

All the elements for success

We initiate coverage of LapWall with a BUY-rating and TP of EUR 3.8. The sluggish residential construction market at present offers a buying opportunity as the company's valuation seems modest considering the cycle-low earnings.

Europe's largest wood element manufacturer

LapWall is a Finnish building materials manufacturer that produces prefabricated wooden construction elements for both residential and non-residential buildings. It has production facilities in three locations in Finland: Pyhäntä, Pälkäne and Veteli. LapWall's offering is based on its proprietary LEKO® element system. The element system includes roughly 50 different standardized wood element products. LEKO® system covers the whole element delivery chain from design to installation. The company faces its strongest competition from alternative building materials in the non-residential construction driven roof element market. Our analysis shows that LapWall is the clear technological leader in the wooden wall element segment.

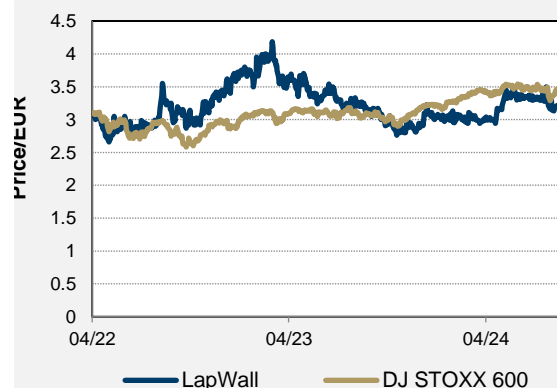
Short-term estimate risks, long-term profitable growth

LapWall's H1/24 figures met our expectations, yet the order intake fell slightly short. Consequently, our 2024 estimates are at the lower end of the guidance range. The roof element business will face tougher comparisons in H2/24, yet we anticipate growth from the Pyhäntä unit driven by expected continued growth in roof element system volumes. The ongoing investment into the Pyhäntä factory should expand LapWall's capacity efficiently to match the projected increasing demand. With increased capacity, recovering demand and lower industry capacity, we foresee profitable growth for 2026-2030E as the market stabilizes and LapWall is set to gain market share.

BUY with a TP of EUR 3.8

We believe that the current short-term uncertainty masks the long-term potential. With our estimates for 24-25E, LapWall is priced at 12-10x EV/EBITA and 13-11x adj. P/E. We find the current valuation levels undemanding considering the cycle-low earnings. The current pricing offers a discount compared to our European small and mid-cap building materials peers and the fair value derived from our DCF analysis.

Rating + BUY



Share price, EUR (Last trading day's closing price)	3.22
Target price, EUR	3.8

Latest change in	21-Aug-24
Latest report on company	21-Aug-24
Research paid by issuer:	YES
No. of shares outstanding,	14,526
No. of shares fully diluted,	14,526
Market cap, EURm	47
Free float, %	
Exchange rate EUR	
Reuters code	LAPWALLHE
Bloomberg code	LAPWALL FH
Average daily volume, EURm	0.033
Next interim report	29-Oct-24
Web site	https://lapwall.fi/sijoittajille

Analyst	Atte Jortikka
E-mail	atte.jortikka@evli.com
Telephone	+358 400 543 725

+ 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
2022	52.5	7.8	14.9%	3.5	0.38	9.3	0.9	5.8	6.9	0.19
2023	41.9	3.2	7.7%	-0.9	0.18	17.6	1.0	13.1	-2.0	0.13
2024E	43.2	3.4	7.9%	-3.7	0.18	17.7	1.1	14.5	-7.9	0.07
2025E	48.2	4.6	9.6%	-3.6	0.22	14.3	1.1	11.7	-7.8	0.09
2026E	61.2	6.8	11.1%	5.8	0.35	9.3	0.8	7.3	12.4	0.17
Market cap, EURm				47	Gearing 2024E, %		15.0	CAGR EPS 2023-26, %		25.3
Net debt 2024E, EURm				3	Price/book 2024E		2.7	CAGR sales 2023-26, %		13.5
Enterprise value, EURm				49	Dividend yield 2024E, %		2.3	ROE 2024E, %		15.4
Total assets 2024E, EURm				37	Tax rate 2024E, %		18.6	ROCE 2024E, %		15.6
Goodwill 2024E, EURm				5	Equity ratio 2024E, %		48.0	PEG, P/E 24/CAGR		0.5

All the important disclosures can be found on the last pages of this report

Investment summary

LapWall is a building materials manufacturer that produces wooden LEKO® building elements at its three facilities located in Finland. The company offers prefabricated wooden element products including roof element systems, roof elements, façade elements, single-storey and multistorey wall elements.

LapWall LEKO® element system at the core of the business model

LapWall operates on a business model centered around manufacturing prefabricated wooden elements that are offered to companies in the construction sector. The company's products are based on its proprietary LEKO® element system. The element system includes roughly 50 different standardized wood element products. LEKO® element system covers the whole element delivery chain from design to installation. The element system allows clients to choose their desired package, a more comprehensive delivery, ie. from design to installation, allows for faster construction at site. The major advantages of LapWall LEKO® wood element system include shorter construction lead time, working dry chain and quality of installation. Additionally, the building is protected quickly from the weather.

Rapid growth resulted in a decrease in profits, prompting the company to revert to its initial strategy

Founded in 2011, LapWall quickly established the Pyhätä factory and expanded in 2014-2015 with a second factory and two new assembly lines. Between 2016-2017, it further grew by acquiring Metsä Wood's project business, starting a bathroom module production in Keuruu, and establishing LapWall AB in Sweden to serve the local market. Facing a negative profitability in 2017, LapWall initiated a profitability program and refocused on its core strategy as a domestic prefabricated wood element producer. LapWall's turnaround has been notable, with the EBIT margin climbing from 1.0% in 2018 to 14.8% in 2022.

Market has remained challenging

According to the Confederation of Finnish Construction Industries RT, the overall construction volumes in Finland dropped by 11% in 2023, mainly due to a 38% year-over-year decline in residential construction. The deterioration in Finnish residential construction started already in 2022 as the building permits and starts began to decline driven by the geopolitical tensions and higher interest rates. The sluggish residential construction market has decreased demand for LapWall's wooden wall element products and the company's net sales fell 20.2% y/y in 2023 and EBITA margin dropped to 9.4% from 15.7% in 2022. Despite the ongoing difficulties in the wall elements market, the company's investments in roof element capacity have proven beneficial, as the decline in roof element volumes was much less pronounced in 2023.

Capacity investment should bring growth as the market normalizes

LapWall's H1/24 developed according to our estimates yet the order intake was slightly lower than expected. With the lower order intake, our estimates for 2024E lie at the lower end of the guidance. In March 2024, LapWall informed that it will triple Pyhätä's production capacity with a gross investment of EUR 19m. The company aims to build a new assembly and partial manufacturing facility where the annual element assembly capacity would be roughly 600,000 m². The new facility will employ 50-60 FTEs and be ready for production during H2/25. With the new capacity, we estimate strong profitable growth for 2026-2029E as we expect the market to normalize and LapWall to capture over 20% of the total market.

Current pricing reflects short-term uncertainty

We initiate coverage of LapWall with a BUY-rating and target price of EUR 3.8. Our valuation is based on the company's own historical multiple levels, peer group multiples and the discounted cash flow model. LapWall trades at a discount compared to our peer group, which consists of European small and mid-cap building material manufacturers. We find the current absolute valuation levels rather conservative considering the still rather weak housing market expected for 2024-2025E. Alongside the modest valuation multiples, our DCF suggests a significant discount to fair value from current price levels, highlighting the long-term potential.

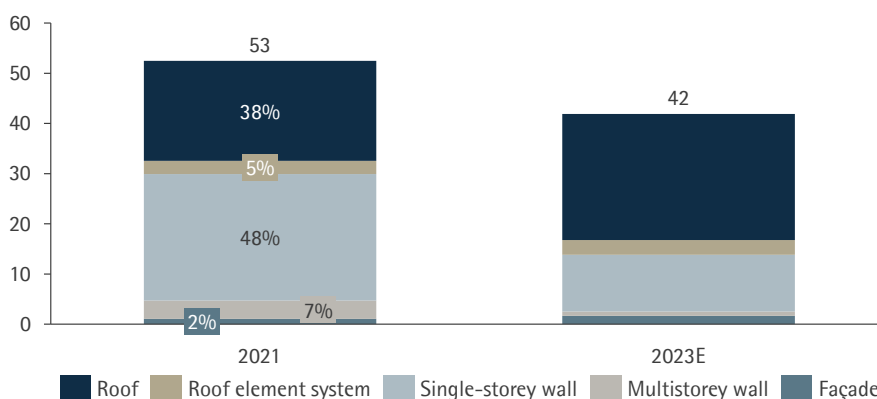
Company overview

LapWall is a Finnish building materials company that produces prefabricated wooden construction elements for both residential and non-residential buildings. The company operates through its three production facilities located in Finland. LapWall's business model is centered around its LEKO® element system that includes roughly 50 standardised products and covers everything from element design to installation. LapWall was founded in 2011 and currently employs roughly 115 personnel. The company was listed to the First North Growth Market in 2022.

Wide product offering under the LapWall LEKO® brand

Through its LapWall LEKO® element system, the company offers prefabricated wooden element products including roof element systems, roof elements, façade elements, single-storey wall elements and multistorey wall elements. The LapWall's prefabricated wooden construction element products are standardized in terms of structural solutions and details. The size, cladding and openings of the elements are individualized for the customers' needs. LapWall's delivery process includes everything from planning to installation. In 2021, the company's largest product by revenue was single-storey wall elements while roof elements were the second largest. Both the single-storey wall elements and roof elements together comprised almost 90% of LapWall's total revenue. LapWall doesn't publish figures for net sales by product, yet we assume that in 2023, the majority of the company's net sales came from roof elements as the demand for wall elements declined driven by the weak residential construction market.

Figure 1: LapWall net sales (in EUR m) and percentage of total revenue by product type in 2021 vs 2023 (Evli est. for the share of products in 2023)



Source: LapWall, Evli Research

Elements can be utilized in both residential and non-residential buildings

LapWall's products are used in several types of buildings including residential buildings such as terraced houses, deck-access houses, apartments buildings and semi- & detached houses. In addition to residential buildings, wood elements are also used in non-residential buildings including nursing & daycare centres, schools, industrial, office and other non-residential buildings. LapWall's clients include construction companies and developers. LapWall's business units are located in Pyhäntä, Pälkäne and Veteli. Located in Northern Ostrobothnia, the Pyhäntä business unit is Europe's largest and most advanced wood element factory, with a capacity of 350,000 square meters. LapWall manufactures wall and façade elements as well as roof element systems in Pyhäntä. Roof elements are produced in Pälkäne and Veteli, where the company has an additional total capacity of 350,000 square meters.

Rapid growth during 2011-2015 as a prefabricated wood elements producer

Launch of module factory in Keuruu, Finland and LapWall AB in Sweden

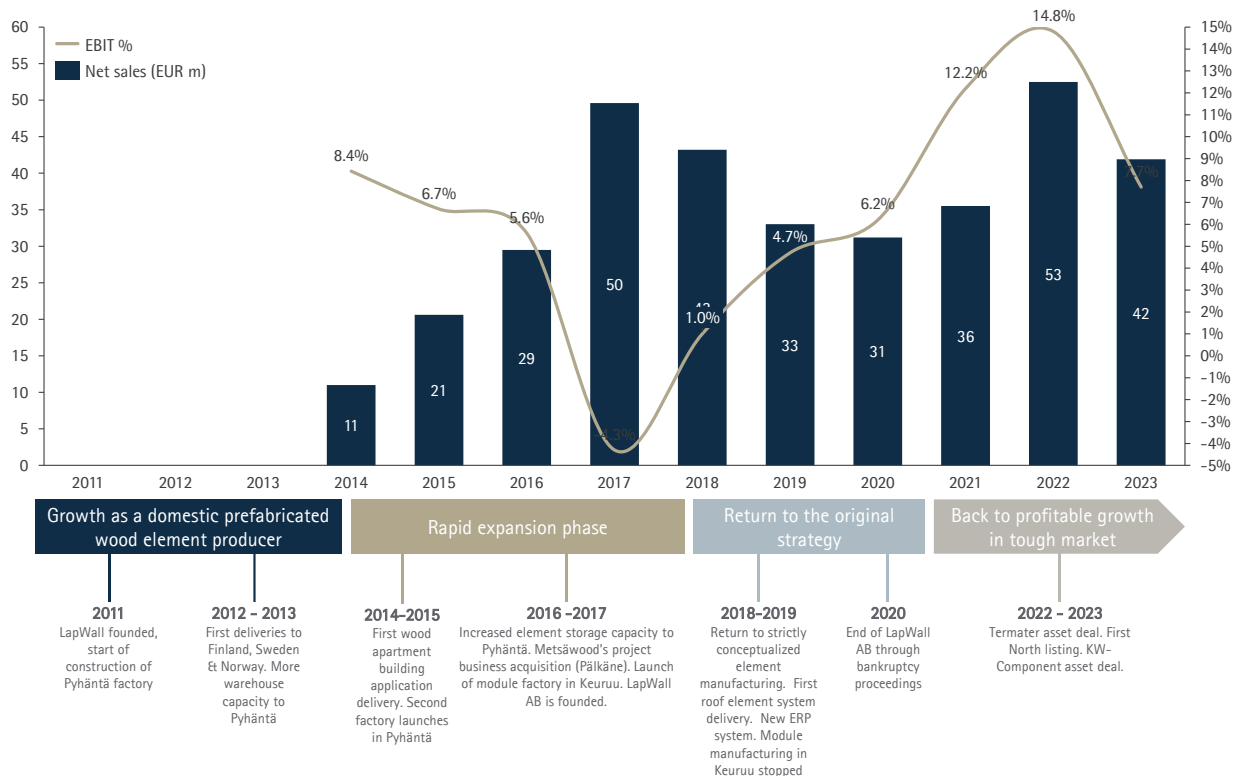
Back to profitable growth track in LapWall's main business

LapWall was founded in 2011 and during the same year, the company began construction of the Pyhäntä factory. Element manufacturing started in the spring of 2012 and the first shipment and sales bill occurred in April 2012. In 2013, the company started to deliver to Norway and Sweden and invested to new element warehouses in Pyhäntä. During 2014-2015 LapWall continued to grow and invested in a second factory in Pyhäntä with two new element assembly lines.

During 2016-2017 LapWall continued to invest in new businesses for growth. LapWall acquired Metsä Wood's project business (current Pälkäne business unit focusing on roof elements), began production of prefabricated bathroom building modules in Keuruu and founded LapWall AB in Sweden. The company aimed to build an organization in Sweden which could service the local market excl. prefabricated element production. In 2017, LapWall began streamlining and initiated a profitability improvement program as its EBIT margin fell to negative territory. The company decided to return to the original strategy as a domestic prefabricated wood element producer. The module manufacturing started in Keuruu proved to be unprofitable as there was no market for standardized modules. LapWall decided to discontinue the production of modules in Keuruu during the spring 2019. In addition, LapWall was not able to achieve profitability in Sweden and the company ended up laying off the LapWall AB workforce in 2018. In 2020, LapWall AB's operations ended through bankruptcy proceedings.

LapWall's turnaround has been successful as the EBIT margin has improved from 1.0% in 2018 to 14.8% in 2022. In 2022, the company was listed to the First North Growth Market. LapWall completed two asset deals during 2022-2023 with Termater (Veteli) and KW-Component (Raahe). In 2023, the tough construction market conditions lead to lower volumes and EBIT margin decreased to 7.7%.

Figure 2: LapWall's history, net sales in EURm (lhs) and EBIT margin in percentage (rhs)



Source: LapWall, Evli Research

Business model

Produces LEKO® wood elements in three factories across Finland

LapWall produces prefabricated wood elements in its three production facilities in Pyhäntä, Veteli and Pälkäne. The company's offering includes roughly 50 different standardized wood element products for various types of residential and non-residential buildings. According to LapWall, most of the major Finnish construction companies are clients of the company. Historically, roughly two thirds of the company's revenue have come from project sales while one third has come from annual agreements. LapWall's customers include construction companies and developers, the company doesn't sell elements direct to customers. The major advantages of LapWall LEKO® wood element system include shorter construction lead time, working dry chain and quality of installation. Additionally, the building is protected quickly from the weather. The company's elements are standardized in terms of structural solutions and details. Despite the high degree of standardization, the size, cladding and opening of the elements are always individualized according to the clients' individual needs.

Figure 3: LapWall's locations and production facilities



Source: LapWall, Evli Research

Standardized wood elements offer variety of advantages

Traditionally, construction companies have manufactured their own elements. LapWall's business model is based strictly on production of prefabricated wood elements which are sold to construction companies. By purchasing the elements from LapWall, construction companies' free up resources for other phases at the construction sites. Producing elements would entail investments and might result in losses if done solely to meet the company's own requirements. LapWall has a standard product range with standardized design solutions, design system and production automation. With the sole focus on prefabricated wood element manufacturing, LapWall has an efficient and high-quality industrial operation capable of supplying most of the Finnish construction companies. Compared to traditional on-site operations, production of LapWall's prefabricated elements takes place indoors in the company's production facilities located in Pyhäntä, Veteli and Pälkäne.

Production facilities

Pyhäntä factory focuses on wall elements

LapWall's Pyhäntä production facility's construction started in 2011 and the company made its first deliveries from the factory in 2012. Pyhäntä factory produces LapWall LEKO® wall and façade elements and roof element systems. Pyhäntä's current production capacity is roughly 350,000 m² p.a. and its production and warehouse facilities roughly 30,000m², making it Europe's largest and most modern wood element factory. In March 2024, LapWall informed that it will triple Pyhäntä's production capacity with a gross investment of EUR 19m. The company aims to build a new assembly and partial manufacturing facility where the annual element assembly capacity would be roughly 600,000 m². The new facility will employ 50–60 FTEs and be ready for production during H2/25.

Pälkäne & Veteli units produce roof elements

In 2017, LapWall purchased Metsä Group Wood Products Industry's wood element business. With the asset purchase, LapWall acquired production facility located in Pälkäne, Finland. Additionally, LapWall agreed to a multiyear contract with Metsä Group concerning Kerto LVL and spruce plywood deliveries. Pälkäne business unit produces LapWall's LEKO® roof elements with production capacity of 200,000 m² and production facility area of 8,000 m². Pälkäne unit not only produces roof elements, but also offers a service package that consists of consulting sales, designing structures and elements, and installation. LapWall bought Termater's wood element plant and business in Veteli, Finland in 2022. The factory produces, puts together and installs multi-level roof components. Termater's revenue in 2021 was roughly EUR 13m. Like the Pälkäne unit, Veteli factory manufactures currently LapWall's LEKO® roof elements. The company has invested approximately EUR 2m during 2022–2023 for modernization of the Veteli factory.

Figure 4: LapWall facilities overview

	Pyhäntä	Pälkäne & Veteli	
Facilities			
Description	<ul style="list-style-type: none"> + LapWall LEKO® wall and facade elements, roof element systems + Among the largest and most modern wood element factories Europe 	<ul style="list-style-type: none"> + LapWall LEKO® roof elements + Main roof element manufacturing site + Service package includes; consultative sales, structure and element planning, manufacturing & installation 	<ul style="list-style-type: none"> + LapWall LEKO® roof elements + Specialized in roofing elements with ceiling surfaces made with polyester-coated steel sheet metal
Capacity	<ul style="list-style-type: none"> + 350 000 m² element production capacity + 30 000 m² manufacturing and storage facilities 	<ul style="list-style-type: none"> + 200 000m² element production capacity + 8 000m² manufacturing facility 	<ul style="list-style-type: none"> + 150 000m² element production capacity + 6 000m² manufacturing facility

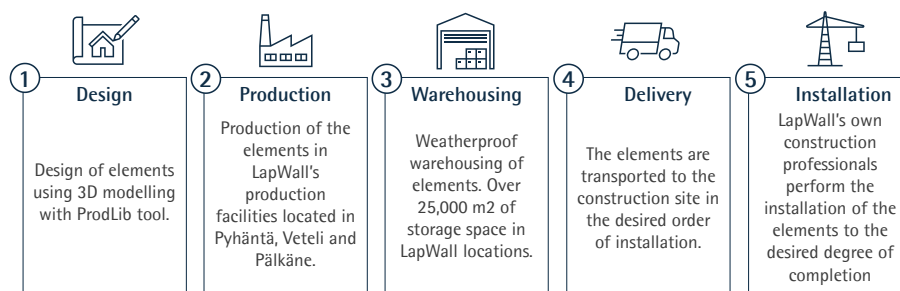
Source: LapWall, Evli Research

Product offering

LapWall LEKO® element system at the core of product offering

LapWall's product offering is based on its LEKO® element system. The element system includes roughly 50 different standardized wood element products. LEKO® covers the whole element delivery chain from design to installation. The element system allows clients to choose their desired package, a more comprehensive delivery, ie. from design to installation, allows for faster construction at site. The first phase of the LEKO® process is the design phase where the project is designed and made sure that the building conforms to legislation and works according to plan. In the design phase, the building is designed using 3D modelling tool ProdLib. The 3D model provides completed instructions for LapWall's production unit and construction worksite. After the project has been designed, the LapWall LEKO® wood elements are manufactured in the beforementioned highly automated production facilities. After the elements are completed, they are stored in the company's warehouses with dry chain staying intact. LapWall's LEKO® system covers the whole delivery chain from design to installation. The company follows a five-step installation process, which involves contacting the client, planning the project, delivering the elements, and installing them to the required level of completion. LapWall does most of the installation work, but some customers do it themselves. According to our understanding, some of the annual contract clients install the elements with their own workforce while, for example, roof elements are always installed by LapWall.

Figure 5: LapWall LEKO® Element System



Source: LapWall, Evli Research

Over 30 different wooden wall element products in the catalogue

LapWall's prefabricated wooden LEKO® wall elements serve as bearing walls for various residential and non-residential buildings. In the wall element product segment, LapWall offers single-storey and multi-storey elements. In terms of historical revenue share, the single-storey elements have been the company's main product category while multi-storey elements are substantially smaller in terms of revenue. In terms of total product offering, LapWall offers roughly 30 different products in both single-storey and multi-storey element categories. According to LapWall's product catalogue, most of the wall element products can be used in both single and multi-storey buildings. LapWall's product offering in wall elements is wide consisting of load-bearing partition wall elements, apartment separating wall and compartment elements and exterior wall elements among others.

Façade elements is a growing category

Façade elements are a smaller yet rapidly growing product category for LapWall. According to the company's product catalogue, it offers five different LapWall LEKO® façade element products. The façade elements are suitable for use in applications with a separate load-bearing frame. LapWall's wooden façade elements work as an envelope for the building which can otherwise be constructed using, for example, traditional concrete elements. This type of hybrid construction utilizes the best features of different building materials. Using LapWall's façade elements, the building envelope can be quickly closed in a more environmentally friendly way.

Roof elements and roof element systems can be installed to various different buildings

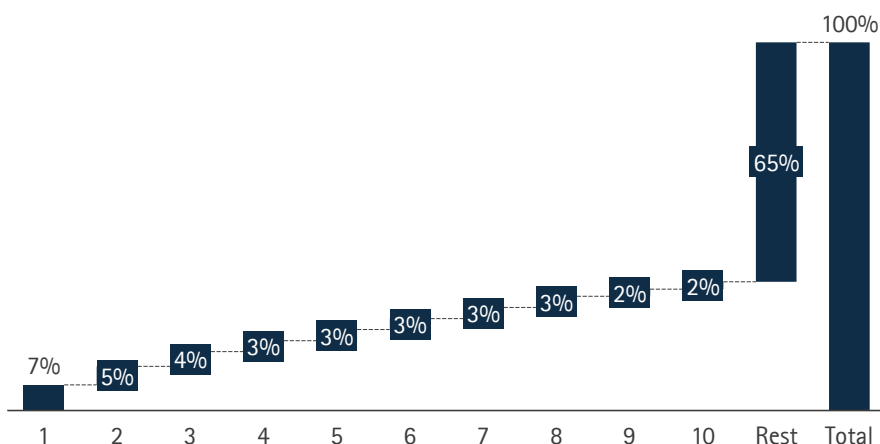
With the acquisition of Metsä Group Wood Products Industry's wood element business and Termater, LapWall has expanded into roof elements. In the roof element segment, LapWall offers wooden roof elements and roof element systems. LapWall's roof elements are designed according to the building. The load-bearing frame of LapWall's roof elements consists of LVL beams. The elements are installed in their intended locations and fixed in place from above the roof. Elements can be installed into various different buildings such as industrial buildings, sport centers, schools and other public buildings. Currently, roof elements comprise the majority of the company's total net sales, there are four roof element products in the company's product catalogue in total. While the company's roof elements fit well into arena or hall type of buildings, LapWall's roof element systems fit into buildings with concrete frames such as public buildings or apartment buildings. The roof element system is also better suited for multi-shaped roofs when compared to roof elements which are typically used in flatter roofs. The company's product catalogue includes two different roof elements system products which are produced in the company's Pyhäntä factory.

Clients

Client base differs between wall and roof elements

LapWall's customers consists of Finnish construction companies and developers. The company's customer base is diversified with largest client bringing in approximately 7% and the ten largest customers roughly 35% of net sales in 2023. The company doesn't export products currently. Earlier, LapWall exported globally to countries such as Germany, Ukraine and the Baltics. It began exporting products to Sweden in 2013. In 2017, the company founded LapWall AB in Sweden which supported LapWall's operations in Sweden, in 2020 operations in Sweden were halted. In the single and multi-storey wall elements, LapWall's customers are predominantly smaller developers and prefabricated residential building constructors. In larger non-residential projects, the company's clients include also the largest Finnish construction companies. For example, in 2023, LapWall signed a EUR 6.5.m roof element contract with SRV, the 5th largest construction company in Finland. In addition to SRV, LapWall has provided wood elements to projects that have been constructed by companies such as Bonava, Peab and Varte among others. Historically roughly one third of LapWall's sales comprise of annual agreements, according to our understanding, these are typically wall element clients which specialize in smaller residential construction such as semi- & detached houses, terraced houses and deck-access houses. Currently, as the residential construction volumes are lower, the share of annual contracts clients is low.

Figure 6: LapWall's customers by share of revenue



Source: LapWall, Evli Research

Acquisition of KW-Component brought Kastelli as a customer on a 5+5-year contract

In 2023, LapWall acquired wooden wall elements manufacturer KW-Component Oy (asset deal). Prior to the acquisition, roughly 70-80% of KW-Component's annual volume was sold to Kastelli. Kastelli-talot is the Finnish market leader in wooden prefabricated homes. With the acquisition, the company signed a sales agreement with Kastelli-talot Oy to supply wooden elements until the end of 2028 with a five year extend option.

Most of the net sales currently from project clients

The majority of the company's sales can be described as project sales. Project clients include larger construction companies that utilize LapWall's elements in single projects. Examples of larger project references include roof element system project delivery for a multifunctional building in Uusikaupunki and roof element project for Metsä Wood's LVL factory in Äänekoski. A smaller part of the company's net sales comes from annual contracts. Annual contract clients typically include wooden prefabricated home suppliers such as Kastelli-talot. In an annual contract, the pricing is fixed for the contract year and LapWall allocates capacity according to the contract. Annual contract clients are beneficial for LapWall as it provides a predictable revenue stream and strengthens the customer relationship. In addition, the annual contracts allow for better resource management, including procurement of raw materials and allocation of labor.

Figure 7: Evli Research estimate of LapWall's client base (non-exhaustive list, companies might be customers in multiple product categories)

	LapWall LEKO® wall elements (single & multi-storey)	LapWall LEKO® facade elements	LapWall LEKO® roof elements & roof element systems		
Products					
Use cases	+ Apartment buildings, balcony access block, detached and semi-detached houses, nursing homes, day-care centers, school buildings	+ Apartment buildings, balcony access block, detached and semi-detached houses, nursing homes, day-care centers, school buildings	+ Apartment buildings + Non-residential buildings: industrial buildings, logistics buildings, grocery store buildings + Public buildings: nursing homes, day-care centers, school buildings		
Client type	+ Project clients & annual contract clients	+ Project clients	+ Project clients		
Client examples	 KASTEELLI  DEKOTALO <i>Hytien vuokra-asunto- ja vuokratyöläisrakentaja</i>	 TSV <small>RAKENNUS OY</small>  HARTELA	 BONA  SRV	 Tekova	
	 LAPTI  TOVO	 AHS <small>Control</small>  PEAB	 NORDEC	 VARTE	

Source: Rakennusfakta, LapWall, company websites, Evli Research

Strategy and financial targets

LapWall is a B2B wood element product company

LapWall's strategy is based on developing carbon-negative business operations through material efficiency, production methods, and digitalization. While historically the company has expanded into different products such as modules, the current strategy relies strictly on manufacturing wooden LEKO® wall and roof elements. LapWall's customers are businesses, and the company doesn't sell its products directly to consumers.

- Mission: To increase use of wooden elements in construction
- Vision: Being the most wanted partner in sustainable construction
- Purpose: Sustainable solutions for clients and environment

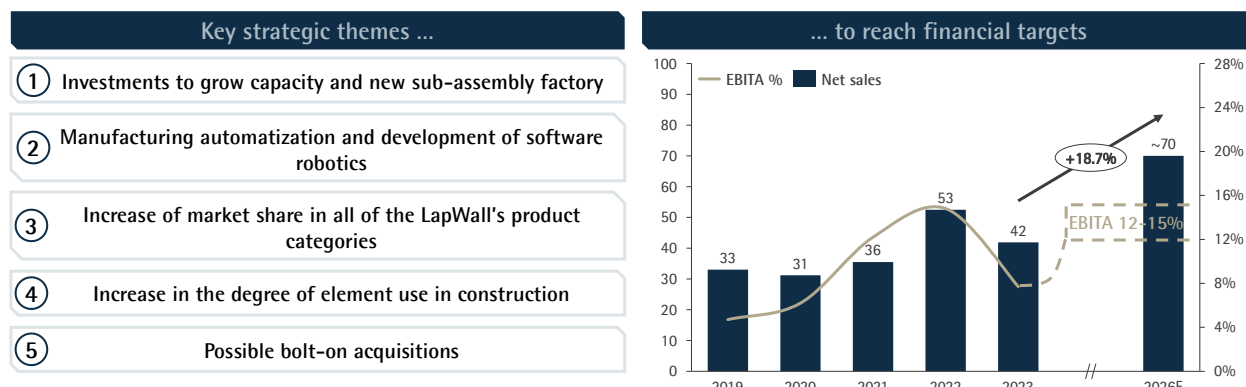
Aiming for profitable growth

With its strategy, the company aims to grow profitably with the target to reach revenue of roughly EUR 70m by the end of 2026 and EBITA margin of 12-15% in the medium term. LapWall aims to grow predominantly organically yet it can support its growth by bolt-on acquisitions that fit its strategy. Other key strategic themes can be divided into supply and demand themes. On the supply side, the company aims to invest in growing its capacity and a new sub-assembly factory. As mentioned earlier, in line with the strategy, the company aims to build a new assembly and partial manufacturing facility to Pyhäntä. In addition to increased capacity, LapWall aims to further automatize its manufacturing and develop its software robotics to increase the efficiency of its production. With more efficient production, LapWall can decrease the time to complete units in addition to decreasing costs. In addition to growing production and making it more efficient, the successful execution of the profitable growth strategy will need help from the demand side. The increase in the degree of element use in construction and the increase of the company's market share in all of its product categories are key strategic themes. The size of its end markets depends on the extent of element use in construction, and at the same time, it is crucial for the company to increase its own share of the market.

The company's financial targets for the strategy period 2022-2026 are the following:

- Net sales EUR >70m in 2026 predominantly through organic growth
- Mid-term profitability target: EBITA-margin 12-15%
- Dividend distribution: 30-50% of EPS

Figure 8: LapWall key strategic themes & financial targets, net sales (EUR m) and EBITA %, 2019-2023 & 2026E target



Source: LapWall, Evli Research

M&A

History of bolt-on acquisitions

LapWall's strategy allows for selected acquisitions to further bolster the company's sales growth. The current fragmented state of the market opens up possibilities for future strategic acquisitions. LapWall has a track record of strategic bolt-on acquisitions; for instance, the 2017 purchase of Metsä Wood's wooden roof element division in Pälkäne broadened its product range to include roof elements, establishing the company as the leader in the Finnish wooden roof elements sector. Building on this momentum, in 2022, LapWall acquired Termater's business through asset deal, which further increased LapWall's market share in the wooden roof elements market. With the acquisition, LapWall added a manufacturing site in Veteli. After investments, the company's wooden roof element capacity is currently roughly 350,000 sqm which allows for over EUR 40m net sales. The most recent acquisition was the beforementioned acquisition of KW-Component. With the acquisition, the company signed a sales agreement with Kastelli-talot Oy to supply wooden elements until the end of 2028 with a five year extend option.

Larger acquisitions quite unlikely

While the market is fragmented and allows for inorganic growth, we expect organic growth to remain the main driver of the company's revenue growth going forward. In the roof element side, LapWall is the clear market leader and its competitors such as SP Elementit and Kerabit are notably smaller. In the roof segment, the company's largest competitor remains other construction materials and therefore the biggest growth opportunities lie in organic market share gain from other construction materials. The main competing materials in the roof element segment are sheet metal and concrete. On the other hand, we see further acquisitions in the wall elements side more likely. The market is more mature, and the company's market share smaller. Although there is potential, we believe the company has little interest in competitors with smaller and outdated production facilities. In our view, the largest potential remains in transactions such as the KW-Component deal where the motivation for the acquisition was the sales agreement with Kastelli. Some prefabricated house builders still manufacture their own elements. LapWall's management expects that some of the construction companies are likely to divest their element production business in the future, which we believe will create opportunities for strategic add-on acquisitions.

Share and ownership

Management and BoD has considerable skin in the game

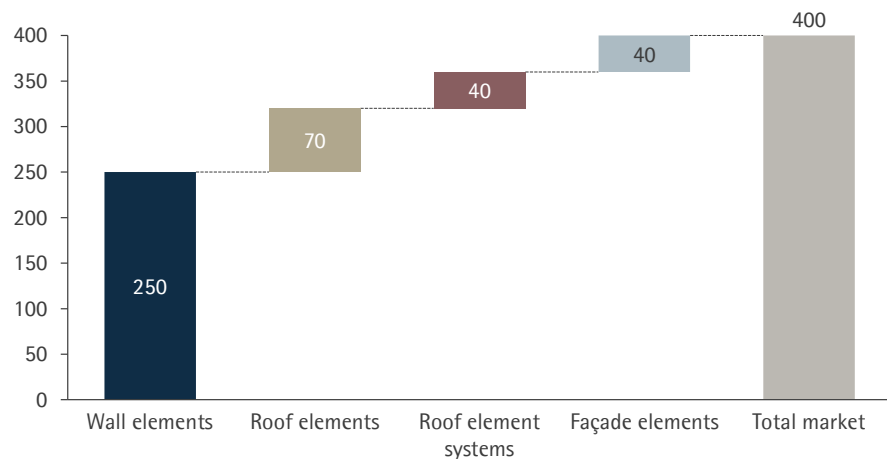
LapWall is listed in the First North Growth Market with ticker LAPWALL and has currently 14.5m shares outstanding. LapWall's share count increased by approximately 300k shares in 2023 driven by the KW-Component acquisition which was partly paid with the company's shares. LapWall went public in 2022 and demand for its shares was strong. The company raised approximately EUR 5m of gross proceeds through the offering. The initial public offering was oversubscribed approximately 8.8 times (excl. additional share lot) and LapWall received more than 5,000 new shareholders. As a whole, 1.8m new shares were offered (incl. utilized option for additional share lot of 0.6m shares), representing roughly 13% of the company's shares and the voting power they produce following the IPO. LapWall's management ownership is high as the company's management and BoD own approximately 40% of shares outstanding. The company's founder and CEO owns nearly 20% of shares outstanding.

Market overview

LapWall is the Finnish wooden element market leader

The value of Finnish construction industry was roughly EUR 41.5b in 2022 according to The Confederation of Finnish Construction Industries RT (CFCI). Residential new construction was roughly EUR 8.7b, non-residential EUR 10.1b, renovation construction EUR 15.4b and infrastructure roughly EUR 7.4b. According to Forecon, about half of the timber used in Finnish construction is for new construction, a third is for renovation, 8% is for civil engineering, and the rest is for construction site use. In a normal market situation, LapWall expects that the Finnish wood element market will be roughly EUR 400m in total. The wooden wall element market is clearly the largest part of the wooden element market at roughly EUR 250m. LapWall is clearly the most significant player in the Finnish market for wooden elements. The market in wall elements is generally fragmented with multiple smaller players. Single-storey wall element market is the most mature with established competition as wood remains the most used material in detached and semi-detached housing. In multi-storey, roof and façade elements the competition comes mostly from other building materials as there are only a few direct competitors in the market.

Figure 9: Finnish wood element market in a normalized demand situation, in EUR m



Source: LapWall, Evli Research

Competitive landscape

Wooden element market
2022-2024: Survival of the
fittest

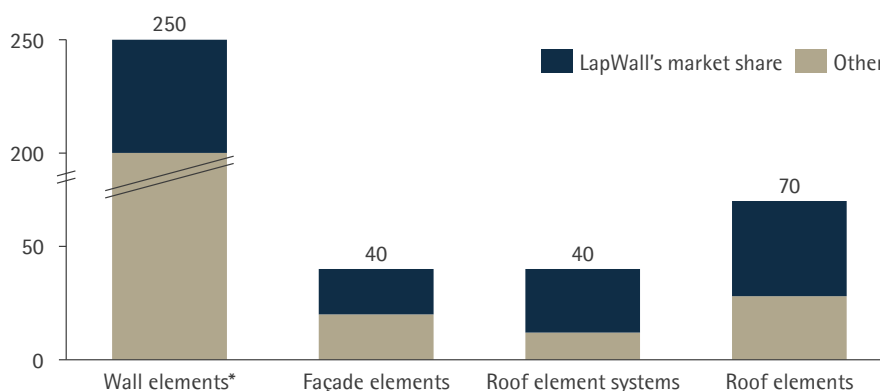
LapWall is Finland's largest producer of wooden elements. The company estimates that the market is worth about EUR 400m in a normal demand situation. However, the market has faced challenges in the past few years and many companies have gone out of business. The main causes for bankruptcies have been rising costs, which have squeezed the already low margins of some of the companies. LapWall estimates that there is roughly EUR 40m of unsatisfied demand in the market in a normal demand situation due to the bankruptcies and restructuring. This claim is consistent with our computations based on the companies that have gone bankrupt or are undergoing a restructuring process.

The main types of competitors in wooden elements (excl. other construction materials) can be divided into two categories:

- Wooden element product companies
- Small house builders with vertically integrated operations

LapWall's direct competitors are other wooden wall and roof element manufacturers. In this category, there are only Sievi Element and Neco Elements that have reached or have potential to reach over EUR 10m revenue in addition to LapWall. Additionally, there are multiple companies in the EUR 5-10m revenue category such as Kerabit Kattoelementit, SP Elementit, Oiva Wood Solutions, WR Wood and Vieskan Elementti. The direct competitor space has narrowed during recent years due to M&A and bankruptcies. The market has seen a few new entrants, one of the latest being Neco Elements Oy which began producing wooden elements in a factory formerly occupied by Jukkatalo near LapWall's factory in Pyhäntä. Besides the competitors that specialize in wooden wall and roof elements, there are also competitors that make wooden modules as well as elements. These include companies such as Elementit-E, ProModules and CELT. In addition to product companies focusing on manufacturing elements, there are wooden detached and semi-detached house builders that have their own element manufacturing capability. According to our research, larger companies in this category include Den Finland, Kannustalo, Jetta-Talo and Sievitalo (Sievi Element).

Figure 10: Evli Research estimate of LapWall's theoretical market share in a normalized market situation, by product category



*Capturing the illustrated market share requires the ongoing capacity investments to be successful and capacity utilization to be near 100%. Our current long-term estimates remain below the illustrated shares.

Source: LapWall, Evli Research

Competitor analysis: Alternative building materials

Wood is the material of choice in smaller residential housing

Alongside the other wood element manufacturers, arguably the largest competitor for LapWall is other building materials. The wooden wall element market can be divided into three distinct categories: single-storey, smaller multi-storey and apartment buildings. As we earlier mentioned, the share of wood construction is the strongest in smaller, single-storey buildings, while in smaller multi-storey apartment buildings the share is 30-40% and in larger apartment buildings lower, roughly 5%. In 2023, the wood construction industry suffered from the overall weakened construction market. The Federation of the Finnish Woodworking Industries expects that wood construction lost market share in 2023 as the share of wood construction decreased to less than 30% of total construction in Finland. This is a relatively low level compared to years before the financial crisis when wood construction comprised of over 40% of total construction. Main driver behind the development has been urbanization which has reduced the volumes of detached and semi-detached residential units. In addition to lower volumes in smaller homes, during recent years, roughly 1 500 units of wooden residential apartments (block of flats, excl. detached and semi-detached residential units where wood remains the leading material) have been produced annually while in 2023, construction of only 700 wooden apartment units was started. The decrease in wood construction was even steeper than for the overall apartment construction.

Wood is an underdog in non-residential and roof elements

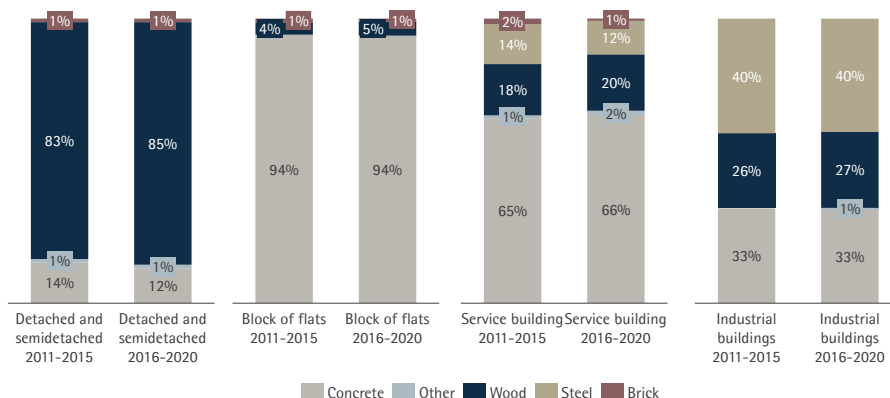
While the residential market was exceptionally tough in 2023, some of the wooden non-residential building construction categories developed more favorably. For example, the market share of wooden office buildings increased to 19% in 2023 when compared to roughly 10% market share seen during previous years. While the non-residential construction market has fared better, wood is still the underdog in the segment. In roof elements, wood competes with sheet metal and concrete. To our understanding, sheet metal is a common material for applications such as industrial buildings and thus a direct rival for LapWall's roof element product.

Wood has many benefits over alternative building materials

Wood has many benefits over alternative materials in construction. One of the most important features of wood as a construction material are the ecological benefits. Wood is a renewable resource and stores carbon throughout its lifetime, including the period after it has been processed into construction materials. According to data by the Ministry of Economic Affairs and Employment of Finland, roughly 50% of materials used worldwide are used in construction and approximately one third of the world's CO2 emissions are caused by the construction industry. Compared to other construction materials, wood has a low carbon footprint and by utilizing wood as a construction material, carbon emissions can be reduced by up to 50%. The construction process benefits from wood's ability to be prefabricated, which accelerates building timelines and reduces labor costs. Its versatility allows for creative design solutions, while advanced engineered wood products like CLT and LVL provide strong, lightweight alternatives to traditional materials like steel or concrete. Wooden elements are roughly 80% lighter than equivalent elements made of concrete, therefore, the construction of wooden buildings requires less logistics allowing for higher degree of prefabrication.

Figure 11: Share of different building materials as the frame material in Finland 2011-2015 vs. 2016-2020

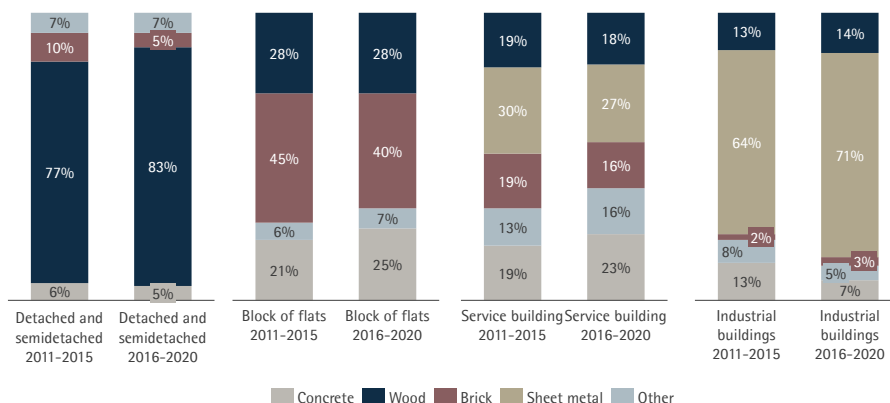
Wood is the most used frame material in construction of detached and semi-detached housing...



Source: Statistics Finland, Evli Research

Figure 12: Share of different building materials as the façade material in Finland 2011-2015 vs. 2016-2020

... while it is more commonly used in construction of apartment buildings as a façade material

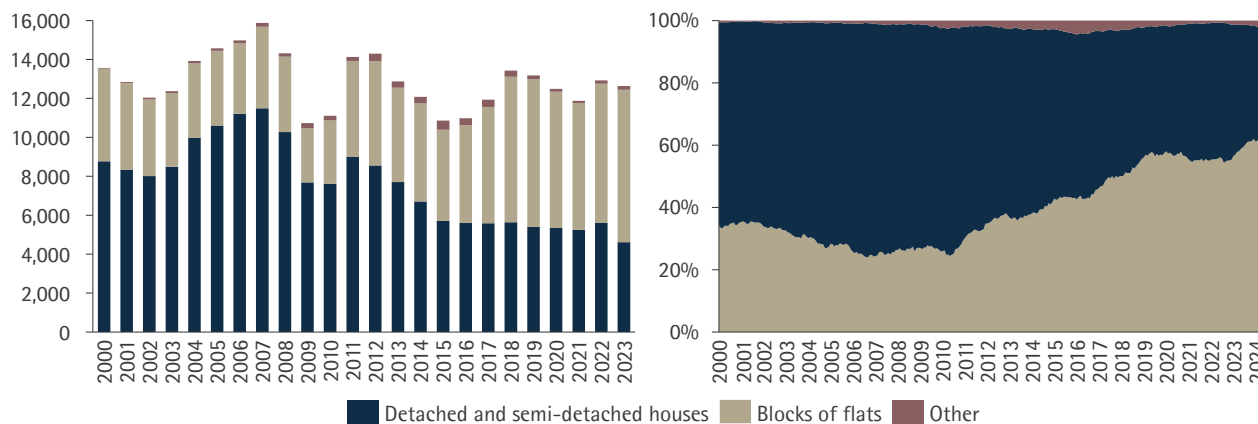


Source: Statistics Finland, Evli Research

Concrete has a head start as a building material in apartment buildings

While wood as a construction material has multiple benefits, the usage of wood as frame material in apartment buildings in Finland is still low, roughly 5% of the total volume. The main reason for the relatively low adoption is cost. Wood as a material is not significantly more expensive as such compared to materials like concrete, yet concrete has been used in construction of apartment buildings in Finland for decades. Driven by historical adoption, the processes for the usage of concrete in apartment building construction are standardized and the knowledge has accumulated throughout the years. While the adoption of wood as a frame material in apartment buildings is still relatively low in Finland, wood is already used in roughly 30% of apartment buildings as a façade material. Usage is driven by so called hybrid construction where frame materials and façade materials differ.

Figure 13: Annual residential construction completion volume in thousands of m3 (lhs) & percentage share of residential building completions by building type monthly, moving annual total



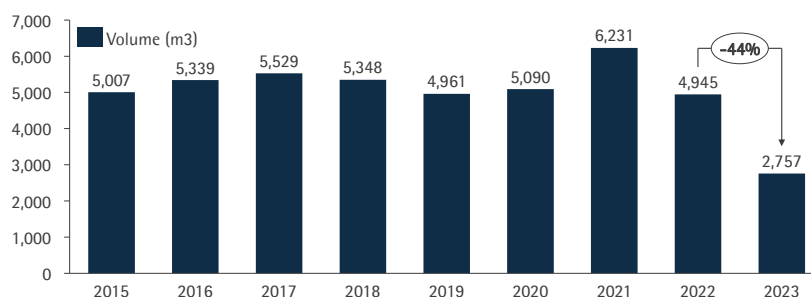
Source: Statistics Finland, Evli Research

Share of detached and semi-detached houses of total residential completions has declined

Prior to the financial crisis, more than half of Finland's completed residential constructions were detached or semi-detached houses. The share has since decreased and according to Statistics Finland, in 2023, under 40% of housing completion volume comprised of detached and semi-detached houses. Unit wise, in 2023, there were only approximately 8 800 detached and semi-detached house completions compared to the high levels of 19 000 – 21 000 before the financial crisis. The detached and semi-detached housing completions have hovered around the 10 000-unit mark during the last decade and the exceptionally low number of completions in 2023 was driven by the weak overall housing market. While overall completions have declined from the high levels seen before the financial crisis, the professional construction has increased as before the financial crisis, only roughly third of the Finnish detached and semidetached units were built by professional construction companies. In 2020, over half of the units were already built by companies. This development is mainly driven by the increased utilization of elements in residential house construction.

Figure 14: Detached and semi-detached house building permits, volume (in thousands of m3), Finland, 2015-2023

Detached and semi-detached house permit volume (millions of m3) has hovered around 5m mark, dropped to 2.8m in 2023



Source: Statistics Finland, Evli Research

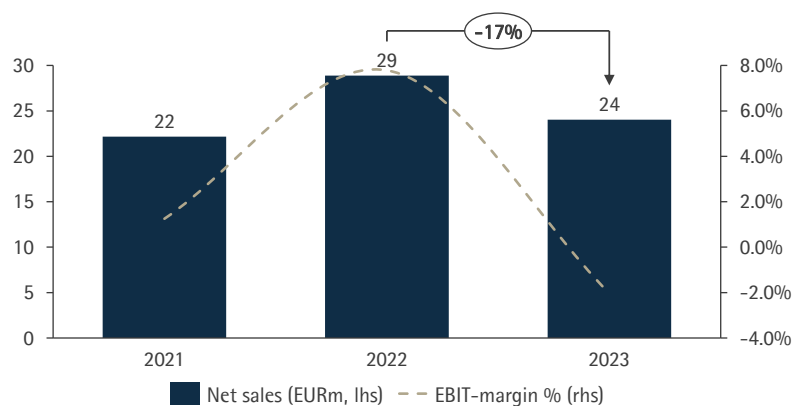
Competitor analysis: Direct competitors

LapWall is clearly the largest Finnish wooden element manufacturer

We consider LapWall's direct competition as companies that focus on production of wooden wall and/or roof elements. LapWall is clearly the largest player in the space with the widest product offering. The direct competitors are relatively small in size when compared to LapWall as according to the data we have gathered, median net sales were roughly EUR 9m in 2022. Based on our knowledge, most of the direct competitors lack the capacity to supply large wall and/or roof elements for bigger and more complex projects such as industrial or public construction projects. Furthermore, LapWall's nameplate capacity for roof and wall elements far exceeds that of the direct competitors. The company's current nameplate capacity for roof and wall elements is 700,000 square meters while, for example, Neco Elements' capacity is 250,000 square meters. LapWall has also one of the most modern facilities and the highest levels of automation in manufacturing of elements. This technological advantage is expected to increase after the Pyhäntä investment. We observe that LapWall's rivals lack the ability to invest in their facilities, as many have been negatively impacted by the unfavorable market conditions over the past two years.

Figure 15: Wood element manufacturer, revenue & EBIT margin development 2021-2023 (incl. only companies with published figures for 2023)

Lower volumes have resulted in lower profitability due to operational leverage and price competition



Source: Finder, company websites, Evli Research

Table 1: Illustration, LapWall's direct competitors by revenue and EBIT, data from 2022, in EURm

Company	Net sales 2022, EURm*	EBIT 2022, EURm	EBIT % 2022	Products	Current state
LapWall	52.5	7.8	14.9 %	Wooden elements	Operating
Sievi Element Oy	18.6	1.5	7.8 %	Wall and roof elements	Operating
Neco Elements*				Wall elements	Operating
KW Component Oy	14.4			Wall elements	Acquired by LapWall in 2023
Vieskan Elementti Oy	9.0	0.2	2.4 %	Wall and roof elements	Operating
VVR Wood Oy	8.9	1.5	17.0 %	Wall and roof elements	Operating
Oiva Wood Solutions Oy	8.7	(0.0)	(0.5)%	Wall and roof elements	Operating
SP Elementit Oy	6.9	0.7	9.6 %	Roof elements	Operating
Kerabit Kattoelementit Oy	6.5	0.9	14.3 %	Roof elements	Operating
Pohjola Talot	3.6	0.0	0.8 %	Wall and roof elements	Operating
Teeri-kolmio Oy	2.9	0.4	14.0 %	Wall elements	Operating
Suomen Rakennustuote Oy	2.6	0.5	18.0 %	Wall elements	Operating
YIT Wood element factory*				Wooden elements for YIT	Operating
Median	8.7	0.6	11.8 %		
Total	134.6	13.5	98.3 %		

* 2022 figures used for comparability

* Neco Elements currently ramping up production, position on the table assumed from theoretical capacity of the factory

* YIT Wood element factory figures not reported, yet according to our research, the capacity stands at 22,000 brm2 of wall and 14,000 brm2 of roof elements

Source: Finder, company websites, Evli Research

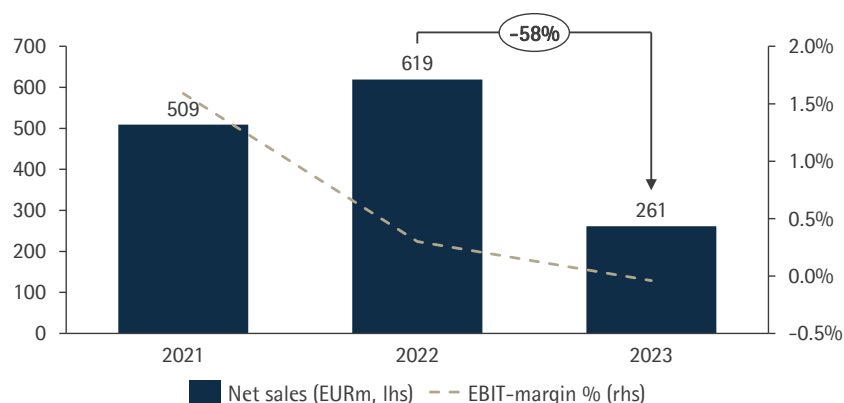
Competitor analysis: Detached and semi-detached house builders

Majority of the Finnish prefabricated residential building manufacturers have their own element supply

While the wooden detached and semi-detached house builders are LapWall's clients, some of them can be considered as LapWall's competitors as they have their own wood element factories. In 2023, LapWall purchased KW-Component that supplies wooden elements for Kastelli-Talot. As earlier mentioned, the company signed a sales agreement with Kastelli-talot Oy to supply wooden elements until the end of 2028 with a five year extend option. DEN Finland is the Finnish market leader for single-family houses. It has its own wooden element factory located in Nivala. DEN Finland and Kastelli-talot are clearly the largest builders in Finland with annual sales in hundreds of millions. While the share of element sales is not published, according to data by RTS Oy, wall and roof structures are roughly 10% of the costs for a single-family house.

Figure 16: Largest wooden small house builders in Finland, revenue & EBIT margin (average margin) development 2021-2023

Lower volumes have led to bankruptcies in the house builder segment



Source: Finder, company websites, Evli Research

Last two years have been tough for Finnish wooden small house builders

The Finnish wooden small house builders net sales halved in 2023 as the weaker market conditions started to affect orders from H2 of 2022. Driven by the weak volume development and increased raw materials prices, one of the largest suppliers Jukkatalo went bankrupt in 2022. In addition to the larger players, there were also multiple smaller bankruptcies during 2022-2023. In terms of profitability, the average EBIT margins for the largest players were already at a low level before the current weak market environment and profitability has continued to weaken since.

Table 2: Detached and semi-detached wooden house builders by revenue and EBIT, data from 2022

Company	Net sales 2022, EURm*	EBIT 2022, EURm	EBIT % 2022	Element supplier	Current state
Den Finland Oy	251.2	0.4	0.2 %	Own production (Factory located in Nivala)	Operating
Kastelli-Talot Oy	153.3	1.3	0.9 %	LapWall (KW-Component)	Operating
Jukkatalo Oy	95.1	(4.6)	(4.8)%	Own production (Factory located in Pyhäntä)	Bankruptcy*
Kannustalo Oy	36.8	1.0	2.8 %	Own production (Factory located in Kannus)	Operating
Jetta-Talo Oy	33.5	3.4	10.2 %	Own production (Factory located in Perho)	Operating
Sievitälo Oy	25.8	(0.7)	(2.9)%	Own production (Sievi Element Oy)	Operating
Deko-Talo Oy	23.5	(1.0)	(4.2)%	LapWall	Operating
Median	36.8	0.4	1.2 %		
Total	619.2	(0.1)	(0.0)%		

* 2022 figures used for comparability

* Neco Elements operating the element factory from 2024 onwards

Source: Finder, company websites, Evli Research

Competitive advantages

LapWall is well positioned to take advantage of the projected market turn

In our view, LapWall has several competitive advantages that make it stand out. After some channel checks, we find that the main reasons for clients to buy from LapWall include best-in-class price-to-quality, a successful delivery process and easiness of installation. We find LapWall in a good position to take an advantage of the projected market turn driven by its technological advantage, standardized LEKO® element system and financial stability that enables it to further increase its technological leadership and provide clients with confidence to buy from LapWall. While comparing pricing is difficult between the market players, we find that given the quality of LapWall's products and service, the company doesn't have to compete with pricing alone. On the other hand, competition from alternative construction materials lowers the pricing power, especially in the roof element segment.

LEKO® element system and technological leadership are the main sources of competitive advantage

The main competitive advantage is the company's LEKO® element system. The system enables an effective wood element installation process from design to delivery. The project is planned using a 3D CAD/CAM design platform. While highly standardized, the elements can be adapted to the clients' preferences and the building's functionality can be tested in advance with the software. The platform provides ready designs for the element factory and worksite for the assembly. LapWall has also introduced a free-to-use designer's handbook which lowers the threshold for outside designers to utilize LapWall's elements in their projects. The company's LEKO® element system and the process from design to delivery is supported by LapWall's technologically advanced industrial process, facilities and technology. LapWall is constantly investing in its state-of-the-art production facilities which protects the competitive advantage. According to our understanding, the company has a substantial technological advantage over its direct competitors. LapWall's state-of-the-art processes, facilities and technology mitigate issues with quality, details and efficiency.

Client satisfaction shows in the NPS score

LapWall's client satisfaction is at a very high level. In 2023, the company's net promoter score (NPS) improved to 72, up from 65 in 2022 (the figure can be between -100 and 100). In the NPS survey, clients rate the company with an 11-point scale (0-10) and the respondents are grouped based on the rating they leave (0-6: detractors, 7-8: passives, 9-10: promoters). In 2023, 59 of 81 total respondents rated LapWall with 9 or 10 being promoters and only one rating was below 7 being a detractor. Traditionally, a NPS over 30 is considered a high score while anything below 0 can be considered low. According to data by Trustmary, the average NPS for companies operating in construction was 46 in Finland.

Financial stability provides customers with confidence to buy

The wood element manufacturing market and the overall wood construction market has suffered from multiple bankruptcies during recent years driven by the weak residential housing market environment. We find that LapWall's financial stability provides customers with confidence as they can rely on the company's deliveries. While not a permanent competitive advantage, this can affect LapWall's sales positively and alleviate the pressure on pricing.

Comparing pricing between competitors is difficult

We argue that the wood element market is not commoditized as clients value quality of the products and service in addition to pricing. Comparing wooden element pricing between the competitors is difficult. Element qualities such as shape, height, number of openings, width of the frame and insulation differ, which affects the pricing. Despite the difficulty to compare, according to our research, LapWall's element pricing seems to be well in line with the competitors when looking at the price ranges of different wooden element manufacturers. After talks with market participants, some of the players have a lower price range (EUR 60-90/sqm) and some higher and wider price range (EUR 80-240/sqm). According to our understanding, most of the competition falls into the EUR 100-150/sqm category, yet as earlier mentioned, comparison is relatively challenging given the differing specifications.

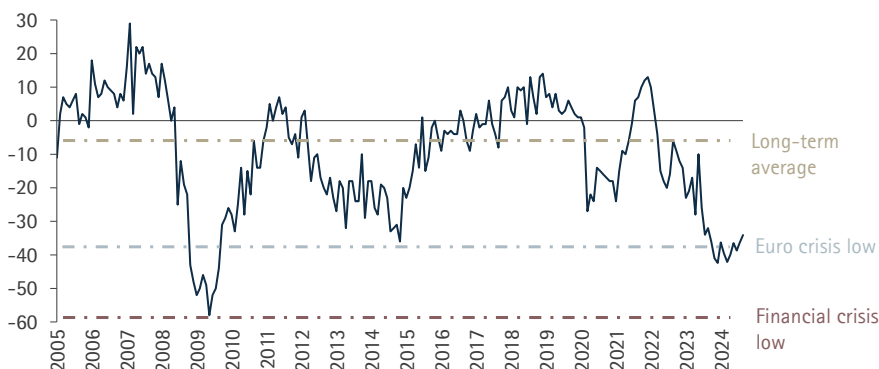
General Finnish construction market environment

Finnish construction volumes expected to decline further in 2024

Finnish total construction volumes declined by 11% in 2023 based on data by CFCI, the driver behind the strong decline was the very weak residential construction market where construction volumes fell 38% y/y. The deterioration in Finnish residential construction started already in 2022 when the building permits and starts began to decline driven by the geopolitical tensions and higher interest rates. The European Central Bank increased its key interest rates in July 2022 for the first time in 11 years to curb the effect of inflation driven mostly by higher energy prices. The Finnish residential building permits and starts have kept on declining since 2022 and are currently even below the lows witnessed during the financial crisis. With the current low residential permit and start data, CFCI expected that the residential volumes continue to decline by 22% y/y in 2024. If the current trend in residential building permits and starts doesn't turn, the finished volumes could remain at a low level also in 2025. The picture is slightly brighter in the non-residential category where CFCI expects volumes to increase slightly by 1.4% in 2024. The Finnish non-residential construction volumes are supported by the public non-residential projects currently ongoing. According to data by Statistics Finland, the moving annual total of public service building permits was roughly 7% higher y/y at the end of 2023 while for example commercial and office permits were down 15% and industrial buildings and warehouses were down 26%. While non-residential permits and construction starts have also declined, the drop is significantly smaller compared to residential volumes.

Figure 17: Finnish construction confidence 2005-2024

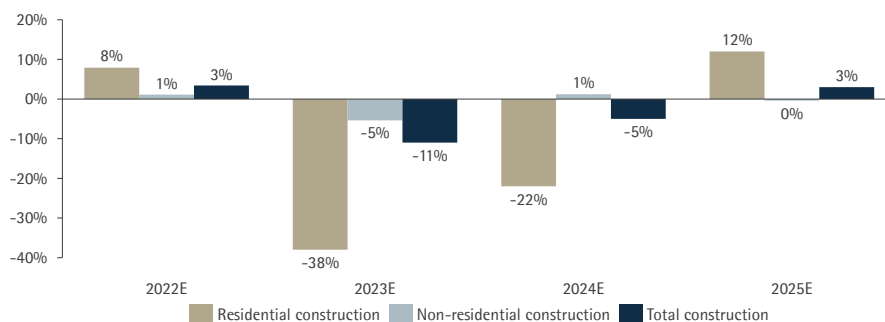
Finnish construction confidence starting to increase from the levels of Euro crisis lows...



Source: The Confederation of Finnish Industries, Evli Research

Figure 18: Estimates for Finnish volumes for residential and non-residential new construction 2022-2025 by CFCI, change in % y/y

... while estimates predict slight volume growth starting from 2025E



Source: The Confederation of Finnish Construction Industries, Evli Research

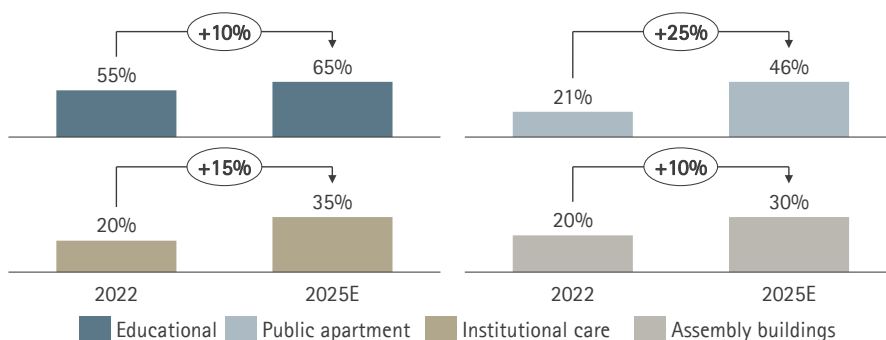
Market growth drivers

Regulation supports using wood as a building material

Construction regulations across the Europe and in Finland are creating a tailwind for the wooden construction industry. The Wood Building Programme of the Finnish Ministry of the Environment has set out national targets for the use of wood in public construction. The ambitious national target is to have the share of wood in all new public construction at 45% in 2025 when in 2022 the share was 31%. On the European level, for example the Energy Performance of Buildings Directive (EPBD) aims to improve the energy efficiency of buildings in Europe. Minimizing the whole life-cycle greenhouse gas emissions of buildings requires resource efficiency. Buildings are responsible for greenhouse gas emissions even before their operational lifetime, which is the consequence of the carbon already embedded within all building materials. This enhances the position of wood products as the energy consumption in the manufacturing of competing materials is higher.

Figure 19: Share of wood as frame material in public new construction, by building type in 2022 and goal for 2025

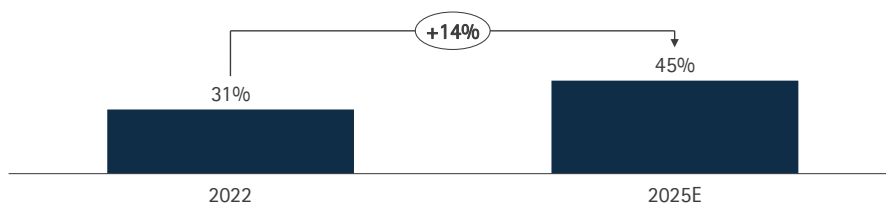
Goal is to increase usage of wood as a frame material in all public new construction...



Source: Puuinfo, Ministry of Environment, Evli Research

Figure 20: Share of wood as frame material in public new construction in 2023 and goal for 2025

... to reach 45% share of total new public construction in 2025



Source: Puuinfo, Ministry of Environment, Evli Research

Investors are increasingly interested in green real estate

The demand for green buildings is increasing as real estate investors are beginning to witness the benefits not only in terms of environmental impact but also in enhancing asset value and attractiveness to tenants. Well-certified green properties often command higher rents, boast lower vacancy rates, and hold their value better over time. Tenants are prioritizing sustainability for corporate responsibility reasons and investors are responding by incorporating green features into their buildings to meet this demand. According to research by CBRE in 2023, 32% of European investors are willing to pay premiums for "ESG-friendly" assets. For office buildings, CBRE's 2022 analysis on Europe found that buildings with sustainability certification earn a 6% rental premium over their non-certified peers.

Prefabrication shortens construction lead time

Wooden elements offer a number of ways that decrease construction project lead time and waste. These include:

- Wooden elements are manufactured off-site
 - Wooden elements are manufactured in a controlled factory setting, which allows for simultaneous progress on-site preparations and component manufacturing. This parallel processing can dramatically reduce the overall project timeline.
- Quick and stress-free assembly on-site
 - Prefabricated wooden components are designed for quick and easy assembly on-site. The elements fit together with precision, eliminating the need for time-consuming on-site cutting and fitting.
- Weather agnostic
 - Much of the construction with prefabricated elements happens indoors, the process is less dependent on weather conditions. This can lead to fewer weather-related delays compared to traditional construction methods.
- Less waste and rework
 - The simplicity and efficiency of assembling prefabricated wooden structures means that fewer skilled workers are required on-site, which can alleviate issues related to labor shortages and further expedite the construction process.
- Streamlines planning and design process
 - The prefabricated wooden elements are designed using sophisticated CAD and BIM software that can integrate the design directly with factory production machines, creating a smooth flow from design to construction assembly

Hybrid construction increases demand for wooden façade and roof elements

Hybrid construction refers to a building technique that combines multiple construction methods or materials within a single structure. For example, a building may use a combination of steel, concrete, and wood, each chosen for its particular advantages and suitability for different parts of the structure. This approach is often used to optimize the performance, cost, and sustainability of a building. By selecting materials based on their environmental impact, hybrid construction can reduce a building's carbon footprint. In addition, hybrid construction can improve the building's performance; a hybrid approach allows for the strategic use of materials to improve the thermal and acoustic performance of a building.

Transporting wood elements is cheaper than many competing materials

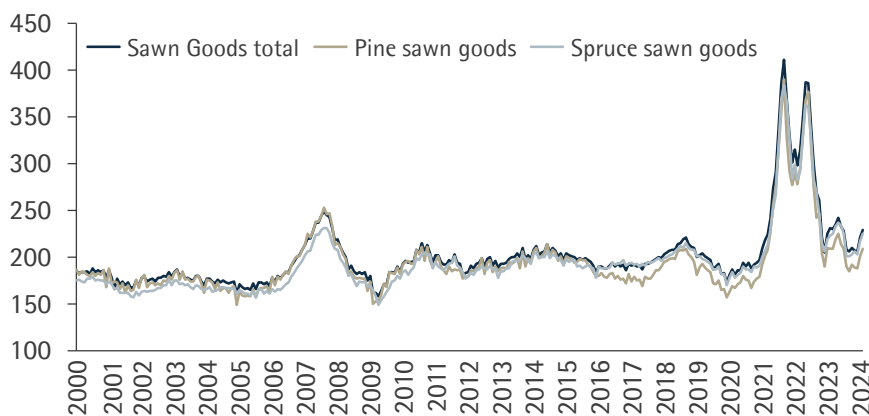
Wood is significantly lighter than many construction materials, which leads to logistical benefits. The lightweight nature of wood means that it requires less energy to transport, which can reduce the carbon footprint associated with logistics. In addition, the costs associated with transporting lighter materials like wood are lower than those for heavier materials, larger number of wooden elements can also be fit into a transport truck when compared to, for example, concrete elements. This makes wood a cost-effective option for many construction projects.

Cost development

Sawn timber prices have decreased to close to pre-COVID levels

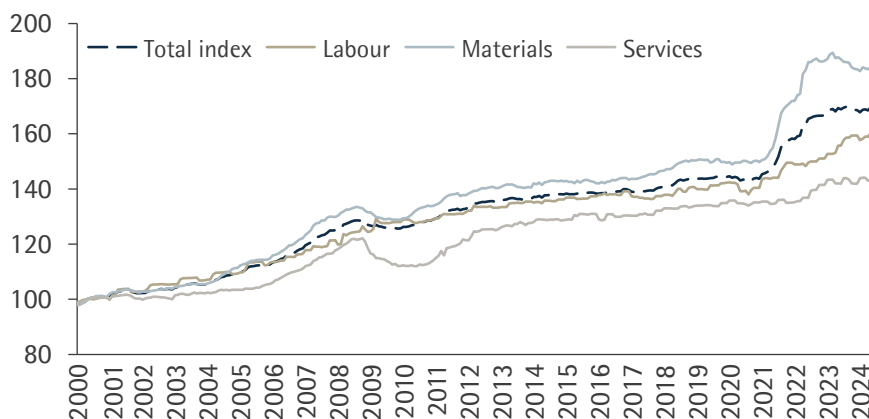
The primary material in wooden construction is timber in various forms. Timber can be used in its solid form, as sawn timber, or engineered timber products such as glulam (glued laminated timber), cross-laminated timber (CLT), or laminated veneer lumber (LVL). According to our understanding, sawn timber, strength-graded sawn timber and LVL are used in LapWall's wooden elements. LapWall's roof elements use LVL as the frame material. In addition to timber in its various forms, elements contain materials such as drywall, rockwool and different materials for cladding. The sawn timber prices have decreased from the high levels seen post-COVID as according to data from the Natural Resources Institute Finland, sawn goods export prices peaked during 2021-2022. The high prices during 2021-2022 resulted from robust global demand while the supply side faced challenges as bottlenecks related to logistics and low sawmill volumes emerged.

Figure 21: Export prices of sawn goods, Unit value, EUR/m³, FOB, 2000-2024



Source: Natural Resources Institute of Finland, Customs Finland, Evli Research

Figure 22: Building cost index by type of cost, monthly data, 2000=100



Source: Statistics Finland, Evli Research

Overall construction sector cost inflation has slowed down

Other construction materials have followed a similar path compared to sawn goods during recent years. The cost for labour, services and materials in the construction sector have increased roughly 1-2% p.a. during the 2000's. In 2021, the index for construction materials increased 7.5% y/y while in 2022, the index grew roughly over 13% y/y. At the same time, growth in services and labour was substantially slower as the services index grew roughly 2.5% during from 2020 to 2022 and labour index grew 6.6%. The main driver behind the construction cost inflation during 2021-2022 was construction materials. The

cost increase in materials was wide-ranging, with the biggest increases in the cost of steel structures, heat insulation material and roofing materials. In 2023, the growth slowed down for services and materials while labour cost index has increased over 4%. Besides timber, insulation and roofing materials are important raw materials for LapWall. Data from Statistics Finland indicates that the cost of heat insulation has increased roughly 15% per year during 2022-2023 while roofing materials increased by 15% in 2022 and by 1% in 2023. While the construction cost inflation has slowed down, the prices have generally stayed at higher levels.

Financial performance

Revenue

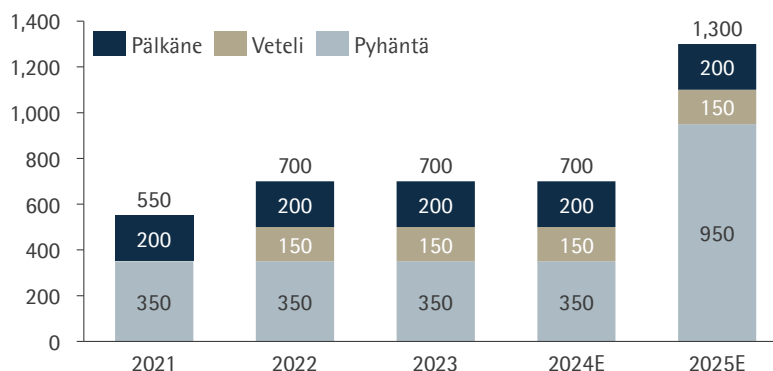
Revenue consists of project deliveries and annual contracts

LapWall is a product company, and its revenue is generated from wooden element product sales to its customers. The majority of the current customers are project clients while part of the sales come from annual contracts. LapWall has exported elements in the past but now it operates only in the local market. Driven by the current weak construction market, especially on the residential side, the majority of LapWall's revenue is from sales of roof elements and roof element systems. This is a stark contrast to the situation in 2021 when over half of the company's sales were from single and multi-storey wall elements. LapWall doesn't report its net sales by product category, yet we assume that in 2023, close to 3/4th of the total sales came from its roof element products.

LapWall net sales potential depends on the available capacity

As a product company, LapWall's volume potential is limited to its factory capacity. To ensure future growth, the company invests into new factory capacity to service the future demand. With the investment into the Pyhäntä factory, the company aims to increase the factory's capacity three times. In addition to investments into its current factories, LapWall has increased its factory capacity by acquiring companies. With the acquisition of Metsä Wood, the company acquired the Pälkäne manufacturing plant which has a capacity of roughly 200,000 sqm p.a. In 2022, the company acquired Termater which had a manufacturing plant in Veteli, with the acquisition, the company practically doubled its roof element manufacturing capacity. The company's roof element factories in Pälkäne and Veteli have capacity of roughly 350,000 sqm, which theoretically allows net sales of EUR 40-50m depending on the average price per sqm. LapWall's Pyhäntä factory, which produces wall elements, also has also capacity of 350,000 sqm before the planned investment. The investment that triples the capacity is expected to be completed by the end of 2025. Capacity is not only important for enabling growth, as the free capacity has to be utilized well in order to grow profitably.

Figure 23: LapWall's theoretical element manufacturing capacity by factory, in 000s of sqms



Source: LapWall, Evli Research

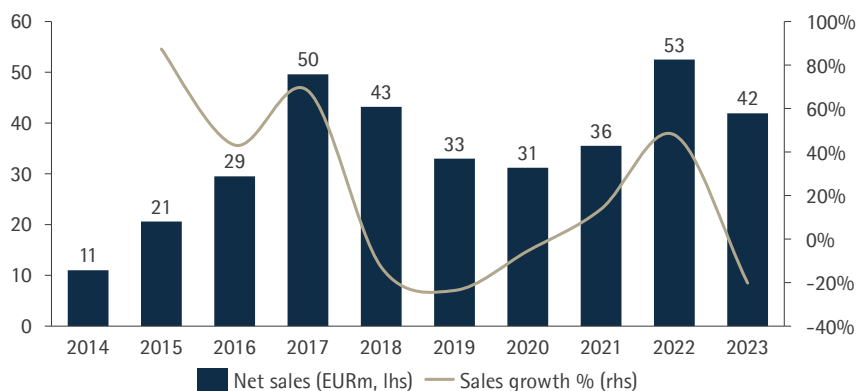
Average price per sqm of elements affects net sales

Besides capacity and capacity utilization, the average price per square meter of the elements sold is another factor that impacts LapWall's sales. The average prices have been under pressure due to the market environment weakening. In the first half of 2024, LapWall's net sales increased by 12% compared to the same period last year while its sales volumes rose by over 20%. The growth was hampered by the average EUR/sqm which dropped 10%. The company anticipates that the prices have hit their minimum levels and are expected to rise in the future.

Track record of historic growth: 2014-2023 net sales CAGR 16%

LapWall has a proven track record of sales growth aided by both organic and inorganic growth; LapWall's 10-year net sales CAGR is roughly 16% p.a. In 2017, the company's net sales first peaked at EUR 50m, yet the growth came at the cost of profitability and after 2017, the company returned to strictly conceptualized wooden element manufacturing. After the pivot back to the original business concept, the company increased its net sales from the levels of roughly EUR 30-35m during 2019-2021 back to EUR 53m in 2022. The strong growth in 2022 was aided by the Termater acquisition as roughly EUR 10m of the growth vs. 2021 was driven by the acquisition while approximately EUR 7m was organic.

Figure 24: LapWall net sales (EURm, lhs) and sales growth (in %, rhs)

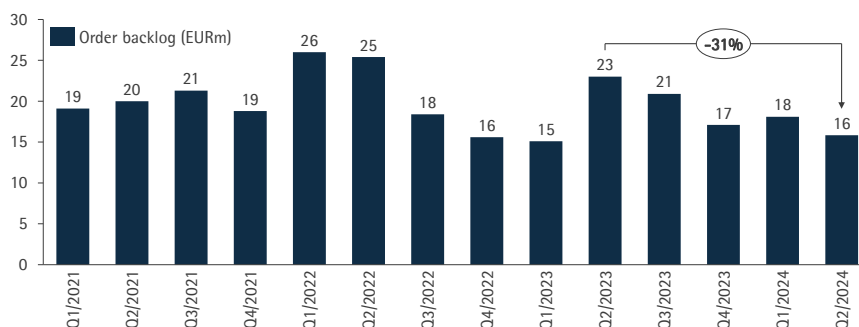


Source: LapWall, Evli Research

LapWall's backlog is relatively short

LapWall's backlog has historically hovered around EUR 15-25m. Compared to annual net sales of EUR 40-50m, the backlog presents net sales of approximately 3-6 months. During 2022-2023 the company's net sales have been roughly 2.7-2.8x compared to the previous period's ending backlog. In Q2 2024, the order backlog fell 31% y/y to EUR 15.8m from EUR 23.0m in Q2 2023. LapWall secured large order worth EUR 6.5m in Q2/23 which increased the backlog in the comparison period. The company's tender pipeline is at a healthy level, and we expect that LapWall will be able to turn these bids into orders going forward.

Figure 25: Order backlog development, in EUR m, quarterly 2021-2024



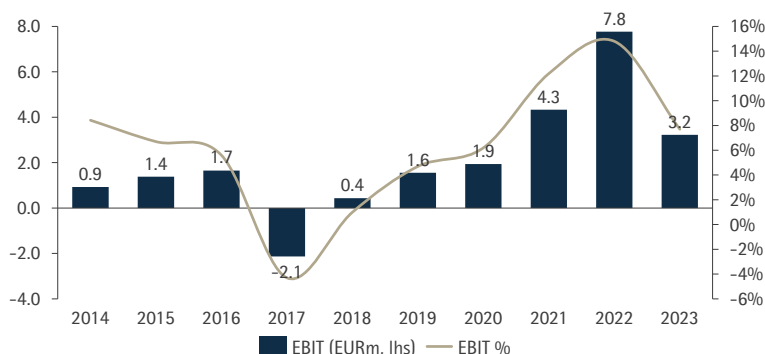
Source: LapWall, Evli Research

Profitability

2014-2023 EBIT CAGR 15%, EBIT % peaked in 2022 at near 15%

Since 2014, LapWall's EBIT has grown at 15% CAGR. The company's margins have fluctuated historically, yet excluding the weaker years 2017-2018, LapWall's average EBIT margin has been roughly 8%. In 2022, the company's profitability peaked at near 15% EBIT margin driven by successful acquisition of Termater and strong demand especially during the first half of the fiscal year. In 2023, the company's volumes fell as a result of the weak residential construction market which led to a significant drop in demand for LapWall's wall element products. The weaker market led to lower net sales and despite the company's cost-cutting measures, EBIT margin fell to 7.7%.

Figure 26: EBIT (lhs, EURm) & EBIT-margin (rhs, in %) development 2014-2023

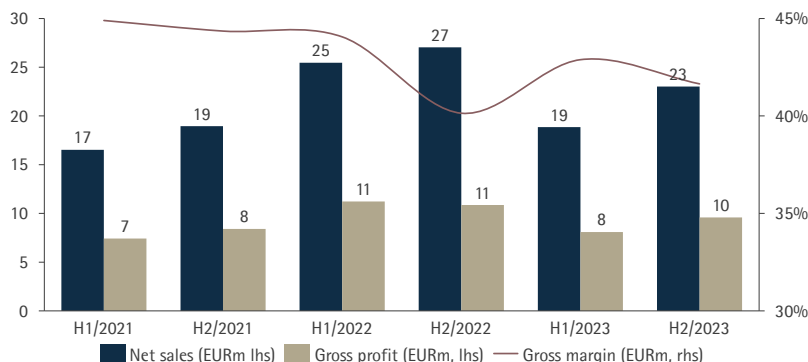


Source: LapWall, Evli Research

Gross margin has hovered around 42-44%

The majority of LapWall's costs are related to materials and services used in the manufacturing of elements. As mentioned earlier, the biggest cost item related to materials used by LapWall is wood. In addition to timber in its various forms, elements contain materials such as drywall, rockwool and different materials for cladding. LapWall reached gross margin of 44.6% in 2021, yet the margin has hovered around 42% for FY 2022-2023. The gross margin is affected by various factors including cost of raw materials, LapWall's selling prices, volumes, sales mix and efficiency of production. We expect that the major reason for the downward gross margin trend during recent years has been the weak market conditions and increased roof element sales. As previously mentioned, while LapWall's market share in wooden roof elements is high, the company's roof element product competes with alternative materials. Competition from alternative materials lowers the company's pricing power leading to lower gross margins compared to wall element products. In addition, according to our understanding, the higher gross margin for the company's wall elements is further driven by the share of annual contract clients.

Figure 27: Net sales and gross profit in EURm (lhs), gross margin % (rhs), biannually

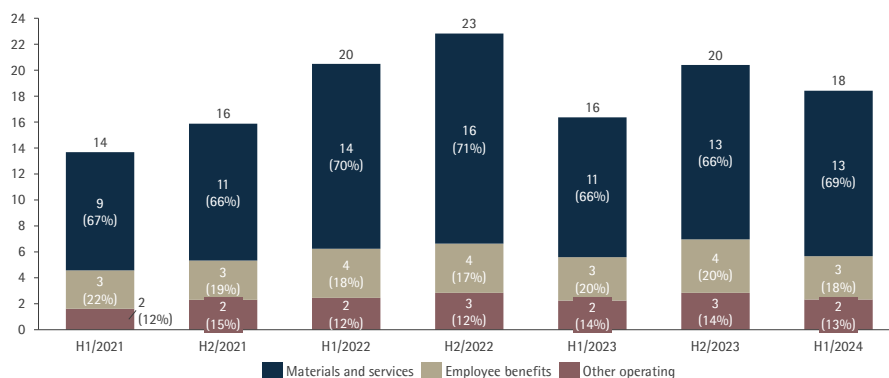


Source: LapWall, Evli Research

1/3 of cost base consists of employee and other operating costs

LapWall's other operating costs are related to employee benefits and other operating costs. The company currently employs roughly 115 own FTEs of which most are blue-collar workers, yet the company has for example 20 of its own designers. The employee costs represent roughly 20% of the total cost base and approximately 14-18% of net sales p.a. During the last two fiscal years, the annual net sales per FTE has been EUR 360-420k while employee cost per FTE has been roughly EUR 60-65k. LapWall's other operating costs, related to premises, utilities, and general SG&A, have been quite steady, roughly 12-15% of total cost base and approximately 10-12% of net sales p.a. Although most of the company's costs are variable, enhancing capacity utilization is crucial for improving future profit margins. During H1/24, the company was successful in fixed costs management as fixed costs decreased by 2.5% y/y while volumes grew.

Figure 28: LapWall cost structure by item in EURm (% of total costs), biannually



Source: LapWall, Evli Research

Aims to improve cost efficiency with the Pyhäntä investment

LapWall targets substantial cost efficiency improvements with the Pyhäntä factory investment. The projected efficiencies are expected to materialize through multiple sources. Firstly, LapWall expects that material efficiency will improve as material waste is expected to decrease drastically. Secondly, LapWall is able to source its raw materials in a more efficient manner and in larger volumes, which improves the buying terms. Thirdly, the factory will have state-of-the-art technology which decreases the subassembly and assembly costs.

Outperforming competitors in terms of profitability

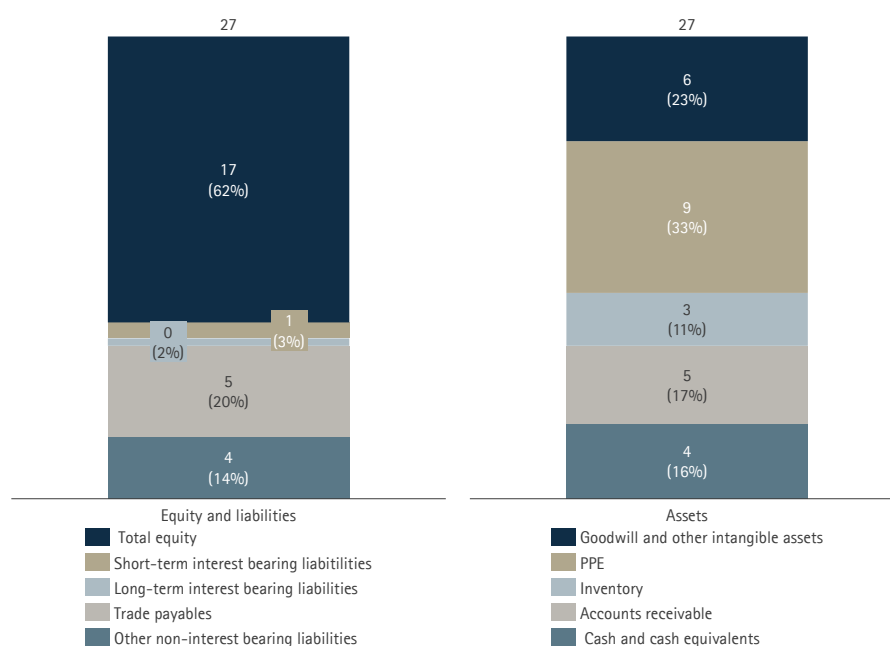
LapWall's profitability has exceeded that of the direct competition constantly during recent years. We argue that the main driver behind the best-in-class profitability is the beforementioned LapWall's competitive advantages. We also note that due to LapWall's relatively diversified client portfolio, the soft residential demand in 2023 did not affect the company as hard as some of its competitors. Additionally, several competitors face challenges due to their limited client base, as some of these clients have been significantly impacted by the adverse market conditions. Based on data by Finder, LapWall's direct competitors had an aggregate EBIT margin of nearly 8% in 2022 while the margin fell to negative territory in 2023.

Balance sheet and cash flow

Relatively asset-light business model

LapWall operates and owns its manufacturing plants and thus the biggest asset category in the company's balance sheet is property, plant, and equipment. Of the total EUR 8.9m of PPE at the end of FY 2023, EUR 6.5m came from property and plant while EUR 2.1m came from equipment. The other major items included goodwill and other intangible assets and accounts receivable. Other intangible assets amounted to EUR 6.1m, of which EUR 5.7m were made up of goodwill. Goodwill has been formed through acquisitions of Termater and KW Component, according to FAS accounting standards, the company amortizes goodwill annually. Historically, the annual goodwill amortization has been roughly EUR 0.5-0.7m.

Figure 29: LapWall balance sheet composition in EUR m (% of total), 12/2023



Source: LapWall, Evli Research

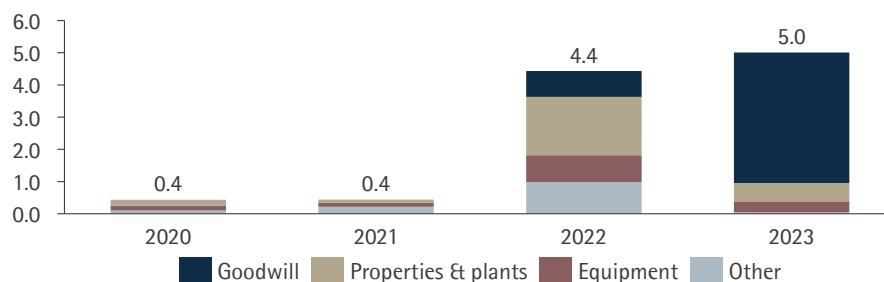
Negative net debt and net working capital

At the end of FY 2023, LapWall's net debt was EUR -3.0m and net gearing was at -18%. The company had EUR 1.4m of interest-bearing debt in its balance sheet. Besides net debt, the firm's net working capital has also been below zero in recent years. On top of LapWall's business model driving the negative working capital, we consider the company's negotiating power quite substantial as the leading wood element manufacturer in Finland which in turn improves the payment terms with suppliers.

Majority of the recent investments related to acquisitions

LapWall's investments have increased during the last two fiscal years as a result of acquisitions and investments into production facilities. Pre-IPO (2011-2021), the company invested EUR 6.1m to equipment and EUR 5.8m to properties and plants. In 2022, the company acquired Termater Oy and in 2023, the company acquired KW-Component. The purchase of KW-Component increased its goodwill driven by the Kastelli agreement.

Figure 30: LapWall's investments per year, 2020-2023



Source: LapWall, Evli Research

Upcoming capacity investment to Pyhäntä is considerable when compared to the company's size and historic investments

LapWall's balance sheet total stood at EUR 27m at the end of FY 2023. In March 2024, the company decided to proceed with the EUR 19m investment into Pyhäntä factory. The investment is financed by debt, equity and state subsidies. During H1/24, the company made an agreement for a EUR 7.5m bank loan. In addition, part of the investment aid, EUR 1.8m. The Pyhäntä factory investment is substantial when compared to the company's historical investments and balance sheet value. While substantial, the company's current net debt free balance sheet and strong cash flow ensure that the balance sheet remains strong also post-investment. The company also has a EUR 3.5m unused revolving credit facility.

Target to payout 30-50% of EPS as dividend

With a strong balance sheet and cash flow generation ability, LapWall has been able to payout a dividend that exceeds or is at the upper limit of its target of 30-50% of EPS. During 2020-2023, LapWall's dividend per share has formed roughly 50-70% of EPS. While the dividend per share declined in 2023 from the strong levels of 2022, it has grown at nearly 30% per annum during 2020-2023 (CAGR). LapWall's distributable funds were at EUR 16.7m at the end of FY 2023, of which EUR 2.6m were net earnings from the fiscal year. The company's historical dividend yield in 2022 and 2023 has been 4-5% (calculated with share price at the end of the fiscal year). We expect that the company will not struggle to reach the target payout ratio in the coming years despite the planned investments.

Estimates

Guidance implies revenue growth in the range of 2.7% – 14.6% y/y with EBITA margin of 10%

LapWall gave its financial guidance for FY 2024 in April. The guidance middle point for net sales points towards revenue growth of nearly 9% year-over-year. Considering the EBITA guidance, it suggests an approximation of 10% EBITA margin, with a slight increase from 2023. The financial guidance for 2024 is the following:

- Net sales of EUR 43–48m
- EBITA of EUR 4.3–4.8m

Our estimates for 2024E are at the lower end of the guidance range

LapWall's Q2/24 continued the same development seen during the first quarter as the company's net sales grew 15% to EUR 11.0m y/y in Q2. The company's EBITA margin increased to 10.1% from 8.2% in Q2/23. The profitable growth was driven by growth in the roof element business where net sales grew by 20% and in the roof element system business where sales grew by 100%. As expected, the wall element business declined further by 13% y/y. The overall revenue growth was hampered by the decrease in prices, yet margins improved through lower fixed costs and increased volume. The company's backlog was at EUR 15.8m at the end of H1/24 as the company gathered new orders worth EUR 19.9m during the first half (down from EUR 26.7m in H1/23). Although the backlog remains quite robust, it is essential for the company to secure new sales in the latter half of the year. Failure to do so may result in LapWall's figures dipping beneath our projections and the full-year guidance. For FY 2024, we now model net sales of EUR 43m and EBITA of EUR 4.3m, both at the lower end of the guidance range. We expect improved net sales development for the Pyhântä unit for H2/24 as we estimate strong growth to continue in the roof element system segment while the wall element segment faces easier comparable figures in H2/23. We do not estimate any larger recovery for the residential construction driven wall element market. In the roof element side, the company's large project in Äänekoski (worth EUR 6.5m), was completed during early H2/24 and therefore we expect slower net sales development y/y as the project recurred revenue during the comparison period.

Market should start slow recovery in 2025E

According to The Confederation of Finnish Construction Industries RT (CFCI), the Finnish housing construction volumes should increase by 12% in 2025 while non-residential new construction should stay relatively flat. Overall, Finnish construction volumes are expected to increase 3% y/y in 2025. Forecon estimates that the wooden roof element market grows at an average pace of 5% during 2024–2025. We model revenue growth of 12.9% y/y for 2025E as we estimate slight recovery for the wall elements business coupled with continued growth in the roof elements and roof element systems businesses. The capacity utilization for wall elements is likely to remain relatively low, whereas we anticipate higher utilization levels in the roof elements sector due to slightly faster growth compared to the market. The anticipated increase in capacity scheduled for completion in the second half of 2025 introduces a degree of unpredictability to our forecasts; nevertheless, given the extensive expertise of the management team in industrial investments, we anticipate a seamless transition during the ramp-up stage. We project investments of around EUR 18 million for 2024–2025, including the current Pyhântä investment, with EUR 7.5 million financed through debt and nearly EUR 4 million through investment aid. While the company's payout ratio has hovered above the mid-term target, we expect that the dividend payout ratio is closer to the middle of the 30–50% target payout target rate for 2024–2025E due to the ongoing investment.

New wall element capacity fully available in 2026E, yet we expect utilization to remain rather low

For 2026E we predict residential construction market conditions to continue to normalize in Finland. While the market is expected to normalize, we still estimate that the Pyhântä unit will not be at its full capacity. LapWall targets net sales of over EUR 70m for 2026E while our estimate stands at EUR 61.2m, or roughly 12% lower than the target. We argue that reaching the target would require a faster market recovery than we currently expect. For profitability, LapWall's medium term target is to maintain the EBITA margin in the

range of 12-15%. Our current estimate for EBITA margin in 2026E is at 12.4%, as we expect margin improvement to result from volume growth and improved efficiency created by the new and more efficient capacity in Pyh nt . As previously stated, the investment in Pyh nt  is anticipated to enhance margins by various means: improving material utilization, reducing costs of subassemblies and assemblies, and enabling more efficient sourcing of raw materials in greater quantities.

Expecting continued strong growth for 2027-2030E

Our projections indicate net sales reaching roughly EUR 70-90 million for the years 2027-2030E, assuming that market conditions have largely stabilized by that time. According to LapWall's calculated market size of approximately EUR 400 million, we are anticipating that the company will grab over 20% of the market. Our long-term projections might be too cautious, given that the Pyh nt  investment should enable the company to achieve group wide net sales that exceed EUR 100m. As previously mentioned on the market overview section, we argue that LapWall has multiple competitive advantages incl. technological advantage and the company's standardized LEKO® element system. After our assessment of the direct competitors, we find that the largest threat from direct competitors might be short-term price-driven competition. In the long-term the largest competitive threat comes from further decline of detached and semi-detached house construction in Finland and on the non-residential side, from other building materials. We forecast growth to slow down to a 2-3% per year range in the long term after the projected market normalization and capacity increase during 2024-2030E. In terms of profitability, we model a long-term sustainable EBITDA margin of approximately 14%, close to the average historical profitability of European building materials companies.

Table 3: Estimate summary

LapWall	2022	H1/'23	H2/'23	2023	H1/'24	H2/'24E	2024E	2025E	2026E
Revenue	52.5	18.9	23.0	41.9	21.1	22.1	43.2	48.2	61.2
<i>change, %</i>	-17.4%	-25.9%	-14.9%	-20.2%	12.0%	-4.0%	3.2%	11.5%	27.0%
EBITDA	9.5	2.6	2.7	5.3	2.8	2.7	5.5	7.0	10.0
<i>-margin</i>	18.1%	13.7%	11.6%	12.6%	13.2%	12.3%	12.7%	14.5%	16.3%
EBITA	8.3	1.9	2.0	4.0	2.2	2.1	4.3	5.4	7.6
<i>-margin</i>	15.7%	10.2%	8.8%	9.4%	10.2%	9.6%	9.9%	11.2%	12.4%
Operating profit	7.8	1.7	1.6	3.2	1.7	1.7	3.4	4.6	6.8
<i>-margin</i>	14.9%	8.8%	6.9%	7.7%	8.2%	7.8%	8.0%	9.6%	11.1%
Net financials	-0.7	0.0	0.0	0.0	0.0	-0.1	-0.1	-0.4	-0.3
Pre-tax profit	7.1	1.7	1.5	3.2	1.7	1.6	3.3	4.2	6.5
Income taxes	-1.4	-0.3	-0.3	-0.6	-0.2	-0.4	-0.6	-1.0	-1.5
Other	-0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net earnings	5.5	1.3	1.2	2.6	1.5	1.2	2.7	3.3	5.0
EPS reported	0.38	0.09	0.08	0.18	0.10	0.08	0.19	0.22	0.35
Adj. EPS	0.42	0.11	0.11	0.23	0.13	0.11	0.24	0.28	0.40

Source: LapWall, Evli Research estimates

Valuation

BUY with a target price of EUR 3.8

We initiate coverage of LapWall with a BUY-rating and target price of EUR 3.8. Our valuation is based on the company's own historical multiple levels, peer group multiples and the discounted cash flow model. LapWall trades at a discount compared to our peer group, which consists of European small and mid-cap building material manufacturers. We find the current absolute valuation levels rather conservative considering the still rather weak housing market expected for 2024-2025E. While the market environment is challenging, the company has successfully ramped up the roof element side of the business which supports LapWall through the current lower demand for residential housing driven wall element business. The lower number of orders during H1/2024 presents some risks to the near-term guidance yet we argue that the valuation remains undemanding considering the long-term potential.

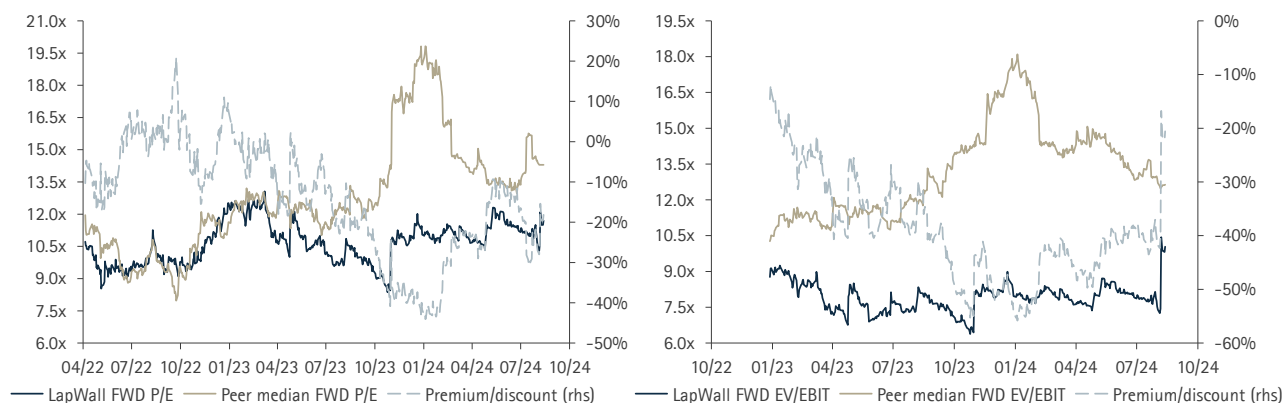
Trading at a discount compared to peers

There are no direct peer companies for LapWall. We consider European small and mid-cap building material companies as the main peer group for the company. Many of the peer companies are currently priced with higher multiples especially for 2024-2025E as the market prices the future potential while earnings are expected to stay muted on the short term due to the weaker construction demand. For 2024-2025, the peer group is trading at a median EV/EBITDA range of 10-7x, EV/EBIT of 16-12x, and P/E of 18-14x. LapWall is currently valued at an approximately 10-30% discount compared to peers based on our 2024-2025 estimates. According to our projections for 2024-2025E, LapWall is priced at 13-11x adj. P/E and 12-10x EV/EBITA. With an anticipated faster recovery in 2026 supported by the company's new capacity and expected improved market conditions, we estimate EV/EBITA of 7x and P/E of 8x. Based on EV/Sales, the company trades roughly at par to peer group, yet we find this unjustified due to the company's higher profitability and capital efficiency vs. average peer. LapWall prepares its financial statements in accordance with the Finnish Accounting Standards. In FAS, goodwill is amortized while in IFRS, it is tested for impairment. For the multiples affected, we adjust LapWall's figures to exclude the annual goodwill amortizations.

Short-term uncertainty hides long-term potential

DCF analysis illustrates the long-term potential of the company as we expect the market to normalize in the medium to long term and the company's new capacity to enable profitable growth. We model LapWall reaching almost 11.1% EBIT margin (12.4% EBITA margin) in 2026E with net sales of EUR 61.2m resulting in EBIT of EUR 6.8m (EBITA EUR 7.6m). As commented earlier, our estimate for net sales is at a lower level compared to LapWall's own target for 2026 (target EUR >70m). We continue to model strong growth for 2027-2029E after which the growth falls to 2-3% y/y and EBIT margin to 11.5%, which we see as a sustainable level in line with average historical profitability of European building materials companies. With WACC of 9.6%, our DCF points towards a fair value of approximately EUR 5.4 per share, considerably higher than the current market pricing. Although the fair value suggests significant upside, we are cautious due to the limited clarity regarding market recovery. In addition, despite the company's expansion into the non-residential construction driven roof element market, LapWall's end markets are inherently cyclical and therefore long-term forecasting remains challenging.

Figure 31: P/E (lhs) and EV/EBIT (rhs), LapWall vs. peer group median



Source: Factset, Evli Research

Peer group consists of building material manufacturers

There are no direct peer companies for LapWall. We consider European small and mid-cap building material companies as the main peer group for the company. Our peer group consists of the following companies:

Steico specializes in the production of ecological building materials made primarily from renewable raw materials, mainly wood. Its product range includes flexible and rigid insulation panels, sheathing boards for roofs, walls, and floors, as well as complementary products such as laminated veneer lumber (LVL) and I-joists for use in sustainable construction projects. Steico is headquartered near Munich, Germany with around 1900 employees.

Inwido is a leading European window and door manufacturer. The company is headquartered in Malmö, Sweden, and has established a strong presence across the continent with a variety of brands under its umbrella. Inwido operates in Finland through multiple well-known brands such as Pihla.

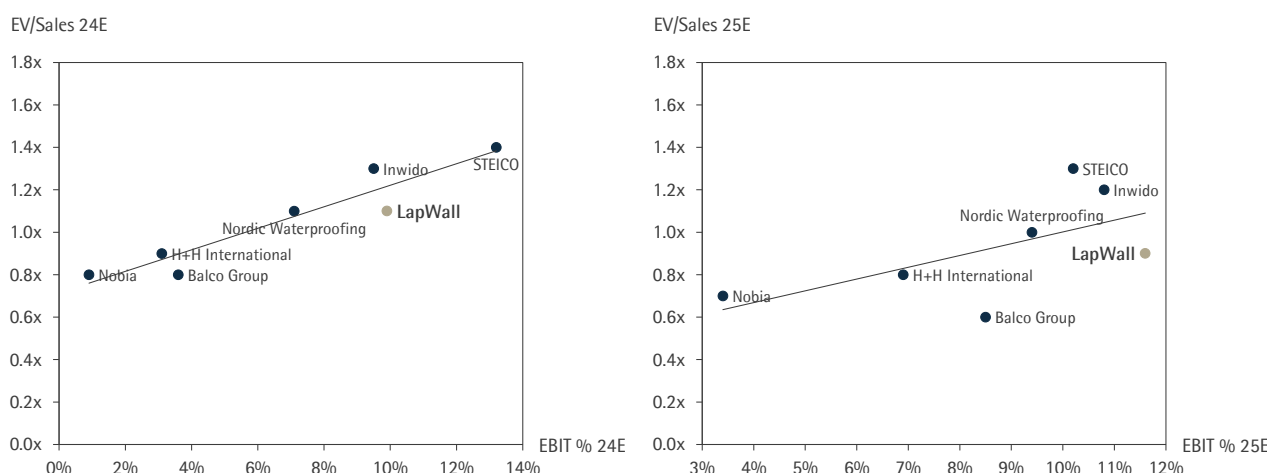
Nordic Waterproofing is a Swedish company and one of the leading providers in the waterproofing industry in Northern Europe. The company's portfolio includes solutions for roofs, walls, floors, and foundations, encompassing a variety of waterproofing membranes, coatings, and related products that protect structures from water and moisture damage. Kerabit Kattoelementit is a subsidiary of Nordic Waterproofing.

H+H International is a building materials producer headquartered in Denmark. It produces autoclaved aerated concrete (AAC) and calcium silicate units—lightweight, precast building materials that provide excellent thermal insulation and constructional benefits.

Balco is a Swedish company with around 700 employees that designs, manufactures, and installs open and glazed balcony systems. The company's product range includes a variety of balcony solutions that can be tailored to meet the specific needs of a building project.

Nobia is leading kitchen specialist in Europe headquartered in Stockholm, Sweden. Nobia designs, assembles, and sells a comprehensive range of kitchen solutions, which include various types of cabinetry, worktops, and integrated kitchen appliances. It operates across several European countries and offers products from budget to high-end kitchens, along with design consultation and installation services.

Figure 32: EV/Sales (y-axis), EBIT % (x-axis), 2024-2025E LapWall (Evli est.) vs. peer group



Source: Factset, Evli Research

Table 4: Peer group

Peer group	MCAP MEUR	EV/Sales			EV/EBITDA			EV/EBIT			P/E		
		24	25	26	24	25	26	24	25	26	24	25	26
STEICO	375	1.4x	1.3x	1.1x	6.7x	7.1x	6.2x	10.9x	13.0x	11.0x	12.9x	15.9x	12.8x
Inwido	882	1.3x	1.2x	1.1x	10.1x	8.8x	7.9x	14.3x	12.0x	10.6x	18.0x	14.1x	12.0x
Nordic Waterproofing Hld	340	1.1x	1.0x	1.0x	10.1x	8.2x	7.8x	16.0x	11.5x	10.8x	18.2x	12.7x	11.8x
H+H International	211	0.9x	0.8x	0.7x	11.5x	6.7x	5.4x	29.9x	12.8x	9.0x		14.0x	8.9x
Nobia	309	0.8x	0.7x	0.6x	7.3x	5.1x	4.4x		17.6x	11.2x			16.6x
Balco Group	80	0.8x	0.6x	0.5x	11.4x	6.3x	5.8x	22.8x	8.5x	7.7x	19.6x	8.1x	6.9x
Peer Group Average	366	1.0x	0.9x	0.8x	9.5x	7.0x	6.3x	18.8x	12.6x	10.1x	17.2x	12.9x	11.5x
Peer Group Median	324	1.0x	0.9x	0.9x	10.1x	6.9x	6.0x	16.0x	12.4x	10.7x	18.1x	14.0x	11.9x
LapWall (Evli est.)	47	1.1x	0.9x	0.7x	9.0x	7.8x	5.0x	11.6x	10.0x	6.5x	13.3x	11.5x	8.0x

LapWall prem./disc. to peer median
Source FactSet, Evli Research

Peer group		Sales gr.			EBIT-%			ROE-%			Div. yield		
		24	25	26	24	25	26	24	25	26	24	25	26
STEICO	375	(16.6)%	7.5 %	14.1 %	13.2 %	10.2 %	10.6 %	8.5 %	6.6 %	7.8 %	2.1 %	1.9 %	2.1 %
Inwido	882	(8.8)%	5.6 %	5.3 %	9.5 %	10.8 %	11.6 %	10.3 %	12.4 %	13.6 %	3.6 %	3.9 %	4.2 %
Nordic Waterproofing Hld	340	(4.1)%	5.3 %	3.6 %	7.1 %	9.4 %	9.7 %	11.6 %	15.2 %	15.1 %	3.3 %	4.2 %	4.3 %
H+H International	211	(24.2)%	6.2 %	6.6 %	3.1 %	6.9 %	9.1 %	(1.7)%	6.7 %	9.7 %	-	-	-
Nobia	309	(30.9)%	3.8 %	4.5 %	0.9 %	3.4 %	5.0 %	(8.3)%	0.7 %	3.9 %	-	-	2.6 %
Balco Group	80	11.3 %	14.0 %	5.7 %	3.6 %	8.5 %	8.9 %	5.6 %	11.6 %	12.4 %	1.5 %	3.9 %	4.2 %
Peer Group Average	366	(12.2)%	7.1 %	6.6 %	6.2 %	8.2 %	9.2 %	4.3 %	8.9 %	10.4 %	1.7 %	2.3 %	2.9 %
Peer Group Median	324	(12.7)%	5.9 %	5.5 %	5.4 %	8.9 %	9.4 %	7.0 %	9.2 %	11.1 %	1.8 %	2.9 %	3.4 %
LapWall (Evli est.)	47	3.2 %	11.5 %	27.0 %	9.8 %	11.2 %	12.4 %	15.4 %	17.5 %	23.3 %	2.3 %	2.8 %	5.4 %

LapWall prem./disc. to peer median
Source FactSet, Evli Research

Investment risks

Market risks	As a construction material company, the demand for LapWall's products is driven by the overall construction volumes in Finland. The lower demand seen during the last two years has increased competition in the space which has led to price competition. The current consensus estimate is that the volumes will start to recover in 2025, especially on the residential side. LapWall mitigates the market risk by providing wooden elements to many different construction sub segments. In addition to residential offering, the company produces, for example roof elements which are used in non-residential buildings such as industrial buildings or factories.
Project risks	Construction projects are often complex and have the potential for delays or cost overruns. Project margin is affected negatively if the company cannot deliver the project on time and on budget. The majority of LapWall's revenue is currently generated via project deliveries. While we see that the company's business model minimizes the project risks, risks exist especially in more complicated projects such as large industrial construction projects.
Pyhäntä factory investment	The Pyhäntä factory investment is substantial when compared to the company's historical investments and overall size. In our view, the success of the factory investment is one of the key drivers for the whole investment case going forward. LapWall expects that the new factory will be ready for production during H2/25. The main risks related to the project include future demand, technology and the construction of the factory itself.
Integration of the acquired companies	LapWall's acquisitions have been bolt-on by nature and the logic has been to support the company's current operations by expanding the offering and client base. While we see no immediate risk in the integration of the recently acquired targets, possible future acquisitions could prove unsuccessful. While we recognize the risk, we expect organic growth to remain the main driver of the company's revenue growth going forward.
Customer retention	The largest customer by revenue account for 7% of LapWall's net sales in 2023. LapWall has been able to diversify its customer base during recent years as in 2021 the top 3 customers by revenue accounted for roughly 22% of total net sales, in 2023 the share was 16%. Despite having a more diversified customer base, the company's customer retention is still a key consideration. LapWall's client satisfaction is currently at a very high level. In 2023, the company's net promoter score (NPS) improved to 72, up from 65 in 2022. In our view, the largest risk to customer retention is related to possible client bankruptcies and other financial difficulties caused by the current market conditions which could affect retention.
Technology	While we see LapWall as the leader in innovation and technology in the Finnish wooden element manufacturing space, its competitors are also investing in technological advancement. We see that the company's direct competitors do not have such a high capacity to invest yet the indirect competitors, such as element manufacturers utilizing different raw materials could increase the total competition by new technological innovations. For example, some of the concrete element manufacturers are currently investing in lowering the carbon footprint of their element products, which could make concrete elements more attractive and competitive compared to wooden elements in terms of sustainability.
Supply chain	The availability of key raw materials and the cost of commodities can fluctuate, affecting the production and pricing of wooden elements. Disruptions in the supply chain can pose risks to consistent supply and cost management. According to the company's IPO prospectus, the largest raw material supplier supplies roughly 20-25% of the company's total raw materials which increases LapWall's dependency on the raw material supplier.

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC	
Current share price	3.22 PV of Free Cash Flow	31 Long-term growth, %	2.0 Risk-free interest rate, %	2.50
DCF share value	5.35 PV of Horizon value	46 WACC, %	9.6 Market risk premium, %	5.8
Share price potential, %	66.2 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %	2.5
Maximum value	5.8 Marketable securities	4 Minimum WACC, %	9.1 Equity beta coefficient	1.30
Minimum value	5.0 Debt - dividend	-3 Maximum WACC, %	10.1 Target debt ratio, %	20
Horizon value, %	59.9 Value of stock	78 Nr of shares, Mn	14.5 Effective tax rate, %	20

DCF valuation, EURm	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	Horizon
Net sales	42	43	48	61	72	79	85	88	89	91	93	95
<i>Sales growth, %</i>	-20.2	3.2	11.5	27.0	17.5	10.0	7.5	3.0	2.0	2.0	2.0	2.0
Operating income (EBIT)	3	3	5	7	9	10	10	10	10	10	11	11
<i>Operating income margin, %</i>	7.7	7.9	9.6	11.1	12.5	12.5	12.0	11.5	11.5	11.5	11.5	11.5
+ Depreciation+amort.	2	2	2	3	3	3	3	3	3	3	3	
EBITDA	5	5	7	10	12	13	13	13	13	13	13	
- Paid taxes	-1	-1	-1	-2	-2	-2	-2	-2	-2	-2	-2	
- Change in NWC	0	-1	0	0	0	0	0	0	0	0	0	
<i>NWC / Sales, %</i>	-3.0	-0.9	-1.3	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5	
+ Change in other liabs	0	0	0	0	0	0	0	0	0	0	0	
- Operative CAPEX	-5	-8	-9	-2	-2	-2	-2	-4	-3	-3	-3	
<i>opCAPEX / Sales, %</i>	12.0	17.5	19.7	3.4	2.9	2.8	2.7	4.4	3.3	3.3	3.3	
- 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	-1	-4	-3	6	8	9	9	7	8	8	8	108
= Discounted FCFF		-3	-3	5	6	6	5	4	4	4	3	46
= DFCF min WACC		-3	-3	5	6	6	6	4	4	4	4	51
= DFCF max WACC		-3	-3	5	6	6	5	4	4	4	3	41

INTERIM FIGURES

EVLI ESTIMATES, EURm	2023Q1	2023Q2	2023Q3	2023Q4	2023	2024Q1	2024Q2	2024Q3E	2024Q4E	2024E	2025E	2026E
Net sales	9.3	9.6	10.9	12.1	41.9	10.1	11.0	10.2	11.8	43.2	48.2	61.2
EBITDA	1.5	1.1	1.3	1.3	5.3	1.3	1.4	1.2	1.5	5.5	7.0	10.0
<i>EBITDA margin (%)</i>	<i>15.9</i>	<i>11.6</i>	<i>12.2</i>	<i>11.1</i>	<i>12.6</i>	<i>13.3</i>	<i>13.1</i>	<i>11.5</i>	<i>13.0</i>	<i>12.7</i>	<i>14.5</i>	<i>16.3</i>
EBIT	1.0	0.6	0.8	0.8	3.2	0.8	0.9	0.7	1.0	3.4	4.6	6.8
<i>EBIT margin (%)</i>	<i>11.1</i>	<i>6.5</i>	<i>7.2</i>	<i>6.6</i>	<i>7.7</i>	<i>7.9</i>	<i>8.1</i>	<i>6.6</i>	<i>8.8</i>	<i>7.9</i>	<i>9.6</i>	<i>11.1</i>
Net financial items	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	-0.4	-0.3
Pre-tax profit	1.0	0.6	0.8	0.8	3.2	0.8	0.9	0.6	1.0	3.3	4.2	6.5
Tax	-0.2	-0.2	-0.2	-0.2	-0.6	-0.2	-0.1	-0.2	-0.2	-0.6	-1.0	-1.5
<i>Tax rate (%)</i>	<i>14.6</i>	<i>21.4</i>	<i>15.4</i>	<i>15.3</i>	<i>16.4</i>	<i>15.6</i>	<i>6.4</i>	<i>20.0</i>	<i>20.0</i>	<i>15.4</i>	<i>19.0</i>	<i>20.0</i>
Net profit	0.9	0.5	0.6	0.6	2.6	0.6	0.8	0.5	0.8	2.6	3.3	5.0
EPS	0.06	0.03	0.04	0.04	0.18	0.04	0.05	0.03	0.05	0.18	0.22	0.35
EPS adjusted (diluted no. of shares)	0.06	0.03	0.04	0.04	0.18	0.04	0.05	0.03	0.05	0.18	0.22	0.35
Dividend per share	0.00	0.00	0.00	0.00	0.13	0.00	0.00	0.00	0.00	0.07	0.09	0.17
SALES, EURm												
LapWall	9.3	9.6	10.9	12.1	41.9	10.1	11.0	10.2	11.8	43.2	48.2	61.2
Total	9.3	9.6	10.9	12.1	41.9	10.1	11.0	10.2	11.8	43.2	48.2	61.2
SALES GROWTH, Y/Y %												
LapWall	-23.6	-28.0	-18.5	-11.3	-20.2	9.4	14.6	-6.2	-2.0	3.2	11.5	27.0
Total	-23.6	-28.0	-18.5	-11.3	-20.2	9.4	14.6	-6.2	-2.0	3.2	11.5	27.0
EBIT, EURm												
LapWall	1.0	0.6	0.8	0.8	3.2	0.8	0.9	0.7	1.0	3.4	4.6	6.8
Total	1.0	0.6	0.8	0.8	3.2	0.8	0.9	0.7	1.0	3.4	4.6	6.8
EBIT margin, %												
LapWall	11.1	6.5	7.2	6.6	7.7	7.9	8.1	6.6	8.8	7.9	9.6	11.1
Total	11.1	6.5	7.2	6.6	7.7	7.9	8.1	6.6	8.8	7.9	9.6	11.1

Construction & Engineering/Finland, August 21, 2024
Company report

INCOME STATEMENT, EURm	2019	2020	2021	2022	2023	2024E	2025E	2026E
Sales	0.0	0.0	35.5	52.5	41.9	43.2	48.2	61.2
<i>Sales growth (%)</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>48.0</i>	<i>-20.2</i>	<i>3.2</i>	<i>11.5</i>	<i>27.0</i>
EBITDA	0.0	0.0	6.1	9.5	5.3	5.5	7.0	10.0
<i>EBITDA margin (%)</i>	<i>0.0</i>	<i>0.0</i>	<i>17.2</i>	<i>18.1</i>	<i>12.6</i>	<i>12.7</i>	<i>14.5</i>	<i>16.3</i>
Depreciation	0.0	0.0	-1.4	-1.2	-1.3	-1.3	-1.6	-2.4
EBITA	0.0	0.0	4.8	8.3	4.0	4.2	5.4	7.6
Goodwill amortization / writedown	0.0	0.0	-0.4	-0.5	-0.7	-0.8	-0.8	-0.8
EBIT	0.0	0.0	4.4	7.8	3.2	3.4	4.6	6.8
<i>EBIT margin (%)</i>	<i>0.0</i>	<i>0.0</i>	<i>12.3</i>	<i>14.9</i>	<i>7.7</i>	<i>7.9</i>	<i>9.6</i>	<i>11.1</i>
Reported EBIT	0.0	0.0	4.4	7.8	3.2	3.4	4.6	6.8
<i>EBIT margin (reported) (%)</i>	<i>0.0</i>	<i>0.0</i>	<i>12.3</i>	<i>14.9</i>	<i>7.7</i>	<i>7.9</i>	<i>9.6</i>	<i>11.1</i>
Net financials	0.0	0.0	-0.1	-0.7	0.0	-0.1	-0.4	-0.3
Pre-tax profit	0.0	0.0	4.2	7.1	3.2	3.3	4.2	6.5
Taxes	0.0	0.0	-0.9	-1.4	-0.6	-0.6	-1.0	-1.5
Minority shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit	0.0	0.0	3.3	5.5	2.6	2.6	3.3	5.0
Cash NRIs	0.0	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	0	8	7	10	9	16	24	23
Goodwill	0	2	2	2	6	5	4	3
Right of use assets	0	0	0	0	0	0	0	0
Inventory	0	1	3	3	3	5	7	8
Receivables	0	3	3	5	5	5	7	6
Liquid funds	0	2	2	8	4	5	0	2
Total assets	0	17	17	28	27	37	42	43
Liabilities								
Shareholder's equity	0	5	7	16	17	18	20	23
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	0	0	0	0	0	0	0	0
Interest bearing debt	0	5	3	2	1	8	8	5
Non-interest bearing current liabilities	0	6	7	10	9	9	11	15
Other interest-free debt	0	0	0	0	0	2	4	0
Total liabilities	0	17	17	28	27	37	42	43
CASH FLOW, EURm								
+ EBITDA	0	0	6	10	5	5	7	10
- Net financial items	0	0	0	-1	0	0	0	0
- Taxes	0	0	-1	-1	-1	-1	-1	-1
- Increase in Net Working Capital	0	2	-1	1	0	-1	0	0
+/- Other	0	0	0	0	0	0	0	0
= Cash flow from operations	0	2	4	8	4	4	6	8
- Capex	0	-11	0	-4	-5	-8	-9	-2
- Acquisitions	0	0	0	0	0	0	0	0
+ Divestments	0	0	0	0	0	0	0	0
= Free cash flow	0	-9	4	4	-1	-4	-4	6
+/- New issues/buybacks	0	5	-2	5	1	0	0	0
- Paid dividend	0	0	0	-2	-3	-2	-1	-1
+/- Other	0	5	-2	-1	-1	7	0	-3
Change in cash	0	2	0	6	-3	1	-5	1

KEY FIGURES	2020	2021	2022	2023	2024E	2025E	2026E
M-cap	0	0	51	45	47	47	47
Net debt (excl. convertibles)	4	1	-6	-3	3	7	3
Enterprise value	4	1	45	42	49	54	50
Sales	0	35	53	42	43	48	61
EBITDA	0	6	10	5	5	7	10
EBIT	0	4	8	3	3	5	7
Pre-tax	0	4	7	3	3	4	6
Earnings	0	3	5	3	3	3	5
Equity book value (excl. minorities)	5	7	16	17	18	20	23
Valuation multiples							
EV/sales	0.0	0.0	0.9	1.0	1.1	1.1	0.8
EV/EBITDA	0.0	0.2	4.8	8.0	9.0	7.8	5.0
EV/EBITA	0.0	0.3	5.5	10.7	11.7	10.0	6.5
EV/EBIT	0.0	0.3	5.8	13.1	14.5	11.7	7.3
EV/OCF	2.2	0.3	5.8	10.3	12.7	9.2	6.3
EV/FCFF	-0.4	0.3	10.9	-48.0	-13.7	-16.3	8.2
P/FCFE	0.0	0.0	14.4	-50.4	-12.6	-12.9	8.1
P/E	0.0	0.0	9.3	17.6	17.7	14.3	9.3
P/B	0.0	0.0	3.2	2.7	2.7	2.4	2.0
Target EV/EBITDA	0.0	0.0	0.0	0.0	10.5	9.0	5.8
Target EV/EBIT	0.0	0.0	0.0	0.0	17.0	13.5	8.5
Target EV/FCF	0.0	0.0	0.0	0.0	-15.6	-17.2	10.0
Target P/B	0.0	0.0	0.0	0.0	3.2	2.8	2.4
Target P/E	0.0	0.0	0.0	0.0	20.9	16.9	11.0
Per share measures							
Number of shares	0	12,379	14,226	14,526	14,526	14,526	14,526
Number of shares (diluted)	0	12,379	14,226	14,526	14,526	14,526	14,526
EPS	0.00	0.27	0.38	0.18	0.18	0.22	0.35
Operating cash flow per share	0.00	0.36	0.55	0.28	0.27	0.40	0.54
Free cash flow per share	0.00	0.33	0.25	-0.06	-0.25	-0.25	0.40
Book value per share	0.00	0.58	1.11	1.15	1.21	1.36	1.62
Dividend per share	0.00	0.14	0.19	0.13	0.07	0.09	0.17
Dividend payout ratio, %	0.0	51.9	49.4	73.7	40.0	40.0	50.0
Dividend yield, %	0.0	0.0	5.3	4.2	2.3	2.8	5.4
FCF yield, %	0.0	0.0	6.9	-2.0	-7.9	-7.8	12.4
Efficiency measures							
ROE	0.0	53.4	47.6	15.7	15.4	17.5	23.3
ROCE	0.0	41.0	54.4	17.8	15.6	17.4	24.5
Financial ratios							
Inventories as % of sales	0.0	7.1	6.1	7.4	12.0	15.0	13.0
Receivables as % of sales	0.0	8.8	9.5	10.9	12.5	14.0	10.5
Non-interest bearing liabilities as % of sales	0.0	18.8	19.0	21.3	21.3	22.0	24.0
NWC/sales, %	0.0	-2.9	-3.3	-3.0	-0.9	-1.3	-0.5
Operative CAPEX/sales, %	0.0	1.2	8.3	12.0	17.5	19.7	3.4
CAPEX/sales (incl. acquisitions), %	0.0	1.2	8.3	12.0	17.5	19.7	3.4
FCFF/EBITDA	0.0	0.7	0.4	-0.2	-0.7	-0.5	0.6
Net debt/EBITDA, book-weighted	0.0	0.2	-0.6	-0.6	0.5	1.0	0.3
Debt/equity, market-weighted	0.0	0.0	0.0	0.0	0.2	0.2	0.1
Equity ratio, book-weighted	31.2	41.6	56.3	62.0	48.0	46.8	54.8
Gearing, %	69.6	17.7	-34.7	-18.0	15.0	37.1	12.0

COMPANY DESCRIPTION: LapWall is a Finnish construction material company that produces prefabricated wooden construction elements for both residential and non-residential buildings. The company operates through its three production facilities located in Finland. LapWall's business model is centered around its LEKO® element system that covers everything from element design to installation. LapWall was founded in 2011 and currently employs roughly 115 personnel. The company was listed to the First North Growth Market in 2022.

INVESTMENT CASE: The sluggish residential construction market has decreased demand for LapWall's wooden wall element products during 2023-2024. While the wall elements market remains difficult, the firm's expansion into roof element capabilities has proven fruitful, with roof element demand holding up better. The company is currently investing in its Pyhämä factory to triple the capacity. We forecast 2023-2024 to be the cycle-low in terms of earnings and expect that the company will continue its profitable growth as market stabilizes throughout 2025-2028 and LapWall gains market share.

OWNERSHIP STRUCTURE	SHARES	EURm	%
Jarmo Pekkarinen	2,700,000	8.694	18.6%
Timo Pekkarinen	2,245,000	7.229	15.5%
Pohjanmaan Arvo Sijoitusosuuskunta	1,510,306	4.863	10.4%
Ahola Tuomas Veli	1,358,147	4.373	9.4%
Pekkarinen Janne Petteri	964,751	3.106	6.6%
Alquila Oy	562,819	1.812	3.9%
Pekkarinen Antti Olavi	390,632	1.258	2.7%
Kari Viljamaa	385,644	1.242	2.7%
Suomen Teollisuussijoitus Oy	294,108	0.947	2.0%
Ahti Väisänen	271,254	0.873	1.9%
Ten largest	10,682,661	34.398	74%
Residual	3,842,857	12.374	26%
Total	14,525,518	46.772	100%

EARNINGS CALENDAR

October 29, 2024

Q3 report

OTHER EVENTS**COMPANY MISCELLANEOUS**

CEO: Jarmo Pekkarinen

Yrittäjätie 7, 36600 Pälkäne

CFO: Tuomo Riihonen

Tel:

IR:

DEFINITIONS

P/E	$\frac{\text{Price per share}}{\text{Earnings per share}}$	EPS	$\frac{\text{Profit before extraord. items and taxes} - \text{income taxes} + \text{minority interest}}{\text{Number of shares}}$
P/BV	$\frac{\text{Price per share}}{\text{Shareholders' equity} + \text{taxed provisions per share}}$	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	$\frac{\text{Capital expenditure} - \text{divestments} - \text{acquisitions}}{\text{Sales}}$
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	$\frac{\text{Total assets} - \text{non-interest bearing debt}}{\text{Number of shares}}$
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, %	$\frac{\text{Interest bearing debt}}{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions}}$
Payout ratio, %	$\frac{\text{Total dividends}}{\text{Earnings before extraordinary items and taxes} - \text{income taxes} + \text{minority interest}}$	Equity ratio, %	$\frac{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions}}{\text{Total assets} - \text{interest-free loans}}$
ROCE, %	$\frac{\text{Profit before extraordinary items} + \text{interest expenses} + \text{other financial costs}}{\text{Balance sheet total} - \text{non-interest bearing debt (average)}}$	CAGR, %	Cumulative annual growth rate = Average growth per year

<p>ROE, %</p> $\frac{\text{Profit before extraordinary items and taxes - income taxes}}{\text{Shareholder's equity + minority interest + taxed provisions (average)}}$	
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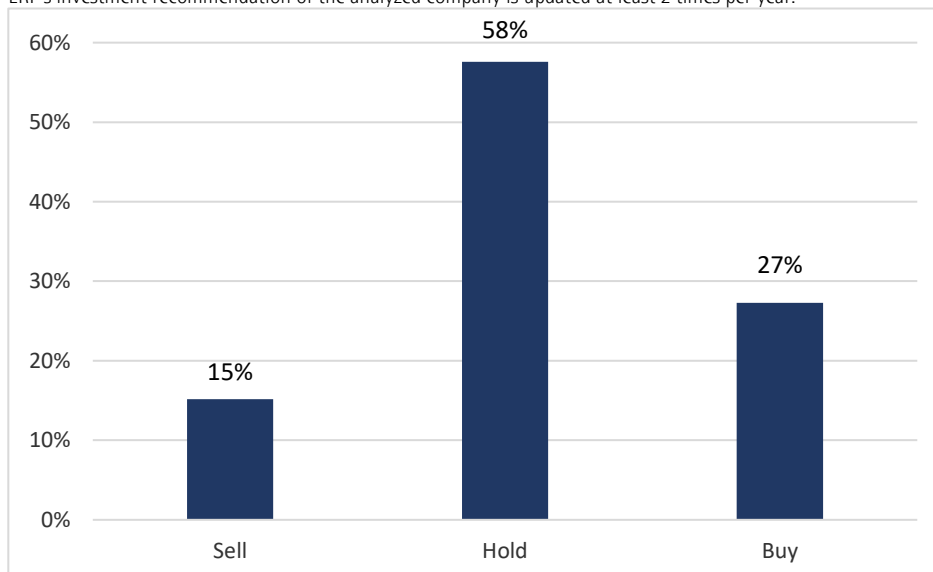
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Investment recommendations are defined as follows:

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

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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): Jortikka

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Contact information**SALES, TRADING AND RESEARCH****Equity, ETF and Derivatives Sales**

Joachim Dannberg	+358 9 4766 9123
Ari Laine	+358 9 4766 9115
Kimmo Lijja	+358 9 4766 9130

Trading

Lauri Vehkaluoto (Head)	+358 9 4766 9120
Pasi Väisänen	+358 9 4766 9120
Antti Kässi	+358 9 4766 9120
Miika Ronkanen	+358 9 4766 9120

Structured Investments

Heikki Savijoki	+358 9 4766 9726
Aki Lakkisto	+358 9 4766 9123

Equity Research

Atte Jortikka	+358 40 054 3725
Joonas Ilvonen	+358 44 430 9071
Jerker Salokivi	+358 9 4766 9149

Evli Investment Solutions

Johannes Asuja	+358 9 4766 9205
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EVLI**EVLI PLC**

Aleksanterinkatu 19 A
P.O. Box 1081
FIN-00101 Helsinki, FINLAND
Phone +358 9 476 690
Internet www.evli.com
E-mail firstname.lastname@evli.com

**EVLI PLC,
STOCKHOLMSFILIAL**

Regeringsgatan 67 P.O. Box 16354
SE-103 26 Stockholm
Sverige
stockholm@evli.com
Tel +46 (0)8 407 8000