

22 April 2022

Commissioned research: EAB Group Oyj – Evli and EAB Group consider combination

Marketing material commissioned by EAB Group Oyj

Evli and EAB have signed a letter of intent, pursuant to which the parties are looking into a potential combination of Evli's and EAB's operations. For 2021, the combined net revenue of Evli and EAB is approximately EUR 138m and operating profit approximately EUR 59m. Combined AuM of Evli and EAB at the end of 2021 were approximately EUR 20bn. The potential merger is expected to generate permanent annual synergy benefits of around EUR 8m, including top line and cost synergies, and visible from the beginning of 2023. The letter of intent does not obligate the parties to complete the contemplated combination or any other arrangements. EAB shareholders would receive new series B shares in Evli an aggregate number equal to 10% of the aggregate number of issued and outstanding shares (series A and B) prior to the issuance of merger consideration shares and a cash consideration of EUR 3m at the most. Following the potential combination, EAB shareholders would own approximately 9% of the shares and 1% of the votes in the combined company. The initial conversion rate taking into account the EUR 3m cash consideration and the right to distribute EUR 2.35m dividends, would include a 21.2% premium compared to closing price of EAB's share on 21 April, 21.2% premium on one-month volume-weighted average price of the companies and 29.9% premium on a three-month basis. 85% and 82% of shares and votes, respectively, of Evli shares and shareholders and 65% of shares and votes in EAB have signed irrevocable undertakings and support for the merger. In addition, EAB shareholders representing approximately 18% of all votes in EAB have expressed support for the combination and committed to vote in favour of the merger. The combined company would continue as Evli and continue its business in accordance with Evli's operating model. The intention of the parties is to sign the merger plan during May 2022 and the contemplated combination is estimated to be completed during H2 2022. Based on Evli's yesterday's closing price, the theoretical price of EAB would correspond to EUR 3.55 per share. We have a fair value range of EUR 3.2-3.9 per EAB share.

SUMMARY TABLE - KEY FIGURES

EURm	2019	2020	2021	2022E	2023E	2024E
Total revenue	18	19	22	24	28	29
EBITDA (adj)	1	3	5	7	8	9
EBIT (adj)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
EBIT (adj) margin	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
EPS (adj, EUR)	-0.11	0.02	0.16	0.26	0.37	0.43
EPS (adj) growth	-230.8%	116.4%	746.2%	61.3%	45.1%	16.6%
DPS (ord, EUR)	0.00	0.05	0.11	0.15	0.20	0.25
EV/Sales	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
EV/EBIT (adj)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
P/E (adj)	n.m.	n.m.	19.2	11.4	7.9	6.8
P/BV	2.0	2.3	2.1	1.8	1.6	1.4
Dividend yield (ord)	0.0%	1.6%	3.6%	5.1%	6.8%	8.5%
FCF Yield bef A&D, lease adj	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Net debt	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Net debt/EBITDA	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
ROIC after tax	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Source: Company data and Nordea estimates

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