equity}}$
Div yield, %	$\frac{\text{Dividend per share}}{\text{Price per share}}$	Debt/Equity, %	$\frac{\text{Interest bearing debt}}{\text{Shareholders' equity + minority interest + taxed provisions}}$
Payout ratio, %	$\frac{\text{Total dividends}}{\text{Earnings before extraordinary items and taxes – income taxes + minority interest}}$	Equity ratio, %	$\frac{\text{Shareholders' equity + minority interest + taxed provisions}}{\text{Total assets – interest-free loans}}$
ROCE, %	$\frac{\text{Profit before extraordinary items + interest expenses+ other financial costs}}{\text{Balance sheet total – non-interest bearing debt (average)}}$	CAGR, %	Cumulative annual growth rate = Average growth per year
ROE, %	$\frac{\text{Profit before extraordinary items and taxes – income taxes}}{\text{Shareholder's equity + minority interest + taxed provisions (average)}}$		

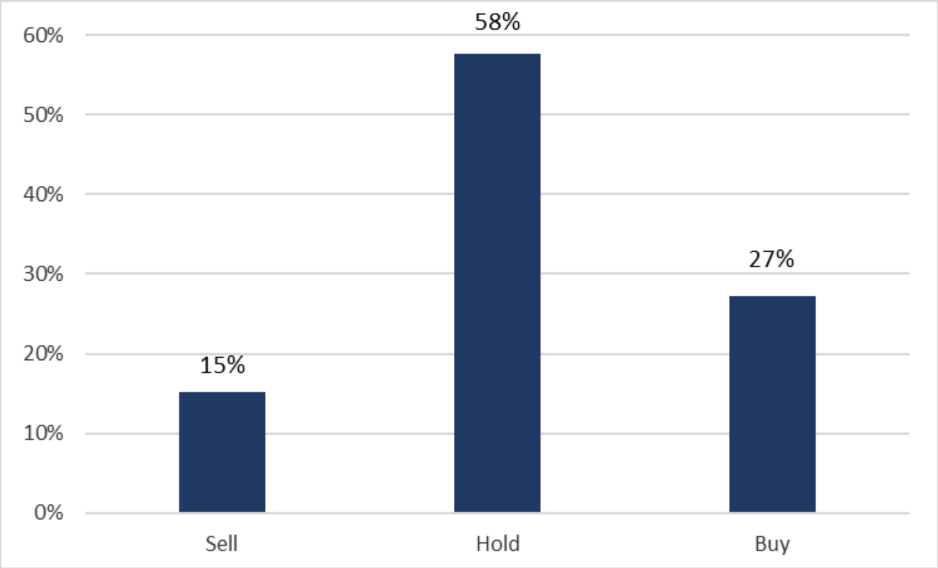
Important Disclosures

Evli Research Partners Plc ("ERP") uses 12-month target prices. Target prices are defined by utilizing analytical techniques based on financial theory including (but not limited to) discounted cash flow analysis and comparative valuation. The selection of valuation methods depends on different circumstances. Target prices may be altered on the basis of new information coming to light in the underlying company or changes in interest rates, changes in foreign exchange rates, other securities prices or market indices or outlook for the aforementioned factors or other factors that may change the conditions of financial markets. Recommendations and changes by analysts are available at Analysts' recommendations and ratings revisions.

Investment recommendations are defined as follows:

Target price compared to share price	Recommendation
< -10 %	SELL
-10 – (+10) %	HOLD
> 10 %	BUY

ERP's investment recommendation of the analyzed company is updated at least 2 times per year.



The graph above shows the distribution of ERP's recommendations of companies under coverage in 11th of May 2020. If recommendation is not given, it is not mentioned here.

Name(s) of the analyst(s): Ilvonen

This research report has been prepared by Evli Research Partners Plc ("ERP" or "Evli Research"). ERP is a subsidiary of Evli Plc. Production of the investment recommendation has been concluded on [20.5.2022, 8:45]. This report has been published on [20.5.2022, 9:35].

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The date and time for any price of financial instruments mentioned in the recommendation refer to the previous trading day's closing price(s) unless otherwise stated in the report.

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