

# Ponsse

Heavy Construction Machinery | Finland | MCAP MEUR 672

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## Investment summary

We rate Ponsse SELL with a 12-month target price of €18.57, implying around 21% downside from the current share price of €23.50. Our view is that the market is pricing in too much normalization, while the recovery in contractor investment is likely to remain gradual.

Ponsse is a pure-play manufacturer of cut-to-length forestry machines, with a leading Nordic position and a strong service network. The company is entering a cyclical recovery, supported by improving order intake and the roll-off of the loss-making Brazilian Full Service contract in Q2 2026. However, the recovery remains early, with the order book still below prior-year levels and Q1 2026 EBIT margin at only 0.9%.

Our thesis rests on two points. First, we expect contractor investment to recover only gradually, leading to a normalized EBIT margin of 7.5%, below the roughly 8% level implied by the current share price. Second, Ponsse's moat is real but geographically limited: it is strongest in mature Nordic CTL markets and less powerful in North America, where full-tree harvesting dominates.

We anchor our valuation on the DCF, which better reflects our assumptions of slower volume recovery and lower normalized profitability. Peer multiples suggest the stock is close to fairly valued, but the peer group is larger and more diversified, supporting our SELL recommendation.

Recommendation: SELL

Target price: 18.57

Price: 23.50

Downside: (21%)

Ticker: PON1V

Date: 18 June 2026

52-week price range: 22.0-32.0



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Key figures (MEUR)	2024A	2025A	2026E	2027E
Revenue	750.43	749.87	727.37	756.47
Growth	(8.7%)	(0.1%)	(3.0%)	4.0%
EBITDA	54.44	57.83	65.46	79.43
EBIT	29.07	34.04	40.01	52.95
NOPAT	20	25	32	42

## Company Overview

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Ponsse Oyj designs, manufactures, sells, and services cut-to-length (CTL) forestry machines, including harvesters, forwarders, harvester heads, simulators, and related digital systems and spare parts. The company combines equipment sales with recurring revenue from spare parts, maintenance, service agreements, and software that improve machine uptime and productivity.

Revenue is mainly driven by new machine sales, which account for 75% of net sales, followed by services at 22% consisting of spare parts, maintenance, and full-service agreements, and system solutions at 3% including digital information systems, simulators, and training that support productivity and strengthen customer relationships. The business model blends one-off equipment sales with an expanding base of higher-margin recurring after-sales services.

The customer base consists of professional forestry contractors and large forest owners who use mechanized CTL logging and prioritize machine reliability, strong service network coverage, and digital tools that enhance efficiency and environmental performance. Ponsse is headquartered and manufactures in Vieremä, Finland, and operates in around 40 countries across Europe, the Americas, Asia, and Oceania through subsidiaries and an independent dealer network, with exports forming the majority of sales. In the 2025 financial year, net sales were €749.9 million and reported operating profit €41.6 million (5.6% of net sales) - equivalent to a 4.5% margin on the standardized basis used for this report's valuation and peer comparison. Order books stood at €141.4 million at year-end 2025, recovering to €167.9 million by the end of Q1 2026.

## Industry & Competitive Position

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**Market structure.** Ponsse operates in the global forestry-machinery market, worth roughly USD 7 billion (Fact.MR, 2025) and growing at low-single-digit rates. The market splits along two harvesting methods: cut-to-length (CTL), the mechanized, Nordic-origin approach that dominates Europe and the Nordics, and full-tree/feller-buncher, which dominates North America and many plantation markets. Deere, Komatsu, Caterpillar, Tigercat and Ponsse together hold the majority of the market. Ponsse is essentially a pure CTL specialist - a strength in its core geographies, but a structural constraint where full-tree prevails.

**Market dynamics.** Demand is driven by timber harvesting volumes, forest-industry health, contractor profitability, interest rates and machine replacement cycles. The market is currently in a shallow recovery: Nordic harvesting volumes are rising only modestly, the forest-products mills that drive contractor investment describe demand as stable at low levels and are cutting sawmill capacity, European construction is recovering at around 1.5%, and US housing is broadly flat with mortgage rates staying above 6%. The aftermarket is far less cyclical than machine sales and is the part of the market Ponsse is deliberately building out.

**Competitive landscape.** Ponsse competes with diversified global giants (Deere and Komatsu Forest above all, plus Caterpillar) and with focused players (Tigercat in full-tree; Nordic specialists such as Rottne and Eco Log in CTL). Its position is sharply uneven by geography: it is the clear leader in Finland and strong across the Nordics, a challenger in Central Europe, and structurally subscale in North America, where CTL is the minority method and Deere and Tigercat dominate.

**Competitive advantage assessment.** Ponsse's moat is real but specific: CTL engineering depth, brand and operator loyalty, a dense Nordic service network, and switching costs created by integrated machines, data systems and service agreements. The rising aftermarket mix strengthens this. The limitation is reach, the advantage is strongest exactly where the market is most mature (the Nordics) and weakest where it is largest (North America). Growth therefore depends on deepening the aftermarket and selective expansion rather than out-scaling Deere and Komatsu globally.

# Investment Thesis

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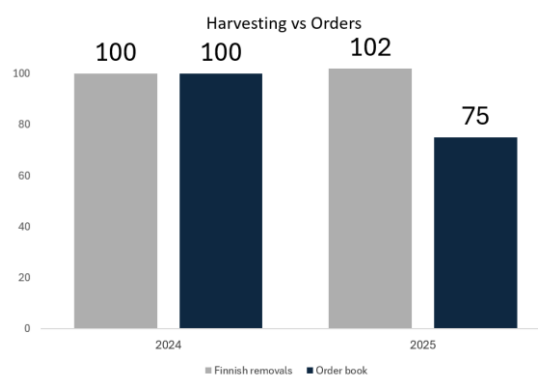
## **Thesis 1: The market prices a full recovery in machine demand; we expect contractor investment to return only partially within our forecast horizon.**

At €23.50, Ponsse appears priced for a normalized EBIT margin of around 8%, implying a near-full return to mid-cycle profitability. We agree that margins should recover from the depressed ~5% level of recent years, as the weakness has been cyclical rather than structural. However, we expect the recovery to be slower and less complete, and therefore normalize EBIT margin at 7.5%.

The key driver is factory utilization. Ponsse operates with significant fixed costs at its Vieremä plant, which makes margins highly volume-sensitive: EBIT margin was just 0.9% in Q1 2026 when utilization was weak, compared with 11.0% in Q3 2024 when volumes were near normal. Two factors should support recovery from here. First, the loss-making Brazilian Full Service contract, which cost €17.2m in 2024, ends in Q2 2026. Second, order intake has improved, reaching €193.3m in Q1 2026, while the order book recovered to €167.9m.

Still, the downturn was primarily an investment-deferral cycle, not a collapse in underlying harvesting activity. Finnish commercial roundwood removals were broadly stable and around 2% higher in 2025, yet Ponsse's order book fell from €189m to €141m over the same period. Contractors kept harvesting wood but postponed machine purchases due to high interest rates and weak confidence. That means the recovery depends on financing conditions and contractor investment appetite improving, not just on forest activity remaining stable.

We therefore expect utilization to improve, supported by the Brazil roll-off and recovering orders, but not to fully normalize within our forecast horizon.



## **Thesis 2: Neither the cycle nor the moat provides a mechanism to close the gap.**

For Ponsse to justify the current share price, earnings would need to rise durably above our mid-cycle assumptions. We do not see a clear mechanism for that. The cyclical backdrop is improving, but not strong enough to drive a margin overshoot: forest-products demand remains stable at low levels, sawmill capacity is being cut, European construction is growing only around 1.5%, and US housing remains broadly flat with mortgage rates above 6%. This supports a recovery in utilization, but not a boom above mid-cycle levels.

Ponsse's moat is real, but geographically limited. The company has strong CTL engineering, brand loyalty and a dense Nordic service network, but these advantages are strongest in mature Nordic markets where long-term growth is limited. In North America, the world's largest forestry equipment market, cut-to-length remains a minority harvesting method, limiting Ponsse's ability to translate its technical edge into large market-share gains.

As a result, Ponsse remains a high-quality market leader, but neither the cycle nor the moat provides enough incremental earnings upside to justify the current valuation. This supports our view that the shares are modestly overvalued despite a real operational recovery.

## Valuation

We value Ponsse primarily on a DCF basis, cross-checked against peer multiples. The DCF is the most relevant method because it allows us to explicitly model our key thesis: a slower recovery in machine demand and a lower normalized EBIT margin than we believe is implied by the current share price.

**Discounted cash flow.** Our base case applies a 9.35% WACC, a 2.0% terminal growth rate, and maintenance capex in line with depreciation at 3.5% of revenue. Revenue is expected to decline by around 3% in 2026 before returning to modest 3–4% annual growth, reflecting a slow recovery in deferred replacement demand and an order book that remains below prior-year levels.

EBIT margin is forecast to improve from 5.5% in 2026E, following a weak Q1 and the remaining drag from the Brazilian contract, to a normalized level of 7.5% as factory utilization improves and the loss-making contract rolls off. These assumptions result in a DCF value of approximately €18.6 per share, implying around 21% downside from the current price of €23.50. The valuation gap is therefore driven primarily by our lower assumptions for volume recovery and normalized profitability.

**Relative valuation.** Ponsse's closest operational competitors - Tigercat, Rottne and Eco Log - are privately held, so the listed peer set is necessarily imperfect. The available peers consist mainly of larger and more diversified equipment manufacturers such as Deere, Komatsu, Caterpillar, Husqvarna and Metso. These companies generally have stronger margins, positive revenue growth, broader end-market exposure and more stable through-cycle earnings than Ponsse. As a result, the peer median should be treated as a generous benchmark rather than a direct fair-value multiple for Ponsse.

Company	EV/EBIT	P/E	EBIT Margin	Rev Growth
Deere	32.5x	28.2x	21.06%	4%
Komatsu Ltd.	12.1x	15.6x	15.16%	6%
Caterpillar	32.6x	37.1x	17.16%	11%
Husqvarna	10.5x	11.8x	6.32%	3%
Metso	16.6x	21.7x	13.53%	7%
<b>Ponsse</b>	<b>17.2x</b>	<b>21.8x</b>	<b>5.5%</b>	<b>-3%</b>

We place most weight on EV/EBIT and P/E, as both capture depreciation and are more relevant for a capital-intensive manufacturer than EV/EBITDA. On a 2026E EV/EBIT basis, the peer median implies a value of approximately €22.6 per share, while the 2026E P/E median implies a similar value around the current share price. However, given Ponsse's lower EBIT margin, negative near-term revenue growth and narrower exposure to the cut-to-length forestry-machine market, applying the peer median likely overstates fair value. A discounted peer multiple, or a lower-percentile benchmark, would point to slight overvaluation on a relative basis as well.

The relative valuation therefore supports the direction of our view, but we do not anchor our target price to it because the peer group is small and not directly comparable. We instead use the DCF as our primary valuation method, as it better captures our company-specific assumptions: a slower recovery in machine demand and a lower normalized EBIT margin than the current share price appears to imply. On this basis, our DCF implies a fair value of €18.6 per share, or around 21% downside.

**Sensitivity analysis.** Fair value is most sensitive to WACC and terminal growth. The table below shows the implied share price across a reasonable range of both, with the base case (9.35% WACC, 2.0% terminal growth) highlighted. Across this range, fair value remains below the current price, supporting our SELL call across plausible inputs.

	1,7 %	1,9 %	2,0 %	2,2 %	2,3 %
8,7 %	20,09	20,35	20,61	20,90	21,19
9,0 %	19,08	19,31	19,54	19,79	20,05
9,35 %	18,17	18,37	18,57	18,79	19,02
9,7 %	17,33	17,51	17,69	17,89	18,09
10,1 %	16,57	16,73	16,89	17,06	17,24

## Risks

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**Faster recovery and margin upside.** We assume revenue declines ~3% in 2026 before returning to low-single-digit growth, with EBIT margin recovering from 4.5% (2025A) to ~7% in 2027E before settling near 7.5%. If harvesting activity, timber prices and customer confidence rebound faster, or if better factory utilization, lower input costs and continued aftermarket growth lift margins above these levels, earnings would exceed our forecasts. The near net-cash balance sheet (equity ratio ~62%) and the growing aftermarket also provide a genuine floor under earnings and the share price.

**A lower cost of capital than we assume.** Our DCF uses a 9.35% WACC to reflect Ponsse's cyclical earnings profile and narrower end-market exposure. If interest rates decline, risk premia compress, or investors assign a lower required return to Ponsse as the recovery becomes more visible, fair value would increase materially. This would be particularly relevant if improving order intake and factory utilization reduce perceived cyclicality. A materially lower WACC, around 7.5–8.0%, would move our DCF value closer to the current share price and represents a key upside risk to our SELL recommendation.

# Appendix

Company	Ticker	Share Price	Diluted Shares	Market Cap	(+) Debt	(-) Cash	Enterprise Value	EBIT LTM	EBIT '26E	EBIT '27E	EBITDA LTM	EBITDA '26E	EBITDA '27E	EPS '26E
Deere	DE-US	455,18	270,90	123308,26	53883,00	7402,00	169789,26	8299,00	5221,00	6453,00	10284,00	6564,00	7925,00	16,16
Komatsu Ltd.	6301.T	34,68	904,20	31357,66	7744,00	2399,00	36702,66	3271,00	3042,00	3244,00	4198,00	3939,00	4179,00	2,22
Caterpillar	CAT-US	783,36	472,30	369980,93	37514,00	8498,00	398996,93	10454,00	12245,00	14780,00	12453,00	14170,00	16891,00	21,10
Husqvarna	HUSQ.B-SE	3,90	572,50	2232,75	1176,00	157,70	3251,05	281,60	310,00	349,00	551,30	570,00	608,00	0,33
Metso	METSO-FI	16,03	827,70	13268,03	1594,00	510,00	14352,03	759,00	867,00	1004,00	949,00	940,00	1066,00	0,74
Max		783,36	904,20	369980,93	53883,00	8498,00	398996,93	10454,00	12245,00	14780,00	12453,00	14170,00	16891,00	21,10
75th Percentile		455,18	827,70	123308,26	37514,00	7402,00	169789,26	8299,00	5221,00	6453,00	10284,00	6564,00	7925,00	16,16
Median		34,68	572,50	31357,66	7744,00	2399,00	36702,66	3271,00	3042,00	3244,00	4198,00	3939,00	4179,00	2,22
25th Percentile		16,03	472,30	13268,03	1594,00	510,00	14352,03	759,00	867,00	1004,00	949,00	940,00	1066,00	0,74
Min		3,90	270,90	2232,75	1176,00	157,70	3251,05	281,60	310,00	349,00	551,30	570,00	608,00	0,33
Mean		258,63	609,52	108029,53	20382,20	3793,34	124618,39	4612,92	4337,00	5166,00	5687,06	5236,60	6133,80	8,11
Ponssse	PONIV	23,50	28,00	658,00	78,70	58,15	678,55	29,96	39,50	54,80	64,79	73,50	87,90	1,08

Trading Multiples				EV / EBIT				EV / EBITDA				P / E		
Company	Ticker	Mkt Cap	EV Net Debt / EBITDA	Debt / Cap	LTM	'26E	'27E	LTM	'26E	'27E	'26E	'27E	'26E	'27E
Deere	DE-US	123308,26	169789,26	7,1x	30,4%	20,5x	32,5x	26,3x	16,5x	25,9x	21,4x	28,2x	28,2x	28,2x
Komatsu Ltd.	6301.T	31357,66	36702,66	1,4x	19,8%	11,2x	12,1x	11,3x	8,7x	9,3x	8,8x	15,6x	15,6x	15,6x
Caterpillar	CAT-US	369980,93	398996,93	2,0x	9,2%	38,2x	32,6x	27,0x	32,0x	28,2x	23,6x	37,1x	37,1x	37,1x
Husqvarna	HUSQ.B-SE	2232,75	3251,05	1,8x	34,5%	11,5x	10,5x	9,3x	5,9x	5,7x	5,3x	11,8x	11,8x	11,8x
Metso	METSO-FI	13268,03	14352,03	1,2x	10,7%	18,9x	16,6x	14,3x	15,1x	15,3x	13,5x	21,7x	21,7x	21,7x
Max		369980,93	398996,93	7,1x	34,5%	38,2x	32,6x	27,0x	32,0x	28,2x	23,6x	37,1x	37,1x	37,1x
75th Percentile		123308,26	169789,26	2,0x	30,4%	20,5x	32,5x	26,3x	16,5x	25,9x	21,4x	28,2x	28,2x	28,2x
Median		31357,66	36702,66	1,8x	19,8%	18,9x	16,6x	14,3x	15,1x	15,3x	13,5x	21,7x	21,7x	21,7x
25th Percentile		13268,03	14352,03	1,4x	10,7%	11,5x	12,1x	11,3x	8,7x	9,3x	8,8x	15,6x	15,6x	15,6x
Min		2232,75	3251,05	1,2x	9,2%	11,2x	10,5x	9,3x	5,9x	5,7x	5,3x	11,8x	11,8x	11,8x
Mean		108029,53	124618,39	2,7x	20,9%	20,1x	20,8x	17,6x	15,7x	16,9x	14,5x	22,9x	22,9x	22,9x

DCF Analysis	Hist.				Proj.													Terminal
	2022A	2023A	2024A	2025A	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E				
Revenue	755,120	821,800	750,430	749,870	727,374	756,469	786,728	806,396	822,524	838,974	855,754	872,869	890,326	908,133				
% Growth		9%	(8,7%)	(0,1%)	(3,0%)	4,0%	4,0%	2,5%	2,0%	2,0%	2,0%	2,0%	2,0%	2,0%				
EBITDA	63,480	63,520	54,440	57,830	65,464	79,429	86,540	88,704	90,478	92,287	94,133	96,016	97,936	99,895				
% Margin	8%	8%	7%	8%	9,0%	10,5%	11,0%	11,0%	11,0%	11,0%	11,0%	11,0%	11,0%	11,0%				
% Growth		0,1%	(14,3%)	6,2%	13,2%	21,3%	9,0%	2,5%	2,0%	2,0%	2,0%	2,0%	2,0%	2,0%				
EBIT	42,900	41,560	29,070	34,040	40,006	52,953	59,005	60,480	61,689	62,923	64,182	65,465	66,774	68,110				
% Margin	6%	5%	4%	5%	5,5%	7,0%	7,5%	7,5%	7,5%	7,5%	7,5%	7,5%	7,5%	7,5%				
% Growth		(3,1%)	(30,1%)	17,1%	17,5%	32,4%	11,4%	2,5%	2,0%	2,0%	2,0%	2,0%	2,0%	2,0%				
Tax	9,040	12,920	8,960	9,500	(7,801)	(10,591)	(11,801)	(12,096)	(12,338)	(12,585)	(12,836)	(13,093)	(13,355)	(13,622)				
Tax Rate	21%	31%	31%	28%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%				
NOPAT	34	29	20	25	32	42	47	48	49	50	51	52	53	54				
% Growth		(15,4%)	(29,8%)	22,0%	30,4%	32,4%	11,4%	2,5%	2,0%	2,0%	2,0%	2,0%	2,0%	2,0%				
(+) Depreciation & Amortization	20,580	21,960	25,370	23,790	25,458	26,476	27,535	28,224	28,788	29,364	29,951	30,550	31,161	31,785				
% Revenue	2,73%	2,67%	3,38%	3,17%	3,5%	3,5%	3,5%	3,5%	3,5%	3,5%	3,5%	3,5%	3,5%	3,5%				
(-) CapEx	(41,920)	(35,890)	(21,590)	(22,680)	(25,458)	(26,476)	(27,535)	(28,224)	(28,788)	(29,364)	(29,951)	(30,550)	(31,161)	(31,785)				
% Revenue	(5,6%)	(4,4%)	(2,9%)	(3,0%)	3,5%	3,5%	3,5%	3,5%	3,5%	3,5%	3,5%	3,5%	3,5%	3,5%				
(+/-) Change in WC	(86,830)	(32,150)	22,510	(26,910)	10,183	(12,860)	(11,014)	(8,064)	(5,758)	(5,873)	(5,990)	(6,110)	(6,232)	(6,357)				
% Revenue	(11,5%)	(3,9%)	3%	(3,6%)	1,4%	(1,7%)	(1,4%)	(1,0%)	(0,7%)	(0,7%)	(0,7%)	(0,7%)	(0,7%)	(0,7%)				
Unlevered Free Cash Flow	-74	-17	46	-1	42	30	36	40	44	44	45	46	47	48				

Discount Rate	9,4%	Shares Outstanding	28,13
Terminal Growth Rate	2,0%	Current Share Price	23,50
Sum of PV Unlevered FCF	260,7	Market Cap	661,06
Terminal Value	667,7	Enterprise Value	672
PV of Terminal Value	273,1		
<b>Implied Enterprise Value</b>	<b>533,8</b>		
(-) Debt	69,4		
(+) Cash	58,2		
<b>Implied Equity Value</b>	<b>522,5</b>		
<b>Implied Share Price</b>	<b>18,6</b>		
<b>Upside/Downside</b>	<b>(21,0%)</b>		

<b>Weighted Average Cost of Capital</b>	
Market Risk Premium	4,75%
Beta	141,00%
Risk Free Rate	2,50%
Liquidity Premium	0,50%
<b>Cost of Equity</b>	<b>9,70%</b>
<b>Weighted Average Cost of Debt</b>	<b>3,50%</b>
Tax Rate	20,00%
<b>Cost of Debt</b>	<b>3,50%</b>
<b>Target debt ratio</b>	<b>5,00%</b>
<b>WACC</b>	<b>9,35%</b>

Source: FactSet, Analyst estimates

## **Disclaimer**

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