

# Back to growth

We reiterate our EUR 8.00 target price and Accumulate recommendation for Kreate following the Q4 report. In 2024, Kreate was able to improve margins and this year, revenue growth will drive earnings growth. Beyond the subdued short-term market outlook, the expected return is attractive thanks to earnings growth and the dividend.

## A successful year overall

In Q4, Kreate's revenue decreased by 5.9% to around 75.5 MEUR, which was in line with our forecasts ( 75.6 MEUR). The decline in revenue moderated in the last quarter of the year, with comparison figures easing in Structural engineering (Q4 revenue: -23% y/y), Sweden growing strongly (+48% y/y), with rail projects bringing growth (+33%) in Transport infrastructure. The order book was down only 10% in Q4 at 177 MEUR and is expected to strengthen in the coming quarters as the railway projects under development enter the construction phase (estimated at around 300 MEUR).

Kreate's EBITA increased to 2.8 MEUR (Q4'23: 2.7 MEUR) and the margin rose to 3.7% (Q4'23: 3.4%). However, profitability was slightly supported by real estate sales (0.5 MEUR), without which profitability would have been slightly below the comparison period and forecasts. According to the company, operating profitability has been moving in the right direction and despite tightened competition/margins, the company has at least been able to maintain profitability, which is positive. Earnings per share increased by around 10% year-on-year to 20 cents and for the full year to 49 cents (2023: EUR 0.44). The Board of Directors proposes a dividend of EUR 0.50, which is in line with our forecast (EUR 0.49).

## Growth and profitability improvement expected in guidance

Kreate guides that its revenue will grow to 290-310 MEUR in 2025 (2024: 275.5 MEUR), and that EBITA will grow to 9-11 MEUR (2024: 8.8 MEUR). Our revenue forecasts were subject to small upward

pressures due to the guidance and outlook, but changes in earnings forecasts were moderate. The outlook for infrastructure construction remains challenging in the early part of the year, but based on Kreate's outlook, we expect bidding activity to pick up by H2'25 and strengthen the market's growth prospects in 2026-2027.

We now expect 2025 revenue to grow by 7% (previously 4%) to 296 MEUR and adjusted EBITA to increase to 10.3 MEUR (EBITA margin: 3.5%). Revenue growth will be driven by the rail projects to be added to the order book in the spring, which should significantly boost top line growth in the second half of the year. Profitability will be positively impacted by increasing volumes and easing cost pressures. We also see a stronger order book in 2025 and a recovering market driving the company to profit growth in the following years (2024-27 EPS CAGR: 20%). There is a risk that project development phases will be extended, projects will be postponed or that the weak market outlook will continue beyond H1'25 into the fall.

## Moderate upside in valuation, dividend offers good support

In our view, Kreate's valuation looks attractive over the next few years (2025-26e: EV/EBIT 9x, P/E 11x), especially in the current year, given the company's earnings growth and the opportunities created by the market turnaround. This will also bring Kreate's performance closer to the normalized 4% level. Based on our 2025-2026 forecasts and our acceptable valuation (EV/EBIT: 10-12x, P/E: 10-12x), the stock would have a upside of over 5%. As the year progresses, we expect pricing to move more strongly in the coming years, unless there is a setback in the market or in Kreate's development. With the proposed dividend, the dividend yield is a strong 7%, supporting both the valuation and the expected return. The DCF calculation, which better reflects the long-term potential, is also well above the current price (EUR 11), which supports our recommendation.

## Recommendation

**Accumulate**

(was Accumulate)

## Target price:

**EUR 8.00**

(was EUR 8.00)

## Share price:

EUR 7.50

## Business risk



## Valuation risk



	2024	2025e	2026e	2027e
<b>Revenue</b>	275.5	295.6	319.4	330.7
<b>growth-%</b>	-14%	7%	8%	4%
<b>EBITA</b>	8.8	10.3	12.2	12.7
<b>EBITA-%</b>	3.2 %	3.5 %	3.8 %	3.8 %
<b>Net income</b>	4.4	5.6	7.1	7.5
<b>EPS (adj.)</b>	0.43	0.63	0.80	0.84
<b>P/E (adj.)</b>	16.5	11.9	9.4	8.9
<b>P/B</b>	1.5	1.5	1.4	1.3
<b>Dividend yield-%</b>	7.0 %	6.8 %	7.1 %	7.2 %
<b>EV/EBIT (adj.)</b>	11.4	9.4	7.9	7.5
<b>EV/EBITDA</b>	6.1	5.7	5.0	4.7
<b>EV/S</b>	0.3	0.3	0.3	0.3

Source: Inderes

## Guidance

(New guidance)

Kreate estimates that its revenue in 2025 will increase and be in the range of 290-310 MEUR (2024: 275.5 MEUR) and EBITA will increase and be in the range of 9-11 MEUR (2024: 8.8 MEUR).