EVLI

NORDEC

Construction & Engineering/Finland, June 8, 2022

IPO research report

Building for the future

Nordec is one of the leading providers of steel frame structures and envelope solutions for construction projects in the Nordics, measured by revenue, with a strong position in the CEE countries. Nordec is through its planned IPO seeking capital to invest in future growth.

Focus on the project execution

Nordec operates in the new non-residential construction market and designs, manufactures, and installs frame structures, envelopes and bridges. The company mainly uses steel in its structures but is able to complement its offering with other elements and materials. The company emphasizes its project management capabilities, which together with the wide service offering in our view provides a competitive advantage and serves the establishment of strong customer relationships.

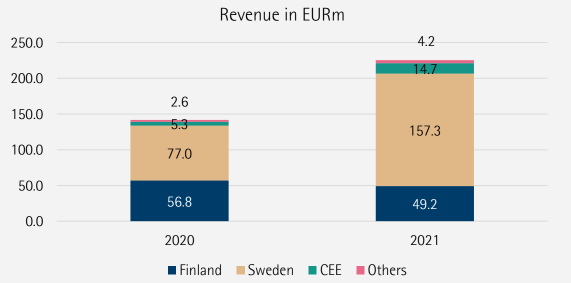
Megatrends enable growth opportunities

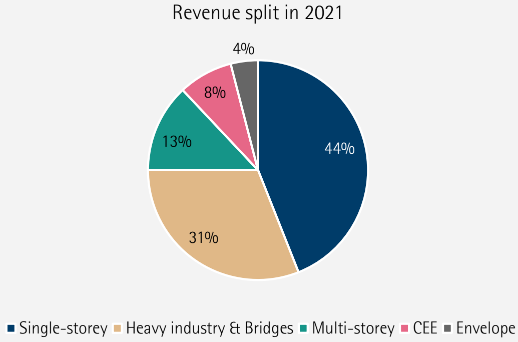
Nordec operates in the traditional non-residential construction markets in Nordic and CEE countries. The market growth has been quite moderate but by focusing on growth pockets offered by current megatrends, the company gains access to more rapid growth opportunities. The company has delivered solutions for the battery value chain, logistics centers, and green transition investments in which the company in our view is well positioned to seek futher growth.

Implied equity value of EUR 71.7-85.0m

We have approached Nordec's valuation mainly through peer group analysis. Nordec's peers currently trade with 22-23E EV/EBITDA multiples of 6.4-6.2x and EV/EBIT multiples of 9.5-8.8x. In our view, Nordec's valuation should near that of the peer group and should the company succeed in improving its profitability along with the investment program we see it justified that the company could be trading at or above its peers. Our implied equity value for Nordec lands between EUR 71.7-85.0m.

Rating N/A





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KEY FIGURES

	Sales EURm	EBIT EURm	EBIT %	FCF EURm	EPS EUR	P/E (x)	EV/Sales (x)	EV/EBIT (x)	FCF yield %	DPS EUR
2020	141.7	18.3	12.9%	13.6	2.24	-	-	-	-	0.00
2021	225.5	2.0	0.9%	3.7	0.13	-	-	-	-	0.00
2022E	263.9	4.7	1.8%	9.0	0.37	-	-	-	-	0.00
2023E	277.0	8.8	3.2%	8.8	0.80	-	-	-	-	0.36
2024E	286.9	11.2	3.9%	7.7	1.03	-	-	-	-	0.46

Market cap, EURm	-	Gearing 2022E, %	-	CAGR EPS 2021-24, %	18.6
Net debt 2022E, EURm	-16	Price/book 2022E	-	CAGR sales 2021-24, %	8.4
Enterprise value, EURm	-	Dividend yield 2022E, %	-	ROE 2022E, %	9.9
Total assets 2022E, EURm	107	Tax rate 2022E, %	21.6	ROCE 2022E, %	13.2
Goodwill 2022E, EURm	0	Equity ratio 2022E, %	30.6	PEG, P/E 22/CAGR	-

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Investment summary

Nordec operates in the new non-residential construction market and designs, manufactures, and installs frame structures, envelopes and bridges, operating in the Nordics and Central and Eastern Europe. Nordec in its current form is based on the company's acquisition of Normek in 2019 and the acquisition of Ruukki Building Systems in 2020 but has over 40 years of accumulated experience in the industry. Nordec employed 569 persons in Finland, Poland, Lithuania, Sweden, Czech Republic, and Norway, at the end of 2021.

Nordec provides "all-inclusive" projects taking full responsibility for the frame structure construction phase with help of its subcontractors. Nordec has strong and established customer relationships, with customer groups including for instance construction companies, real estate investors, and industrial companies. Added value is brought by precise project planning and design, coupled with the company's own manufacturing and installation capabilities. The wide role in the value chain in our view enables Nordec to achieve efficient project execution driving cost efficiency, reliability, and shorter delivery times, which we see as reasons for the established customer relationships.

In its 2025 strategy, Nordec aims to gain organic growth, strengthen its operational excellence, enhance its production in order to improve lead times and obtain cost savings, support employees by increasing working safety and personnel satisfaction, and also search for inorganic growth opportunities. In 2025, the company targets a revenue of EUR 300m and an EBITDA margin above 6%.

With a solid result in Q1'22 and significant y/y order-book growth, we expect Nordec to see double-digit topline growth in 2022. We expect group revenue to grow by 17% y/y to EUR 263.9m. Growth is driven by all market areas, but we view Finland as contributing to the growth pace the most. We expect 22E revenue in Finland to grow by 34% y/y while after the solid year of 2021, Sweden's growth pace will smoothen in our estimates to 6.3% y/y. We estimate the smaller markets, CEE, and Others to grow by high double-digit figures in 2022. By gross margin remaining flat y/y and fixed costs increasing by ~16%, our 22E adjusted EBITDA estimate amounts to EUR 13.2m (5% margin). Despite the uncertainty regarding macroeconomic conditions and investment activities, we expect Nordec's growth to continue also during 2023-24. Driven by projects in the battery value chain and logistics, we expect the company to grow by 5% and 3.6% y/y during 2023-24. We expect the growth pace to slow down in the Nordics, especially in Finland. Our 23E EBITDA estimate amounts to EUR 14.4m (5.2% margin) while in 2024, we expect to see an EBITDA margin of 5.4%.

We have approached Nordec's valuation mainly through peer group analysis. Nordec's peers currently trade with 22-23E EV/EBITDA multiples of 6.4-6.2x and EV/EBIT multiples of 9.5-8.8x. In our view, Nordec's valuation should near that of the peer group and should the company succeed in improving its profitability along with the investment program we see it justified that the company could be trading at or above its peers. Our implied equity value for Nordec lands between EUR 71.7-85.0m.

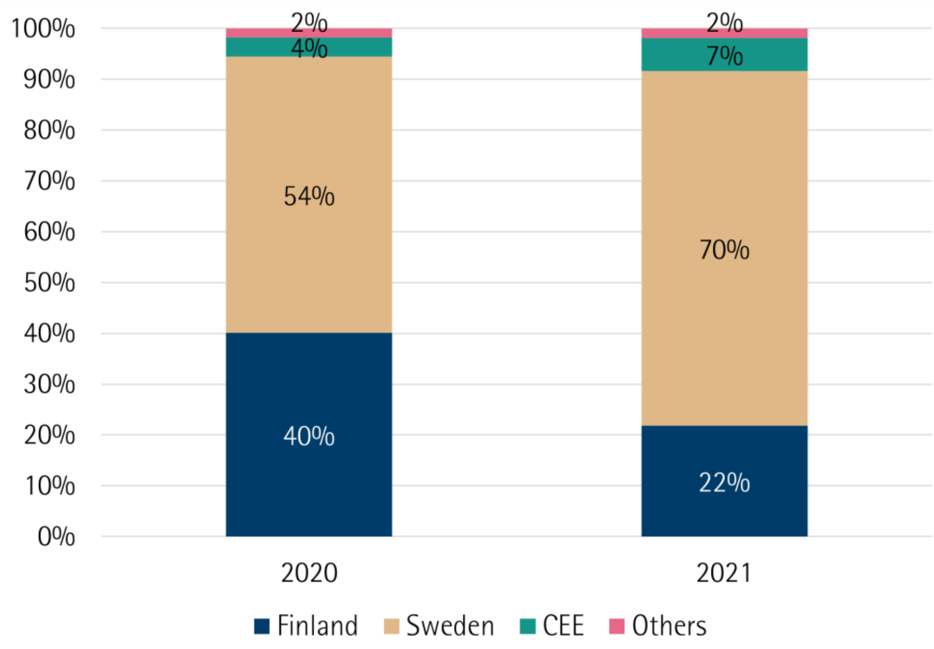
Company overview

Nordec Group Corporation (the "company", or "Nordec") is a provider of steel frame structures and envelope solutions for construction projects. The company operates in the Nordic countries of Finland, Sweden, and Norway (together, the "Nordics") as well as in Central and Eastern European countries of Poland, Lithuania, the Czech Republic, and Slovakia (together, the "CEE Countries"). Nordec's offering covers a wide range of the construction value chain as the company provides products and services for the entire frame structure phase of a construction project. Nordec develops, designs, manufactures, and installs its steel frame structures and facade solutions for each construction project. Nordec's steel frame structures and facade solutions have been applied for single and multi-storey buildings as well as to bridges.

Nordec in its current form is based on the company's acquisition of Normek (the current Nordec Envelope) in 2019 and the acquisition of Ruukki Building Systems (the current Nordec Oy) in 2020. The company is a subsidiary of the German company Donges SteelTec GmbH ("Donges SteelTec"), which is wholly owned by the German holding company Mutares SE & Co. KGaA ("Mutares") which is listed on German stock exchange XETRA. The holding company is planning to stay as a minority shareholder after the contemplated IPO.

Nordec is, measured by revenue, one of the leading providers of steel frame structures and envelope solutions for construction projects in the Nordics with a strong position in the CEE countries as well as over 40 years of accumulated experience in designing, manufacturing, and installing frame structures for small and simple projects as well as challenging landmark projects. The company has three production sites in Finland as well as one in Lithuania and Poland respectively. In addition, Nordec has office facilities in Finland, Sweden, and Czech Republic. Nordec employed 569 employees at the end of 2021, of which ~60% were located in Finland.

Figure 1: Nordec's revenue split by regions

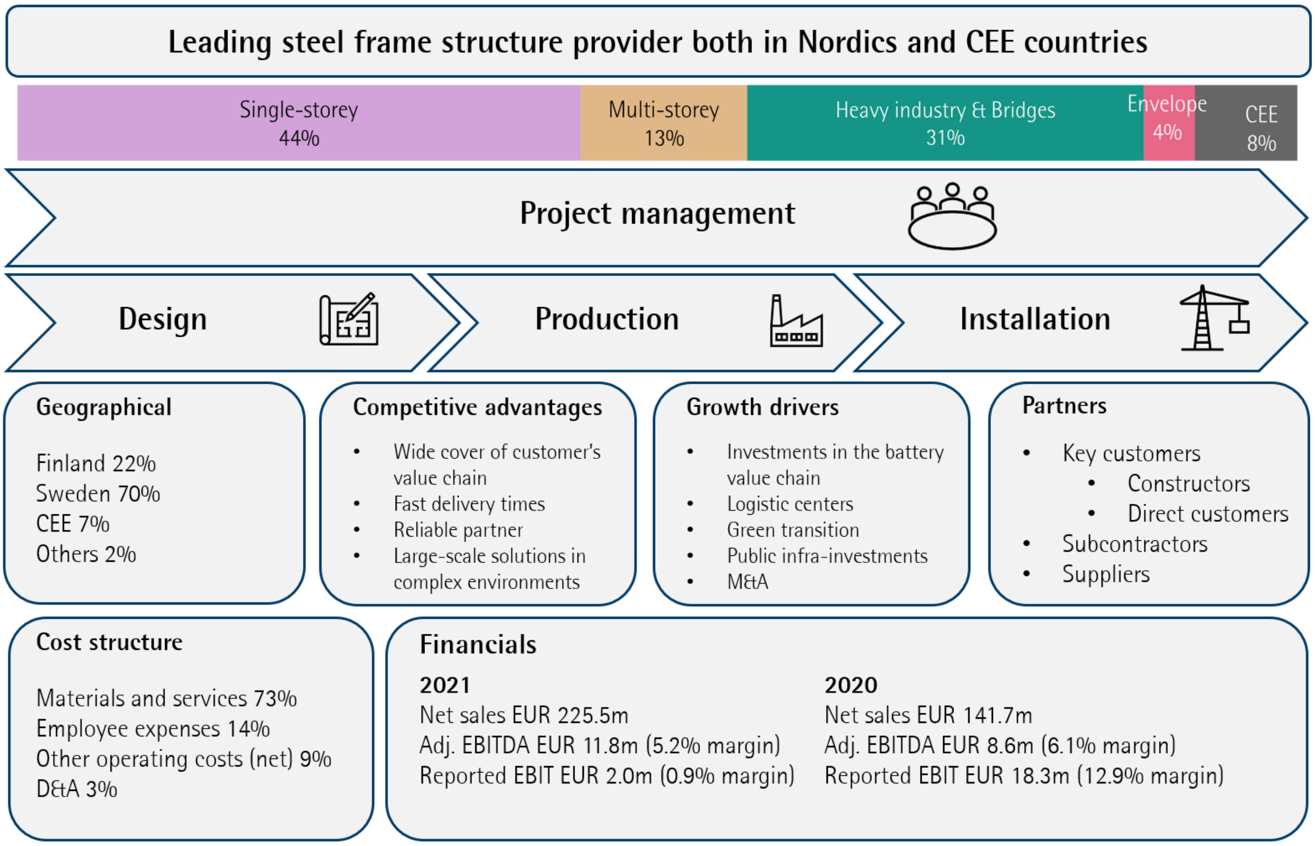


Source: Nordec, Evli Research

Nordec operates in several markets and the majority of 2021 revenue was generated in Sweden while Finland represented 22% of total revenue. Having a small market share in CEE, Nordec managed to grow its revenue by 176% y/y, representing 7% of total revenue in 2021. In CEE, the company has focused on heavy industrial and single-storey buildings but still covers the other project types provided by Nordec's other business areas as well, while in the Nordics the company has projects covering its entire product portfolio.

The company has experienced management, with several years of accumulated experience in the technology and construction industries. The former CFO of Nordec, Kalle Luoto was appointed as CEO in March 2021 with ~30 years of experience in related industries. To our understanding, Luoto also has an extensive experience in M&A execution. Group CFO Jarkko Nurminen has ~15 years of experience in various finance-related roles for example in the construction service company Caverion Corporation. Nurminen was appointed in March 2022. Petri Rignell was appointed as Nordec's Chairman of the Board in late 2021. Rignell has an extensive career in the construction industry and holds chairman positions in multiple construction industry companies, such as Kreate Group Plc and Consti Plc. Rignell acted as the Chairman of the Board of Normek before Donges Teräs (later the company) acquired it.

Figure 2: Business model in brief (all figures for the fiscal year of 2021 unless otherwise stated)



Source: Nordec, Evli Research

Contemplated IPO

Nordec is planning its IPO, with the intention to list its share on the Nasdaq First North Growth market Finland marketplace. The company seeks to raise gross proceeds of approx. EUR 7m by initially offering 960,000 new shares for subscription. In addition, current owner Donges SteelTech, fully owned by Mutares, offers up to 3,330,783 existing shares for sale. The subscription price has been set at EUR 7.36 per offered share in the public and institutional offerings. Subscription price in the personnel offering is 10% lower than the original subscription price, totalling EUR 6.63.

The company has received subscription commitments from Harjavalta Oy and Tirinom Oy as well as certain other professional investors. The commitments are subject to certain conditions, each separately, undertaken to participate in the offering and subscribe for shares with an aggregate amount of not less than EUR 22.4m, provided that the company raises gross proceeds of at least EUR 7m, and the maximum valuation of all of Nordec's outstanding shares (i.e., excluding treasury shares) (after any proceeds from the share issue and taking into account the dilution effect of the company's outstanding option rights), does not exceed EUR 65.1m based on the final subscription price.

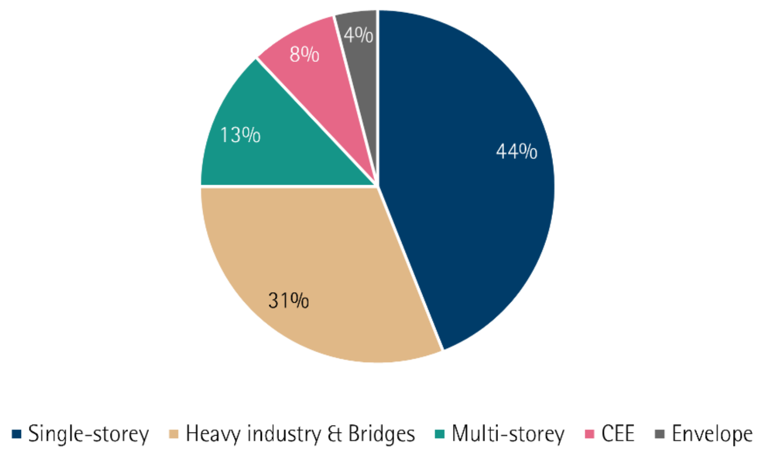
The subscription period for the Public Offering will commence on June 8, 2022, at 10:00 a.m. (Finnish time) and end on or about June 20, 2022, at 4:00 p.m. (Finnish time). The subscription period for the Institutional Offering will commence on June 8, 2022, at 10:00 a.m. (Finnish time) and end on or about June 21, 2022, at 12:00 noon (Finnish time). The subscription period for the Personnel Offering will commence on June 8, 2022, at 10:00 a.m. (Finnish time) and end on or about June 20, 2022, at 4:00 p.m. (Finnish time). The public, personnel and institutional offerings can be discontinued independently of each other.

With the capital raised in the contemplated IPO, Nordec's main target is, according to its strategy, to invest in its future growth. With the investments made, the company expects to achieve cost savings, increase production capacity, decrease production disturbances and delays as well as shorten the total delivery time of the production. Moreover, with the investment program the company expect to see a 2-3.3%-p. positive impact on its project margin levels.

Furthermore, Nordec's current indirect owner, the holding company Mutares, is, to our understanding, initiating its exit process according to its strategy. Mutares will remain Nordec's indirect minority shareholder.

Business areas

Figure 3: Revenue split by business units 2021



Source: Nordec, Evli Research

Single-storey: The single-storey business unit delivers steel frame structures and integrated envelope solutions to large-scale and single-storey buildings. Examples of projects of the Single storey business area are the DLS Bålsta logistics facility and the ongoing Dahl Bålsta logistics facility in Bålsta, Sweden, the Coop Logistics Center in Eskilstuna, Sweden, the DSV Logistics Center in Rosersberg, Sweden, the Nokia Arena sports arena in Tampere, Finland, the Vuokatti Arena sports arena in Vuokatti, Finland, the Snø indoor winter sports arena in Lørenskog, Norway, and the Coop Logistics Center in Gardermoen, Norway. 44% of 2021 revenue was generated by the single-storey business unit.

The Multi-storey business unit provides frame structures and envelope solutions to multi-storey buildings, such as shopping malls, offices, and commercial buildings. Examples of projects of the Multi storey business area are the Kamppi and Redi shopping centers in Helsinki, Finland, office and retail buildings in the Perhelä complex in Järvenpää, Finland, the OOPS – Oasis of Professionals office building in Espoo, Finland, the Kv Platinan office and hotel building and the Gårda Vesta office building in Gothenburg, Sweden, the Life City office building in Stockholm, Sweden, and the Lagunen Storsenter shopping center in Bergen, Norway. In total, the business unit generated 13% of total revenue in 2021.

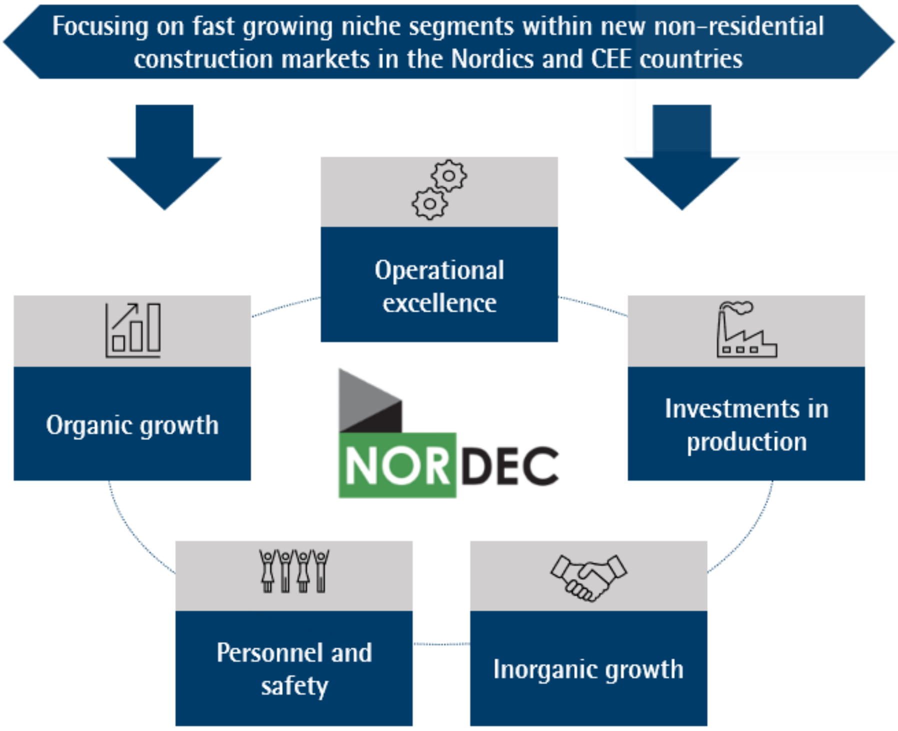
The Envelope business unit designs, manufactures, and delivers aluminium, glass, and thermoelements for building facades. In addition to pure envelope solution deliveries, the business area complements Nordec's other business areas, as envelopes are to an extent needed for all buildings. Examples of projects of the Envelope business area are Next office building in Espoo, Finland, the West Terminal 2 of the Port of Helsinki in Helsinki, Finland, Terminal 2 of the Helsinki Vantaa airport in Vantaa, Finland and the OOPS – Oasis of Professionals office building in Espoo, Finland. The business segment represented 4% of total revenue in 2021, but some envelope-related sales are also reported in other business segments' sales and, therefore, the importance of the business area is higher than what its share of total revenue would indicate.

The Heavy industry & bridges business area focuses on the complete delivery of frame structures and integrated envelopes for tall and large industrial buildings and steel bridges. The Examples of projects of the Heavy industry & bridges business area are the ongoing Crown Bridges project (Kruunusillat) in Helsinki, Finland, several battery supply chain related building projects within the Northvolt Ett facility in Skellefteå, Sweden, the Kalix bridge in Kalix, Sweden, Metsä Group's projects in Äänekoski and Kemi, Finland, the Isoisänsilta bridge in Helsinki, Finland, two mine buildings in Kevitsa, Finland, and a battery chemical plant in Sotkamo, Finland. Heavy industry & bridges business area accounted for 31% of Nordec's 2021 revenue.

The CEE business area comprises Nordec's operations in Central and Eastern Europe, where it mainly focuses on single storey and heavy industrial buildings, but still covers the other project types provided by Nordec's other business areas as well. In addition, the CEE business area manufactures steel structure products for Nordec's projects in other business areas. In addition to products, the CEE business area supplies a part of the installation personnel used in the Nordics through Nordec's Lithuanian subsidiary, UAB Nordec. Examples of projects of the CEE business area are the OC Nivy shopping mall in Bratislava, Slovakia, EKOVA Electric a.s.'s production facility in Ostrava, the Czech Republic, LG Chem's battery factory in Wrocław, Poland, the Korputorg hall data center in Reykjavík, Iceland, HOMANIT Holding GmbH's production facility in Vilnius, Lithuania, and UAB KJKK BEGA's storage facility in Klaipėda, Lithuania. The CEE business area accounted for 8% of Nordec's revenue in 2021.

Strategy and financial targets

Figure 4: Strategy



Source: Nordec, Evli Research

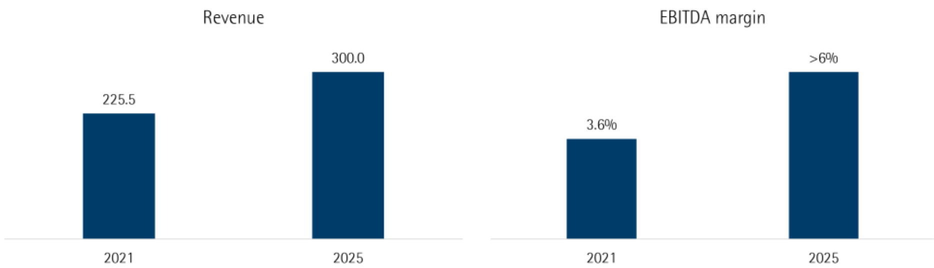
With its growth strategy, the company aims for revenue of EUR 300m and an EBITDA margin to reach the level of at least 6 percent by the end of 2025. The company expects to reach its targets with organic growth, but in addition it aims to execute carefully selected acquisitions that would target growth and synergies through expansion into complementary product ranges in the European frame and envelope markets, production capabilities and services. The company also intends to expand its presence in Eastern Europe and Germany. By expanding bridge sales in infrastructure projects in Sweden and Norway and by increasing envelope solutions in Sweden the company aims to gain additional market share outside Finland.

By further standardizing its products, increasing own design resources, and capability, strengthening project schedule management, and responding more effectively to sustainability challenges, higher project margin levels are achievable. At the same time, production automation and production capacity will be increased, which is seen to have a positive impact on lead times and revenue growth.

For a labour-intensive business the value of personnel is evident and according to Nordec's strategy, further investments in working safety will be made to strengthen personnel wellbeing and safety. To ensure low turnover among personnel and attract new top talents, the company continues to focus on personnel satisfaction and development.

Apart from EUR 1m return of unrestricted capital in 2020, the company hasn't distributed dividends during recent years. In the future, Nordec aims to distribute at least 50% of its profit as dividends to its shareholders, yet, considering its financial position, cash flow, and growth opportunities.

Figure 5: Targets



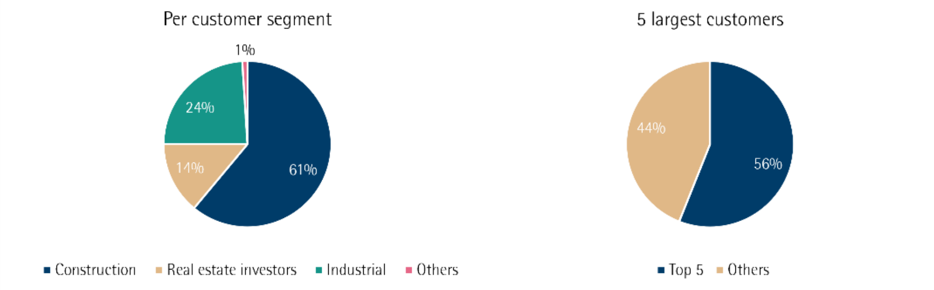
Source: Nordec, Evli Research

Customers

Nordec has a loyal customer base in the Nordics, and over the years, the company has built a solid foundation for growing its presence in the CEE markets. The company serves mainly private sector customers, but a part of the underlying demand is originated from the public sector initiatives, for example infrastructure investments. Over 60% of 2021 revenue originated from sales to construction partners while direct sales to real estate investors and industrial customers represented 38% in 2021.

Nordec's customer base is quite centralized and a set of five largest customers represented 56% of total revenue in 2021, indicating that the company carries, to some extent, a customer-specific risk. Assuming that the set of five largest customers includes multiple large construction project companies, we don't find the customer centralization as a major risk since the customer relationships with all major construction companies have continued from year to year according to the company's management.

Figure 6: Revenue split per customer groups

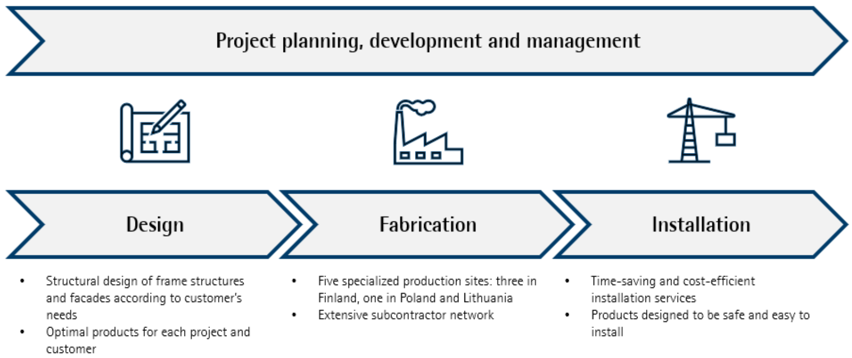


Source: Nordec, Evli Research

Nordec's reference portfolio is comprehensive, and it includes several large Nordic contractors. Nordec has the capabilities to act in various roles throughout the value chain of construction projects, including being in charge of the overall design of a project and the details of the structures used, as well as of the production and installation of the structures, and Nordec believes that this drives cost efficiency, reliability and shorter delivery times, enabling an efficient overall execution of an entire project. Should the company manage to grow its share among direct sales customers, we find more attractive margins achievable through cost efficiency gained from applying the company's optimized principles as well as stronger pricing power.

Wide cover of customer's value chain

Figure 8: Project cycle



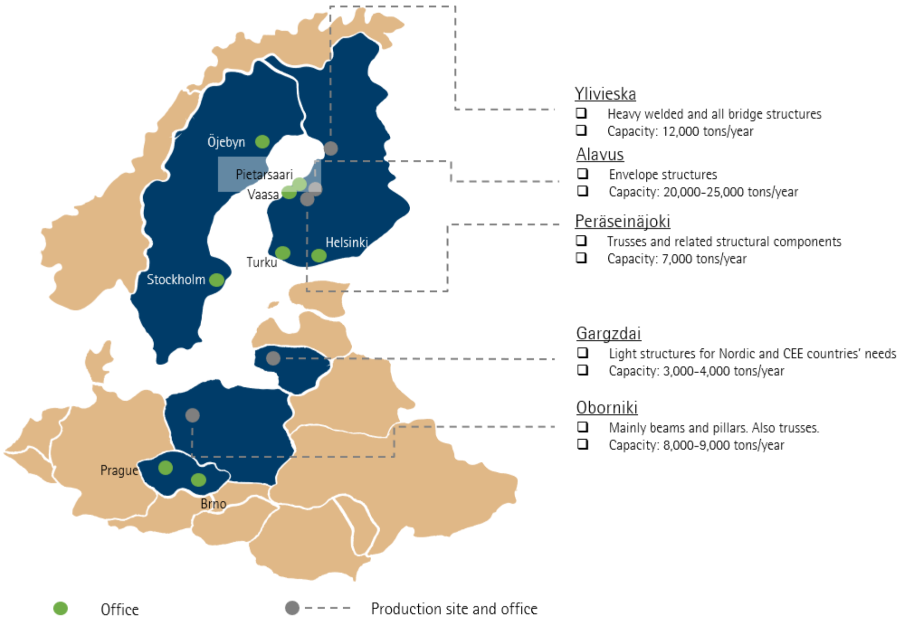
Source: Nordec, Evli Research

As earlier mentioned, Nordec provides the entire project management from design to installation of frame structures and envelope solutions. By being a trusted partner throughout the project, Nordec takes full responsibility for the framing phase, making customer's life easier. With Nordec taking full responsibility of a project, the company can apply its best practices and the project can proceed more smoothly without additional interruptions, eventually improving the delivery time.

Every project starts with structural designing and project planning. Standardized processes and integrated design create synergies and increase the project's cost-efficiency. In our view, the design phase brings a notable amount of value add to the entire value chain. Nordec's integrated processes enable fast delivery times, enabling an efficient overall execution of an entire project.

The products are manufactured in Nordec's five production facilities. Each factory is specialised in a certain product category, for example, envelope structures are manufactured only in Finland. Each production unit has its own area of strength and therefore not all of them are intended to manufacture all products. Flexibility may be achieved by potentially partially using rental workers at own operations and using subcontracting for a certain part of average production needs. Nordec's capacity can be easily increased by applying additional work shifts, as the production facilities primarily operate in one or two shifts per day, depending on the production unit in question. Three of the total five factories are based in Finland in Ylivieska, Peräseinäjoki, and Alavus. Light structures for CEE countries' and Nordic needs are manufactured in Nordec's factory in Gargzdai, Lithuania, and beams, pillars, and trusses are manufactured in Oborniki, Poland. Nordec's factory tonnes amounted to 29,800 tonnes/year at the end of the year 2021.[1]

Figure 9: Nordec's locations



Source: Nordec, Evli Research

Eventually, Nordec's team installs steel frames on-site. According to our assessment, customers value the installation services of Nordec, which enables more time for a customer to focus on the main characteristics of the project instead of assisting outsourced installation team on-site.

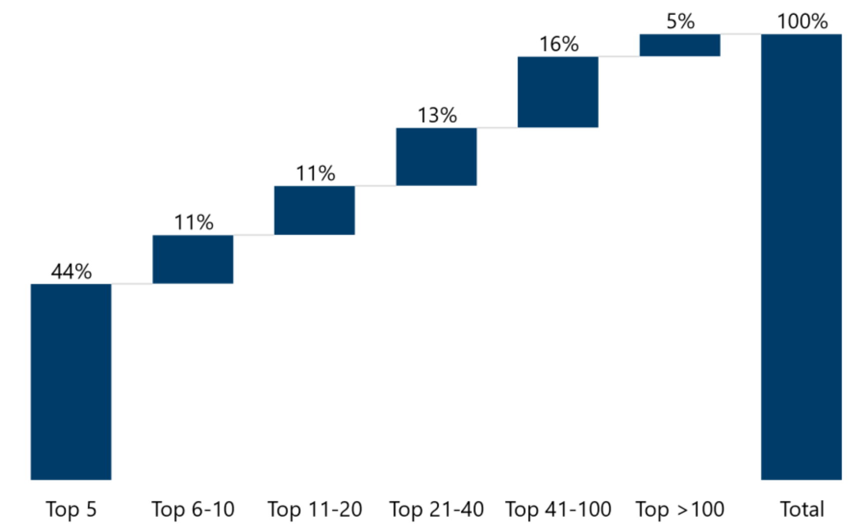
[1] *Includes capacity of Oulu factory that was divested in April 2021.*

Projects and products

In addition to traditional projects, based on Nordec's project references, the company has delivered landmark projects, such as architectural buildings and bridges. Nordec may deliver the entire package, from the design to the installation. To our understanding, landmark projects are typically led by some other contractor, such as a construction project company, and the designing role of Nordec might be smaller.

In our view, project sales are quite centralized in terms of project size. A significant part of Nordec's revenue originated from the largest projects. 44% of 2021 revenue came from the five largest projects. The 20 largest projects represented 66% of total revenue in 2021. Based on our estimation, project sizes might vary from hundreds of thousands to tens of millions of euros. However, with stable invoicing during the project lifetime, the company diversifies its cash flows not being recognized at a single moment. Considering the project-related risks, the absence of a few new deals might cause a notable dent in Nordec's result in our view. In addition, occasional completions of major projects have caused some intra-year variation in Nordec's topline.

Figure 10: Revenue split in terms of size of a project (2021)



Source: Nordec, Evli Research

Typically, Nordec's projects finance themselves through front-loaded cash flow profiles. At the planning stage of each project, Nordec pursues to plan invoicing schedules in a way that cumulative cash flow will be positive throughout the project. The cash flow profile lowers the financial risks and makes Nordec's cash flows more predictable.

Investments in project management have improved Nordec's project performance. Measuring deviation between budgeted and actualized project margins, the absolute deviation has decreased from ~8% to ~5% during 2018-2021. Improvements in Nordec's project management processes has resulted in improvements in project forecasting and management. Furthermore, during 2019-21, 92% of Nordec's projects with revenue of more than EUR 0.1 million have been profitable. In our estimates, the negative projects in terms of profits have not had a significant impact on group-level project margins.

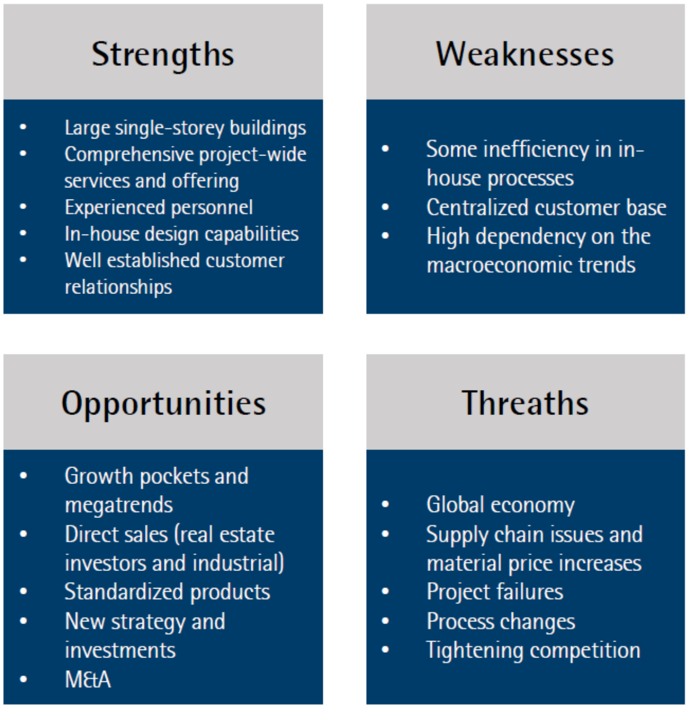
The company's product portfolio consists of both standardized and customized frame structures, facade envelopes, and bridge structures. The share of standardization is still low, but the company has ambitions to grow its sales "over projects", i.e., fully standardized products. In our view, a significant increase in the standardized structure or component sales would have a clear positive impact on Nordec's margins, by reflecting Nordec's competitors' performance. Frame structure-related products include steel columns filled with concrete on-site, steel trusses, and welded beams. In envelope solutions, the company provides glass and aluminium facade solutions as well as thermoelements.

Competitive advantages

In our view, the company's competitive advantages lie in the comprehensive offering that covers a wide range of the customer's value chain. By managing the entire framing phase, Nordec is able to optimize processes which would typically save time and bring cost-efficiency. Over the years, Nordec has delivered large projects successfully and designed products for complex environments.

To our understanding, most common tendering criteria in the structure framing projects are price, reliability, and delivery time. In our view, by managing the entire project value chain the company has an edge over the projects that involve multiple partners concerning the structuring of the building. Hence, also reliability, efficiency, and delivery times are important competitive advantages of Nordec in our view.

Figure 11: SWOT analysis

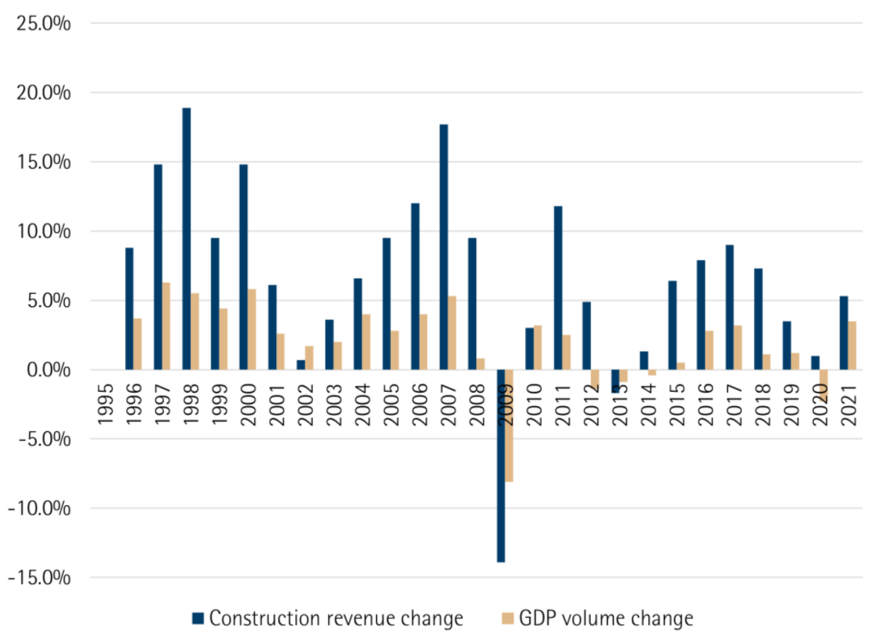


Source: Evli Research

Markets[2]

Nordec operates in the new non-residential construction market of which development has historically been driven by the economic development. Based on construction market volume and GDP development in Finland the slowdowns that the market has experienced happened during the dot-com bubble in early 2000, the financial crisis during 2007-09, the European debt crisis during 2010-14, and the COVID-19 pandemic in 2020, which eventually recovered quite rapidly. In 2021, production of the Finnish new non-residential construction was worth EUR 8.5bn.[3] The current outlook seems bright after the COVID-19 slowdown as there is general optimism in industrial investments, but the recent war in Ukraine has created demand uncertainty and increased material costs. We have evaluated that a common inflationary environment has activated central banks to execute contractionary monetary policy, i.e. raising interest rates and lowering asset purchases, which might affect the GDP development through different channels. Ultimately, the global economic growth almost directly defines the state of construction market development, as can be seen in the Figure 12 below.

Figure 12: Construction market volume and GDP development in Finland



Source: Stat.fi, Evli Research

[2] *NB: All views stated in following chapter reflects research made by Evli Research (unless otherwise explicitly stated) supported by sources that Evli Research find trustable.*
[3] *Rakennusteollisuus*

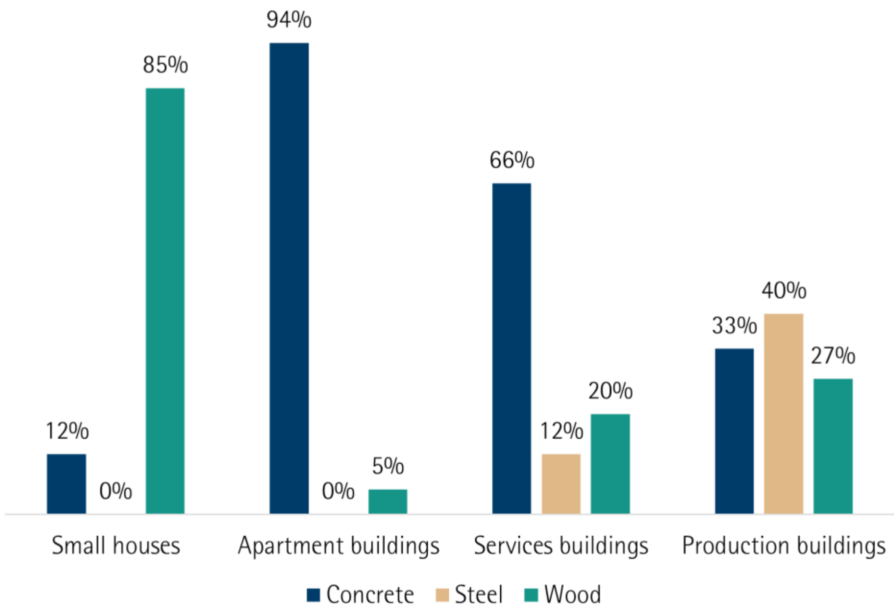
Steel frame structures as a technology

According to Finnish Constructional Steelwork Association (FCSA), steel framing is one of few frame structuring methods. In addition to steel, buildings may have structures made from concrete, wood, or their combination, depending on the size and weight of the building. According to FCSA steel framing is typically used in production buildings, where the surface area is wide, or in complex buildings, facades, and bridges.

Key advantages of the usage of steel frames:

- Steel's benefits include highest strength-to-weight ratio of any building material, light structures and low volume requirements resulting in lighter buildings requiring less extensive foundations, easy repairs, high durability and recyclability with at least an 85 percent recovery rate.
- The structural parts of a steel frame are manufactured in a factory which accelerates the installation phase on-site and the entire process is efficient.
- A steel frame is easy to complement and strengthen to increase the carrying capacity.
- Steel as a material has a low unit cost.

Figure 13: Frame materials used in different building types in Finland on average between 2016 and 2020



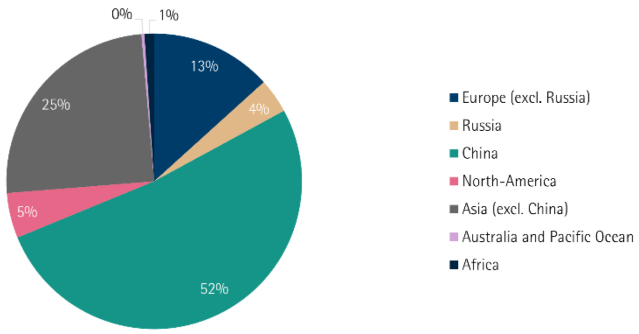
Source: Stat.fi, Rakentamisen trendit ja muutokset huomioidaan rakennuskustannusindeksin uudistamisessa, 2021

Steel structures were used in 40% of production buildings between 2016 and 2020, while concrete was used in 33%.[4] Steel is the most practical frame structure in large halls where the erection of supporting pillars is not desired. Steel frames enable construction of buildings that demand high load bearing capacity, where the market share of steel has been as high as 45-55% in recent years, while in new construction of the commercial building the share of steel framing represents ~25% of the total

[4] *Statistics Finland*

construction.[5] Steel can be recycled multiple times without loss of attributes, and it has a long usage age. The steel market is continuously pursuing a transition to carbon-neutral production.

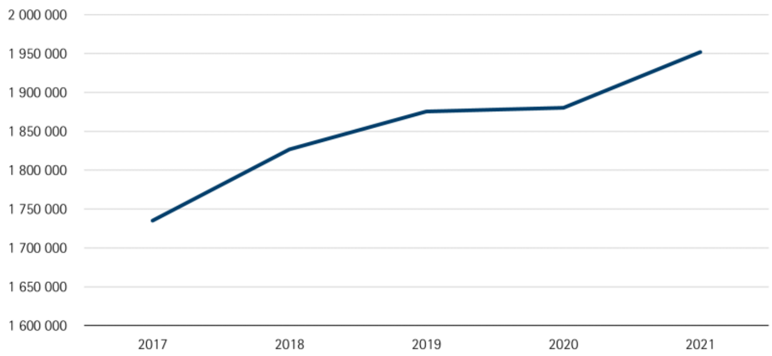
Figure 14: Steel production in 2021



Source: World Steel Association, Evli Research

According to World Steel Association, approximately half of the world's steel production takes place in China while the relevant steel market to Nordec, the European steel market, covers 13% of the world's steel production. The European construction market faced uncertainty and sudden shifts in late February 2022 when Russia attacked Ukraine, an European steel producing country. Global steel prices went up due to reduced steel flows from Russia, Belarus and Ukraine to Western Europe as a result of the sanctions that western countries applied on Russia and Belarus. To our understanding, Nordec has sourced its steel from western European markets and suffers only from the indirect effects caused by the war in Ukraine.

Figure 15: World's crude steel production in thousand tonnes

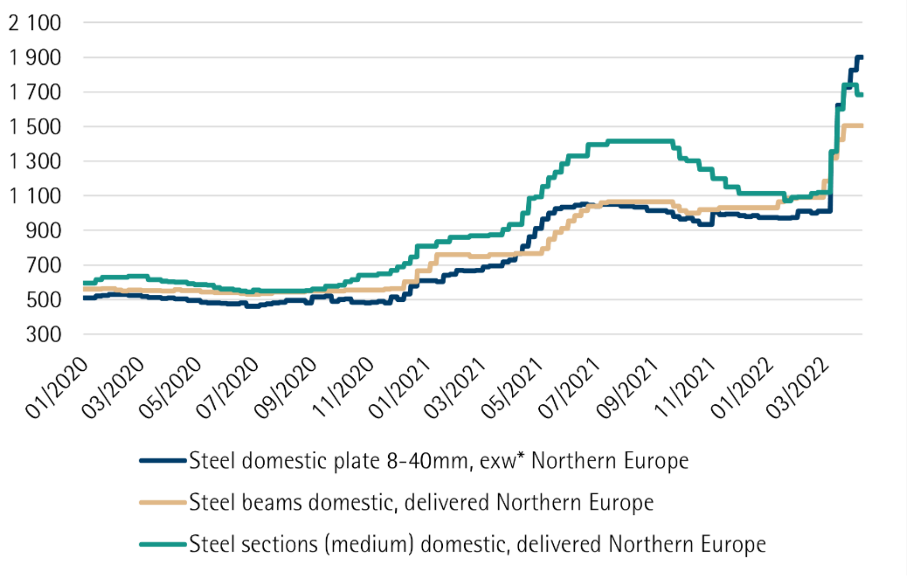


Source: World Steel Association, Evli Research

According to World Steel Association, steel production development has been quite consistent, and it has grown at a CAGR of 3% during 2017-21 and total production of crude steel was 1.95bn tonnes in 2021. In 2020, 38% of total steel consumption in the EU was generated by the construction sector while the next largest industry was automotive with a share of 16%.[6]

[5] *Finnish Constructional Steelwork Association*
[6] *Eurofer: European Steel in Figures 2021*

Figure 16: Steel price development (EUR/tonnes)



Source: Fastmarkets MB (April 2022), Evli Research
** Exw denotes the price paid for the product ex works (i.e., when it leaves the factory) and is a widely used international shipping term. The ex-works price includes the value of all the materials used and all other costs related to its production, less any internal taxes, which are, or may be, repaid when the product obtained is exported.*

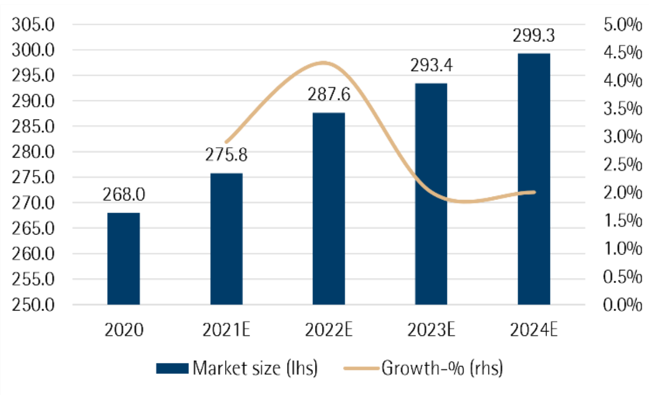
Steel prices started to rise in early 2021 due to rapidly increasing demand resulting from an economic recovery from the slowdown caused by the COVID 19 pandemic. The steel industry was slow to respond to the recovering demand, which caused supply shortages and increasing prices. As available production capacity and the supply of steel increased towards the end of 2021, market prices started to level out. However, the ongoing war in Ukraine that started in February 2022 caused new disruptions in the steel market due to reduced steel flows from Russia, Belarus, and Ukraine to Western Europe. The drop in the supply of steel has caused steel prices to increase further in the early part of 2022.

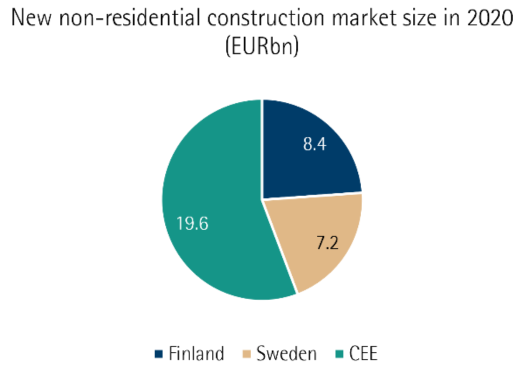
Non-residential construction markets

Nordec operates in the new non-residential construction market within frame structuring which has faced quite moderate growth rates in its near past. The market saw a decline in 2020, due to COVID-19 but the market is expected to see a clear growth above market trend during 2021-2022. The entire non-residential construction market is sizeable, Nordec's target market (Finland, Sweden, and CEE) amounting to approximately EUR 37bn in 2021E[7]. However, the steel frame structure market represents only a small share of the total market size based on our analysis. According to our estimates, the steel frame structures could represent some 5-10% of the new non-residential construction market in Finland.

[7] *New non-residential construction output: Euroconstruct*

Figure 17: European new non-residential construction market size development during 2020-2024E in EURbn





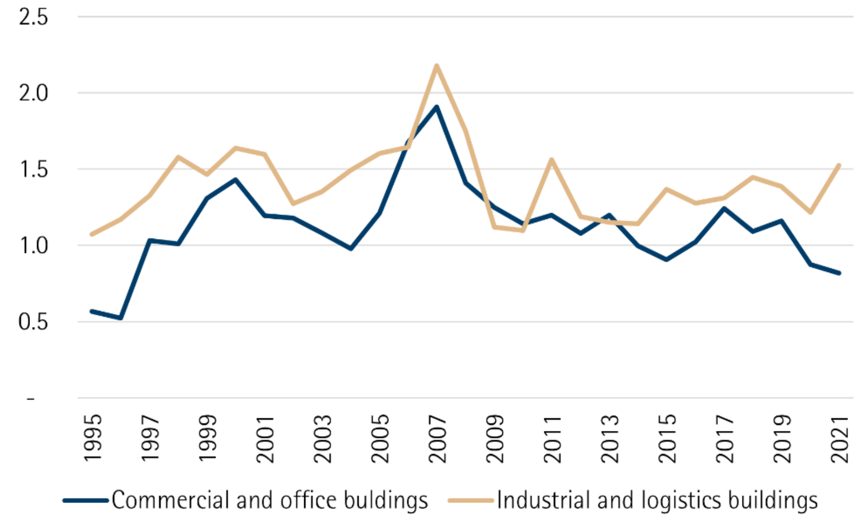
Source: EUROCONSTRUCT, Evli Research

According to a study conducted by Euroconstruct, the storage building construction output in Europe is expected to grow by 17% during 2020-24, implying an annual growth rate of ~4% in our calculations. Storage constructions represent 10% of the entire new non-residential construction market in Europe. The demand for warehouses and logistics centers has increased steadily during the recent decade but driven by COVID-19 the e-commerce sales saw a rapid increase in 2020 and the trend has continued to date. Our view is that the e-tailers and logistics centers have started investments to increase their capacity, generating increased demand for frame structures, especially those made of steel. Industrial building construction output is expected to bounce back from COVID-19 pandemic levels and approach the output level of the year 2019 (circa EUR 50bn[8]) in Europe.

In our view, a good indicator for future development of the construction market is the number of issued building permits. In line with the above-mentioned report's findings, by referring the figure 18, Finland's industrial and logistics buildings' building permits have been on a growing trend during the last decade, offering the potential for Nordec to utilize its accumulated experience from non-residential construction to gain market share. In Sweden, non-residential building permits have increased even more rapidly than in Finland. Meanwhile, the commercial and office buildings' building permits have seen a decline in Finland. In our view, the phenomenon is explained by a decreased need for brick-and-mortar stores and offices through increased e-commerce and remote working. Finland has also historically had quite high vacancy rates within commercial and office buildings, limiting demand for new buildings.

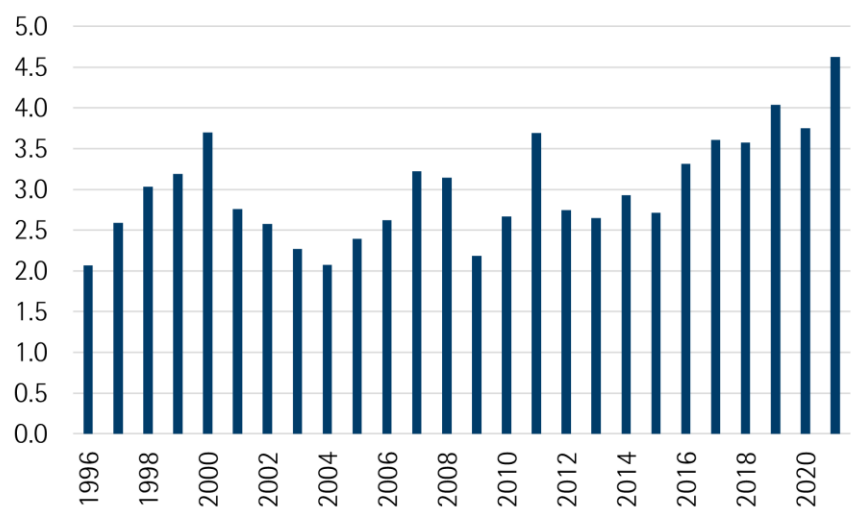
[8] *New non-residential construction output: Euroconstruct*

Figure 18: Finnish non-residential building permits issued (in million squaremeters)



Source: Stat.fi, Evli Research

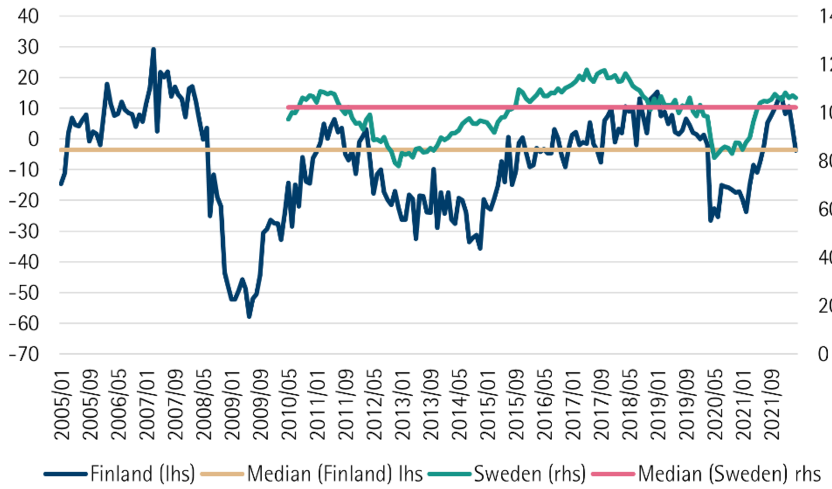
Figure 19: Swedish non-residential building permits issued (in million squaremeters)



Source: Statistics Sweden, Evli Research

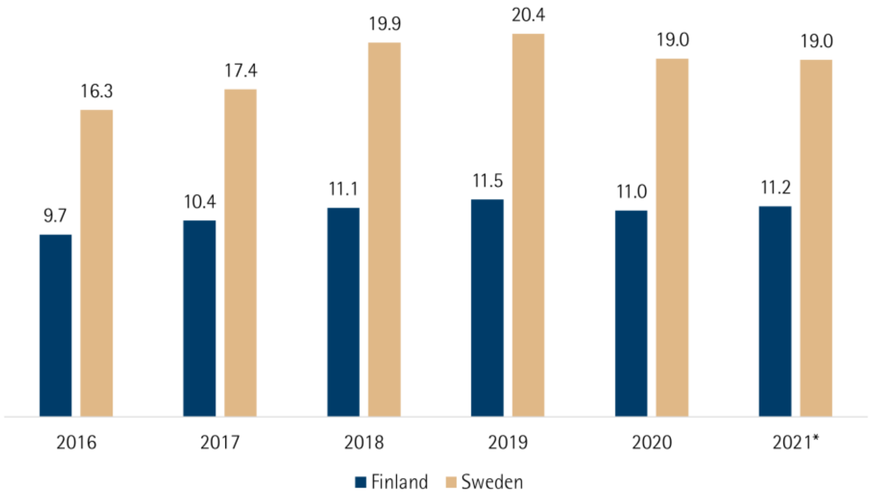
By referring the Figure 19, both Finland's and Sweden's construction confidence indices experienced a significant decline at the beginning of the COVID-19 pandemic. In 2021, confidence indices climbed rapidly up to a new all-time-highs since 2018, driven by investments into residential and non-residential construction. Now, Russia's attack on Ukraine has lowered the confidence among constructors. Clearly, the confidence in Finland has been negatively affected by the current situation as the key figure has declined close to the 17-year median while Sweden's construction confidence has continued quite flat development, still being above its 12-year median, indicating that the demand at least for now has not deteriorated drastically. In our view, the decline in Finland's confidence doesn't directly reflect the current performance of non-residential markets as the order books are quite hefty, but some convergence towards steady-state can be observed.

Figure 20: Construction confidence indicators in Finland and Sweden



Source: EK, Konjunkturinstitutet, Evli Research

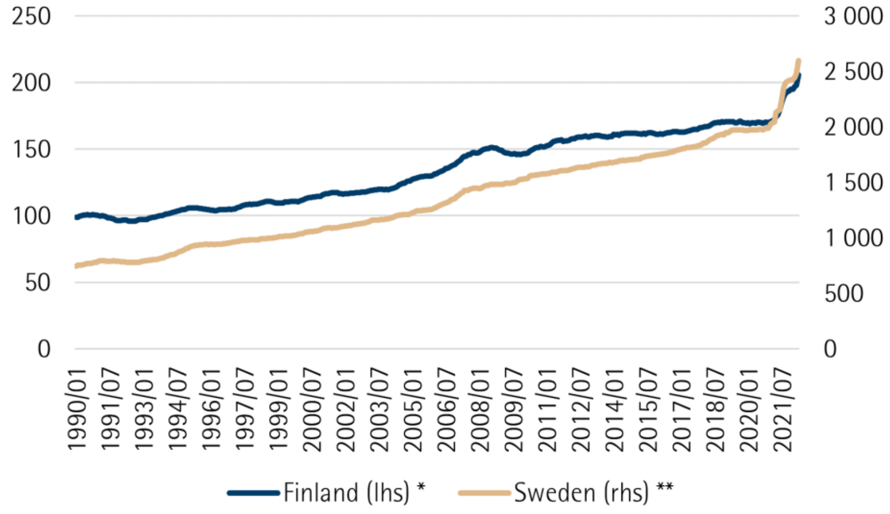
Figure 21: Investments into non-residential buildings in EURm (fixed prices)



Source: FIEC, Evli Research
** Forecast*

Driven by bottlenecks in the global supply chain and increased demand during COVID-19, construction material prices have increased rapidly during 2021-22. Russia's attack on Ukraine further accelerated the price increases. The steel supply has been quite drastically affected, since a part of European steel has been produced either by Russian, Belarussian, or Ukrainian manufacturers, forcing the EU area's steel consumers to find other steel providers.

Figure 22: Construction costs in Nordec's main markets

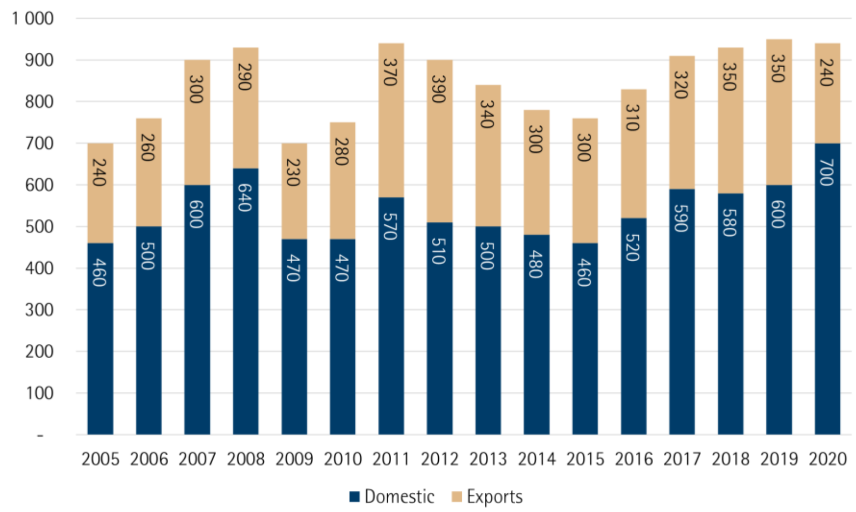


Source: Stat.fi, Statistics Sweden, Evli Research
** Building Cost Index (Materials)*
*** Construction Cost Index (Materials)*

Steel structure markets

Based on our analysis, the steel frame structure markets in Europe are quite fragmented, and the competition is usually local, at least within a few neighbour countries. When looking at the Finnish steel frame structure production, provided by FCSA, the market growth is quite moderate. During 2005-2020, steel frame structure production in Finland has grown at a CAGR of 2% and the performance has been quite cyclical, correlating with the construction market performance. Overall production in Finland amounted to EUR 950m in 2020. We expect the market trend to follow the development of the construction market while we remind that Nordec's market opportunity lies in the growth pockets, enabling faster growth than the market overall is currently offering.

Figure 23: Finnish steel frame structure production in EURm



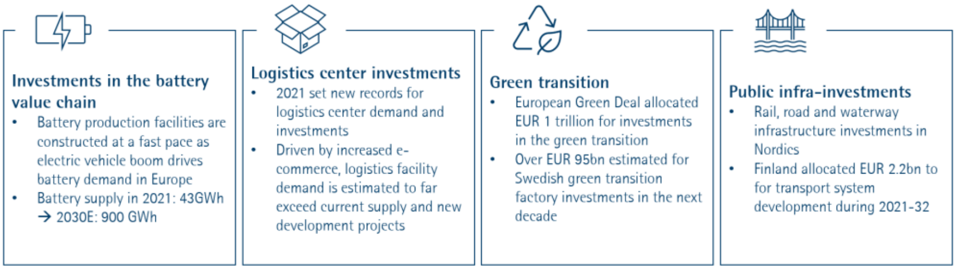
Source: Finnish Constructional Steelwork Association, Evli Research

Market share

The company hasn't disclosed an estimate of its market share but has verbally indicated that its market share in the Nordic steel frame structure market is significant. It is worth noting that Nordec is also competing against structures made using other materials, such as concrete elements. In our simple calculations, Nordec's market share in the Nordics is around 15%. In the CEE countries, Nordec's market share is still marginal.

Market drivers

Figure 24: Megatrends supporting the industry



Source: Nordec, Evli Research

Although the underlying construction market has experienced quite moderate growth, some megatrends create niche growth pockets within the steel framing markets. Nordec is strongly involved in the battery value chain by providing frame structures for facilities of battery manufacturers. Based on our research on one of the Northern Europe's leading battery manufacturer, Northvolt, the battery manufacturing facilities are typically large single-storey halls which fit in nicely with Nordec's core competencies. In our view, Nordec has an edge over the majority of its competitors in battery value chain projects, given Nordec's core competence, customer experience, and track record of succsesful projects, enabling Nordec better competitive position. According to European Investment Bank (EIB), Europe's ambition is to gain independence in battery production and mid-term investments into the battery value chain are significant.

Increased e-commerce has generated bottlenecks within the global logistics supply chain and online shopping is estimated to increase rapidly, forcing logistics companies and online shops to increase their capacity, i.e., build new logistics centers and warehouses. E-commerce revenue in Europe is estimated to grow at a CAGR of 5% during 2021-25, and the market is forecasted to reach a worth of USD 570bn in 2025.[9]

The European Commission has allocated EUR 1,000 billion for an investment program to mitigate the climate change. With steel being one of the green transition enablers (European Research Executive Agency), our view is that the investment program provides frame structuring companies, such as Nordec, a significant opportunity to capture share by the industrial factory investments. In Sweden, more than SEK 1,000 billion in investments is estimated to flow towards Swedish green transition factory investments during the next decade. Nordec has indicated that some industrial green transition projects have already started in Finland and Sweden.

The development of the bridge segment is strongly driven by infrastructure investments made by the public sector. The Finnish Transport Infrastructure Agency allocated EUR

[9] *Statista*

2.2bn investment program for the period of 2021-32 to enhance Finland's national transport system. Over half of the investment program is allocated for railroad enhancements while ~40% of the investment is planned for road maintenance. To our understanding, the majority of the Finnish railroad bridges were built during 1960-2000 and, according to experts, a bridge will be in a need of renovation at the age of 30-40 years, indicating that the Finnish railroad bridge renovations provide a significant market gap for Nordec during the ongoing decade.[10] Especially long-aged bridges have a decreased load-bearing capacity and usually require a replacement instead of renovation. Sweden is also executing similar road and railway infrastcuture renovation program where circa 900 bridges are evaluated to be in a need of renovation or replacement.

[10] *Finnish Transport Infrastructure Agency (Väylävirasto)*

Competition[11]

In our view, the competition in European frame structure markets is tightish due to the nature of project tendering, but the company has estimated that the competition it faces differs between business areas and type of project. In our view, with its comprehensive experience in heavy industrial and large single-storey buildings as well as wide cover of customer's value chain, Nordec has an edge over some of its competitors. Based on our analysis, the price is not always the factor that matters or decides the project contractor. In our view, direct customers (real estate investors and industrial) might appreciate the reliability and fast delivery times as well as flexibility more than traditional contractors which already operates with tight project margins. Although Nordec isn't the cheapest option in the market, we have estimated that the company has been successful in tenders through its offering covering the entire project, reliability, fast delivery time, and flexibility.

The majority of Nordic-based competitors are quite small in terms of revenue, Nordec being the 3rd largest Nordic frame structure provider after Contiga and DS Gruppen. French Consolis is the largest in terms of group revenue but provides only concrete-based elements. However, considering the players focusing only on steel solutions, Nordec's is clearly the largest company based on our analysis. Even though concrete can be seen as a substituting material, to our understanding, the adequacy of certain materials differs between project characteristics. Considering a large logistic center, steel is the smartest and efficient material for building structures according to our evaluation. A clear trend that we observe is that Nordec's main competitors have a further rate of product standardization and strongly automated processes and manufacturing. In our view, above-mentioned factors strongly explain Nordec's lag in the level of relative profitability (EBITDA margin). We investigate Nordec's competitors more deeply below:

- **Consolis** manufactures concrete elements and delivers other construction-related solutions. Consolis operates in the Nordics and CEE countries. The company has its own design and installation services, but it utilizes outsourced partners to some extent. In recent years, Consolis has delivered a few steel-related projects in the Nordics. However, the fabrication of steel frames is outsourced while the design is made partly in-house. Consolis' revenue amounted to EUR 730m (prev. 686m), and adj. EBITDA margin was 3.7% (decreased from 6.2% due to increased material prices) in 2021. Consolis competes in all Nordec's business segments and projects, especially in multi-storey buildings.
- **Contiga** manufactures concrete elements and delivers other frame structure-related solutions. In addition to its home country Sweden, the company operates in Norway and the CEE countries. Contiga emphasizes its project management expertise in concrete-dominated projects. However, the company has also delivered steel frame structures to large and demanding projects. The company's topline amounted to EUR 316m (prev. 301m) and adj. EBITDA margin was 8.7% (prev. 8%) in 2020. Contiga competes against Nordec in multi-storey buildings where the concrete plays a large role.
- **DS Gruppen** designs, manufactures and installs steel structures and concrete elements in Nordics and the CEE countries. A significant amount of the company's revenue comes from concrete elements which generate more attractive margins than those made of steel. DS Gruppen's net sales amounted to EUR 286.5m (prev. 245m) and its EBITDA margin was 12.2% (prev. 7.9%) in 2020. DS competes against Nordec in single-storey, heavy industrial, and bridges as well as facade solutions.

[11] *NB: All views stated in following chapter reflects research made by Evli Research (unless otherwise explicitly stated) supported by sources that Evli Research find trustable.*

- **Peikko** is a product-focused steel structure producer that has lately established its project business. In addition, the company delivers some concrete related products. Finnish-based Peikko operates in the Nordics and CEE countries. Peikko has executed two reinforcing acquisitions in 2018 and 2019. In 2020, Peikko's topline amounted to EUR 238.5m (prev. 230.9m) and its EBITDA margin was 11.2% (prev. 7.8%). The company competes against Nordec in multi-storey solutions, especially in Finland.
- **EAB** provides warehouse storage, doors, and steel structure solutions. The company covers a wide range of customer's value chain with its design, manufacturing, and installation services. Swedish-based EAB operates in Sweden, Norway, and the CEE countries. To our understanding, the frame structure business is a small part of EAB's total net sales. EAB's revenue totaled EUR 135.2m (prev. 141.8m) and EBITDA margin was 16.5% (14.9%) in 2020. EAB competes against Nordec in single-storey and facade solutions, especially in Sweden and Norway.
- **Korsbol Invest** is a local frame structure provider operating in Sweden and Norway. Korbol's holding companies (Nifab, Stålab I Trollhättan, Västanfors industries) engage in smaller single-storey projects, using steel, concrete, wood, or their combination. The company outsources its fabrication to some extent. Korsbol's topline amounted to EUR 68.3m (prev. 80.2m) and its EBITDA margin was 7.2% (prev. 9.2%) in 2020. The company competes against Nordec in single-storey solutions in Sweden and Norway.
- **Give Steel** is a steel frame structure provider based in Denmark. The company emphasizes its design capabilities and modern fabrication environment. Give Steel's topline amounted to EUR 68.1m (prev. 65.6m) and its EBITDA margin was 6.9% (prev. 8.4%) in 2020. Give Steel seems a suitable target for acquisition given its strong focus on design and modern manufacturing. In addition, Nordec could gain an access to new markets and further strengthen its presence in Scandinavia. The company competes against Nordec in all segments in Sweden and Norway, except in multi-storey buildings.
- **Prefabsystem** offers steel, concrete, and wood frame structures for multi-storey and residential buildings. The company focuses purely on project development, design, and management while it outsources all other processes. Prefabsystems revenue amounted to EUR 62.3m and the EBITDA margin was 6.4% in 2020. The company competes against Nordec in Sweden's multi-storey building projects.

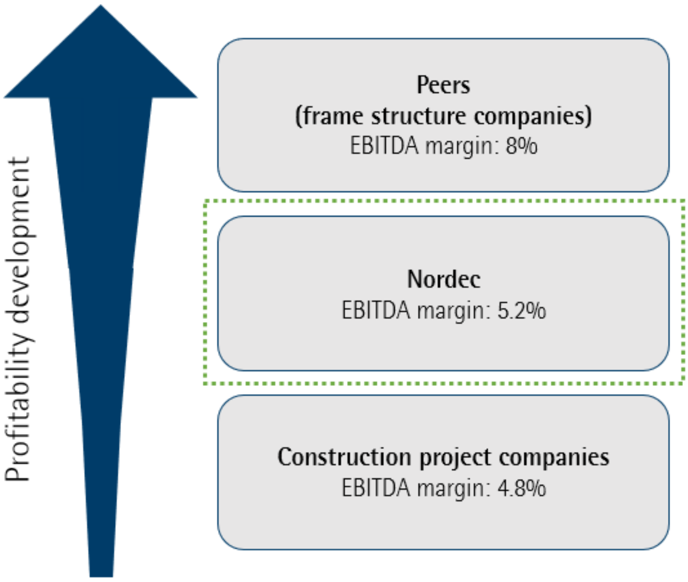
Table 1: Selected players in the industry

Company	Latest reported revenue in EURm	Latest reported adj. EBITDA margin	Revenue CAGR 3y	Raw materials
Consolis	730.0	3.7%	6.4%	Concrete
Contiga	316.2	8.7%	2.6%	Concrete/steel
DS Gruppen	286.5	12.2%	11.6%	Concrete/steel
Peikko	238.5	11.2%	6.6%	Concrete/steel
EAB	135.2	16.5%	7.7%	Steel
Korsbol Invest	68.3	7.2%	-5.3%	Steel/concrete/wood
Give Steel	68.1	6.9%	4.8%	Steel
Prefabsystems	62.3	6.4%	96.1%	Steel
Median		**8.0%**		
Nordec	**225.5**	**5.2%**	**59.1%***	**Steel**

Source: Evli Research
** Growth in 2021*

By referring Table 1, Nordec's profitability is lagging behind most of players in the industry. Although Nordec has a long experience in the industry and its background companies have been present for multiple decades, we have estimated that selected players (above in the Table 1) have already conducted some in-house enhancements that Nordec is, in our understanding, planning to do. Our view is that the peers focusing on product sales instead of project management tend to have wider margins. On the other hand, based on our analysis, Finnish construction project companies (YIT, SRV, etc.) have a bit lower profitability than Nordec on average. In our view, Nordec cannot be directly compared to either of the previous examples and it's worth considering the company as a player in between the product and project companies. Should Nordec's investment program succeed, we find the company's profitability target of adj. EBITDA margin of 6% is well within reach.

Figure 25: Profitability between project and product houses



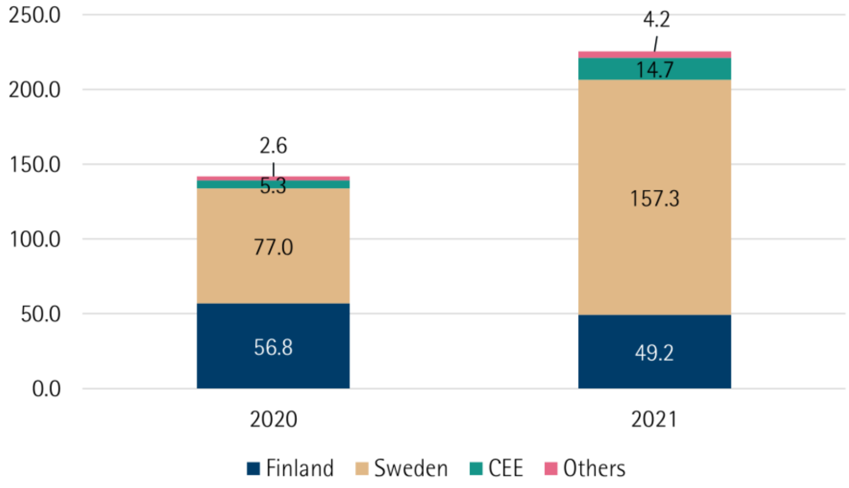
Source: Evli Research, Reports of the companies

Financial performance

Nordec in its current form is based on the company's acquisition of Normek in 2019 and the acquisition of Ruukki Building Systems in 2020. Due to its short existence, the official track of the company's financial development is very short, with financial information including Normek as of March 2019, and Ruukki Building systems as of May 2020. Based on our research, prior to the combination, both Normek and Ruukki Building Systems were leading Nordic steel-focused structure providers while Ruukki Building Systems already had a foothold in the CEE markets.

Revenue

Figure 26: Revenue split by markets in EURm



Source: Nordec, Evli Research

In 2020, Nordec's revenue amounted to EUR 141.7m. Ruukki Building Systems contributed to the 2020 revenue only for 8 months since the company's figures were consolidated with Nordec from May 2020 onwards. The year 2020 was quite soft due to COVID-19's impact on non-residential investment activities that were halted immediately after the spread of the pandemic. Soon after societies came up with new ways to cope during times of social distancing, some crucial megatrends of Nordec got an extra boost. For example, the demand for warehouses and logistics centers hiked due to low capacity that was further boosted by the additional online demand created by COVID-19.

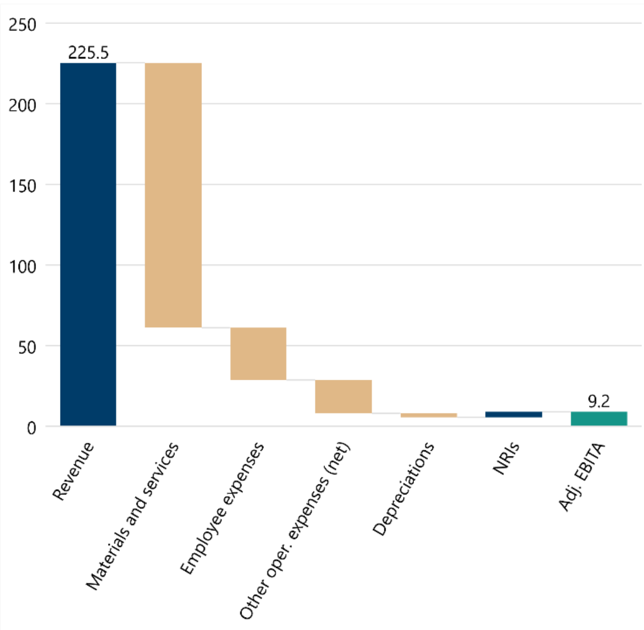
In 2021, increased investment activities, driven by, among other things, pent-up demand generated by COVID-19, paced the revenue to a growth of 59.1% y/y. In addition, we have estimated that the combination of Ruukki Building Systems contributed to the 2021 revenue growth, as in 2020 Ruukki Building Systems was combined with Nordec in May and thus contributed sales for only 8 months. 2021 group revenue amounted to EUR 225.5m. The growth was driven by strong project performance in Sweden and the CEE markets. Finland suffered from the lack of industrial investments and the year was quite soft for Nordec's home country. In addition, Q1'21 included multiple completion of relatively large projects.

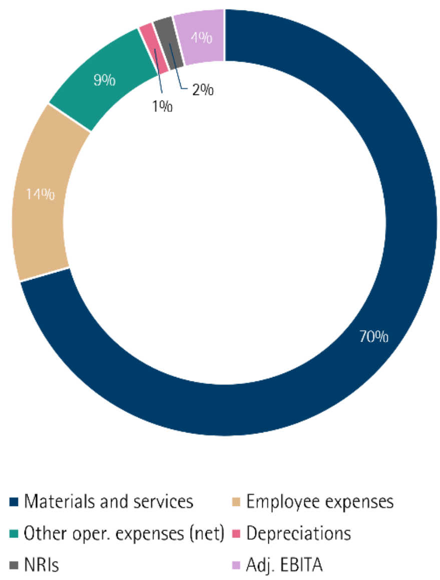
Due to the nature of the project business, construction companies face intra-year variation depending on the completion of large projects which usually have a notable impact on the revenue development. To our understanding, Nordec Construction AB's (Nordec's operations in Sweden) 2021 revenue was significantly contributed by large projects and the company has ongoing battery value chain projects in Sweden that already generate significant cash flow.

The CEE markets consist of project deliveries in Lithuania, Poland, Czech Republic, and Slovakia while, based on our research, the Other segment has delivered solutions to Germany, Norway, Iceland, and Benelux countries.

Cost structure

Figure 27: Cost structure in 2021 (EURm)





Source: Nordec, Evli Research

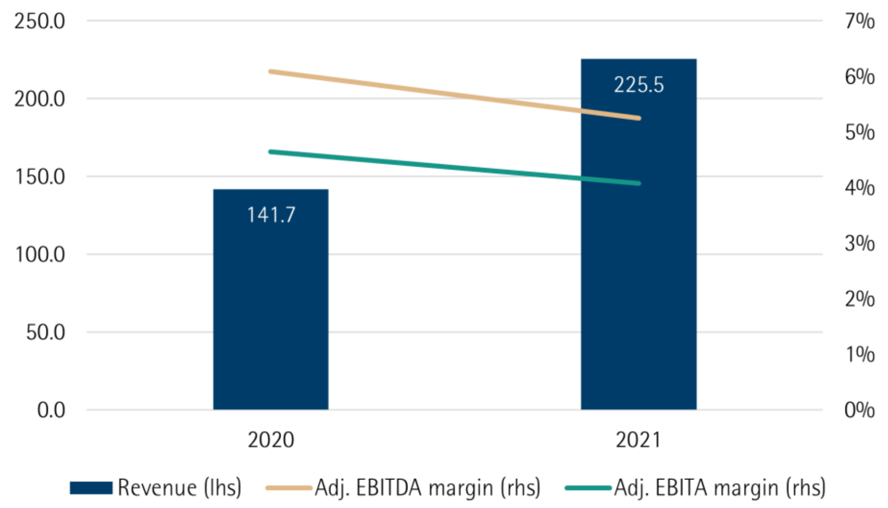
The majority of costs written in the income statement consist of material and service expenses, which represented 73% of revenue in 2021. At the start of 2021, construction material prices started to see significant increases mainly driven by bottlenecks in the global supply chain. Steel price was further increased due to the war in Ukraine and sanctions applied to Russia. Nordec's material expenses grew clearly faster than topline in 2021, indicating that the company couldn't fully shift the increased material costs to the end prices according to our estimates.

Nordec's fixed costs were ~23% of revenue in 2021. Employee benefits represented 14% of revenue while other operating costs (net) were 9% of revenue. Nordec has quite labour-intensive business and it's planning to further strengthen its design capabilities. We expect the greatest value to be created in the design phase and thus extra investments into design capabilities are welcome. Other operating expenses consist mainly of premises costs, sales and marketing costs, consulting costs, IT costs, other personnel-related costs and outsourced administration services. Q1'22 included one-off costs related to management's incentive program that, in our view, amounted to a bit below EUR 1m. In addition, if the IPO is completed, we expect the company to include the IPO-related costs within the current year.

Due to M&A activities made in recent years, Nordec has faced one-off costs which have been excluded from the adjusted figures. One-off costs consist of merger-related amortizations that, in our view, can be argued to be one-off in the case that the company won't execute M&A activities on a regular basis. So far, we see that EBITDA and EBITA represent the company's operational profitability better since EBIT is still being significantly affected by the costs related to mergers and acquisitions.

Profitability

Figure 28: Revenue and profitability development in EURm



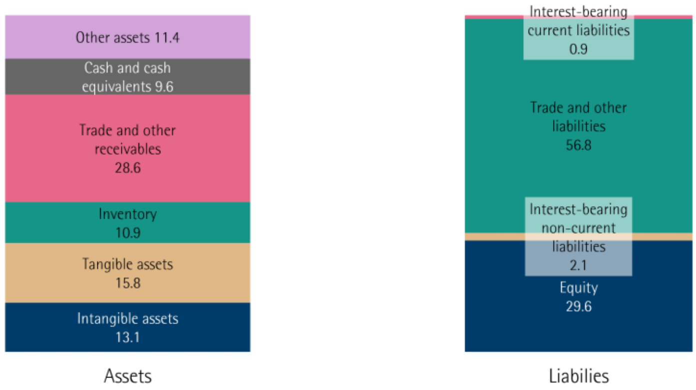
Source: Nordec, Evli Research

Nordec's gross margin was negatively affected by increased material costs in 2021. In 2020, the company's gross margin was 32% of revenue while in 2021 the margin faced a 5%-p. decline. With the planned investment the company expects to gain 2-3.3%-p. improvement to its gross margin. In addition, by increasing the share of sales to direct customers (industrial and real estate investors) we expect the company to reach more attractive project margins contributing to the group gross margin positively.

As mentioned above, the company has written off M&A-related costs during recent years, which have been reflected in moderate reported earnings in our view. By adjusting one-off costs, the company has achieved adj. EBITDA margins of 6% and 5% during 2020-21. Meanwhile, adjusted EBITA margins have been at 4% during 2020-21. 2021 relative profitability was declined mainly due to weakened gross margin. With the planned investments the company aims to increase automatization and improve in-house operations to achieve scalability and cost savings and hence improve its profitability.

Balance sheet

Figure 29: Balance sheet in at the end of 2021 (EURm)



Source: Nordec, Evli Research

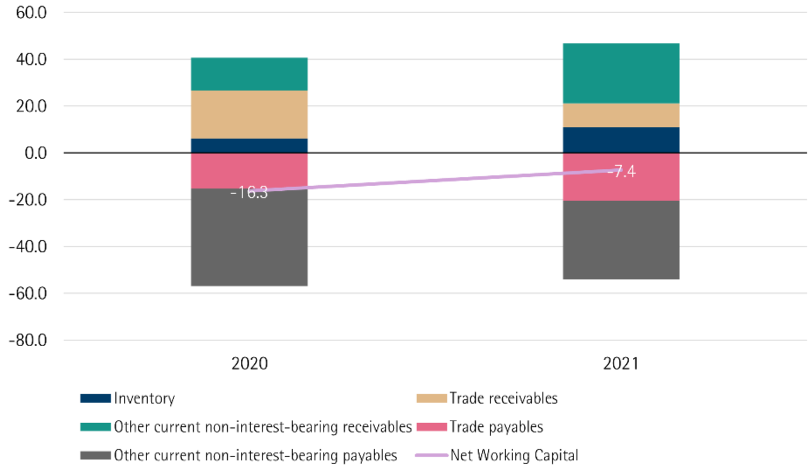
The company's balance sheet amounted to EUR 89.4m at the end of 2021. Given Nordec's asset-light business model, our view is that the most important asset lines in Nordec's balance sheet are trade and other receivables which amounted to EUR 28.6m at the end of the year 2021. For an industrial manufacturing company, Nordec has quite a light inventory due to its fast turnover in our view. At the end of 2021, the company's inventory amounted to EUR 10.9m.

The company has not recorded goodwill in its balance sheet and its intangible assets totalled EUR 13.1m at the end of 2021. Intangible assets consist of merger and acquisition-related items, such as order book and customer relationships, as well as trademarks and other intangible assets. The company's tangible assets primarily consist of machinery and equipment related to steel fabrication processes. At the end of 2021, tangible assets amounted to EUR 15.8m.

At the end of 2021, cash and cash equivalents totalled EUR 9.6m, implying positive net cash position based on our evaluation. However, Nordec's cash position is quite modest, and it has declined from the previous year by some EUR 5m, mainly due to soft result. We believe that the company's cash position will face an increase with the contemplated IPO.

The company is debt-free with net debt of EUR -6.7m at the end of 2021. As a mostly labour-intensive company, we see that Nordec accordingly operates on a relatively light balance sheet. Nordec has moderate EUR 3m interest-bearing debt while most of the company's liabilities consist of trade payables or other non-interest-bearing liabilities. With the solvency ratio of 45%, shareholders' equity totalled EUR 29.6m at the end of 2021.

Figure 30: Net working capital in EURm

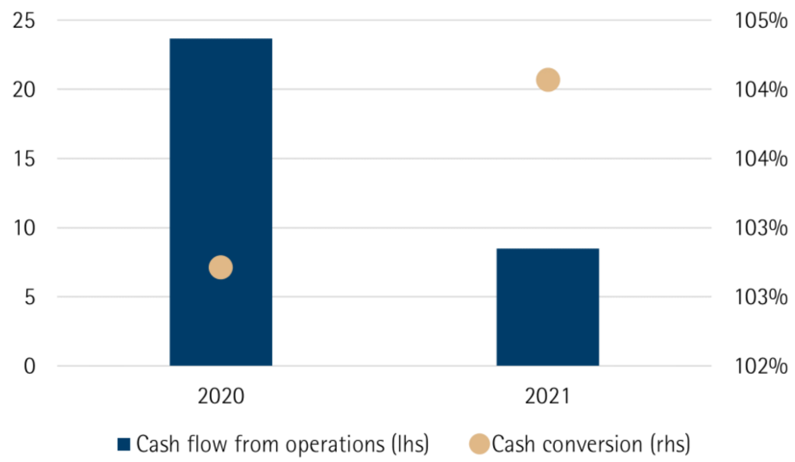


Source: Nordec, Evli Research

Nordec's business ties quite a small amount of capital: net working capital amounted to EUR -7.4m and fixed assets were roughly 20% of the balance sheet in 2021. Based on our assessment, inventory turnover is quite efficient, and the company has good terms of payments, trade payables covering the capital tied up in its inventory. Front-loaded project invoicing also generates early operative cash flow and maintains the level of trade receivables reasonably. We note that light capital structure and negative NWC are favourable from the investor perspective; they enable higher returns on capital and support cash flow well. With the new investment program, we expect the increased capital expenditures to cut free cash flow by some EUR 10m during 2022-25.

Cash flow

Figure 31: Cash flow from operations during 2020-21 (EURm)



Source: Nordec, Evli Research
** Cash conversion = Cash flow from operations/EBITDA*

Nordec emphasizes its cash flow generation in its project planning. In order to maintain the cumulative cash flow positive throughout the project, Nordec applies front-loaded invoicing, which also lowers the financial risks regarding a project and improves the ability to forecast cash flows. The company's cash conversion has also been on a great level, over 100% during 2020-21. In 2021, Nordec's operative cash flow amounted to EUR 6.8m, implying a cash conversion rate of 104%.

Estimates

Nordec's Q1'22 was solid, and the company grew by 7.5% y/y to EUR 54.6m. Finland performed well and showed a growth of 50% y/y while the revenue in Sweden declined by 8%. We don't see any concerns about Sweden's decline as we expect the company to have multiple megatrend-backed projects ongoing in the country. Moreover, Sweden's comparison figures were very strong. Revenue in Nordec's smaller market areas varied somewhat, as the CEE countries increased by 191% y/y while other countries saw a 77% y/y decline. We note that completions of large projects and their invoice schedules might affect some intra-year variation between market areas. Gross margin declined from the comparison period to ~27% due to increased material costs. With a softer gross margin, the company's EBITDA amounted to EUR 0.9m (1.7%) while adjusted EBITDA was EUR 1.3m (one-off costs excluded).

Table 2: Estimate summary in EURm

Nordec	2020	Q1'21	Q2-Q4'21	2021	Q1'22	Q2'22E	Q3'22E	Q4'22E	2022E	2023E	2024E
Order book	129.5	113.8	-	177.6	165.7	-	-	-	-	-	-
Net sales	141.7	50.8	174.6	225.5	54.6	69.4	67.9	72.0	263.9	277.0	286.9
growth y/y	-	-	-	37%	46%	-	-	-	17%	5%	4%
Finland	56.8	10.0	39.2	49.2	15.0	16.9	16.8	17.3	66.0	68.0	69.7
Sweden	77.0	37.3	120.0	157.3	34.3	44.4	43.4	45.1	167.2	175.6	181.6
CEE	5.3	1.7	13.0	14.7	4.9	5.2	5.4	7.0	22.5	24.3	26.0
Others	2.6	1.8	2.4	4.2	0.4	2.9	2.3	2.6	8.2	9.1	9.7
Adj. EBITDA	**8.6**	**3.0**	**8.8**	**11.8**	**1.9**	**3.6**	**4.8**	**2.9**	**13.2**	**14.4**	**15.6**
Adj. EBITDA margin	*6.1%*	*6.0%*	*5.0%*	*5.2%*	*3.4%*	*5.2%*	*7.1%*	*4.0%*	*5.0%*	*5.2%*	*5.4%*
EBITDA	**23.0**	**2.8**	**5.4**	**8.2**	**0.9**	**2.7**	**3.5**	**2.9**	**10.1**	**14.4**	**15.6**
EBITDA margin	*16.3%*	*5.5%*	*3.1%*	*3.6%*	*1.7%*	*4.0%*	*5.2%*	*4.0%*	*3.8%*	*5.2%*	*5.4%*
EBIT	**18.3**	**0.7**	**1.3**	**2.0**	**-0.4**	**1.4**	**2.2**	**1.5**	**4.7**	**8.8**	**11.2**
EBIT margin	*12.9%*	*1.4%*	*0.7%*	*0.9%*	*-0.8%*	*2.0%*	*3.2%*	*2.1%*	*1.8%*	*3.2%*	*3.9%*

Source: Evli Research

2022 guidance

According to its guidance, Nordec expects 2022 revenue to land between EUR 250-280m. In addition, the company expects an adjusted EBITDA range of EUR 12-15m. Without project delays or cancellations, we see Nordec's guidance to be well within a reach, which is supported by an order book of EUR 241m (30.4.2022).

2022 estimates

Nordec grew very strongly in 2021 and with the solid y/y order book growth, we expect Nordec to enjoy solid net sales development also during 2022-23. We estimate 22E group net sales to grow by 17% y/y to EUR 263.9m landing near the midpoint of the company's guidance. We expect the company to grow in all its markets, but the topline growth is mainly driven by strong project sales in Finland. We expect Finland to grow by 34% y/y to EUR 66m. Driven by a strong comparison year, we estimate Sweden's growth pace to smoothen to 6.3% y/y and net sales to amount to EUR 167.2m. Although Sweden's growth percentage seems moderate on paper, we find the level of sales to be strong. Meanwhile, Finland's strong growth figures are partly the result of weak comparison figures. We expect sales in CEE and other countries to grow with high double-digit figures in 2022.

We expect the gross margin to remain approx. flat y/y, indicating that we believe in the company's abilities to transfer most of the increased material costs to project prices. Our view is that most of the investments to enhance Nordec's operations will take place during 2023-25 and thus our estimates for 2022 include no notable improvement in the company's operational profitability. On the contrary, we expect the company to increase its headcount and thus our employee expense expectations include some cost pressures. With the fixed costs growing by 16% y/y we expect a reported 22E EBITDA margin of 3.8% while our adjusted EBITDA margin estimate amounts to 5%, implying an adjusted EBITDA of EUR 13.2m which lands slightly below the midpoint of the company's profitability guidance. We note that predicting NRIs cause some added uncertainty in our adjusted estimates. Our 22E reported EBIT estimate amounts to EUR 4.7m, representing a 1.8% margin. The comparable EBIT margin, in turn, is on our estimates expected to amount to 3%, which is below the company's peer group median of 3.8%.

2023-24 estimates

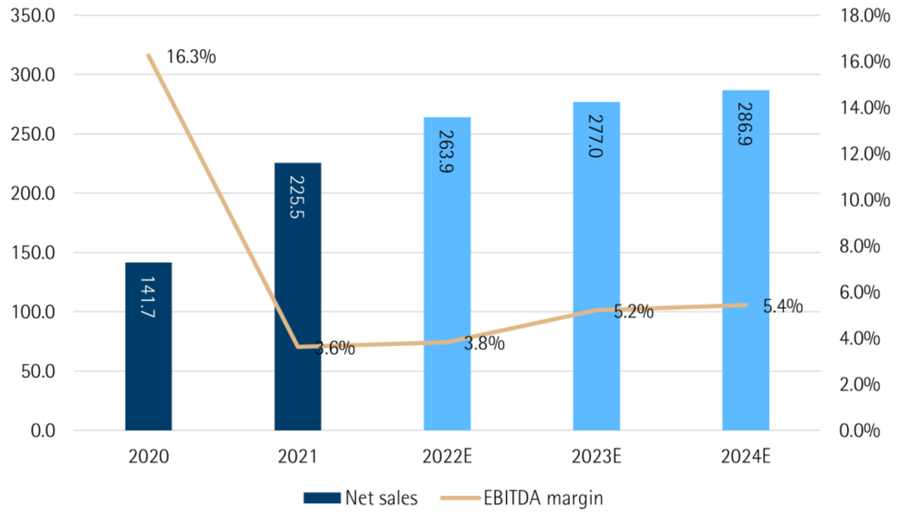
Given the uncertainty stemming from weakened macroeconomic indicators, supply chain issues, and geopolitical situations, our 23-24E estimates include a fair amount of uncertainty. In addition, several forecast agencies (RT, Rakli) have estimated the construction volumes to start to slow down during 2022-23 which then would impact Nordec's H2'2023 and 2024 figures. We, however, expect the company to continue its growth driven by all market areas. We believe that Nordec will be able to capitalize on continued and growing investments in the battery value chain and driven by its improved efficiency, we expect the profitability to also improve gradually in 2024 from the levels of 2021.

We expect 23E revenue to amount to EUR 277m (+5% y/y). We estimate Nordec's businesses to grow in each market area as follows: Finland by 3%, Sweden by 5%, CEE by 8%, and Others by 12% y/y. Driven by all market areas, our 24E revenue estimate lands at EUR 286.9m, representing a 3.6% y/y growth. We expect Nordec to show 2.5% y/y growth in Finland while we estimate Sweden, CEE, and Other countries to grow by 3%, 7%, and 6% respectively in 2024.

Our expectations of Nordec's ability to generate cost-saving through its investment program start to materialize in 2023-24. In addition, we expect the 23-24E gross margin to further improve to 28.2% and 28.6% respectively. Visibility to the development of construction material prices is however low. We expect Nordec's fixed costs to represent 24% and 23% of revenue in 2023 and 24, implying 23-234E EBITDA of EUR 14.4m and 16.9m. In other words, the EBITDA margin accounts for 5.2% and 5.4% in 2023 and 24. Meanwhile, our 23-24E reported EBIT estimate lands on EUR 8.8m and 11.2m, reflecting margins of 3.2% and 3.9% respectively.

On our 23-24E estimates Nordec is able to grow faster than the European non-residential construction market, which according to Euroconstruct is expected to grow at around 2% p.a. on average. This is in view supported by Nordec's offering and capabilities and the expected good position in capitalizing upon the on-going and accelerating investments into the green transition and battery value chains. Under the assumption that growth in 2025 continues on par with our 2024E growth estimates, Nordec's revenue would fall just shy of the company's target of over EUR 300m in 2025. In our view, currently the largest headwind to achieving the target relates to the prevailing market uncertainties and investment sentiment. When looking at the megatrends expected to support Nordec's growth in the coming years, the investments are quite largely demand driven, but the uncertainties could affect the timing of the projects. We further note that our estimates include no inorganic growth. In our view it is not fully unlikely that Nordec will be looking into supporting its growth through acquisitions during 2022-2025.

Figure 32: Estimates



Source: Evli Research

Valuation

Table 3: Nordec's valuation with 2022 estimates

Equity value (pre-money) EURm						
22E						
EV/EBITDA (adj.)	4.0x	5.0x	6.0x	7.0x	8.0x	9.0x
Equity value	58.5	71.7	85.0	98.2	111.5	124.7
EV/EBITA (adj.)	8.0x	9.0x	10.0x	11.0x	12.0x	13.0x
Equity value	66.8	74.5	82.2	89.8	97.5	105.1

Source: Evli Research

In deriving a fair value for Nordec, we mainly rely on peer group analysis, mainly due to the fact that construction project companies in the industry are currently valued quite moderately and hence the valuation that our DCF model suggests is not justified. We have also applied a scenario analysis to further illustrate the impact the company's financial targets, should they materialize, could have on the equity value. Our peer group consists of Nordic companies offering solutions for residential and non-residential construction as well as infrastructure projects. We have described our peer group more deeply below.

For now, we see that Nordec should trade quite near the selected peer group. Should the profitability improvement materialize, we see that multiples at or even above the peers could be accepted. Reflecting Nordec's current situation of ongoing profitability improvement and growth, we consider 22E EV/EBITA multiples between 9-10x and 22E EV/EBITDA multiples between 5-6x quite fair, implying an equity value ranging EUR 71.7-85.0m. The equity value implied by our DCF-model is clearly above our peer group-based valuation approach, which to a certain degree is indicative of the company's potential in the long-term considering its cash generation profile. However, with the current uncertainty in the markets and depreciated peer multiples, the implied valuation through the DCF model is in our view not representative of current fair valuation levels.

Peer group

As Nordec operates mainly in Nordic construction markets focusing on project deliveries and due to a lack of directly comparable peers, we have decided to base our peer group on Nordic construction project companies. Although some of our peer group companies are also Nordec's customers, Nordec still operates in the same markets and the same projects, and its profitability is approx. in line with our peer group. We also see that the in our view perceived broadness in service offering and project-delivery capabilities of Nordec would favour the use of project-focused companies as peers as opposed to the more product-focused companies in the market. Nordec in our view rather utilizes its own manufacturing to optimize its project flows and provide a seamless customer experience. In contrast to Nordec, the construction project focused peer group companies have no notable in-house production. We have described the companies of our peer group more deeply below:

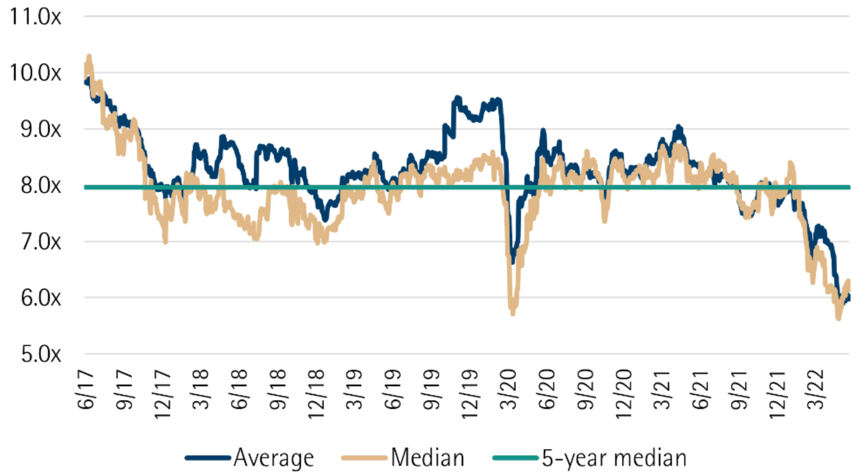
Nordic construction project companies:

- **YIT** (Finland): is the largest project contractor in Finland providing construction, renovation and maintenance of commercial and residential buildings, infrastructure construction, and real estate development in Scandinavia and the CEE countries. Quite recently, YIT divested its businesses in Russia. The company has grown at a CAGR of 9% during 2017-21 while its earnings have decreased consistently to break-even point.
- **SRV** (Finland) is a project management contractor that develops and builds commercial and business premises, residential units as well as infrastructure and logistics projects. The company is also an investor in and manager of several shopping centres. The company operates in Finland. SRV's revenue has declined at a CAGR of 4% during 2017-21 while its earnings have stayed negative since 2018.
- **Consti** (Finland) is a renovation and technical service company based in Finland. The company has a comprehensive service offering covering technical building services, residential pipeline renovation, renovation contracting, building facade repair and maintenance, and other renovation and technical services for residential and non-residential properties.
- **Kreate** (Finland) is an infrastructure contractor providing construction solutions in demanding projects for bridges, roads, railways, environmental and circular economy as well as geotechnical needs. Approx. two thirds of Kreate's revenue is generated by public sector customers. Kreate operates in Finland. The company's revenue has grown quite rapidly at a CAGR of 13% during 2017-21.
- **Skanska** (Sweden) is one of the largest Swedish construction and project development companies. The company provides construction, residential development and commercial property development and focused on selected home markets in Nordic Region, Europe, and USA. Skanska's revenue has slightly decreased by 2% (CAGR) during 2017-21. Meanwhile, the company's earnings have improved significantly, reflecting an annual growth of 14% during 2017-21.
- **Peab** (Sweden) engages in the provision of construction and civil engineering services. The company builds commercial and residential buildings, roads, and bridges mainly in Nordics. The company has increased its revenue as well as earnings by 4% annually during 2017-21.
- **NCC** (Sweden) is one of the leading construction companies in the Nordics. Operations include commercial property development, building and infrastructure project contracting, and asphalt and stone materials production. The company's topline saw slight growth during 2017-19 but due to COVID-19 its revenue has stayed flat during 2017-21. Meanwhile, NCC's earnings have improved by annual growth of 15% during 2017-21.
- **AF Gruppen** (Sweden) is a building and construction company. The company works on large and small projects and the product line includes both residential and non-residential buildings. AF also engages in infrastructure related projects. The company is active in the Nordic region. AF's revenue has grown at a CAGR of 19% while its earnings have faced a 11% annual improvement during 2017-21.
- **Veidekke** (Norway) Veidekke ASA is a construction and property development company operating in the Nordics. The company's operations include residential, non-residential and infrastructure development and construction. Veidekke's revenue has increased by 5% annually during 2017-21 while its earnings have faced a 5% annual decline during the same period.

The in our view most comparable European listed peer for Nordec is British Severfield, which specializes in the design, manufacturing, and installation of structural steelwork in building construction and is the largest of its kind in the UK, typically as a sub-contractor to main contractors on complex projects. Severfields's topline has grown at a CAGR of 8% during 2017-21. During the same period, Severfields earnings have increased a bit sluggishly at a CAGR of 2%. We have not been able to identify other European peers that by operating model would be closer to Nordec than Severfield. Severfield trades with 22E EV/EBITDA and EV/EBIT multiples of 6x and 7x respectively.

We have decided to examine Nordec's multiple-based valuation mainly with EV/EBITDA and EV/EBITA multiples as a result of M&A-related one-off amortizations during 2020-21 and to our understanding also in 2022. After the one-offs are written off, we find EBITDA to represent Nordec's solid cash generation and EBIT to describe the company's operative performance well. Thus, in the future EV/EBIT could also be better used as a metric for valuation.

Figure 32: Peer EV/EBITDA development



Source: FactSet, Evli Research

Nordec's peer group's valuation within the five most recent years has varied between ~6-10x while the long-term median is ~8x. Peers' valuations have been on a declining trend since mid-2021 and are now approx. at the same low level as seen in 2020 when the COVID-19 pandemic started. Nordec's peers currently trade with 22E EV/EBITDA and EV/EBIT multiples of 6x and 10x respectively. The peer group's median 22E P/E multiple is currently 10x. In order to justify multiples significantly above the project-focused peers, Nordec should in our view be able to provide more evidence of the materialization of the intended profitability improvements and solid sales development despite the market uncertainties. By accepting 22E EV/EBITA multiples between 9-10x and 22E EV/EBITDA multiples between 5-6x, Nordec's implied fair value would amount to EUR 71.7-85.0m.

Table 3: Nordec's peer group

Nordec Peer Group	Security identifier	MCAP MEUR	EV/S 22E	EV/S 23E	EV/EBITDA 22E	EV/EBITDA 23E	EV/EBIT 22E	EV/EBIT 23E	EV/FCF 22E	EV/FCF 23E	P/E 22E	P/E 23E
YIT Oyj	YIT-FI	807	0.5x	0.5x	8.5x	7.5x	10.7x	9.3x	27.3x	26.7x	12.8x	10.9x
SRV Yhtiot Oyj	SRV1V-FI	78	0.3x	0.3x		8.7x	12.7x	10.6x		32.9x		6.8x
Consti Oyj	CONSTI-FI	73	0.3x	0.3x	6.1x	5.2x	8.4x	6.9x	14.1x	13.1x	10.0x	8.6x
Kreate Group Plc	KREATE-FI	78	0.4x	0.4x	6.9x	6.2x	9.9x	8.8x	21.3x	13.0x	10.1x	8.9x
Skanska AB Class B	SKA.B-SE	6718	0.4x	0.3x	4.9x	4.5x	6.6x	6.4x	34.3x	10.8x	10.2x	9.9x
Peab AB Class B	PEAB.B-SE	2085	0.5x	0.5x	6.6x	6.3x	9.5x	9.1x	17.4x	11.8x	8.7x	8.6x
NCC AB Class B	NCC.B-SE	1257	0.3x	0.3x	4.9x	4.5x	8.4x	7.3x	12.0x	11.3x	8.6x	7.7x
AF Gruppen ASA Class A	AFG-NO	1790	0.6x	0.5x	8.0x	7.1x	10.6x	9.3x	13.2x	12.7x	17.1x	15.9x
Veidekke ASA	VEI-NO	1294	0.3x	0.2x	4.2x	3.7x	6.9x	5.8x	6.6x	6.2x	12.6x	11.1x
Peer Group Average		1575	0.4x	0.4x	6.3x	6.0x	9.3x	8.2x	18.3x	15.4x	11.3x	9.8x
Peer Group Median		1257	0.4x	0.3x	6.4x	6.2x	9.5x	8.8x	15.7x	12.7x	10.2x	8.9x

	Security identifier	MCAP MEUR	EBITDA-% 22E	EBITDA-% 23E	EBIT-% 22E	EBIT-% 23E	Sales growth % 22E	Sales growth % 23E	FCF Yield % 22E	FCF Yield % 23E	Net debt/EBITDA 22E	Net debt/EBITDA 23E
YIT Oyj	YIT-FI	807	5.6	6.0	4.4	4.9	-7.6	2.4	5.5	5.6	2.7	2.3
SRV Yhtiot Oyj	SRV1V-FI	78	-7.1	3.6	2.5	3.0	-5.7	0.2	-20.1	7.9		5.3
Consti Oyj	CONSTI-FI	73	4.6	4.9	3.3	3.7	5.0	0.0	8.1	8.1	0.8	0.4
Kreate Group Plc	KREATE-FI	78	5.5	5.8	3.8	4.1	11.2	0.6	5.9	9.5	1.5	1.2
Skanska AB Class B	SKA.B-SE	6718	7.2	7.8	5.4	5.4	6.8	9.9	2.3	7.2	-1.4	-1.2
Peab AB Class B	PEAB.B-SE	2085	7.1	7.2	5.0	5.0	5.7	6.4	8.1	11.7	1.7	1.5
NCC AB Class B	NCC.B-SE	1257	5.9	6.0	3.5	3.7	1.4	5.1	10.0	10.5	0.8	0.6
AF Gruppen ASA Class A	AFG-NO	1790	7.1	7.4	5.4	5.7	13.1	0.0	7.5	7.7	-0.1	-0.3
Veidekke ASA	VEI-NO	1294	6.0	6.4	3.7	4.0	2.2	5.6	11.5	11.3	-1.4	-1.5
Peer Group Average		1575	4.7	6.1	4.1	4.4	3.5	3.4	4.3	8.8	0.6	0.9
Peer Group Median		1257	5.9	6.0	3.8	4.1	5.0	2.4	7.5	8.1	0.8	0.6

Source: FactSet, Evli Research

Scenario analysis

Table 4: Scenario Analysis

Scenario analysis			2021	2022E	2023E	2024E
Optimistic EUR 100-117m	Faster than expected topline growth, ~7% p.a. on average. Profitability boosted by good growth and improving efficiency. Valuation around peers.	Sales EURm	225	274	296	315
		Sales growth, %		22%	8%	7%
		Adj. EBITDA EURm	12	15	17	19
		Adj. EBITDA margin	5.2%	5.4%	5.6%	5.9%
Base EUR 72-85m	Solid growth towards the company's targets. Profitability improves driven by investments in efficiency. Valued with a slight discount to peers.	Sales EURm	225	264	277	287
		Sales growth, %		17%	5%	4%
		Adj. EBITDA EURm	12	13	14	16
		Adj. EBITDA margin	5.2%	5.0%	5.2%	5.4%
Pessimistic EUR 48-63m	Revenue growth slows down and eventually topline decreases. EBITDA margin remain flat. Valued with a clear discount to peers.	Sales EURm	225	254	259	261
		Sales growth, %		13%	2%	1%
		Adj. EBITDA EURm	12	12	13	13
		Adj. EBITDA margin	5.2%	4.8%	5.0%	5.0%

Source: Evli Research

Nordec might face challenges and different outcomes during its current strategy period. We have shown above the possible variability of the fair value in different scenarios. We have divided our scenarios into three categories: Optimistic, base, and a pessimistic case. We have described each case's figures and development deeper below. Using pessimistic estimates, we derive an equity value of EUR 48-63m. Our base case is composed of our original estimates (presented in the chapter Estimates). According to our base case, Nordec's equity value lies between EUR 72-85m. Meanwhile, using optimistic estimates and assuming revenue growth towards the upper end of the guidance range and achieving growth notably above the long-term financial targets, Nordec's fair equity value in our scenario is between EUR 100-117m.

Optimistic case: 2022 revenue lands at the upper bound of the company's guidance and long-term financial targets are achieved despite near-term challenges in the market environment. 22E revenue amounts to EUR 274m and adjusted EBITDA totals EUR 14.8m (5.4% margin). The company gains cost savings from its operation enhancement investments and Nordec outpaces its financial targets. In 2025, revenue is approx. EUR 331m and EBITDA totals EUR 21.2m (6.4% margin).

Pessimistic case: The company sees decent growth in 2022 and revenue amounts to EUR 253.7m, at the lower end of the guidance, while adj. EBITDA lands at 12.2m (4.8% margin). In the long-run, Nordec faces challenges during the investment program and the company falls short of its financial targets for 2025. 25E revenue amounts to EUR 256m and adjusted EBITDA totals EUR 13.2, representing an EBITDA margin of 5.1%.

VALUATION RESULTS		BASE CASE DETAILS		VALUATION ASSUMPTIONS		ASSUMPTIONS FOR WACC	
Current share price	-	PV of Free Cash Flow	68	Long-term growth, %	1.2	Risk-free interest rate, %	2.50
DCF share value	16.72	PV of Horizon value	66	WACC, %	8.5	Market risk premium, %	5.8
Share price potential, %	-	Unconsolidated equity	0	Spread, %	0.5	Debt risk premium, %	2.5
Maximum value	17.8	Marketable securities	10	Minimum WACC, %	8.0	Equity beta coefficient	1.20
Minimum value	15.7	Debt - dividend	-3	Maximum WACC, %	9.0	Target debt ratio, %	30
Horizon value, %	49.3	Value of stock	141	Nr of shares, Mn	8.5	Effective tax rate, %	20

Assuming completion of the company's planned IPO

DCF valuation, EURm	2021	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	Horizon
Net sales	225	264	277	287	293	299	302	306	309	313	317	321
Sales growth, %	*59.1*	*17.0*	*5.0*	*3.6*	*2.0*	*2.0*	*1.2*	*1.2*	*1.2*	*1.2*	*1.2*	*1.2*
Operating income (EBIT)	2	5	9	11	12	13	12	13	13	13	13	13
Operating income margin, %	*0.9*	*1.8*	*3.2*	*3.9*	*4.2*	*4.2*	*4.1*	*4.1*	*4.1*	*4.1*	*4.1*	*4.1*
+ Depreciation+amort.	6	5	3	4	4	4	4	4	4	4	4	
EBITDA	8	10	12	16	17	17	17	17	17	17	17	
- Paid taxes	0	-1	-2	-2	-2	-3	-2	-3	-3	-3	-3	
- Change in NWC	-3	7	4	1	1	1	0	0	0	0	0	
NWC / Sales, %	*-3.3*	*-5.4*	*-6.6*	*-6.7*	*-6.8*	*-6.8*	*-6.9*	*-6.9*	*-6.9*	*-7.0*	*-7.0*	
+ Change in other liabs	0	0	0	0	0	0	0	0	0	0	0	
- Operative CAPEX	-4	-6	-5	-6	-4	-4	-4	-4	-5	-5	-5	
opCAPEX / Sales, %	*1.4*	*2.5*	*1.9*	*2.2*	*1.4*	*1.5*	*1.5*	*1.5*	*1.5*	*1.5*	*1.5*	
- 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	2	0	0	0	0	0	0	0	0	0	0	
= FCFF	4	10	10	9	11	10	10	10	10	10	11	145
= Discounted FCFF		10	9	7	8	7	6	6	6	5	5	66
= DFCF min WACC		10	9	7	8	7	7	6	6	5	5	75
= DFCF max WACC		10	9	7	8	7	6	6	5	5	5	60

INCOME STATEMENT, EURm	2017	2018	2019	2020	2021	2022E	2023E	2024E
Sales	0.0	0.0	0.0	141.7	225.5	263.9	277.0	286.9
Sales growth (%)	*0.0*	*0.0*	*0.0*	-	*59.1*	*17.0*	*5.0*	*3.6*
EBITDA	0.0	0.0	0.0	23.0	8.2	10.1	12.3	15.6
EBITDA margin (%)	*0.0*	*0.0*	*0.0*	*16.3*	*3.6*	*3.8*	*4.4*	*5.4*
Depreciation	0.0	0.0	0.0	-4.8	-6.2	-5.4	-3.4	-4.4
EBITA	0.0	0.0	0.0	18.3	2.0	4.7	8.8	11.2
Goodwill amortization / writedown	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	0.0	0.0	0.0	18.3	2.0	4.7	8.8	11.2
EBIT margin (%)	*0.0*	*0.0*	*0.0*	*12.9*	*0.9*	*1.8*	*3.2*	*3.9*
Reported EBIT	0.0	0.0	0.0	18.3	2.0	4.7	8.8	11.2
EBIT margin (reported) (%)	*0.0*	*0.0*	*0.0*	*12.9*	*0.9*	*1.8*	*3.2*	*3.9*
Net financials	0.0	0.0	0.0	-1.5	-0.8	-0.7	-0.4	-0.3
Pre-tax profit	0.0	0.0	0.0	16.8	1.2	4.0	8.5	10.9
Taxes	0.0	0.0	0.0	0.0	-0.3	-0.9	-1.7	-2.2
Minority shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit	0.0	0.0	0.0	16.8	1.0	3.1	6.8	8.7
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	0	0	19	19	20	21	22
Goodwill	0	0	0	0	0	0	0	0
Right of use assets	0	0	0	2	2	3	3	4
Inventory	0	0	0	6	11	13	14	14
Receivables	0	0	0	35	36	38	45	47
Liquid funds	0	0	0	14	10	21	28	33
Total assets	0	0	0	93	89	107	123	132
Liabilities								
Shareholder's equity	0	0	0	25	30	33	39	45
Minority interest	0	0	0	0	0	0	0	0
Convertibles	0	0	0	0	0	0	0	0
Lease liabilities	0	0	0	3	2	3	3	4
Deferred taxes	0	0	0	3	2	2	2	2
Interest bearing debt	0	0	0	4	1	3	0	0
Non-interest bearing current liabilities	0	0	0	56	54	66	78	80
Other interest-free debt	0	0	0	0	0	0	0	0
Total liabilities	0	0	0	93	89	107	123	132
CASH FLOW, EURm								
+ EBITDA	0	0	0	23	8	10	12	16
- Net financial items	0	0	0	12	-5	-1	0	0
- Taxes	0	0	0	0	0	-1	-2	-2
- Increase in Net Working Capital	0	0	0	20	-3	7	4	1
+/- Other	0	0	0	-31	6	0	0	0
= Cash flow from operations	0	0	0	23	7	15	14	14
- Capex	0	0	0	-10	-3	-6	-5	-6
- Acquisitions	0	0	0	0	0	0	0	0
+ Divestments	0	0	0	0	0	0	0	0
= Free cash flow	0	0	0	14	4	9	9	8
+/- New issues/buybacks	0	0	0	8	4	0	0	0
- Paid dividend	0	0	0	0	0	0	0	-3
+/- Other	0	0	0	-8	-12	3	-2	1
Change in cash	0	0	0	14	-5	12	7	5

KEY FIGURES	2018	2019	2020	2021	2022E	2023E	2024E
M-cap	0	0	-	-	-	-	-
Net debt (excl. convertibles)	0	0	-8	-7	-16	-24	-29
Enterprise value	0	0	-	-	-	-	-
Sales	0	0	142	225	264	277	287
EBITDA	0	0	23	8	10	12	16
EBIT	0	0	18	2	5	9	11
Pre-tax	0	0	17	1	4	8	11
Earnings	0	0	17	1	3	7	9
Equity book value (excl. minorities)	0	0	25	30	33	39	45
Per share measures							
Number of shares	0	0	7,500	7,500	8,460	8,460	8,460
Number of shares (diluted)	0	0	7,500	7,500	8,460	8,460	8,460
EPS	0.00	0.00	2.24	0.13	0.37	0.80	1.03
Operating cash flow per share	0.00	0.00	3.09	0.91	1.83	1.67	1.67
Free cash flow per share	0.00	0.00	1.82	0.49	1.06	1.04	0.91
Book value per share	0.00	0.00	3.35	3.95	3.87	4.67	5.34
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.36	0.46
Dividend payout ratio, %	0.0	0.0	0.0	0.0	0.0	45.0	45.0
Dividend yield, %	0.0	0.0	0.0	0.0	0.0	3.6	4.6
FCF yield, %	0.0	0.0	0.0	0.0	10.6	10.4	9.1
Efficiency measures							
ROE	0.0	0.0	0.0	3.5	9.9	18.8	20.6
ROCE	0.0	0.0	114.6	6.2	13.2	21.8	24.4
Financial ratios							
Inventories as % of sales	0.0	0.0	4.4	4.8	5.0	5.0	5.0
Receivables as % of sales	0.0	0.0	24.9	15.9	14.6	16.4	16.3
Non-interest bearing liabilities as % of sales	0.0	0.0	39.8	24.0	25.0	28.0	28.0
NWC/sales, %	0.0	0.0	-10.8	-3.3	-5.4	-6.6	-6.7
Operative CAPEX/sales, %	0.0	0.0	6.7	1.4	2.5	1.9	2.2
CAPEX/sales (incl. acquisitions), %	0.0	0.0	6.7	1.4	2.5	1.9	2.2
FCFF/EBITDA	0.0	0.0	0.7	0.5	1.0	0.8	0.6
Net debt/EBITDA, book-weighted	0.0	0.0	-0.3	-0.8	-1.5	-2.0	-1.9
Debt/equity, market-weighted	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Equity ratio, book-weighted	0.0	0.0	27.1	33.1	30.6	32.1	34.1

COMPANY DESCRIPTION: Nordec operates in the new non-residential construction market and designs, manufactures, and installs frame structures, envelopes and bridges. The company mainly uses steel in its structures but is able to complement its offering with other elements and materials. The company emphasizes its project management capabilities, which together with the wide service offering in our view provides a competitive advantage and serves the establishment of strong customer relationships.

OWNERSHIP STRUCTURE	SHARES	EURm	%
Donges SteelTec GmbH	7,500,000	-	100
Total			100%

COMPANY MISCELLANEOUS	
CEO: Kalle Luoto	
CFO: Jarkko Nurminen	Tel: +358 20 420 7000

DEFINITIONS

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

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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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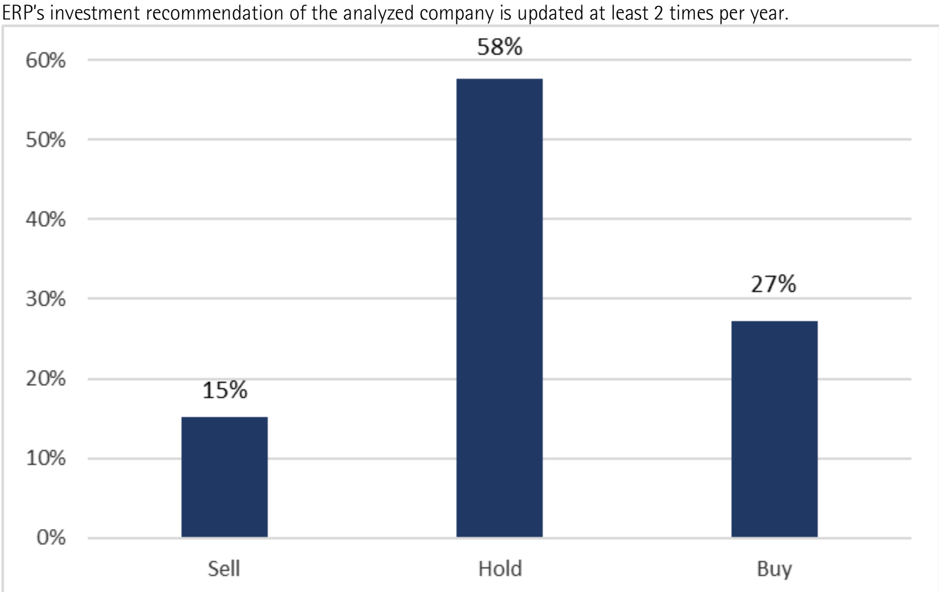

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