AALLON GROUP

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INDERES CORPORATE CUSTOMER

EXTENSIVE REPORT

Profit growth and cash flow from accounting services

We reiterate Aallon Group's target price of EUR 13.0 and Buy recommendation. The company is well-positioned to continue creating value with its acquisition strategy of buying small and medium-sized accounting firms at moderate valuations. The implementation of the reorganization creates short-term uncertainty, but enables continued profitability improvement in the coming years, which is also accelerated by organic growth picking up with the Finnish economy. The stock's valuation (2026e, adj. P/E 10.6x) strikes us as low relative to the company's stable and strong cash-generating business and medium-term earnings growth prospects.

Defensive growth company

Aallon Group's overall investment profile is interesting, as the company combines the defensive and stable nature of the accounting business, which is complemented by a systematic acquisition strategy to accelerate growth. The strategy has also yielded results, with revenue growing by an average of 14.7% per year in 2018-2024, which is in line with the company's targets (average annual growth of 15-20%). The majority of revenue is recurring, which reflects a highly predictable business due to long-standing customer relationships. The business does not tie up much capital, resulting in good return on capital and abundant cash flow. In addition, the company's strong balance sheet provides support for the implementation of its growth strategy.

The accounting firm market is gradually consolidating

The accounting services sector in Finland is still highly fragmented, as we estimate that the 9 largest players only account for some 45% of the total market of 1.4 BNEUR. However, in light of industry trends, the step-by-step consolidation will inevitably continue. Aallon Group's personnel-driven and customer-focused approach provides it with a strong foundation for continued market share growth (2024: some 2.4%) both organically and through acquisitions. We believe there are still around 1,000 accounting firms in Finland that employ more than just the entrepreneur. Of these, around 300 employ more than 5 people and are the most interesting acquisition targets.

Reorganization incurs costs this year

We have revised our estimates slightly downwards, reflecting the costs of the ongoing reorganization, which will incur costs later in the year, and the continued weak development of the Finnish economy. We expect Aallon Group's revenue to grow by 15% this year, driven by acquisitions, while our organic forecast (0%) still anticipates very cautious development. Among completed acquisitions, Premium Group in particular supports profitability development this year, but the reorganization will result in non-recurring costs as subsidiaries are merged and their previously separate systems are integrated. In addition, a major change can tie up the time of billable employees elsewhere. With our forecast, EBITDA will decrease slightly this year to 16.2% (2024: 16.5%) but the EBITA margin (11.1% vs. 10.9%) improves slightly, mainly due to a decrease in the relative share of depreciation. In the long run, we see Aallon Group's EBITDA potential at least at 20% with good strategy execution.

Valuation appears low

With our forecasts, Aallon Group's adjusted P/E ratio for 2025 is 12x and the EV/EBIT ratio is 10x. With 2026 forecast including the latest acquisitions and a slight pick-up in organic growth, the corresponding multiples are 10.6x and 8.4x. We find these to be low for a defensive growth company like Aallon Group, which is well-positioned to create shareholder value through a consistent acquisition strategy. We believe there is room for the valuation to correct upwards over the next year, as the completed acquisitions are reflected in the company's earnings growth. More acquisitions are likely to be seen during this period.

Recommendation

Buy
(was Buy)

Target price:

EUR 13.00
(was EUR 13.00)

Share price:

EUR 10.85

Business risk

●●○○○

Valuation risk

●●○○○

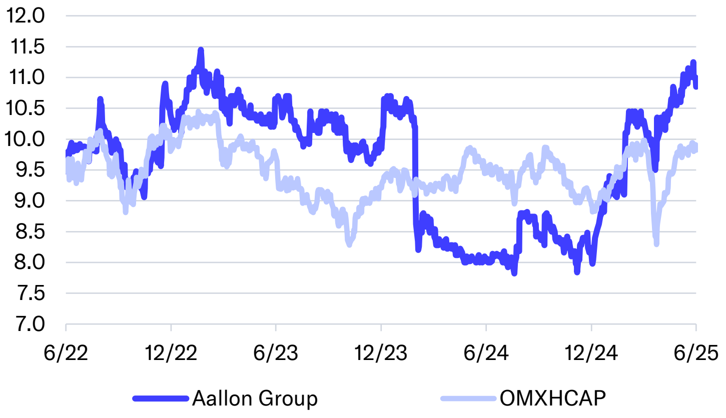
	2024	2025e	2026e	2027e
Revenue	35.1	40.4	41.7	42.7
growth-%	6.7 %	15.2 %	3.1 %	2.5 %
EBIT adj.	3.8	4.5	5.0	5.4
EBIT-% adj.	10.9 %	11.1 %	12.0 %	12.6 %
Net Income	2.4	2.7	3.1	3.5
EPS (adj.)	0.78	0.92	1.02	1.14
P/E (adj.)	11.1	11.8	10.6	9.5
P/B	2.1	2.5	2.2	1.9
Dividend yield-%	2.7 %	2.2 %	2.3 %	2.4 %
EV/EBIT (adj.)	10.0	10.1	8.4	7.2
EV/EBITDA	6.6	6.9	6.0	5.3
EV/S	1.1	1.1	1.0	0.9

Source: Inderes

Guidance (Unchanged)

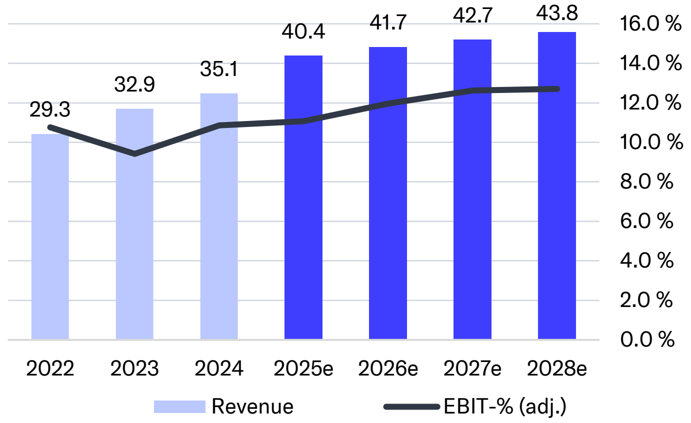
"The company targets an average annual revenue growth of 15-20% and an increasing EBITDA margin in the medium term."

Share price



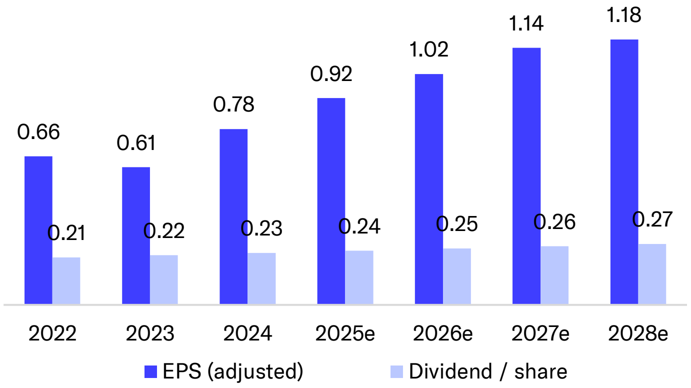
Source: Millistream Market Data AB

Revenue and EBIT-% (adj.)



Source: Inderes

EPS and dividend



Source: Inderes

Value drivers

- Continuous implementation of a proven acquisition strategy
- Reorganization seeks to enhance efficiency and achieve economies of scale from the increased size
- Room for profitability improvement as digital processes streamline operations
- Defensive and strong cash flow generating business model

Risk factors

- Long-term value creation potential is strongly dependent on success in the acquisition strategy and the availability of acquisition targets
- Risks related to the integration of acquisitions
- Risks related to reorganization
- Tightening competitive situation and new challengers potentially attracted by industry disruption
- Organic growth outlook subdued as Finland's economic outlook is weak

Valuation	2025e	2026e	2027e
Share price	10.9	10.9	10.9
Number of shares, millions	3.83	3.83	3.83
Market cap	42	42	42
Yritysarvo (EV)	45	42	39
P/E (adj.)	11.8	10.6	9.5
P/E	15.5	13.5	11.8
P/B	2.5	2.2	1.9
P/S	1.0	1.0	1.0
EV/Sales	1.1	1.0	0.9
EV/EBITDA	6.9	6.0	5.3
EV/EBIT (adj.)	10.1	8.4	7.2
Payout ratio (%)	34.4 %	31.2 %	28.4 %
Dividend yield-%	2.2 %	2.3 %	2.4 %

Source: Inderes

Contents

Aallon Group in brief

Aallon Group is one of the largest accounting firms in Finland, offering accounting services in 20 locations in Finland. The company aims to provide the expertise and know-how of a large accounting firm with local and personal service.

2019
Group is established and listed

35.1 MEUR (6.7% vs. 2023)
Revenue 2024

+14.7%
Average revenue growth in 2018-2024

3.8 MEUR (10.9% of revenue)
EBITA 2024

437
Personnel at the end of 2024

around 6,000
Number of customers

2019

Group is established and listed

The first two smaller acquisitions

2020-2022

The pace of acquisitions is moderate in 2020 during the COVID pandemic.

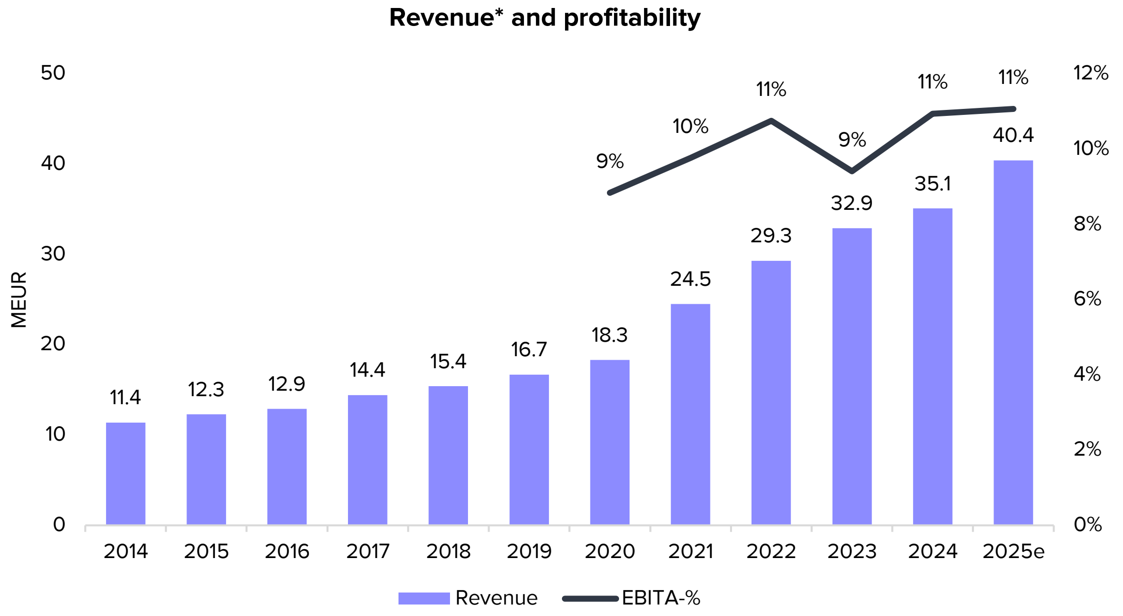
The pace accelerates significantly in 2021-2022, when a total of 16 acquisitions are made

2023-2024

In 2023, cost inflation weighs on profitability

10 acquisitions in 2023-2024

Profitability development gets on the right track during 2024



Source: Aallon Group / Inderes
*Aallon Group founder companies' combined revenue for calendar years 2014-2016 and Aallon Group's pro forma revenue for calendar years 2017-2019

Company description and business model 1/3

An active consolidator of accounting firms

Aallon Group is a group originally formed from six long-standing and locally significant accounting firms, offering accounting services and supporting expert services in Finland. As the consolidation of the accounting firm sector progressed, these six entrepreneurial accounting firms decided to join forces instead of being acquired by larger competitors or private equity investors. The decision to merge was made in August 2018, and the merger was legally implemented in March 2019 through a share exchange, whereby the merging accounting firms became wholly-owned subsidiaries of Aallon Group. The company was listed on First North in April 2019.

Aallon Group is actively involved in industry consolidation and aims to provide accounting firms with a good home to grow and develop. Since the listing, the company has already completed 34 acquisitions. Deals have also been possible at moderate valuation levels (around 5-6x EV/EBITDA), and generally, the acquisition strategy has proven effective.

Aallon Group's 2024 revenue was 35.1 MEUR and comparable EBITDA was 5.9 MEUR (16.8% of revenue). The company's revenue has grown by an average of 14.7% in 2018-2024, which clearly exceeds the average growth rate of the accounting services market (some 5%) during this period. During 2021-2024, growth has significantly accelerated, driven by acquisitions, while organic growth has been at an estimated low single-digit level.

Aallon Group's revenue consists almost entirely of recurring contract invoicing, which, together with long customer relationships typical of the industry, makes the business model very defensive and predictable. This also enables good profitability, while the efficiency of accountants' work can be improved through investments in digitalization and automation. At the end of 2024, Aallon Group employed a total of 437 people.

Accounting services close to the customer

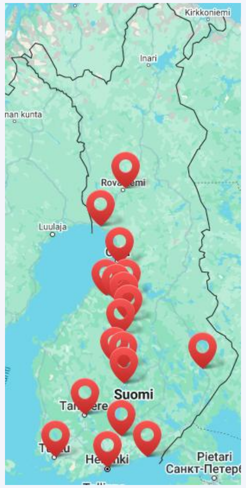
Aallon Group offers accounting and other expert services primarily as a fixed-price service package invoiced monthly. The company's operating model is to provide services close to the customer, ensuring that the customer always has direct access to a designated expert and an expert team responsible for delivering services to the customer. The company currently has offices in 20 locations and aims to expand its presence in Finland's largest cities. Sales were previously handled locally by key personnel at various offices, but with the reorganization, sales functions are also being centralized.

Aallon Group has approximately 6,000 customers, most of whom are SMEs. The customer base is highly fragmented, and we estimate that the 10 largest customers account for less than 10% of revenue. We estimate that the average invoicing per customer is about EUR 5,500-6,000 per year. In our view, a broad, diversified, and very stable customer base is a clear strength for Aallon Group, which brings visibility and continuity to the business. The customer-centricity at the core of the company's strategy is also reflected in good results in customer satisfaction surveys. The company's good reputation in the industry also helps when competing for acquisition targets, and many entrepreneurs who have put their companies up for sale have ended up becoming part of Aallon Group.

Aallon

- The aim is to consolidate the fragmented accounting service market
- Comprehensive financial management services are provided close to the customer
- Digitalization and automation enable efficiency in accounting processes
- Customer-centricity is reflected in high customer satisfaction and long customer relationships
- In software development, the focus is on systems that generate cost-efficiency and customer value (Aallon Portti)
- Accounting and payroll are handled with off-the-shelf software

Customers



- Around 6,000 customers
- We estimate that the top 10 customers generate less than 10% of revenue
- The customer base is widely diversified across various sectors
- Most are SMEs
- Customer relationships in the industry are very long on average
- The company currently have offices in 20 locations.

Source: Inderes, Aallon Group

Company description and business model 2/3

Aallon Group's services

Aallon Group's financial management services include accounting, processing of sales and purchase invoices, invoice payment, internal accounting, and handling of tax and VAT matters. In practice, the company's service portfolio includes all services typical of the industry. Most of the revenue comes from typical accounting firm services.

The company offers payroll management services as customer-specific, tailored service packages. In addition to the basic payroll processes, the company offers expertise in personnel management. This includes, e.g., payroll administration advice and consulting, as well as the drafting of employment contracts and advice on employment-related legal issues.

The service offering also includes advisory services complementing financial management services, which are typically sold as an hourly-billed add-on service. Such services include,e.g., tax advice, legal services, employment advice, and advice on corporate restructuring. The scope of legal services was strengthened by acquiring Premium Group in December 2024, whose 6-person legal services team's expertise can now be offered more broadly across the entire group. The company also provides financial management services, including, e.g., outsourced controller, finance manager, and HR specialist services.

Aallon Group possesses specific industry expertise, which enables the provision of services that consider the unique characteristics of these industries. These industries include the IT sector, private equity companies, foundations, construction, and real estate companies.

Digitalization creates efficiency in processes

Aallon Group handles all its service processes digitally, unless otherwise agreed with the customer. Digital financial management service refers to sending sales invoices as e-invoices, and electronic receipt, review, and approval of purchase invoices. Submitting receipts to accounting and the creation, review, and approval of travel expense reports also take place digitally.

A central part of Aallon Group's business model is the comprehensive digitalization and streamlining of the company's back-office processes. In its in-house system development, the company focuses on developing systems that generate customer value and cost-efficiency, while accounting and payroll are managed using off-the-shelf software. Digitalization of business operations and automation of routine accounting tasks improve efficiency and free up accountants' time to provide value-added services to clients, enabling partial scalability of profitability. In a fully digital world, revenue per customer typically also increases through transaction revenue as customers expand the scope of accounting services to include, e.g., purchase invoice processing and payment transaction management.

The improved operational efficiency of Aallon Group is reflected in the company's revenue per employee, which grew steadily from 2014 (68.6 TEUR) to 2018 (80.2 TEUR). The company no longer reports this figure, but according to our calculations, it was some 70-75 TEUR in 2019-2020 and well above 80 TEUR after 2021 (2024: around 88 TEUR). 2019 was spent building the foundation for the growth strategy, as the company strengthened its HR and ERP systems in addition to the organization, and created and launched a new brand.

Aallon Group's services

Financial management services and specialized industry solutions

- Accounting
- Payroll
- Performance monitoring
- Sales invoicing
- Accounts payable processing and payment
- Tax and VAT matters
- Specialized industry solutions

Consultancy and financial management services

- Tax advice
- Legal services
- Employment advice
- Outsourced controller, financial manager and HR services

Revenue distribution, 2024

Source: Inderes, Aallon Group

Company description and business model 3/3

The strengthened growth foundation subsequently began to be reflected in improved efficiency. In our view, the increase in efficiency is also partly explained by the growing share of fully digital customers.

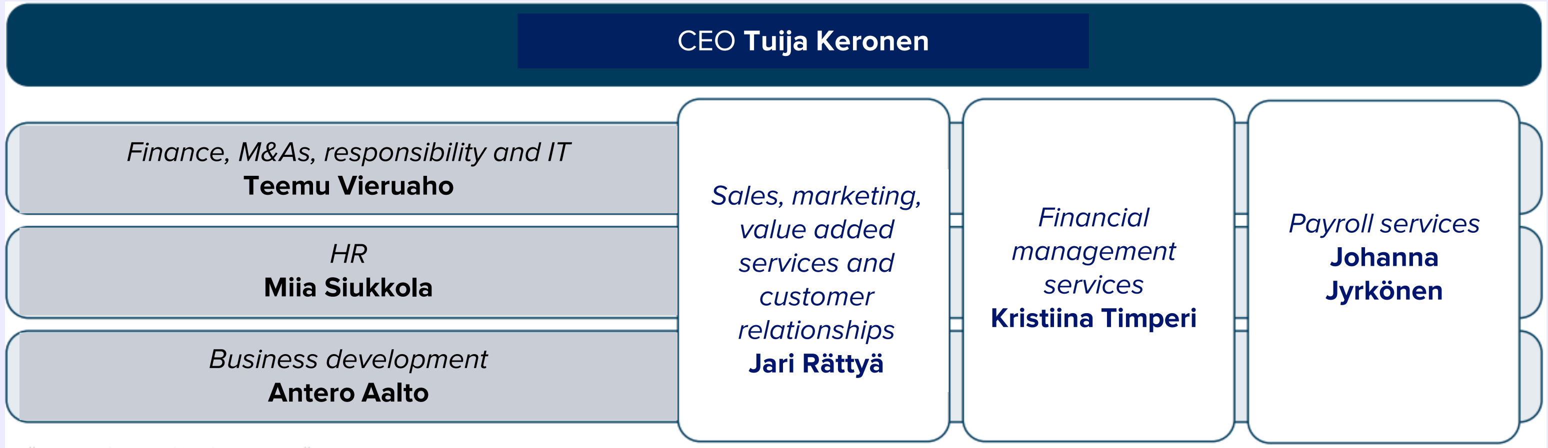
We estimate that the company's profitability will gradually improve in the medium term due to economies of scale achieved through growth and as digital processes enhance operations. The reorganization that took effect in April 2025 also gives the company the potential to better leverage its increased scale. In the reorganization, the previous organizational structure based on regional companies was replaced by a structure based on business functions. When a regional organization is abandoned, business operations and administrative work are no longer organized separately in each regional company. With the company's increased size, centralized operations can achieve clear efficiency gains in addition to steadily improving the quality of services. Resources freed up by the change are primarily directed towards accelerating organic growth, advancing the acquisition strategy, and customer care and work.

The importance of advisory services increases in the future

Aallon Group's business model and sufficient scale enable the provision of value-added financial management services that SMEs need to support their businesses. Accountants' time can be increasingly directed at consultative work as routine tasks become automated through digitalization. This creates significant additional earnings opportunities for both accountants (job satisfaction) and Aallon Group.

In SMEs, financial management often falls to the entrepreneurs, making additional services highly sought after. The entrepreneur can then focus on business operations instead of financial management. This makes a strong market position and large scale in the industry even more valuable, as small accounting firms are unable to offer similar services. In the largest companies with own financial management and experts, the key is generally cost-efficiency.

Aallon Group's organizational structure



Source: Aallon Group

Investment profile

A defensive growth company

Aallon Group's investment profile is interesting overall, as it combines a stable and defensive accounting business, whose growth is accelerated by a systematic acquisition strategy. The effectiveness of the acquisition strategy has already been clearly demonstrated in recent years. Aallon Group has found a successful formula for acquiring small and medium-sized accounting firms at moderate valuation multiples. Acquisitions have increasingly started to be reflected in the company's figures as earnings growth.

A majority of Aallon Group’s revenue is recurring, which reflects a highly defensive and predictable business, thanks to long customer relationships. The company's business is capital-light, which ensures a strong return on capital and cash flow generation. This also enables dividend payments, which, however, depend on the pace of the acquisition strategy. We currently see capital allocation to acquisitions as a significantly more sensible solution than dividend payments, although the current strong balance sheet allows for both.

In recent years, Aallon Group has invested significantly in building its group organization and common production systems, which have laid a solid foundation for acquisition-driven growth. With the numerous completed acquisitions, the company's size has also grown significantly, and the reorganization aims to extract even more efficiency from this entity. In addition, the company still has clear potential to improve its profitability as its size increases, with economies of scale and digital processes gradually improving operations.

Aallon Group has become a key player in the consolidation of the Finnish accounting firm market, and the company's entrepreneurial approach has clearly resonated well with many accounting firm entrepreneurs. The company already has a good track record of executing acquisitions at moderate valuations, and the strategy has also delivered earnings growth. We believe transactions carried out at reasonable valuation multiples have good prerequisites for creating shareholder value when the acquired accounting firms begin to be valued at Aallon Group's higher multiples on the stock exchange.

Low risk profile overall

The accounting services sector is one of the most defensive sectors on Nasdaq Helsinki, as accounting is a legal obligation for all companies. Due to this and the factors already mentioned, Aallon Group's business risk profile is low overall. In our view, the key risks for an investor in Aallon Group are the following:

Failure in the acquisition strategy: Aallon Group’s long-term value creation potential relies heavily on success in the acquisition strategy. Consequently, there are always risks associated with the integration of acquisition targets and employee turnover. There are also several other players in the market competing for acquisition targets, which can lead to tightening valuation levels and make value creation difficult. So far, however, the company’s track record speaks for itself, and reasonably priced acquisition targets have been found.

Risks related to the reorganization: Aallon Group's size has grown significantly in recent years through acquisitions, and the aim is now to extract more efficiency from the increased size through reorganization. However, major changes in a personnel-driven industry are never easy undertakings. Thus, the risks to employee turnover and, consequently, customer churn are somewhat elevated this year. The change may also result in more costs than expected.

Tightening competition: In our view, competition in the accounting services market is not particularly fierce, but the ongoing industry transformation due to digitalization may intensify competition or attract new disruptive players to the industry in the future. A fragmented industry can also attract larger foreign players. We generally view small local accounting firms lacking sufficient willingness to change as losers in the industry. Larger players, such as Aallon Group, have a good position in the transformation of the industry.

Weak economic conditions hamper the organic growth outlook: Although the accounting services sector is very defensive, the economic slowdown is reflected with a delay in transaction revenue and increasing customer churn. However, Aallon Group's customer base is very diversified, and the company does not have a significant concentration in cyclical industries. The company's organic growth was, however, close to zero in 2024, and no material pick-up is visible in the outlook for the Finnish economy this year. A pick-up in organic growth would provide a clear tailwind for improving profitability in the coming years.

Investment profile

1. Good position in a defensive and steadily growing industry
2. The acquisition strategy generates results and accelerates earnings growth
3. Stable profitability with gradual room for improvement
4. Low risk profile, revenue almost fully recurring
5. The accounting business generates strong cash flow to be allocated to acquisitions and dividend payments

Potential

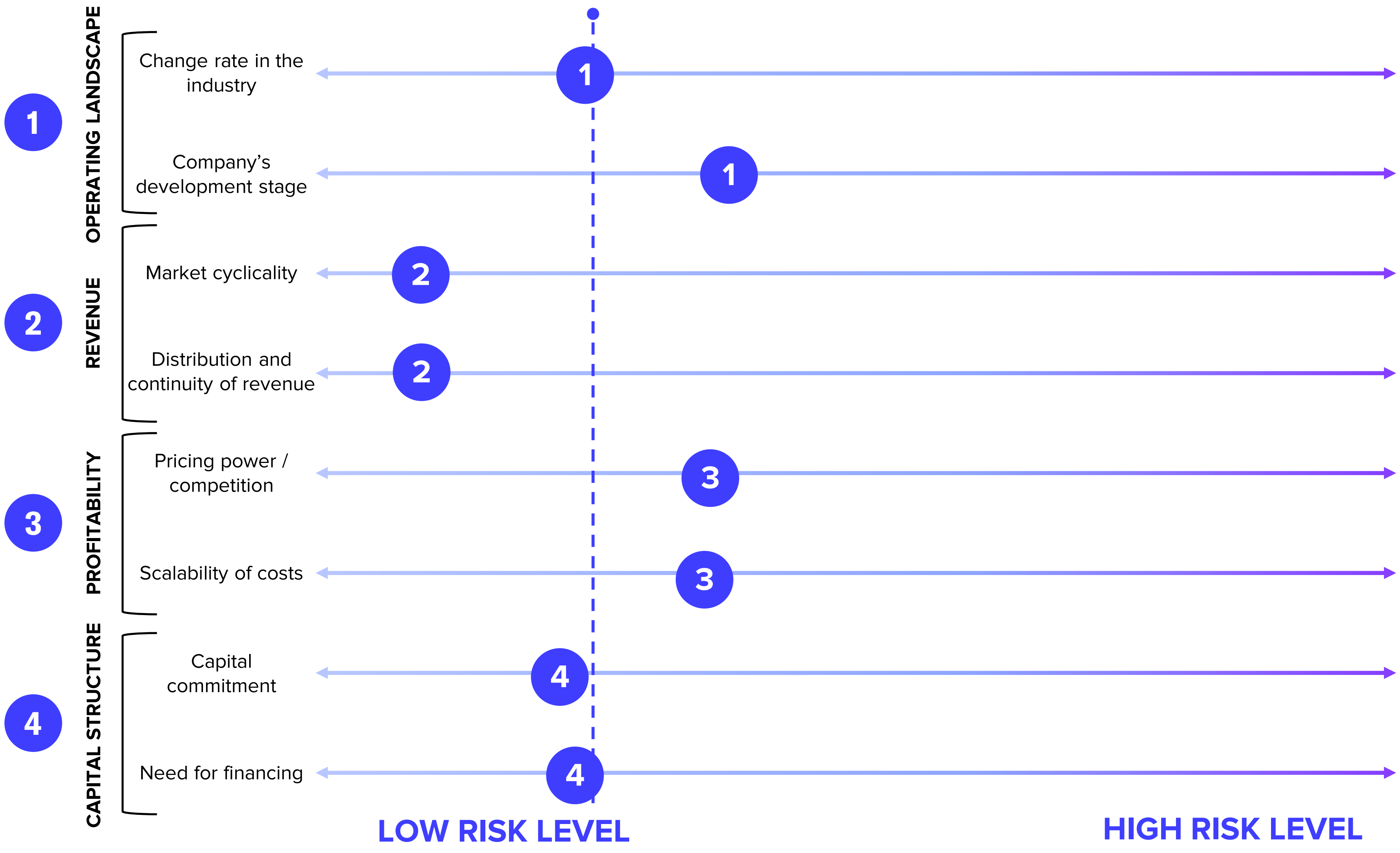
- Value creation potential of acquisitions
- Emphasizing an entrepreneurial spirit and the company's good reputation in the industry serve as a competitive advantage when competing for acquisition targets
- Profitability will gradually improve as the size increases, with economies of scale and digital processes improving operations
- Defensive cash flows
- The industry has grown historically regardless of the economic cycle

Risks

- Long-term value creation relies heavily on the success of the acquisition strategy and the adequacy of the acquisition targets
- Risks related to the integration of acquisitions
- Risks associated with the reorganization
- Tightening competitive situation and new challengers potentially attracted by the industry transformation
- Subdued organic growth outlook as Finland's economic outlook is weak

Risk profile of the business

Assessment of Aallon Group’s overall business risk



The industry is in transition due to digitalization and automation, but the change is likely to be relatively controlled.

Aallon Group is mainly formed of long-standing and stable accounting firms. The company's size enables it to capitalize on the opportunities offered by the fragmented market.

Accounting is statutory, so demand is steady. The industry has grown through various crises.

The customer base is highly fragmented, and customer relationships are typically very long. Revenue is almost entirely recurring.

We believe the company's competitiveness and pricing power are good overall.

The cost structure mainly consists of salaries and is relatively fixed, although it can be adjusted in problematic situations. Profitability has the potential to scale with growth.

The business ties up little capital. Acquisitions require capital, depending on the proportion of deals financed with cash and the company's shares.

A good balance sheet position enables the implementation of the acquisition strategy. The business generates good cash flow and growth investments are moderate.

Industry 1/3

A growing and highly defensive market

The Finnish market for accounting and financial reporting services was around 1.4 BNEUR in 2023. Based on the size of accounting firm customers, the market is mainly composed of micro, small, and some medium-sized companies. In medium-sized and large enterprises, financial management is still largely an in-house activity, but the outsourcing trend progresses gradually. If the value of the financial management carried out by current customers themselves and the financial management work of non-outsourced companies (Finland's estimated outsourcing rate is 70-80%) were considered when defining the market, the market size would be considerably higher than currently.

The market is very defensive. Companies are legally obliged to keep their accounts, so the need remains as long as the tax man wishes to have his cut. In addition, a strong trust is typically formed between accountants and their customers, which makes customer retention in the industry very high. This defensiveness is well illustrated by the fact that the industry has overcome the financial crisis and the euro crisis without a decrease in revenue. In connection with the COVID pandemic in 2020, the sector's revenue fell by close on 3% and recovered rapidly in 2021. Defensiveness and high customer retention make a strong market position very valuable in the industry. However, it should be noted that as customers' businesses shrink, the accounting firm's invoicing also usually decreases.

According to Statistics Finland, revenue in accounting and financial reporting services has grown by an average of 5.1% in 2002-2023. In the short term, the weak performance of the Finnish economy may curb development, but in the long term, we expect growth of around 2-4% to continue.

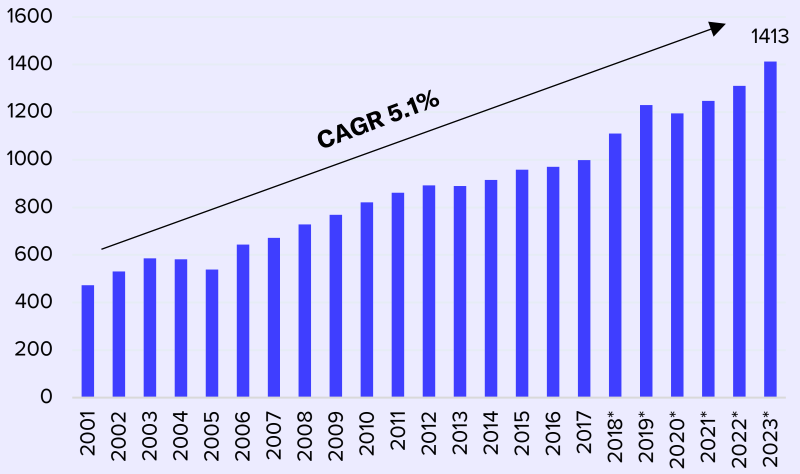
Growth drivers are changing

Historically, the stability and continuity of growth were largely explained by price increases, which we estimate accounted for about half of market growth. Due to increased competition from the electrification and digitalization of accounting, it is now more difficult to implement significant price increases, although rising inflation in recent years has made these possible. Accounting firms have been strongly linked to the development of the number of accountants and salaries. However, we believe this linkage is gradually breaking as digitalization and automation clearly enhance the routine tasks of accountants. The accelerated development of AI in recent years further intensifies this trend. At the same time, digitalization has increased the scope of routine accounting services, which has supported the growth of transaction revenue.

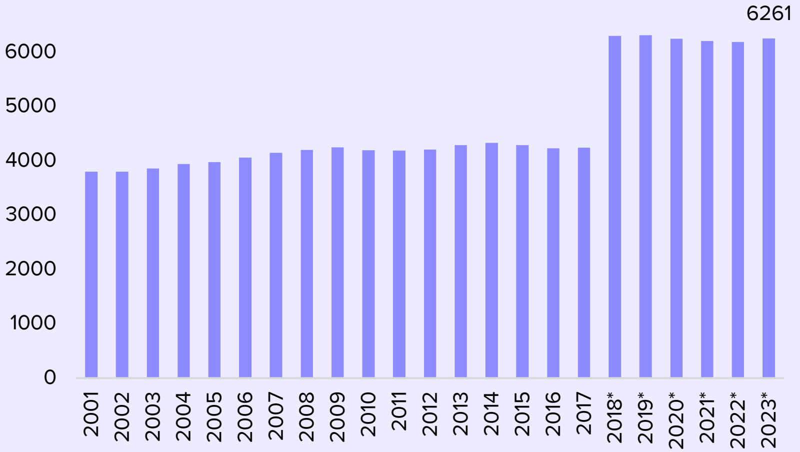
The other half of the growth comes from the increase in transaction volumes, which correlates with economic activity. The economic recovery should be reflected in transaction volumes with approximately a six-month lag. A temporary fall in transaction volumes was seen due to the COVID pandemic in 2020, which was visible in the industry figures. In the weakened economic environment of 2023-2024, transaction volumes have declined according to companies in the sector, but the overall market has nevertheless grown.

We expect sales of additional services to complement conventional accounting and increasing outsourcing of financial management to be the main growth drivers for the industry in the coming years. Companies are increasingly outsourcing their support activities (e.g. IT) as they focus on their core business. For accounting firms, this would mean a growing demand for controller, finance manager and HR specialist services.

Development of the accounting firm market (MEUR)



Development of the number of accounting firms



* The group of statistical units in the industry has expanded, and the figures are based on a new calculation method from 2018 onwards. The biggest impact of the change was on the number of companies. The impact on the size of the market was small.

Source: Statistics Finland, Association of Finnish Accounting Firms

Industry 2/3

The industry is undergoing a major transformation

The accounting industry is facing a major transformation driven by digitalization, growing importance of service offering and consulting, legislative changes, and entrepreneurs retiring. Even though one could assume that the electrification of accounting transactions is already the prevailing practice, paper documents are still part of everyday life in many accounting firms. In recent years, development toward electronic and more efficient processing has progressed on a broad front and will inevitably continue. Electrification is transforming accounting firms' services, processes, competence needs, and the division of labor in client relationships. We believe that the role of the traditional accountant will lose some value, but the work of consultants becomes more important. This will free up resources to provide value-added services. However, it's worth remembering that a professional and personal service cannot be replaced by automation. The client/accounting firm relationship can traditionally become very close, and personal service is of great importance, which explains the industry's low customer churn.

The vast majority of small and local accounting firms are mainly concerned with keeping their existing accounts. For many of these players, technological development and the requirements brought by legislative changes are a significant challenge, and the company may lack the required resources to challenge other accounting firms. In contrast, the largest players in the industry master electronic services and want to expand their operations in the transition.

The market is still very fragmented

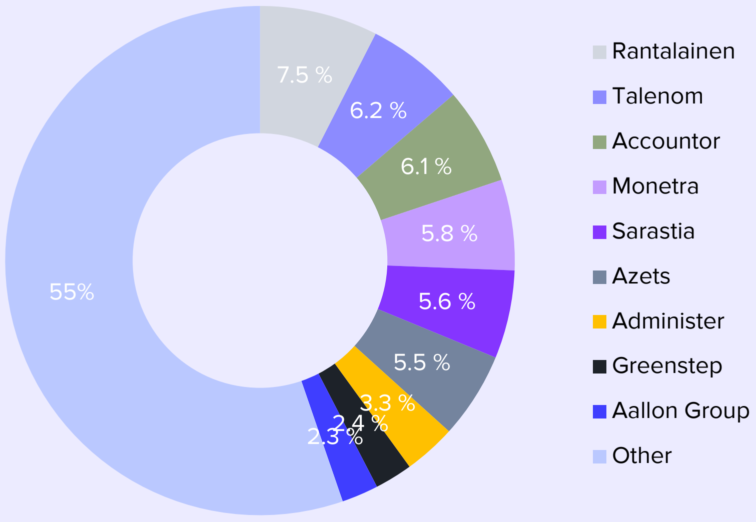
The industry structure is highly fragmented because being close to your accountant has been a major competitive factor and, thus, the sector has been characterized by locality. According to Statistics Finland, there were 6,261 companies in the accounting services market in 2023. Since 2018, the figures have been affected by a change in the reporting method, and there are still over 4,000 accounting firms actively operating in Finland. The average company has just over 2 employees. Our assessment is that the industry will continue to drive many small businesses to the wall, as they don't have sufficient resources to develop their IT systems or for software purchases, nor meet additional requirements imposed by regulation. On the regulatory side, challenges are posed by issues such as money laundering, customer identification, data security, and processing of customer data. Despite these factors, the number of accounting firms has not decreased significantly in recent years, but the share of the largest companies in the overall market has increased.

The most significant players in the field in Finland are Rantalainen, Talenom, Accountor, Azets, Administer, Greenstep, and Aallon Group, as well as Monetra and Sarastia that focus on the public sector. The aforementioned companies are also Aallon Group's key competitors, with the exception of Monetra and Sarastia. Aallon Group is positioned as a significant challenger in the market.

The industry is gradually consolidating

According to our estimates, about 45% of the market was held by the nine largest players in the sector in 2023. Thus, the vast majority of the market remains with small local companies. However, the share of large players in the market has been gradually increasing for a long time. Not all companies have the resources to meet the challenges that the transition in the industry brings, which is why we expect consolidation to continue. Accounting firm entrepreneurs

Estimate of the market shares of accounting firms in Finland in 2023



Source: Companies' financial statement data and websites, Inderes. The figures aim to account for only revenue generated from financial management and payroll services.

Industry 3/3

retiring is also one of the factors contributing to the consolidation of the sector. Acquisitions have also become a very normal practice in the industry, and in some cases, smaller players have merged to make the entity look like a more attractive acquisition target for larger companies.

The importance of economies of scale is emphasized

Size matters in the accounting services business today, and economies of scale support the profitability of automated accounting firm and expert services. Economies of scale in automation enable very strong profitability in the core business and also a growing price competition if automation becomes more common and at some point imposes a so-called “limit price”. Talenom, for example, estimates that in 10 years' time, no substantial fees will be paid for the basic accounting tasks because they have been fully automated. In professional services, economies of scale are limited to human resources, but can still be significant for overall competition. Furthermore, economies of scale can be achieved in sales and marketing. Larger size also gives better opportunities to invest in software or own technological development. Mandatory costs caused by regulation also scale with size, but they can be an insurmountable obstacle to growth for small accounting firms when scaling operations from some one million euros in revenue to several million is being planned.

The industry's transformation and fragmentation turn the accounting services market into a growth market for larger operators for the next 5-15 years. The transformation pressures are challenging the industry and leave small accounting firms in particular with a decision: Leave the market, specialize or diversify. Those who have already achieved a significant position in the industry are also well-positioned for the future. All of these still have the potential to increase their market share at the expense of small players and by acquiring them. At some point, the limits to growth in consolidation will be reached in this respect, and in the longer term, the industry may well see corporate transactions between larger players as well.

Competition in the sector remains rather limited

In the accounting services market, competition for customers has always been limited. Among the larger players in the industry, Talenom has in practice been the only genuinely active new sales company for a long time, at least on a significant scale. Most small companies have focused on protecting their own "territory" and other major players have mainly invested in acquisitions.

Thus, we estimate that the large number of operators in the industry is maintained by the lack of competition or its regional nature. Finnish corporate customers are still used to meeting their accountants face-to-face, making competition regional. Competition may also be restricted due to the still conservative practices and habits of the industry. The small size of accounting firms and the fragmentation of the industry also reflect the small size of the companies’ target market. However, small companies ability to consolidate the industry is weak, and smaller companies in small towns aren’t necessarily very attractive acquisition targets to larger operators.

Seasonal variation around financial statements

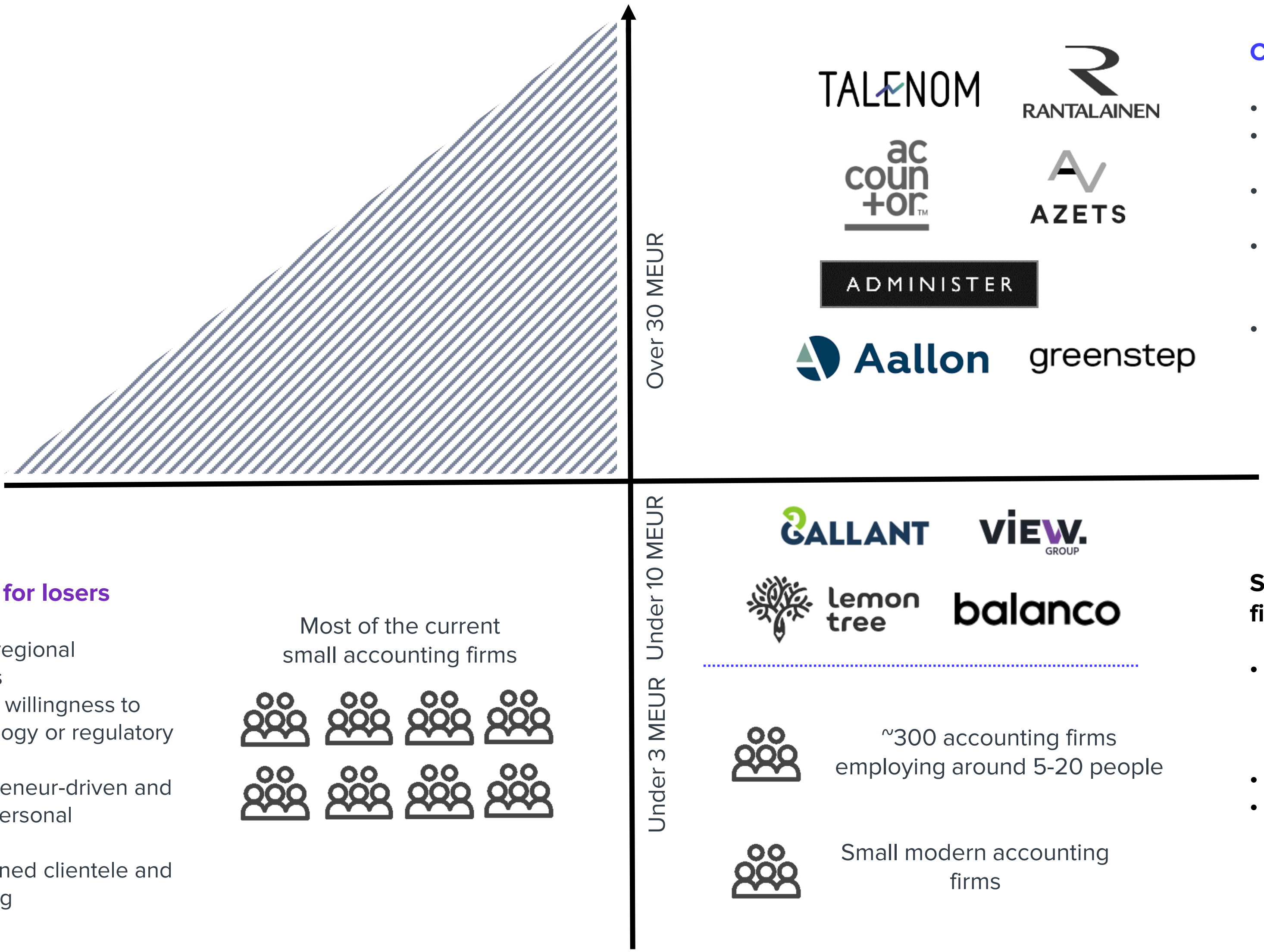
There is clear seasonal variation in the accounting business. The preparation and closure of financial statements create a regular demand spike for December-March. This underscores the first quarter's share of invoicing and profitability. This is also reflected in Aallon Group’s revenue and earnings, which are typically more focused on H1.

Summary of the accounting firm sector

- According to our estimates, the accounting industry grows by about 2-4% p.a in the medium term.
- The majority of revenue is continuous/recurring
- The industry is still highly fragmented
- One of the most defensive sectors on Nasdaq Helsinki, as accounting is a legal obligation for all companies.
- Competition is calm and regional, and investments in new customer acquisition are not particularly aggressive. Price competition is relatively moderate.
- Customer relationships are normally very long and churn is often due to an acquisition or bankruptcy.
- Due to defensiveness, growth and healthy profitability, a strong market position in the industry is very valuable.
- In our view, the role of consulting services will increase in the coming years as routine accounting tasks are automated.
- More widespread outsourcing of financial management to accounting offices offers a potential growth driver for the industry
- In our view, the importance of economies of scale will be further emphasized in the future as automation progresses, which is accelerated by the development of AI
- We estimate that the value of the industry will be concentrated in large companies, although the number of companies in the industry may remain high.

Source: Inderes

Competitive landscape of accounting firms in Finland



Traditional accounting firm

Modern accounting firm

Revenue

Characteristics of large players

- Strong IT systems
- Past investments in electrification and digitalization
- Sufficient size for continuous development
- A business model utilizing economies of scale or the opportunity to benefit from the size
- Appetite for acquisitions is high

Common factors for losers

- Mostly small or regional accounting firms
- No resources or willingness to invest in technology or regulatory requirements
- Strongly entrepreneur-driven and dependent on personal relationships
- Often old-fashioned clientele and paper accounting

Small and medium-sized modern firms

- Growth-hungry challengers, some of whom have the opportunity to invest in technology and software, and meet increasing regulatory requirements
- A digital operating model
- Most interesting acquisition targets for large players

Source: Inderes

Strategy 1/3

Strategy and financial targets

Aallon Group's vision is to be the most recommended partner and employer in its industry. The company strengthens customer satisfaction, which is at the core of its strategy, by focusing particularly on digitalized efficient processes, high-quality and personalized expert services, as well as employee satisfaction and well-being.

Aallon Group aims for organic growth faster than the average growth of the accounting firm market, which is accelerated by acquisitions. The company's medium-term target is an average annual revenue growth of 15-20% and a growing EBITDA-%. The average growth rate over the past five years (16%) has been in line with the targets. Profitability improved in 2020-2022 (EBITA-%: 8.8-10.8%), but deteriorated in 2023 due to cost inflation (9.4%). In 2024, the trend in profitability (10.9%) turned in the right direction again.

Success in the acquisition strategy is key for Aallon Group's long-term value creation. The company has found an effective formula for acquisitions, allowing it to acquire targets at a moderate price (EV/EBITDA around 5-6x), and so far, the integrations have also gone well. According to the company, there are still good targets available in the market, and the implementation of the strategy will continue as before.

Technology strategy

Aallon Group's technology strategy is to focus on developing systems that improve customer value and systems that improve its cost-efficiency Business digitalization streamlines operations and frees up accountants' time to provide value-added services to clients. This enables the company to gradually scale its profitability as the strategy progresses.

Aallon Group has developed its own customer portal (Aallon Portti), which was launched in February 2022 to replace the previous customer portal. Aallon Portti offers customers a unified digital service and access to the financial management database, right down to receipts. Aallon Portti includes financial management tools developed for the needs of a typical SME, including, e.g., processing purchase invoices, invoicing, and browsing financial and payroll administration data and reports. The starting point is that the customer uses Aallon Group's customer portal, which is integrated with third-party back-end systems, i.e., accounting and payroll systems.

Aallon Portti also streamlines the work of accountants by automating routine tasks and work processes. One example of the development work is Aallon Portti's built-in learning posting automation for purchase invoice workflow, which was implemented in April 2024. By the end of 2024, automation already processed more than a third of the e-invoices arriving at Aallon Portti automatically. During 2025, Aallon Group aims to increase the automation rate to cover the majority of Aallon Portti's purchase invoice traffic.

Accounting is done with commercial software

As backend systems for accounting and payroll, the company uses commercial off-the-shelf software best suited for each purpose (e.g., Procountor, Fennoa, Netvisor, Fivaldi), on top of which it can develop its automated solutions.

By using off-the-shelf software, Aallon Group avoids the large investments required to develop its accounting software. Also, for future acquisitions, the need for large IT integrations is small, as the acquired company can continue using its current backend systems. Customer acquisition costs are also significantly lower, as the customer does not need to be integrated into a new system; instead, accounting can be handled using the customer's existing systems. Aallon Group's technology strategy is therefore significantly more capital-light and lower-risk compared to the company investing heavily in a unified proprietary backend system.

In the medium term, we believe that the company's approach will be much more effective when it does not have to make large investments in its backend systems. On the other hand, the company is more vulnerable to price increases from software companies, which was also one reason for the decline in profitability seen in 2023. At the same time, the company may miss out on some of the economies of scale enabled by digitalization compared to competitors who have invested in their backend systems.

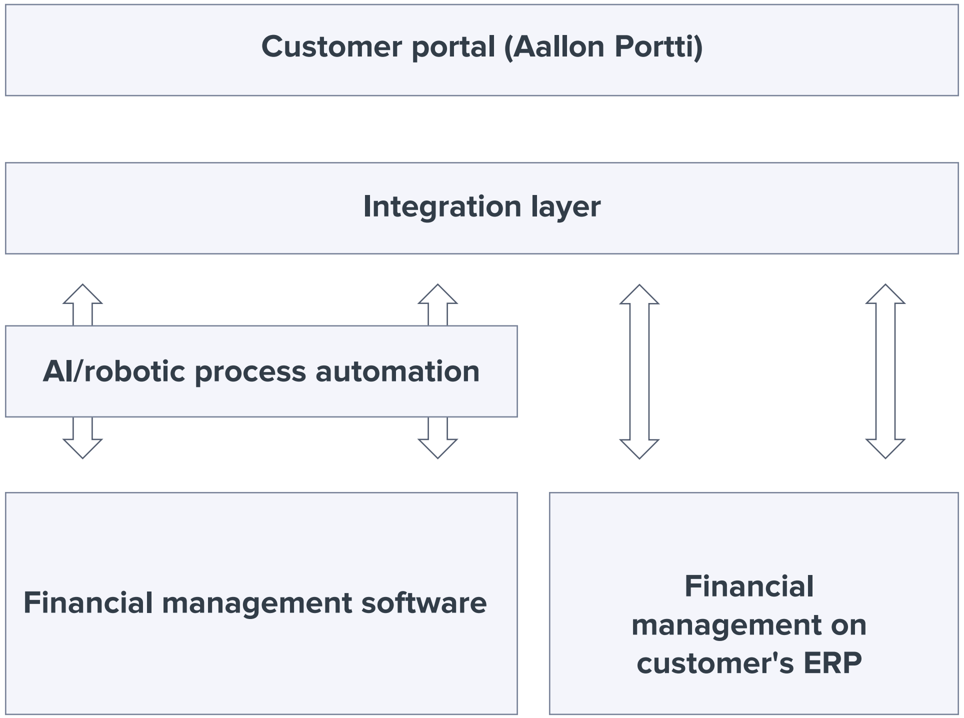
Technology strategy

Aallon Group's system development

- Focusing on systems that generate cost-efficiency and customer value.
- The partial automation of accountants' work frees up human resources to provide higher value-added services.
- Improved operational efficiency and increased value-added services enable the gradual scalability of profitability.

Backend systems as off-the-shelf software

- Leveraging the most appropriate and best off-the-shelf software on the market.
- Off-the-shelf software avoids large investments in proprietary accounting software.
- In our view, significant system integrations are not required in connection with acquisitions.
- Customer acquisition costs are low when the customer does not need to be integrated into a proprietary backend system.
- At the same time, however, we estimate that some of the economies of scale enabled by digitalization will not be achieved in the long term.



Source: Inderes

Strategy 2/3

Acquisition strategy

Aallon Group has entered the accounting firm market's consolidation game with a different approach from private equity-backed companies. The company sees its competitive advantage in that accounting firm entrepreneurs find it easier to join an entrepreneurial company like itself than to sell their company to, e.g., a private equity investor. This "softer" approach gives Aallon Group a competitive advantage in certain targets in the acquisition market. We estimate that almost all slightly larger accounting firms have already been approached with acquisition intentions, but for everyone, money alone is not sufficient compensation to give up their business. For example, a retiring accounting firm entrepreneur often wants to find a good successor to their life's work.

Historically, in some transactions, Aallon Group has used its shares as a means of payment in addition to cash, which allows accounting firm entrepreneurs to retain ownership. In recent years, however, transactions have been mostly made in cash. We suspect this indicates that the company believes the share's valuation has not been at a sufficient level to warrant using its shares as a means of payment. We also believe that favoring cash has been well-justified.

The majority of Aallon Group's acquisition targets have so far had a revenue of 0.5-2 MEUR. The targets have also generally been very profitable, with EBITDA margins often in the 15-25% range.

As the company grows, the size or number of acquisitions must also increase to continue to achieve the percentage growth target. In the long term, the number of acquisition targets may become a factor slowing down growth as industry consolidation progresses further. We believe there are still around 1,000 accounting firms in Finland that employ more than just the entrepreneur. Of these, around 300 employ more than 5 people and are the most interesting acquisition targets. Despite consolidation, we believe the number of medium-sized firms has remained fairly stable. This indicates that new, growing players are emerging beneath the surface, both organically and through mergers.

With the acquisitions, Aallon Group expands its presence in Finland's largest cities. This also enables the acquisition and integration of smaller firms into these larger entities. Indeed, the company has taken this approach in many of its acquisitions in cities such as Helsinki, Tampere, Oulu, and Turku. In recent years, the company has expanded to Joensuu, Lahti, and Rovaniemi through acquisitions.

Synergies and economies of scale of acquisitions

In addition to growth, Aallon Group believes that acquisitions will generate synergy benefits and economies of scale, especially in HR, sales and marketing, and technology development. As the company grows in size, it can also offer accounting firm entrepreneurs visibility and investment capacity. In addition, the larger scale enables serving even larger customers.

From a personnel perspective, acquisitions also serve as alternatives to recruitment, as in our view, there is a shortage of skilled accountants in the industry. From the employees' perspective, synergies are achieved by balancing the workload of personnel between different units and sharing best practices and expertise among all units. Acquisitions also offer the opportunity to acquire industry-specific expertise.

In marketing, a unified Aallon brand improves brand awareness and allows for more centralized marketing. In the new organizational model, sales, marketing, and customer care have been centralized into a single unit that can serve an ever-larger entity. A centralized model should also facilitate the provision of value-added services across the group.

In terms of technology, economies of scale are achieved when the company's efficiency-enhancing processes are rolled out to acquired entities. The costs and benefits of software development are also constantly distributed to a larger entity. In addition, economies of scale can be achieved in software procurement, where the increasing size of purchases brings more negotiating power.

There is clear value creation potential in acquisitions

Aallon Group has good opportunities to grow and create value through acquisitions, and the company already has a good track record of the strategy's effectiveness at this stage. Theoretically, the logic for creating shareholder value from acquisitions is clear, as the earnings of companies acquired at low multiples begin to be priced on the stock exchange at Aallon Group's significantly higher multiples. We believe that Aallon Group's transactions in recent years have overall created shareholder value and supported the company's growth and profitability.

Naturally, there are also risks involved in the success of the transactions, but overall, the integrations have proceeded in line with the company's expectations. Most of the acquisitions have been made at moderate EV/EBITDA ratios of around 5-6x, which reduces the risk of overpaying if the acquired target's earnings were to weaken after the transaction.

Strategy 3/3

The key risks in M&As are related to the integration of target companies into Aallon Group. The integration may generate more costs than expected, or the acquisition may result in employee or customer churn. So far, no major problems have emerged in the integrations, which in our view indicates that Aallon Group's acquisition processes are in order. The company also advances further in M&A negotiations only with targets whose corporate culture is compatible with that of Aallon Group.

Dividend distribution policy

Aallon Group's dividend policy is to strive to pay a steady, increasing dividend. The company has acted accordingly, and since 2019 (EUR 0.18 per share), the dividend per share has been increased by one cent annually. However, profit distribution is naturally assessed annually so that it does not compromise the objectives set in the company's strategy. The accounting business generates stable cash flow and has low investment needs, giving the company a good basis for implementing its dividend policy. However, the dividend level depends on the pace of the company's acquisition strategy. At the company's current development stage, we see capital allocation to acquisitions as a significantly better alternative than paying dividends.

Aallon Group's financial targets

- ➢ Organic growth faster than the average growth of the accounting services market, accelerated by acquisitions
- ➢ Average annual revenue growth of 15-20% over the medium term
- ➢ Growing EBITDA-% in the medium term (2024: 16.5% vs. 2023: 15.1%)
- ➢ The goal is to pay a steady, increasing dividend

Summary of Aallon Group's acquisition strategy

Entrepreneurial culture
- A lower threshold to join for accounting firm entrepreneurs
- Entrepreneurial spirit as a competitive advantage when competing for targets against private equity investors

Integration synergies
- HR, sales, marketing, technology development, economies of scale

Enabling growth
- Visibility
- Investment capacity
- Ability to serve larger customers

Valuation below the company's valuation multiples
- Lower risk of overpaying
- Aallon Group's transactions have mainly been completed with moderate valuation (around 5-6x EV/EBITDA)

Source: Inderes, Aallon Group

Aallon Group's acquisitions

Time	Target	Location	Revenue (MEUR)	Profitability	EV (MEUR)	EV/S	EV/EBIT	EV/ EBITDA
9/2019	eControllers	Helsinki	0.50	EBIT 31 %	0.49	1.0	3.1	
11/2019	Avion Oy	Helsinki	0.50	EBIT 38 %	0.64	1.3	3.4	
6/2020	Tili-Koivu Oy	Turku	1.92	EBITDA 20 %	2.00	1.0		5.2
9/2020	Akipo Oy	Turku	0.19	neg.	0.08	0.4		
1/2021	Kymppikirjanpito Oy	Tampere	1.47	EBITDA 14 %	1.10	0.7		5.2
1/2021	TalousNosturi Oy	Helsinki	1.00	EBITDA 15 %	0.80	0.8		5.3
3/2021	J.A. Castrén Oy	Oulu	0.26	EBITDA 19 %	0.24	0.9		4.8
4/2021	Rätinki-Yhtiöt Oy	Oulu	2.30	EBITDA 17 %	3.01	1.3		7.5
5/2021	Aboma Control Oy	Helsinki	0.93	EBITDA 24 %	1.05	1.1		4.8
11/2021	Hulkkonen Consulting	Jyväskylä	0.46	EBITDA 23 %	0.48	1.0		4.6
11/2021	Forssi Oy	Kemi	0.10	-	-			
12/2021	Tilipalvelu Marja-Leena	Äänekoski	0.12	-	-			
1/2022	Rakennus-Rätinki Oy	Oulu	0.50	EBITDA 25 %	0.63	1.3		5.0
2/2022	Tiliamppari Oy	Helsinki	0.70	EBITDA 28 %	0.91	1.3		4.6
2/2022	Kasvun Kaverit Oy (20%)	Rovaniemi	-	-	-			
3/2022	HM-Tilipalvelu Oy	Helsinki	0.99	EBITDA 22%	1.07	1.1		4.9
4/2022	Pirkkalan Tilitoimisto Ky	Tampere	0.30	-	-			
9/2022	Peca Oy	Oulu	0.25	-	-			
11/2022	Meritili Oy	Kotka	0.45	EBITDA 14 %	0.30	0.7		4.6
12/2022	Rousu Oy	North Ostrobothnia	1.13	EBITDA 19 %	0.97	0.9		4.5
4/2023	TulotAn Oy	Lahti	0.27	-	-			
4/2023	Rätinki Kainuu Oy	Sotkamo	0.20	-	-			
6/2023	Tiliborg Oy	Joensuu	0.33	-	-			
10/2023	Tili-Counter Oy	Helsinki	0.15	-	-			
3/2024	Kasvun Kaverit Oy	Rovaniemi	0.95	-	-			
6/2024	Countmaster Oy	Helsinki	1.10	-	-			
10/2024	Online Accounting J&K Oy	Helsinki	1.02	-	-			
11/2024	Tilkon Oy	Tampere	0.52	-	-			
11/2024	TalousCom	Kuusamo	0.33	-	-			
12/2024	Premium Group	Helsinki	2.28	EBITDA 28 %	2.8-3.4	1.2-1.5		4.3-5.3
4/2025	AVJ Controllerit	Helsinki	0.49	-	-			
5/2025	Keuruun Tilitupa Oy	Keuruu	0.32	-	-			
5/2025	Koillis Protili Oy	Rovaniemi	0.12	-	-			
6/2025	Laskentasatama Oy	Jyväskylä	0.46	-	-			

Source: Inderes

Financial position 1/2

Acquisition strategy has accelerated growth in recent years

Aallon Group's revenue has grown by an average of 12% annually in 2014-2024. In 2015-2020, growth was slightly calmer (8.2% on average) and largely driven by new customer relationships and price increases. In 2021-2024, the average annual growth rate (17.6%) accelerated significantly, when the acquisition strategy truly began to be reflected in the company's figures. Organically, revenue growth slowed down during the COVID pandemic, but picked up to 3-4% in 2022-2023. In 2024, we estimate that the weak development of the Finnish economy pushed organic growth close to zero.

When examining the development of Aallon Group's revenue per employee ratio, the 2019 listing and the subsequent establishment of the group organization at that time are reflected in the decline in efficiency. Since then, we believe efficiency has increased year after year, as efficiency and economies of scale have been achieved through growth. In our view, the increase in efficiency is partly explained by the increasing share of fully digital customers and the above-average efficiency of some of the acquired companies.

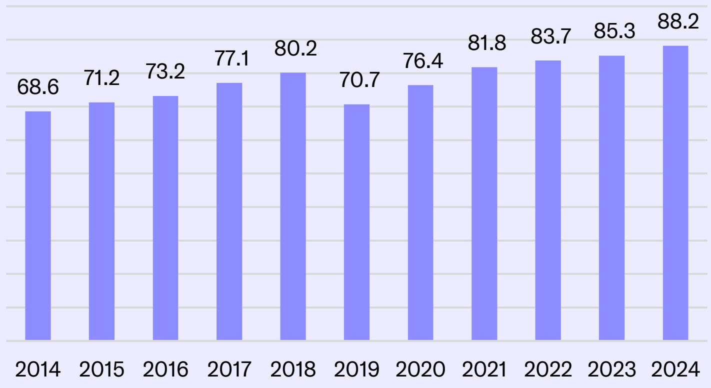
There is still room for improvement in long-term profitability

Comparing Aallon Group's historical margin is difficult due to the company's transition to IFRS accounting in 2023 (IFRS figures available from 2022). This clearly raised the EBITDA as rental costs moved from other expenses to depreciation. With IFRS 16, goodwill from acquisitions is no longer amortized, but instead, intangible assets related to customer relationships are amortized. However, amortization related to acquisitions is now significantly lower than during the FAS accounting period (around 0.8 MEUR per year).

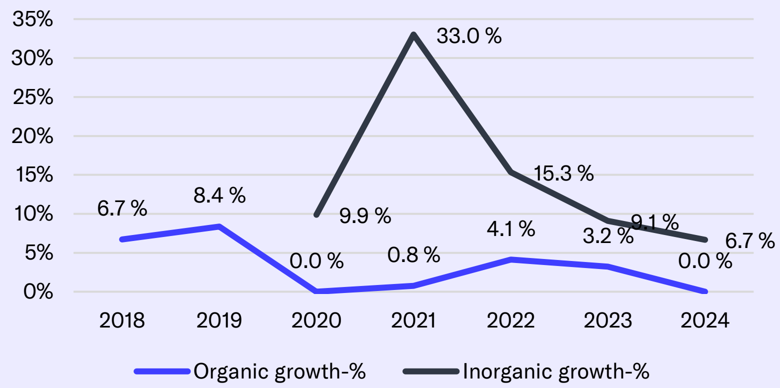
EBITA is still a fairly comparable indicator. After weakened profitability following the 2019 listing, Aallon Group's EBITA-% gradually improved from 8.8% in 2020 to 10.8% in 2022 due to economies of scale brought by increased size, acquisitions supporting profitability, and an increase in the number of customers using electronic financial management services. In 2023, profitability development took a significant setback (EBITA-%: 9.4%), as software and wage-related cost inflation created upward pressure on practically all cost lines. However, in 2024, the situation was corrected and EBITA rose to 10.9%.

Overall, we consider Aallon Group's margin level seen last year to be only moderately good. We find that, in the context of the accounting industry and incorporating the economies of scale enabled by Aallon Group's growing size, at least a 15% EBITA margin should be an achievable level in the long term with good strategy execution. For example, Talenom's EBIT margin in its Finnish business has been around 20%.

Revenue/employee (TEUR, Inderes' estimate)



Breakdown of revenue growth (Inderes' estimate)



Source: Inderes

Financial position 2/2

Cost structure

Aallon Group's cost structure primarily consists of personnel costs, which is typical for a service company, so the cost structure is quite fixed, at least in the short term. In 2024, personnel costs corresponded to some 63.5% of revenue. The company's personnel costs related to technology development are mainly reflected directly in the income statement, as the development costs capitalized on the company's balance sheet are very small. We believe that personnel costs are the most scalable cost item in the long term, as digitalization enhances accountants' work processes.

Materials and services mainly consist of software costs and other costs charged to customers. It also includes subcontracting expenses, as a small portion of the accountants are not directly employed by Aallon Group. Materials and services accounted for about 10.8% of revenue in 2024. The expense item is likely to increase in the coming years along with revenue growth, and its relative share may also increase somewhat as the proportion of customers switching to electronic financial management grows.

Other operating expenses represented 10.4% of revenue last year. We believe this expense item has some scalability potential as the company grows in size.

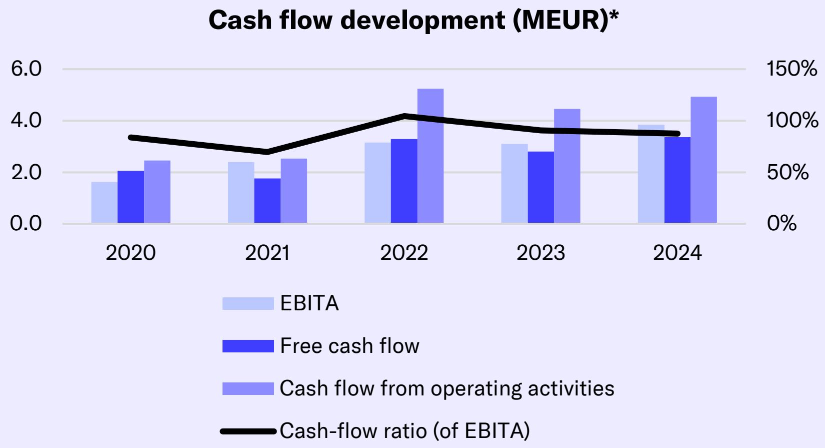
Aallon Group's depreciation and amortization amounted to 2.6 MEUR in 2024, or 7.5% of revenue. Depreciation has increased significantly with the IFRS16 transition, as leases are now primarily recognized here in the income statement instead of other expenses. In addition, amortizations related to acquisitions from customer contracts increase the level of depreciation, which is otherwise very low.

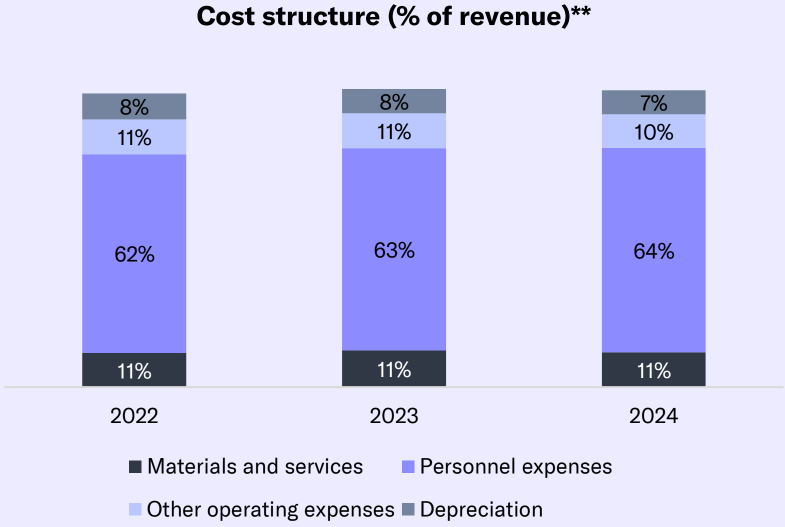
Balance sheet and financial position

Aallon Group's balance sheet structure is simple and the company's financial position is stable. At the end of 2024, the equity ratio was 45.6% and net gearing 26.4%. However, when examining the balance sheet leverage, lease liabilities should be considered, adjusted for which net debt was only 0.6 MEUR. A strong balance sheet, coupled with the accounting firm business's stable cash flow generation capability, enables growth investments, acquisitions, and dividend payments. Aallon Group's free cash flow in recent years has largely reflected the company's reported EBITA, so the cash conversion is at a very strong level.

In our view, given Aallon Group's profitability and cash flow profile, the company's net debt/EBITDA ratio could well rise to at least 2.5x if needed. Relative to our 2025 EBITDA estimate (6.8 MEUR), this would mean that net debt could be at least around 17 MEUR. So, the balance sheet has plenty of firepower for acquisitions if needed.

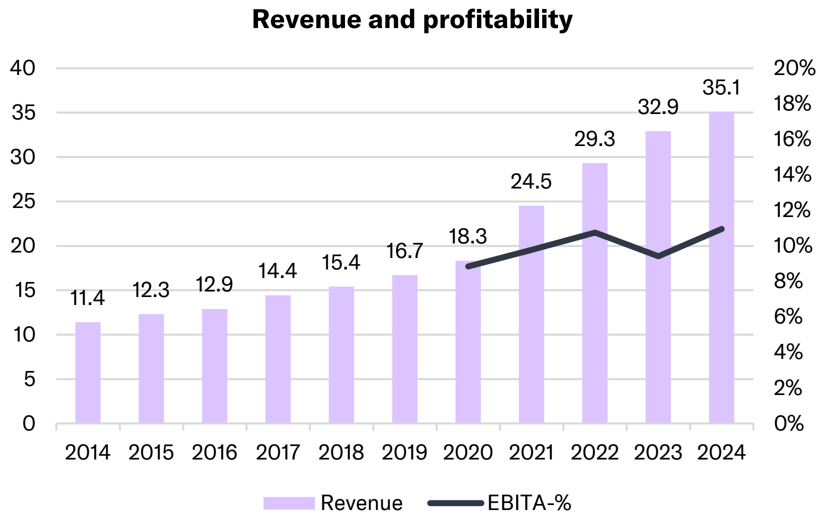
The balance sheet total at the end of 2024 was 35 MEUR. Goodwill accounted for 14 MEUR of the balance sheet and other intangible assets were 8.4 MEUR. Property, plant and equipment (leases) on the balance sheet amounted to 4.1 MEUR Current receivables amounted to 4.7 MEUR and cash to 3.6 MEUR. The liabilities side of the balance sheet consisted of equity (15.9 MEUR), non-interest-bearing liabilities (9.0 MEUR), lease liabilities (3.6 MEUR), deferred tax liabilities (2.3 MEUR), and interest-bearing debt (4.3 MEUR).

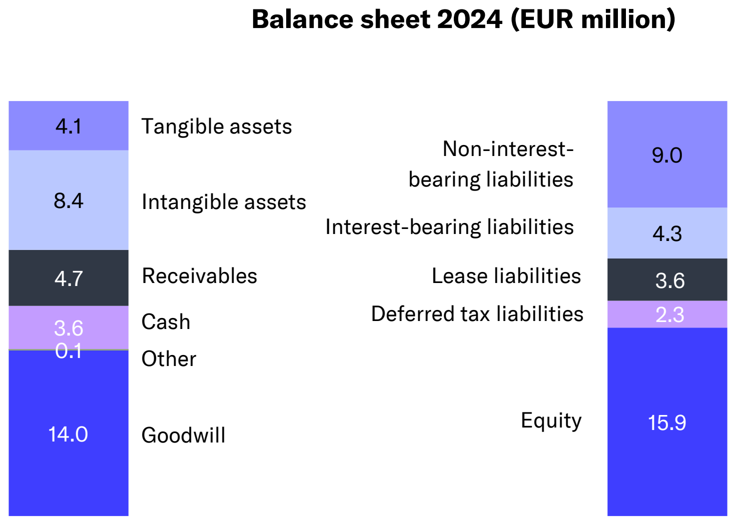


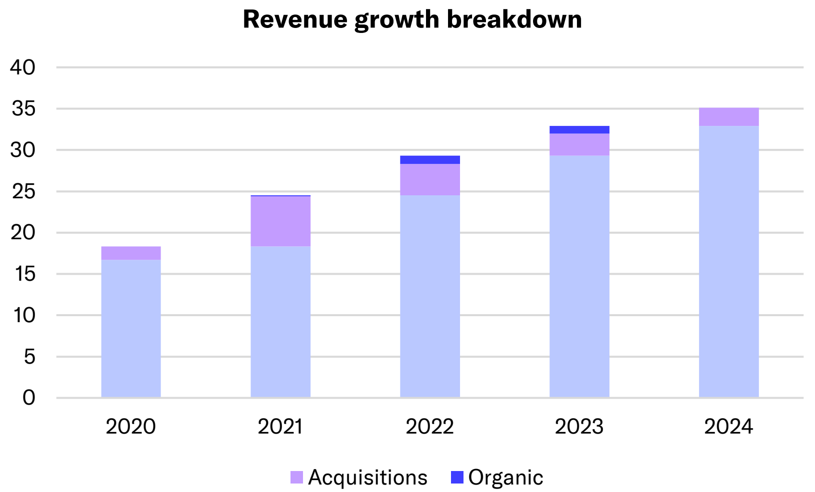


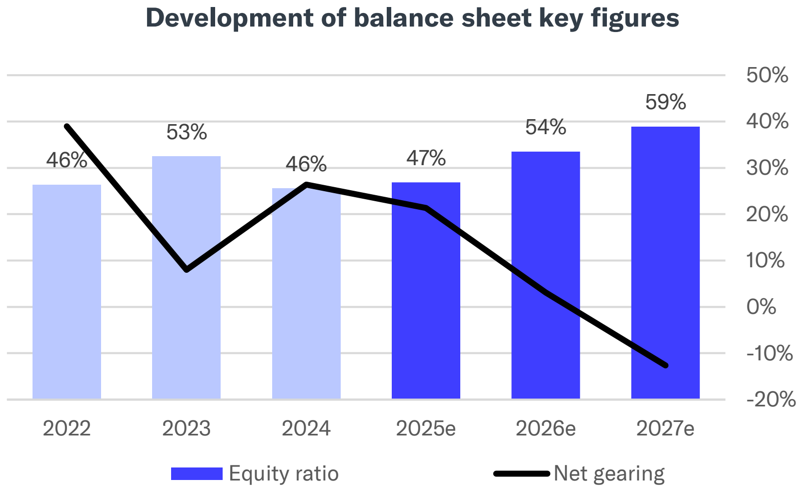
Source: Inderes, *Operating cash flow is not comparable, as figures are IFRS compliant as of 2022 **Prior years' cost structure is not comparable due to the IFRS transition

Financial position









Source: Inderes

Estimates 1/2

Basis for the estimates

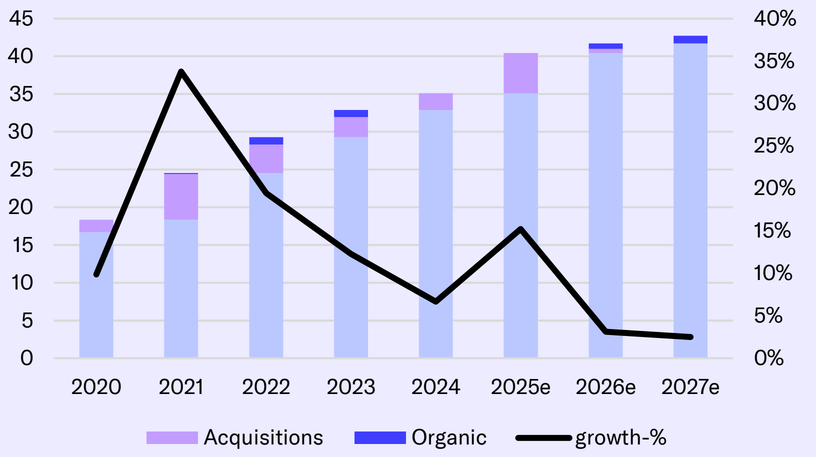
Aallon Group's medium-term target is an average annual revenue growth of 15-20%. The growth target consists of organic growth faster than average industry growth (approximately 2-4% in our estimate) and inorganic growth from acquisitions. Our estimates are based solely on organic growth and completed acquisitions, as simulating future acquisitions is impossible without visibility into the size class and terms of the acquisitions. However, acquisitions are likely to be made on a semi-regular basis also in the future, which is worth bearing in mind when looking at estimates.

Aallon Group has a proven track record of strong organic growth, but our short-term expectations are cautious due to the weak economic environment. Due to the weak development of the Finnish economy, transaction revenues in particular have been under pressure recently, and customer churn has also increased. Due to the post-cyclical nature of the accounting services market, the effects of a weakening economy are also reflected in business development only with a delay. Organic development in 2024 was already modest, and no substantial recovery is expected from this year. The ongoing reorganization may also slow revenue growth in the short term, as implementing the change may tie up billable personnel's time elsewhere. Reflecting this and the continued uncertainty in the Finnish economy, we have revised our growth and profitability forecasts slightly downwards for the coming years. At the same time, however, the business model, which is almost entirely based on continuous invoicing, provides a good basis for revenue forecasts. Overall, we do not feel our current organic growth forecasts require the company to perform miracles in terms of price increases or new customer acquisition. The Finnish economy is also expected to improve in the coming years, so Aallon Group can also expect a tailwind from market recovery at some point.

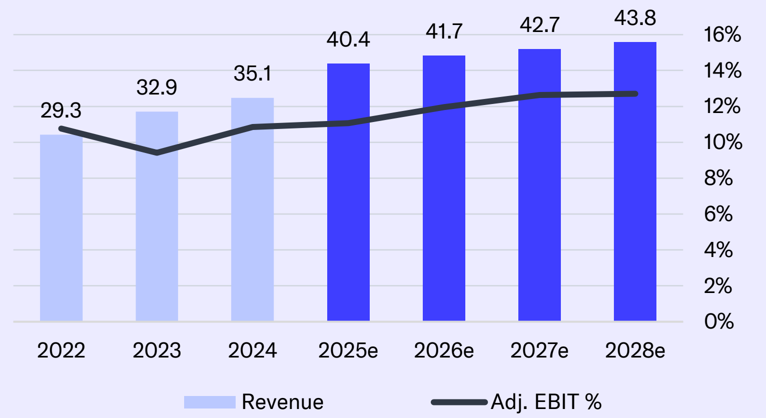
In terms of profitability, Aallon Group aims for a growing EBITDA margin in the medium term. After the inflation hiccup in 2023, profitability development was back on track last year, and we expect the gradual improvement to continue in the coming years. We believe the increasing economies of scale associated with the company's size and digitalization-driven process efficiencies provide good prerequisites for improving profitability in the medium term. With the reorganization, the company is also clearly seeking to improve efficiency from its increased size, and improving profitability is a key strategic focus area. This year, however, the reorganization is also likely to generate one-off costs as subsidiaries are merged and previously separate systems are integrated.

We believe Aallon Group can respond to cost inflation in the long term by improving its operational efficiency and with price increases. Overall, we do not currently expect a particularly strong improvement in profitability in the medium term, so in a positive scenario, there could still be upside in the forecasts. In 2025, profitability will be supported by the acquisition of the highly profitable Premium Group at the end of 2024.

Revenue growth breakdown



Revenue and profitability development



Source: Inderes

Estimates 2/2

Estimates for 2025

Aallon Group has not issued separate numerical guidance for this year, but, as in previous years, refers to its efforts to promote development in line with its financial targets. The company's comments in connection with the H2 report indicated that the slow development of the Finnish economy continues hampering organic growth this year. In H2, the implementation of the reorganization also ties up some billable personnel, which partly impacts organic growth. Thus, we now expect organic growth to be around zero this year (was 0.5%). This year's growth is therefore entirely driven by acquisitions, of which the company has completed 8 in the last 12 months.

We forecast Aallon Group's revenue to grow by 15.2% to 40.4 MEUR in 2025. We expect price increases and new customer acquisition to support revenue to some extent, while in a weak economic environment, declining transaction income and customer churn hamper development.

The good profitability of the completed acquisitions should support profitability this year. As a counterbalance, the reorganization and mergers of subsidiaries will result in one-off costs, especially in H2. However, in the coming years, the reorganization should improve efficiency. The challenge of the old model was that the economies of scale of the growing Aallon Group have not been fully leveraged in recent years. Furthermore, managing the administration of 9 different subsidiaries currently creates an additional administrative burden, which is eliminated by simplifying the legal structure. However, major reorganizations in a personnel-driven industry are never an easy exercise. Implementing the change to the organization will certainly take at least this year.

We forecast Aallon Group's EBITDA (2025e: 16.2%) to weaken slightly from the previous year, but the EBITA margin (11.1%) is expected to improve slightly as the relative share of depreciation decreases. After taxes and financial expenses, we arrive at an adjusted EPS of EUR 0.92, adjusted for amortization related to customer relationships from acquisitions (2025e -0.8 MEUR). These have no cash flow effect.

Estimates for 2026-2028

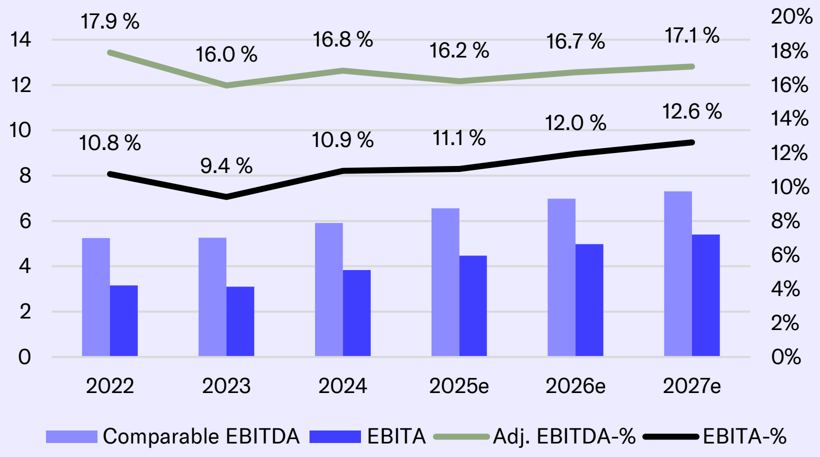
For 2026, we estimate 1.7% organic growth, and the tail ends from completed acquisitions will raise total growth to 3.1%. For 2027-2028, we expect growth of 2.5%.

Our EBITA margin forecast improves to 12.0% in 2026 and rises to 12.6-12.7% in 2027-2028. At EBITDA level, this would mean a margin of around 16.7-17.3% for these years. Thus, profitability by this metric would still be below the 17.9% comparable margin achieved in 2022. However, in our view, the company should have the potential for at least this level of profitability in the long term. With very strong strategy execution, we see the EBITDA having the potential to rise above the 20% level.

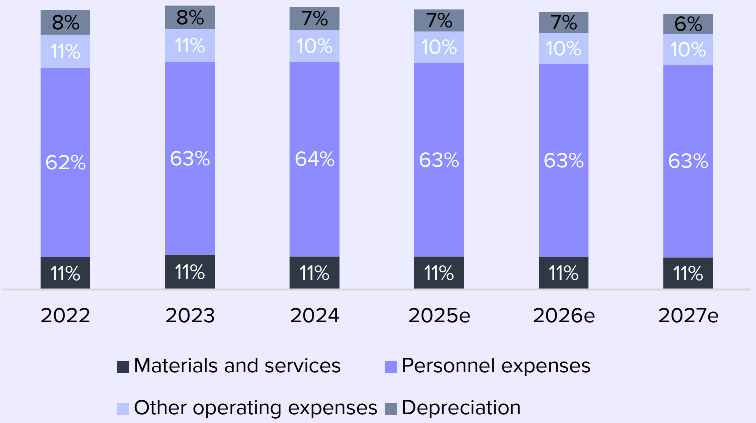
Dividend estimates

Aallon Group's goal is to distribute a steady and growing dividend. For the 2024 fiscal year, the company paid a dividend of EUR 0.23 per share, and we expect an annual one-cent increase in the dividend in the medium term. The company could raise the dividend more than this if it wanted. In our view, the dividend level in the coming years depends heavily on how much the company allocates its capital to acquisitions. In our stance, it would be most sensible to allocate as much capital as possible to implement the acquisition strategy.

Profitability development



Cost structure (% of revenue)



Source: Inderes

Income statement

Income statement	2022	2023	H1'24	H2'24	2024	H1'25e	H2'25e	2025e	2026e	2027e	2028e
Revenue	**29.3**	**32.9**	**18.3**	**16.8**	**35.1**	**21.3**	**19.1**	**40.4**	**41.7**	**42.7**	**43.8**
EBITDA	**5.0**	**5.0**	**3.4**	**2.4**	**5.7**	**3.9**	**2.7**	**6.6**	**7.0**	**7.3**	**7.6**
Depreciation	-2.4	-2.5	-1.3	-1.3	-2.6	-1.5	-1.5	-2.9	-2.8	-2.8	-2.8
EBIT (excl. NRI)	**3.2**	**3.1**	**2.4**	**1.4**	**3.8**	**2.9**	**1.6**	**4.5**	**5.0**	**5.4**	**5.6**
EBIT	**2.6**	**2.5**	**2.1**	**1.0**	**3.1**	**2.4**	**1.2**	**3.6**	**4.1**	**4.5**	**4.7**
Net financial items	-0.2	-0.3	-0.1	-0.1	-0.2	-0.1	-0.1	-0.2	-0.2	-0.2	-0.2
PTP	**2.5**	**2.2**	**2.0**	**1.0**	**2.9**	**2.3**	**1.1**	**3.4**	**3.9**	**4.4**	**4.5**
Taxes	-0.4	-0.4	-0.3	-0.2	-0.6	-0.5	-0.2	-0.8	-0.8	-0.9	-0.9
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net earnings	**2.0**	**1.8**	**1.6**	**0.73**	**2.4**	**1.8**	**0.85**	**2.7**	**3.1**	**3.5**	**3.7**
EPS (adj.)	**0.66**	**0.61**	**0.50**	**0.28**	**0.78**	**0.58**	**0.33**	**0.92**	**1.02**	**1.14**	**1.18**
EPS (rep.)	**0.53**	**0.45**	**0.42**	**0.19**	**0.60**	**0.48**	**0.22**	**0.70**	**0.80**	**0.92**	**0.95**

Key figures	2022	2023	H1'24	H2'24	2024	H1'25e	H2'25e	2025e	2026e	2027e	2028e
Revenue growth-%	19.5 %	12.3 %	4.0 %	9.7 %	6.7 %	16.8 %	13.4 %	15.2 %	3.1 %	2.5 %	2.5 %
Adjusted EBIT growth-%	23.5 %	-1.7 %	1.0 %	98.8 %	22.9 %	17.4 %	17.8 %	17.6 %	11.3 %	8.3 %	3.1 %
EBITDA-%	17.1 %	15.1 %	18.5 %	14.0 %	16.4 %	18.3 %	13.9 %	16.2 %	16.7 %	17.1 %	17.3 %
Adjusted EBIT-%	10.8 %	9.4 %	13.3 %	8.2 %	10.9 %	13.4 %	8.5 %	11.1 %	12.0 %	12.6 %	12.7 %
Net earnings-%	6.9 %	5.4 %	9.0 %	4.3 %	6.7 %	8.6 %	4.4 %	6.6 %	7.4 %	8.2 %	8.3 %

Estimate revisions MEUR / EUR	2025e Old	2025e New	Change %	2026e Old	2026e New	Change %	2027e Old	2027e New	Change %
Revenue	40.6	40.4	0%	42.0	41.7	-1%	43.1	42.7	-1%
EBITDA	6.8	6.6	-4%	7.2	7.0	-4%	7.5	7.3	-2%
EBIT (exc. NRIs)	4.7	4.5	-5%	5.3	5.0	-5%	5.6	5.4	-3%
EBIT	3.9	3.6	-7%	4.4	4.1	-6%	4.7	4.5	-4%
PTP	3.7	3.4	-7%	4.2	3.9	-6%	4.5	4.4	-4%
EPS (excl. NRIs)	0.97	0.92	-5%	1.08	1.02	-5%	1.18	1.14	-3%
DPS	0.24	0.24	0%	0.25	0.25	0%	0.26	0.26	0%

Source: Inderes

Balance sheet

Assets	2023	2024	2025e	2026e	2027e
Non-current assets	**20.0**	**26.6**	**26.9**	**26.1**	**25.3**
Goodwill	10.1	14.0	15.0	15.0	15.0
Intangible assets	5.1	8.4	8.1	7.3	6.6
Tangible assets	4.6	4.1	3.8	3.7	3.7
Associated companies	0.0	0.0	0.0	0.0	0.0
Other investments	0.0	0.0	0.0	0.0	0.0
Other non-current assets	0.1	0.0	0.0	0.0	0.0
Deferred tax assets	0.1	0.1	0.1	0.1	0.1
Current assets	**7.7**	**8.3**	**9.1**	**9.4**	**11.3**
Inventories	0.0	0.0	0.0	0.0	0.0
Other current assets	0.0	0.0	0.0	0.0	0.0
Receivables	3.6	4.7	4.6	4.8	5.0
Cash and equivalents	4.1	3.6	4.4	4.6	6.2
Balance sheet total	**27.7**	**35.0**	**36.0**	**35.5**	**36.6**

Source: Inderes

Liabilities & equity	2023	2024	2025e	2026e	2027e
Equity	**14.5**	**15.9**	**16.8**	**19.0**	**21.5**
Share capital	0.1	0.1	0.1	0.1	0.1
Retained earnings	3.5	5.0	6.8	9.0	11.5
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	0.0	0.0	0.0	0.0	0.0
Other equity	10.9	10.8	9.9	9.9	9.9
Minorities	0.0	0.0	0.0	0.0	0.0
Non-current liabilities	**5.0**	**5.6**	**5.2**	**5.0**	**5.0**
Deferred tax liabilities	1.4	2.3	2.3	2.3	2.3
Provisions	0.0	0.0	0.0	0.0	0.0
Interest bearing debt	3.6	2.6	2.2	2.0	2.0
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	0.0	0.8	0.8	0.8	0.8
Current liabilities	**8.3**	**13.5**	**13.9**	**11.5**	**10.0**
Interest bearing debt	1.7	5.2	5.8	3.2	1.5
Payables	6.6	8.2	8.1	8.3	8.5
Other current liabilities	0.0	0.0	0.0	0.0	0.0
Balance sheet total	**27.7**	**35.0**	**36.0**	**35.5**	**36.6**

Valuation 1/3

Valuation methods

Given the stable and mature phase of Aallon Group's business, we prefer earnings-based valuation multiples in our valuation analysis, such as EV/EBIT and P/E adjusted for PPA amortizations from acquisitions. Due to stable and predictable cash flows, the DCF model is also a useful valuation method.

Investment view

Aallon Group's business is highly defensive, stable and predictable, which results in a low risk profile for the company. The company also has a strong track record of successful acquisitions, and we believe consistent implementation of this strategy has good potential to create shareholder value in the coming years as well. We also feel these factors support the company's valuation. Similarly, the company's relatively small size, currently slow organic growth, and poor share liquidity weigh on the acceptable valuation.

Owning Aallon Group's shares requires confidence in the company's management and its ability to successfully execute its M&A strategy. The track record from recent years is also good in this respect, and the company has found a successful formula to acquire small and medium-sized accounting firms at moderate valuation multiples. These transactions have also been reflected in the company's figures as earnings growth. The company's earnings also convert into free cash flow at a good rate, which can be allocated to new transactions and dividend payments.

In the short term, the key uncertainty relates to the success of the reorganization. With the reorganization that took effect in early April, the company has the potential to better leverage its increased size, although a major change in a personnel-driven business naturally also entails risks.

Overall, the stock's valuation appears low relative to the company's stable and strong cash-generating business and its medium-term earnings growth prospects. Thus, the risk/reward ratio remains very interesting. We reiterate our EUR 13.0 target price and Buy recommendation.

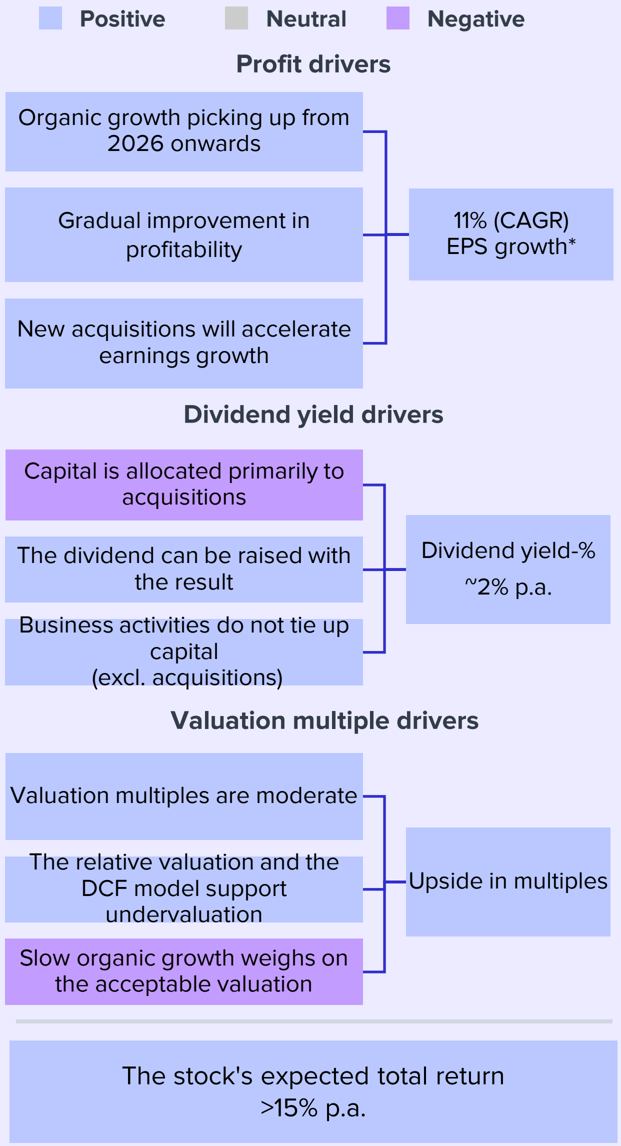
The stock's valuation is moderate by many metrics

With our forecasts, Aallon Group's adjusted P/E ratio for 2025 is 12x and the EV/EBIT ratio is 10x. In our view, these are moderate levels for a defensive growth company like Aallon Group, which is well-positioned to create shareholder value through a consistent acquisition strategy. With the earnings growth we predict for 2026, the corresponding ratios are 10.6x and 8.4x. Based on the 2024 free cash flow, the cash flow ratio is approximately 12x, which corresponds to a cash flow yield of 8.1%. The level seems moderate, as Aallon Group has clear potential to increase its free cash flow per share in the medium term.

At the current share price, dividend yields for the next few years are at just over 2% with our dividend payout ratio forecast of 28-34%, which provides slight support for the expected return.

Aallon Group's EV/S multiple for 2025 is 1.1x, which we find moderate for a service company with good growth and profitability potential. The company's revenue is also almost entirely recurring, which supports revenue-based valuation relative to project-driven service companies.

Total shareholder return drivers 2025e-2027e



Source: Inderes, starting level 2024

Valuation 2/3

In light of the DCF model, there is plenty of upside

Due to the stable nature of Aallon Group's business, we believe that DCF is a very useful valuation method for the company. Based on our cash flow calculation, Aallon Group's equity value is 58 MEUR, or about EUR 15.2 per share.

In our long-term forecasts, we assume revenue growth of 2.0-2.5% in 2029-2033, and from 2034 onwards, we expect a terminal growth rate of 2%. In terms of profitability, we do not expect significant scalability in the long term. The EBITDA margin is just over 17% in our forecasts, which corresponds to an approximately 11-12% EBIT margin. Our terminal assumption for the EBIT margin is 11.5%.

We have set the weighted average cost of capital (WACC) in the model at 8.6% and the ROE requirement is 9.2%. In our view, these levels are well justified in the current interest rate environment, considering Aallon Group's low risk profile. In the medium term, there could also be a slight downside to the required return as the company's size increases. Currently, we believe the company's small size and weak liquidity still raise the required return. The terminal period accounts for 54% of the total value of the company in our calculation, which is a fairly reasonable level. Overall, the value indicated by the DCF model supports our view of Aallon Group's moderate pricing on the stock exchange.

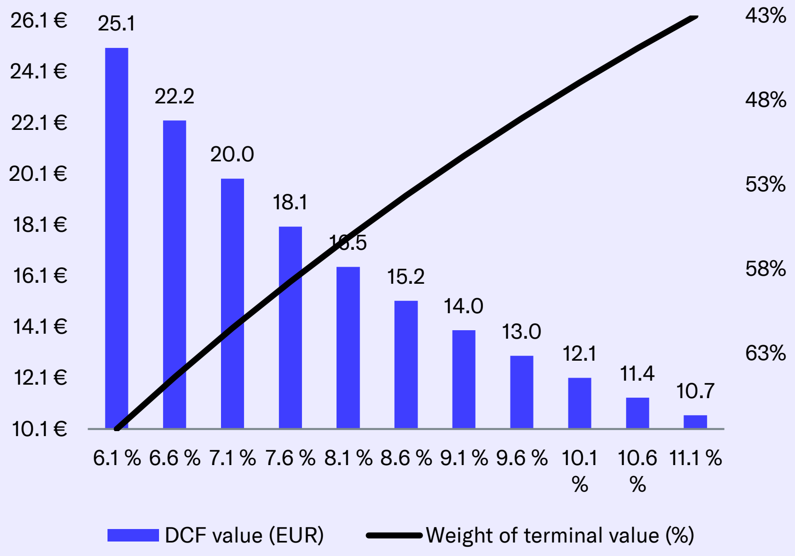
Fair value

In a normal market environment, we believe Aallon Group could be valued at approximately 14x-16x adjusted P/E multiple. We believe the company's recurring business and strong cash flow support multiples higher than the stock market average. Conversely, the company's small size and the share's poor liquidity still partly weigh on the acceptable valuation. Applying our 2025 earnings forecast, this would mean a share price of approximately EUR 13-15. We believe that in the current economic environment, an acceptable multiple is currently closer to the lower end of the range. However, as the strategy progresses, the company's size increases, and the market situation improves, the stock's valuation will begin to reflect closer to its fair value. With our target price, the share would be valued at approximately 14x P/E for this year and approximately 13x for 2026.

Valuation	2025e	2026e	2027e
Share price	10.9	10.9	10.9
Number of shares, millions	3.83	3.83	3.83
Market cap	42	42	42
Yritysarvo (EV)	45	42	39
P/E (adj.)	11.8	10.6	9.5
P/E	15.5	13.5	11.8
P/B	2.5	2.2	1.9
P/S	1.0	1.0	1.0
EV/Sales	1.1	1.0	0.9
EV/EBITDA	6.9	6.0	5.3
EV/EBIT (adj.)	10.1	8.4	7.2
Payout ratio (%)	34.4 %	31.2 %	28.4 %
Dividend yield-%	2.2 %	2.3 %	2.4 %

Source: Inderes

Sensitivity of DCF value to changes in WACC %



Source: Inderes

Valuation 3/3

Peer group valuation

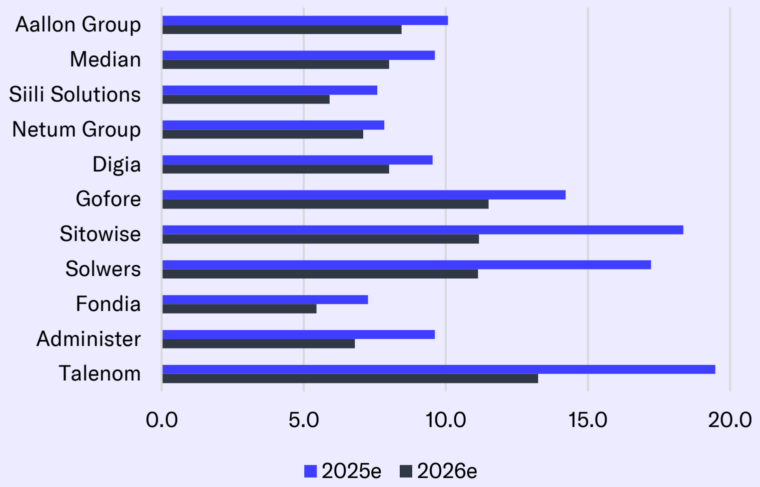
We have formed Aallon Group's peer group from the company's closest accounting firm peers, Talenom and Administer, as well as service companies listed on Nasdaq Helsinki. Compiling a high-quality peer group for Aallon Group is challenging, as there are very few listed companies with a completely similar business model. Kelly Partners Group, listed in Australia, appears to operate with a fairly similar business model, but due to its distant geographical location, a direct comparison of the companies is challenging. Due to the challenges of forming a peer group, our valuation is not primarily based on peer multiples.

Aallon Group is priced at a 2025 P/E ratio of 26% below the peer group median, but at a premium of some 5% with the EV/EBIT ratio. With the 2025 EVS multiple, Aallon Group is valued at a 46% premium relative to the peer group. In our view, the premium relative to the median level is almost entirely justified by the recurring nature of the business model and the better profitability profile compared to the average company. In general, the revenue-based valuations of service companies on Nasdaq Helsinki are currently very low in many cases, which is due to the weak profitability development of many companies.

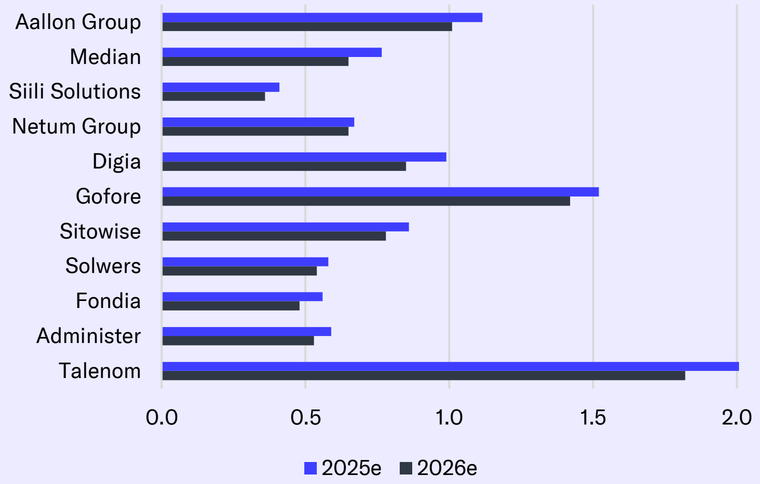
Among Aallon Group's accounting firm peers, Talenom is valued at a 2025 EV/EBIT multiple of 19.5x. In Talenom's case, the company's strong internationalization efforts are currently weighing on its earnings, and the valuation is moderate relative to its earnings potential. The company is also partly profiled as a technology company, so the market views it through a slightly different lens than ordinary service companies. In addition, Talenom is still clearly a larger player than Aallon Group in terms of size, which supports the company's premium pricing.

Administer, which is undergoing an earnings turnaround, already has a moderate valuation for 2025 (EV/EBIT 9.6x), and as the turnaround continues, the valuation turns very low in the coming years. However, currently, due to varying stages of development, we do not believe the multiples are directly comparable with Aallon Group. With a revenue multiple, Administer (0.6x) is clearly valued lower than Aallon Group, reflecting the profitability challenges the company has faced in recent years and its currently significantly lower profitability.

EV/EBIT of Aallon Group and its peers



EV/S of Aallon Group and ist peers

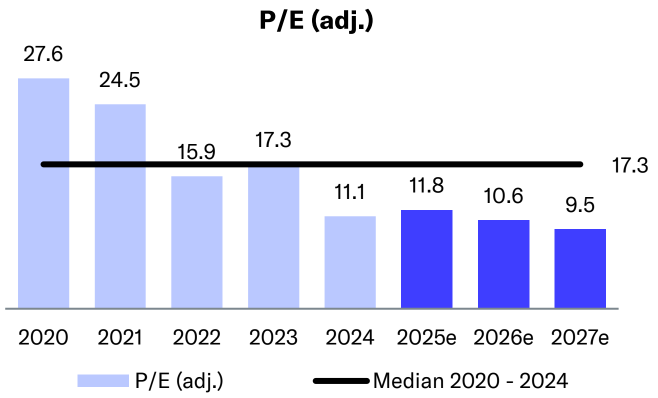


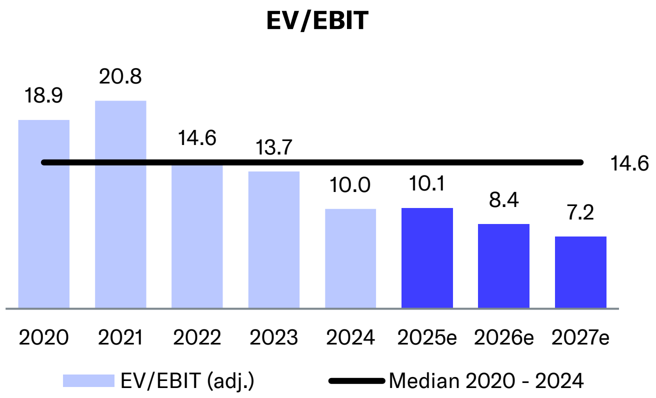
Source: Inderes, Refinitv

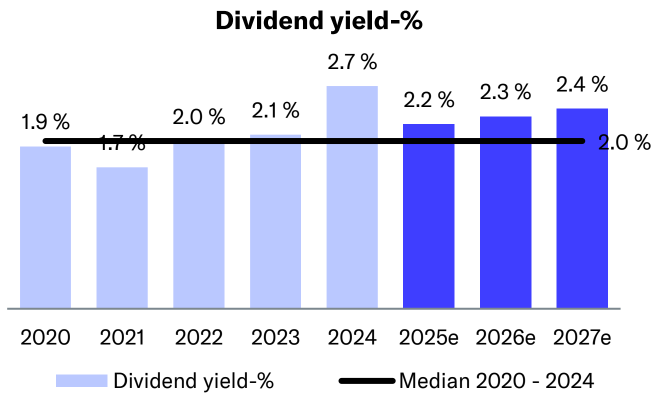
Valuation table

Valuation	2020	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Share price	9.96	11.8	10.5	10.6	8.62	**10.9**	**10.9**	**10.9**	**10.9**
Number of shares, millions	3.63	3.83	3.87	3.91	3.92	**3.83**	**3.83**	**3.83**	**3.83**
Market cap	36.1	45.2	40.8	41.3	33.8	**41.5**	**41.5**	**41.5**	**41.5**
Yritysarvo (EV)	30.6	49.7	46.1	42.5	37.9	**45.1**	**42.1**	**38.8**	**35.3**
P/E (adj.)	27.6	24.5	15.9	17.3	11.1	**11.8**	**10.6**	**9.5**	**9.2**
P/E	37.6	48.7	19.9	23.2	14.3	**15.5**	**13.5**	**11.8**	**11.4**
P/B	4.1	4.0	3.0	2.8	2.1	**2.5**	**2.2**	**1.9**	**1.7**
P/S	2.0	1.8	1.4	1.3	1.0	**1.0**	**1.0**	**1.0**	**0.9**
EV/Sales	1.7	2.0	1.6	1.3	1.1	**1.1**	**1.0**	**0.9**	**0.8**
EV/EBITDA	15.0	17.4	9.2	8.5	6.6	**6.9**	**6.0**	**5.3**	**4.7**
EV/EBIT (adj.)	18.9	20.8	14.6	13.7	10.0	**10.1**	**8.4**	**7.2**	**6.3**
Payout ratio (%)	73.2 %	82.5 %	40.3 %	48.5 %	38.1 %	**34.4 %**	**31.2 %**	**28.4 %**	**28.3 %**
Dividend yield-%	1.9 %	1.7 %	2.0 %	2.1 %	2.7 %	**2.2 %**	**2.3 %**	**2.4 %**	**2.5 %**

Source: Inderes







The market cap and EV in the table consider the forecast change in the number of shares and net debt for the forecast years.

Peer group valuation

Peer group valuation Company	Market cap MEUR	EV MEUR	EV/EBIT 2025e	 2026e	EV/EBITDA 2025e	 2026e	EV/S 2025e	 2026e	P/E 2025e	 2026e	Dividend yield-% 2025e	 2026e
Talenom	173	266	19.5	13.3	7.0	5.9	2.0	1.8	24.8	14.5	5.3	5.3
Administer	37	45	9.6	6.8	6.8	5.3	0.6	0.5	10.8	8.1	2.8	3.9
Fondia	16	14	7.3	5.5	6.1	4.3	0.6	0.5	10.3	8.8	6.8	6.8
Solwers	24	48	17.2	11.1	7.5	5.9	0.6	0.5	18.6	10.2	1.7	1.9
Sitowise	90	165	18.4	11.2	8.9	6.5	0.9	0.8	34.9	13.6	2.0	5.6
Gofore	314	272	14.2	11.5	12.4	9.7	1.5	1.4	19.8	16.9	2.5	2.6
Digia	207	216	9.5	8.0	8.3	7.0	1.0	0.9	12.0	10.5	2.5	2.7
Netum Group	23	28	7.8	7.1	7.4	6.8	0.7	0.7	13.3	11.2	6.5	7.6
Siili Solutions	50	47	7.6	5.9	5.1	3.9	0.4	0.4	11.0	8.9	3.3	3.7
Kelly Partners Group	268	339			15.5		5.2		46.0		1.3	
Aallon Group (Inderes)	**42**	**45**	**10.1**	**8.4**	**6.9**	**6.0**	**1.1**	**1.0**	**11.8**	**10.6**	**2.2**	**2.3**
Average			**12.3**	**8.9**	**8.5**	**6.1**	**1.3**	**0.8**	**20.1**	**11.4**	**3.5**	**4.5**
Median			**9.6**	**8.0**	**7.5**	**5.9**	**0.8**	**0.7**	**16.0**	**10.5**	**2.6**	**3.9**
Diff-% to median			***5%***	***6%***	***-8%***	***2%***	***46%***	***55%***	***-26%***	***1%***	***-15%***	***-42%***

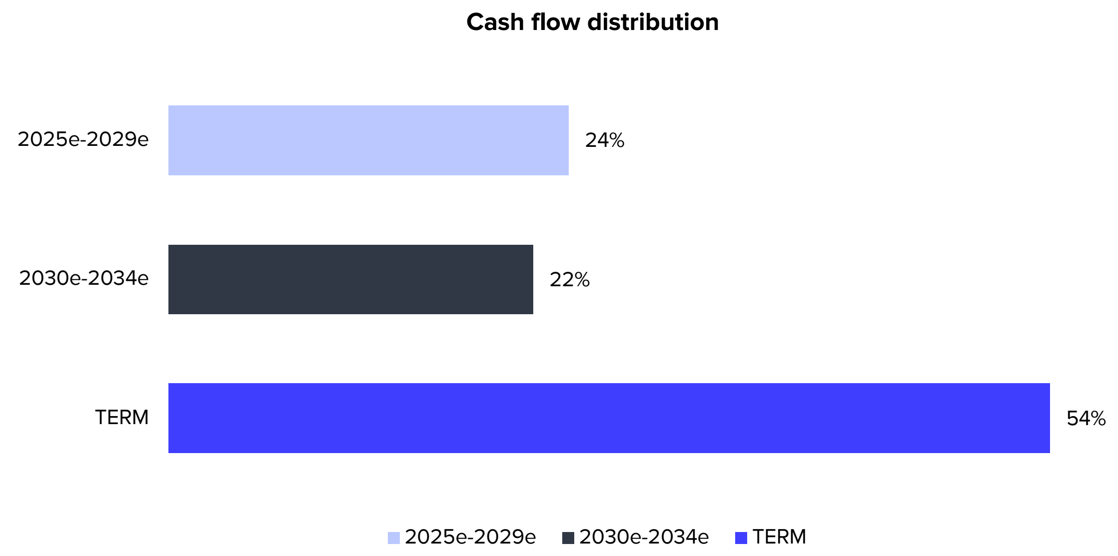
Source: Refinitiv / Inderes

DCF-calculation

DCF model	2024	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	2034e	TERM
Revenue growth-%	6.7 %	15.2 %	3.1 %	2.5 %	2.5 %	2.5 %	2.5 %	2.5 %	2.0 %	2.0 %	2.0 %	2.0 %
EBIT-%	8.9 %	9.0 %	9.9 %	10.6 %	10.8 %	11.2 %	11.6 %	11.8 %	12.4 %	11.8 %	11.5 %	11.5 %
EBIT (operating profit)	**3.1**	**3.6**	**4.1**	**4.5**	**4.7**	**5.0**	**5.3**	**5.6**	**6.0**	**5.8**	**5.8**	
+ Depreciation	2.6	2.9	2.8	2.8	2.8	2.8	2.7	2.7	2.7	2.4	2.1	
- Paid taxes	0.3	-0.8	-0.8	-0.9	-0.9	-0.9	-1.0	-1.1	-1.1	-1.1	-1.1	
- Tax, financial expenses	0.0	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
+ Tax, financial income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Change in working capital	0.5	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1	
Operating cash flow	**6.5**	**5.7**	**6.1**	**6.4**	**6.6**	**6.9**	**7.1**	**7.3**	**7.5**	**7.2**	**6.8**	
+ Change in other long-term liabilities	0.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-9.2	-3.2	-2.0	-2.0	-2.0	-2.0	-2.0	-2.0	-2.0	-2.0	-2.0	
Free operating cash flow	**-1.9**	**2.5**	**4.1**	**4.4**	**4.6**	**4.9**	**5.1**	**5.3**	**5.5**	**5.2**	**4.8**	
+/- Muut	0.0	-0.8	-0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	-1.9	1.7	3.8	4.4	4.6	4.9	5.1	5.3	5.5	5.2	4.8	74.2
Discounted FCFF		**1.6**	**3.4**	**3.6**	**3.5**	**3.4**	**3.2**	**3.1**	**3.0**	**2.6**	**2.2**	**33.8**
Sum of FCFF present value		63.2	61.6	58.2	54.6	51.2	47.8	44.6	41.5	38.6	36.0	33.8
Enterprise value DCF		**63.2**										
- Interest bearing debt		-7.8										
+ Rahavarat		3.6										
-Minorities		0.0										
-Dividend/capital return		-0.9										
Equity value DCF		**58.1**										
Equity value DCF per share		**15.2**										

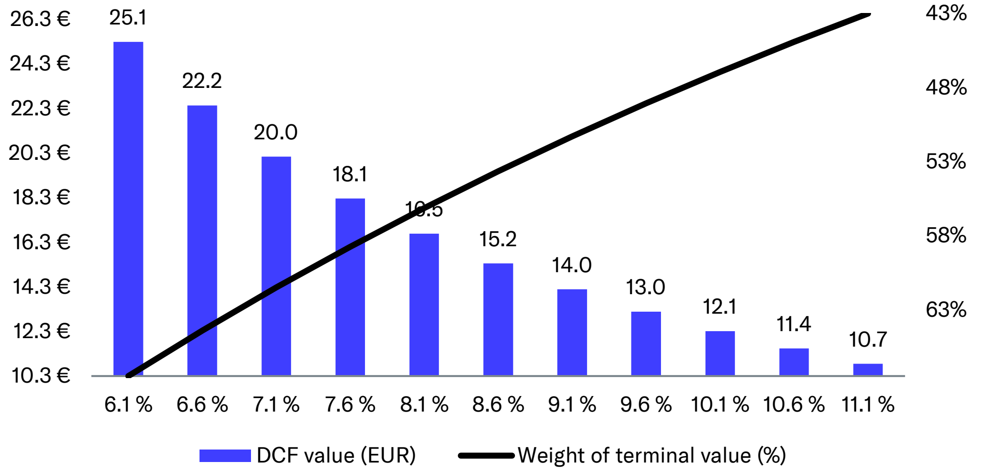
WACC	
Tax-% (WACC)	20.0 %
Target debt ratio (D/(D+E)	10.0 %
Cost of debt	4.0 %
Equity Beta	0.90
Market risk premium	4.75%
Liquidity premium	2.40%
Risk free interest rate	2.5 %
Cost of equity	**9.2 %**
Weighted average cost of capital (WACC)	**8.5 %**

Source: Inderes

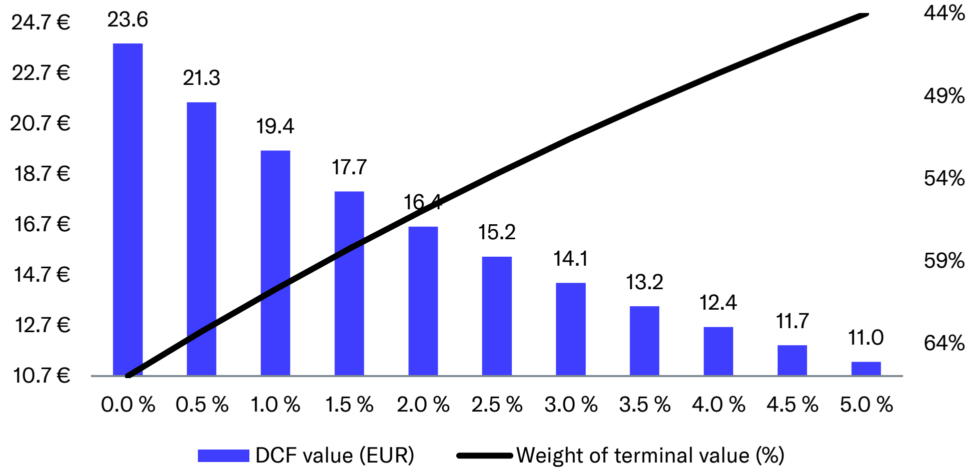


DCF sensitivity calculations and key assumptions in graphs

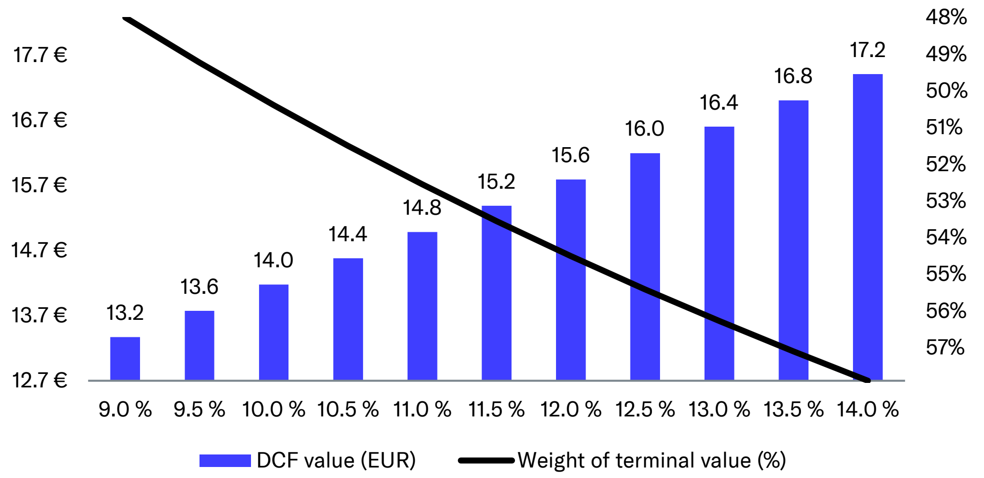
Sensitivity of DCF to changes in the WACC-%



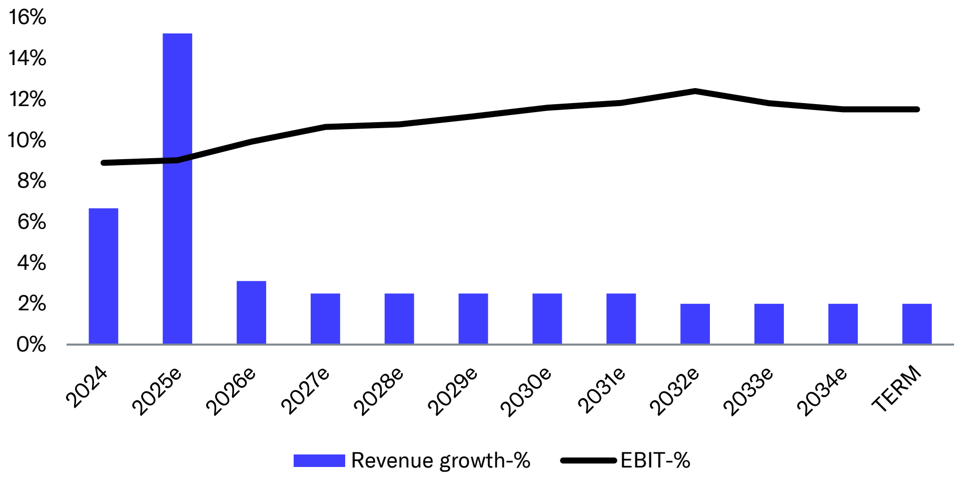
Sensitivity of DCF to changes in the risk-free rate



Sensitivity of DCF to changes in the terminal EBIT margin



Growth and profitability assumptions in the DCF calculation



Source: Inderes. NB! The terminal value weight (%) is presented on a reverse scale for clarity.

Summary

Income statement	2022	2023	2024	2025e	2026e
Revenue	29.3	32.9	35.1	**40.4**	**41.7**
EBITDA	5.0	5.0	5.7	**6.6**	**7.0**
EBIT	2.6	2.5	3.1	**3.6**	**4.1**
PTP	2.5	2.2	2.9	**3.4**	**3.9**
Net Income	2.0	1.8	2.4	**2.7**	**3.1**
Extraordinary items	-0.5	-0.6	-0.7	**-0.8**	**-0.8**

Balance sheet	2022	2023	2024	2025e	2026e
Balance sheet total	29.2	27.7	35.0	**36.0**	**35.5**
Equity capital	13.5	14.5	15.9	**16.8**	**19.0**
Goodwill	9.8	10.1	14.0	**15.0**	**15.0**
Net debt	5.3	1.2	4.2	**3.6**	**0.6**

Cash flow	2022	2023	2024	2025e	2026e
EBITDA	5.0	5.0	5.7	**6.6**	**7.0**
Change in working capital	0.8	0.2	0.5	**0.0**	**0.0**
Operating cash flow	5.8	4.8	6.5	**5.7**	**6.1**
CAPEX	-6.5	0.3	-9.2	**-3.2**	**-2.0**
Free cash flow	-0.7	5.1	-1.9	**1.7**	**3.8**

Valuation multiples	2022	2023	2024	2025e	2026e
EV/S	1.6	1.3	1.1	**1.1**	**1.0**
EV/EBITDA	9.2	8.5	6.6	**6.9**	**6.0**
EV/EBIT (adj.)	14.6	13.7	10.0	**10.1**	**8.4**
P/E (adj.)	15.9	17.3	11.1	**11.8**	**10.6**
P/B	3.0	2.8	2.1	**2.5**	**2.2**
Dividend-%	2.0 %	2.1 %	2.7 %	**2.2 %**	**2.3 %**

Source: Inderes

Per share data	2022	2023	2024	2025e	2026e
EPS (reported)	0.53	0.45	0.60	**0.70**	**0.80**
EPS (adj.)	0.66	0.61	0.78	**0.92**	**1.02**
OCF / share	1.51	1.24	1.67	**1.50**	**1.60**
FCF / share	-0.17	1.30	-0.48	**0.44**	**0.99**
Book value / share	3.48	3.71	4.06	**4.39**	**4.95**
Dividend / share	0.21	0.22	0.23	**0.24**	**0.25**

Growth and profitability	2022	2023	2024	2025e	2026e
Revenue growth-%	19%	12%	7%	**15%**	**3%**
EBITDA growth-%	75%	-1%	15%	**14%**	**6%**
EBIT (adj.) growth-%	32%	-2%	23%	**18%**	**11%**
EPS (adj.) growth-%	37%	-7%	28%	**18%**	**12%**
EBITDA-%	17.1 %	15.1 %	16.4 %	**16.2 %**	**16.7 %**
EBIT (adj.)-%	10.8 %	9.4 %	10.9 %	**11.1 %**	**12.0 %**
EBIT-%	9.0 %	7.6 %	8.9 %	**9.0 %**	**9.9 %**
ROE-%	16.4 %	12.7 %	15.5 %	**16.3 %**	**17.2 %**
ROI-%	13.0 %	12.0 %	14.4 %	**15.0 %**	**16.9 %**
Equity ratio	46.4 %	52.5 %	45.6 %	**46.8 %**	**53.5 %**
Gearing	39.0 %	8.0 %	26.4 %	**21.4 %**	**3.1 %**

The market cap and EV in the table consider the forecast change in the number of shares and net debt for the forecast years. Per-share figures are calculated using the year-end number of shares.

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Buy	The 12-month risk-adjusted expected shareholder return of the share is very attractive
Accumulate	The 12-month risk-adjusted expected shareholder return of the share is attractive
Reduce	The 12-month risk-adjusted expected shareholder return of the share is weak
Sell	The 12-month risk-adjusted expected shareholder return of the share is very weak

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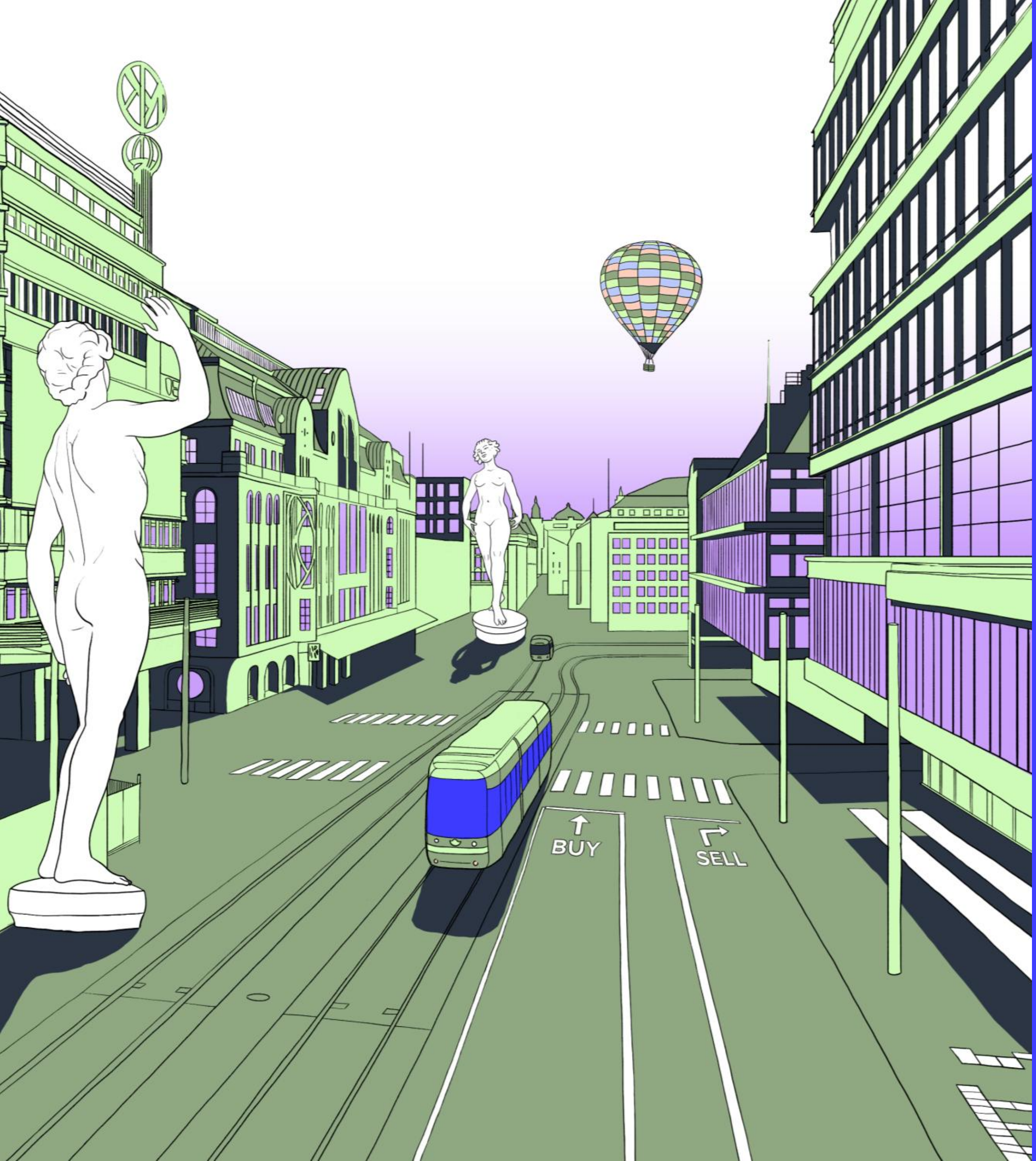
Recommendation history (>12 mo)

Date	Recommendation	Target	Share price
4/9/2019	Reduce	8.50 €	8.87 €
8/23/2019	Reduce	9.00 €	9.50 €
9/30/2019	Reduce	9.00 €	9.34 €
12/12/2019	Reduce	9.90 €	10.45 €
2/14/2020	Accumulate	11.00 €	10.45 €
4/28/2020	Accumulate	10.00 €	9.14 €
6/2/2020	Accumulate	11.00 €	10.10 €
7/23/2020	Reduce	11.00 €	11.20 €
8/18/2020	Reduce	11.00 €	10.75 €
10/6/2020	Accumulate	11.00 €	9.76 €
1/7/2021	Accumulate	11.50 €	10.45 €
1/11/2021	Accumulate	12.00 €	11.40 €
2/18/2021	Accumulate	12.00 €	11.10 €
4/6/2021	Accumulate	12.50 €	11.30 €
5/5/2021	Accumulate	13.00 €	11.60 €
8/17/2021	Accumulate	13.00 €	11.60 €
11/30/2021	Accumulate	13.00 €	11.55 €
1/4/2022	Accumulate	13.50 €	11.85 €
2/18/2022	Accumulate	12.50 €	10.65 €
3/2/2022	Accumulate	12.00 €	9.90 €
8/16/2022	Accumulate	12.00 €	10.40 €
11/2/2022	Buy	11.50 €	9.20 €
12/2/2022	Buy	12.00 €	10.00 €
1/18/2023	Accumulate	12.00 €	10.80 €
2/17/2023	Accumulate	12.00 €	10.85 €
6/16/2023	Accumulate	12.00 €	10.20 €
7/3/2023	Accumulate	12.00 €	10.40 €
8/16/2023	Buy	12.50 €	10.20 €
2/16/2024	Accumulate	10.00 €	9.20 €
3/5/2024	Accumulate	10.00 €	8.58 €
4/24/2024	Accumulate	10.00 €	8.20 €
8/8/2024	Buy	10.00 €	8.04 €
8/15/2024	Accumulate	10.00 €	8.68 €
11/1/2024	Accumulate	10.00 €	8.20 €
12/2/2024	Accumulate	10.00 €	8.28 €
12/23/2024	Buy	10.50 €	8.04 €
2/14/2025	Buy	12.50 €	9.68 €
5/22/2025	Buy	13.00 €	10.60 €
6/18/2025	Buy	13.00 €	10.85 €



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