

Talenom

Company report

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✓ Inderes corporate customer

This report is a summary translation of the report "Ryppyjä kannattavuudessa" published on 4/21/2023 at 8:06 am

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Wrinkles in profitability

We reiterate our Accumulate recommendation for Talenom and revise our target price to EUR 8.8 (previous EUR 9.0). The Q1 result was a clear disappointment to the company due to weak profitability, which put our earnings estimates under pressure. Although earnings growth currently looks dismal due to heavily declining profitability it is a strategic choice by the company and profitability will eventually turn after the international growth spurt. In the longer term, the current valuation (2024e P/E 28x and EV/EBITDA 11x) is moderate but requires patience to look at the growth story beyond the profitability slump and confidence in international success.

Q1 result clearly below expectations

Talenom's net sales grew as expected by 24.2% in Q1. About 60% of net sales growth came from acquisitions and 40% was organic, which means organic growth was at a good level of almost 10%. On the cost side, however, there was clearly more headwind than we expected and EBITDA was EUR 8.4 million, or 26.7% of net sales, in the seasonally strong period. This was a clear disappointment (estimate 9.5 MEUR) and clearly behind the comparison period (Q1'22: 8.9 MEUR and 35.2%). The main reasons were the loss-making system platform in Spain (-0.5 MEUR) and exceptional costs related to acquisition (-0.5 MEUR), but cost inflation was also significantly faster than we predicted in the Finnish core business. This will be corrected with already made significant price increases, but in Sweden and Spain the road to significant profitability improvements is long. In Sweden, however, implementation of own systems has progressed as planned and the figures are on the rise.

Guidance buffer was eaten in Q1 but big picture largely unchanged

Talenom still estimates that 2023 net sales will be about EUR 120-130 million and that its euro-denominated EBITDA and operating profit will grow from 2022. In terms of net sales and EBITDA, the guidance is easily achievable, but in terms of EBIT, the buffer is significantly lower after the weak Q1. We now estimate that Talenom's 2023 EBIT will be EUR 15.5 million, compared to EUR 15.3 million last year. In Spain, the system platform will cause significant losses also in the coming quarters, but the recovery of Finnish profitability to a "normal" excellent level with price increases and Sweden's relatively stable profitability will be sufficient to achieve our current estimates. Our earnings estimate for the next few years decreased by 5-10%, focusing on the bottom lines, due to a faster than expected increase in financial costs. The big picture remains unchanged: strong acquisition-driven growth continues and, if profitability improvements are successful in Sweden, the road is open for earnings growth after this year's profitability slump. Turnaround is expected already in 2024.

The fruits of international growth are slowly ripening

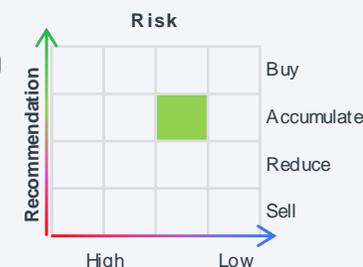
Talenom's valuation multiples are high with this year's result (2023e P/E 35x and EV/EBIT 31x), but as the direction of earnings growth turns next year, the valuation looks reasonable (2024e P/E 28x and EV/EBIT 23x). The company produces operational cash flow efficiently, and EV/EBITDA that reflects this reasonably is only 12x with 2023 estimates. However, the company allocates the cash flow to international growth, which we believe will create value in the long term, once Talenom gets the "machine working" especially in Sweden. Although this involves many risks, recent acquisitions have mainly been carried out with reasonable valuations (EV/EBITDA 4-6x), making it unlikely that value is destroyed. We find the risk/return ratio sufficient, but the Talenom journey still requires patience.

Recommendation

Accumulate
(previous Accumulate)

EUR 8.80
(previous EUR 9.00)

Share price:
7,88



Key figures

	2022	2023e	2024e	2025e
Revenue	102	127	158	193
growth-%	23%	25%	24%	22%
EBIT adj.	15.3	15.5	19.6	25.6
EBIT-% adj.	15.0 %	12.1 %	12.4 %	13.2 %
Net Income	11.8	10.0	13.1	16.7
EPS (adj.)	0.27	0.22	0.29	0.36

P/E (adj.)	35.4	35.8	27.6	21.9
P/B	7.5	6.2	5.8	5.2
Dividend yield-%	1.9 %	2.4 %	2.5 %	2.7 %
EV/EBIT (adj.)	31.1	27.8	23.0	18.1
EV/EBITDA	14.8	11.9	10.9	9.6
EV/S	4.6	3.4	2.9	2.4

Source: Inderes

Guidance (Unchanged)

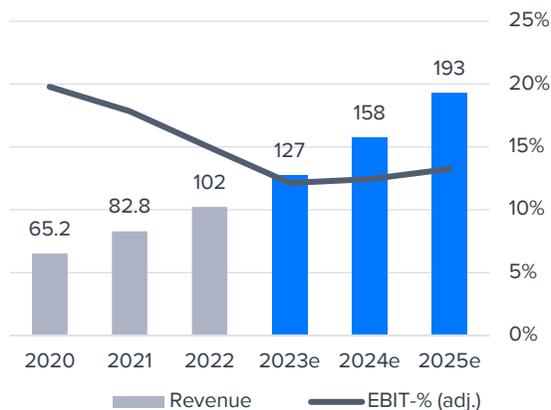
Talenom estimates that 2023 net sales will be about EUR 120-130 million and that its euro-denominated EBITDA and operating profit will grow from 2022.

Share price



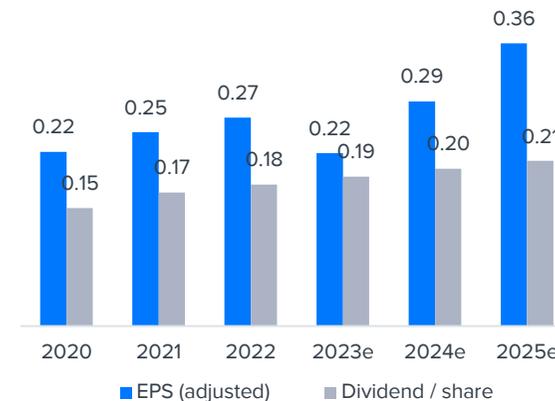
Source: Millstream Market Data AB

Revenue and EBIT %



Source: Inderes

EPS and dividend



Source: Inderes



Value drivers

- Strong earnings growth after the acquisition-driven growth phase
- Clear competitive advantages will continue to contribute to increasing market share
- Strengthening market position in Sweden and profitability improvement
- Fragmented market is transforming, which opens new opportunities
- Business model that utilizes economies of scale strengthens with growth
- Expansion in Spain and elsewhere in Europe



Risk factors

- Failure in improving Sweden's profitability
- Failure in internationalization
- Development of the interest environment and drop of acceptable valuation multiples
- Competitive advantage relies on technology, whose development tends to be fast
- Potential drop in customer retention
- Potential tightening competition in digital financial management
- Transformation can bring new challengers to the industry

Valuation	2023e	2024e	2025e
Share price	7.88	7.88	7.88
Number of shares, millions	45.4	45.9	46.4
Market cap	358	362	366
EV	431	450	463
P/E (adj.)	35.8	27.6	21.9
P/E	35.8	27.6	21.9
P/FCF	neg.	neg.	98.3
P/B	6.2	5.8	5.2
P/S	2.8	2.3	1.9
EV/Sales	3.4	2.9	2.4
EV/EBITDA	11.9	10.9	9.6
EV/EBIT (adj.)	27.8	23.0	18.1
Payout ratio (%)	86.4 %	70.0 %	58.4 %
Dividend yield-%	2.4 %	2.5 %	2.7 %

Source: Inderes

Q1 result clearly below expectations

Turnover in line with our expectations

Talenom's net sales grew by 24.2% in Q1 to EUR 31.3 million which was also our estimate. About 60% of net sales growth came from acquisitions and 40% was organic, which means organic growth was at a good level of almost 10%. We expected a bigger contribution from the numerous acquisitions that the company has recently carried out especially in Sweden and Spain. Finland's net sales were EUR 23.4 million (+11.5%), Sweden's EUR 6.7 million (+69%) and other countries' EUR 1.2 million (+372%). Other countries include Spain and small business in Italy.

Organic growth was driven by the Finnish core business, which benefited slightly from the significant price increases initiated in March (9.4% index increase). However, this will be fully reflected from Q2 onwards, with potential for up to 15% organic growth at that time. In the face of the economic headwind, our estimates are slightly lower, but we believe that the fact that the price increases have been generally accepted and have not led to substantial customer churn is essential. This reflects Talenom's pricing power and the fact that customers are on average very satisfied with the company's services. The

company has been able to sell increasingly broader service packages.

Minor challenges on the profitability side

Talenom's EBITDA in Q1 was EUR 8.4 million, or 26.7% of net sales. This was a clear disappointment (estimate 9.5 MEUR) and clearly behind the comparison period (Q1'22: 8.9 MEUR and 35.2%). EBITDA was depressed by the system platform acquired in Spain in fall 2022 that had a weakening effect of around EUR 0.5 million on EBITDA. This was, however, known after the Nomo acquisition, so it does not work as an actual explanation for the disappointment. By contrast, the weakening effect of non-recurring items related to acquisitions and other expenses was EUR 0.5 million compared to the comparison period. This includes exceptional items such as a reassessment of the additional purchase prices for acquisitions, so the adjusted figure better reflects operational development. However, we have not made any actual adjustments as acquisitions are at the heart of Talenom's strategy.

Q1 EBIT was only EUR 3.5 million while our estimate was EUR 4.3 million. The EBIT margin was therefore only 11.0% in the seasonally strong period compared

to 19.3% in the comparison period. Profitability was naturally depressed by investments in growth, wage inflation, as well as integration and other costs arising from acquisitions. In any case, the cost structure has risen clearly faster than we expected. Net financial expenses also increased heavily and amounted to EUR 0.7 million (Q1'22: 0.2 MEUR) after the interest rate adjustment.

In Finland, profitability was still excellent, but weakened significantly from the comparison period. EBITDA was 35.4%, while in Q1'22 it was still 39.5%. In Finland, however, the situation is practically corrected when the price increases take effect. In Sweden, EBITDA was 11.9% and EBIT 3.2%, and both showed marginal positive development. Sweden's profitability is still burdened by strengthening the organization, accelerating integration, and implementation of the own software. These will keep the organization busy in the future, making organic growth more difficult. The weak Swedish krona also had a negative impact on the development of the euro-denominated EBITDA. In Spain, the business has so far been heavily loss-making, where the already mentioned system platform naturally plays a huge role.

Estimates MEUR / EUR	Q1'22	Q1'23	Q1'23e	Q1'23e	Consensus		Difference (%)	2023e
	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. Inderes	Inderes
Revenue	25.2	31.3	31.3				0%	127
EBITDA	8.9	8.4	9.5				-12%	36.2
EBIT	4.9	3.5	4.3				-20%	15.5
EPS (adj.)	0.09	0.05	0.07				-35%	0.22
Revenue growth-%	24.1%	24.2%	24.0%				0.2 pp	24.8%
EBIT-% (adj.)	19.3%	11.0%	13.9%				-2.8 pp	12.1%

Lähde: Inderes

Guidance buffer was eaten up in Q1

Guidance unchanged, but risks increased

As expected Talenom reiterated the guidance that estimates that 2023 net sales will be about EUR 120-130 million and that its euro-denominated EBITDA and operating profit will grow from 2022. In terms of net sales (estimate 127 MEUR) and EBITDA (estimate 36.3 MEUR), the guidance is easily achievable, but in terms of EBIT, the buffer is significantly lower after the weak Q1 and partly exceptional costs.

We now estimate that Talenom's 2023 EBIT will be EUR 15.5 million, compared to EUR 15.3 million last year. We do not expect the company to be able to absorb the exceptional expenses of EUR 0.5 million this year, and the Nomo system platform will cause significant losses in Spain also in the coming quarters. The company estimates that it will get the platform to break-even level this year, but we estimate that the EBITDA of the Other countries segment will be 0% in Q4 (other businesses will be profitable at EBITDA level). Still the recovery of Finnish profitability to a "normal" excellent level with price increases and Sweden's relatively stable profitability will be sufficient to achieve our current estimates.

In any case, the company must remain vigilant during the rest of the year, so that the 2023 EBIT guidance can also be reached. We do, however, consider a profit warning unlikely, because the company can control its performance quite well and understands the importance of a negative surprise in a delicate growth phase.

No major changes in the outlook for the next few years

We made minor adjustments to our estimates for the next few years based on the Q1 report. The efficiency and profitability of Finland's core business is difficult to improve further, but the growth outlook is slightly better than our previous expectation. The key to the estimates for the next few years is Sweden, where profitability should gradually start to improve as own software improves efficiency. In the Q1 earnings call, Talenom estimated that it can reduce the time spent on routine tasks by accountants to one-quarter of what is now spent on them. This, combined with the introduction of organic growth in Talenom's operating model opens the way for significant profitability improvements, which will gradually

materialize with implementations and adoption of working methods. Other countries will improve from their current low level, but the road to significant profitability improvements is long. In the end, we made the biggest changes to financing costs that rose even faster and more than anticipated.

We previously expected a slight decrease in Talenom's relative profitability (EBIT %) next year, but after the weak start to 2023, the bottom is expected to be reached already this year (EBIT margin estimate 12.1%). This negative factor, as such, opens the door to earnings growth returning already next year (estimate 12.4%), which would again give the share a clear upward driver.

Large investments will continue

Talenom's net investments were EUR 12.6 million in Q1, while the company's EBITDA (best guess of operational cash flow) was EUR 8.4 million. Of this, EUR 7.2 million was used on acquisitions and EUR 3.8 million on software. At the same time, the company's interest-bearing net liabilities amounted to EUR 68 million, which means a fair 2x ratio relative to EBITDA. We still find the level reasonable for Talenom.

Estimate revisions MEUR / EUR	2023e	2023e	Change %	2024e	2024e	Change %	2025e	2025e	Change %
	Old	New		Old	New		Old	New	
Revenue	126	127	1%	156	158	1%	191	193	1%
EBITDA	37.2	36.2	-3%	41.3	41.2	0%	49.2	48.0	-2%
EBIT (exc. NRIs)	16.2	15.5	-4%	19.7	19.6	-1%	26.8	25.6	-5%
EBIT	16.2	15.5	-4%	19.7	19.6	-1%	26.8	25.6	-5%
PTP	14.2	12.7	-11%	17.2	16.4	-5%	23.1	21.1	-8%
EPS (excl. NRIs)	0.25	0.22	-12%	0.30	0.29	-5%	0.39	0.36	-9%
DPS	0.19	0.19	0%	0.20	0.20	0%	0.21	0.21	0%

The fruits of growth are slowly ripening

Earnings potential increases with the expansion

Although Talenom's earnings development currently looks dismal, the company's earnings potential continues to grow with the expansion. At present, international growth strongly dilutes relative profitability but if Talenom's strategy succeeds, the profitability potential of Sweden and other international activities should be in the same ballpark as in Finland. This naturally requires that the company's competitive advantage (business model, processes and technology) is equally strong outside Finland in the long term. Before this, a significantly bigger scale is naturally also required to highlight the benefits of automation.

Profit potential can be simply assessed by comparing profitability abroad with Finland's core business. Finland's EBIT margin has been around 20% in recent years, which reflects the profitability potential. For example, the Swedish business has so far been loss-making at EBIT level on an annual basis but if the strategy succeeds, the profitability of existing Swedish business could reach 20% in 2027. During 2024, Talenom's own systems should be fully implemented in all existing offices in Sweden, and this would mark the beginning of a three-year profitability improvement. As a result, the current business of about EUR 25 million in net sales could generate around EUR 5 million EBIT in 2027, compared to the current zero EBIT. This would increase the Group's EBIT by almost a third from the 2023 level. The scenario does not consider the growth in Sweden in the next few years, whose profitability potential would be realized at a later date. At the same time, we stress that the model has not been proven outside Finland, so it is only a scenario of Sweden's potential.

We find the valuation multiples reasonable

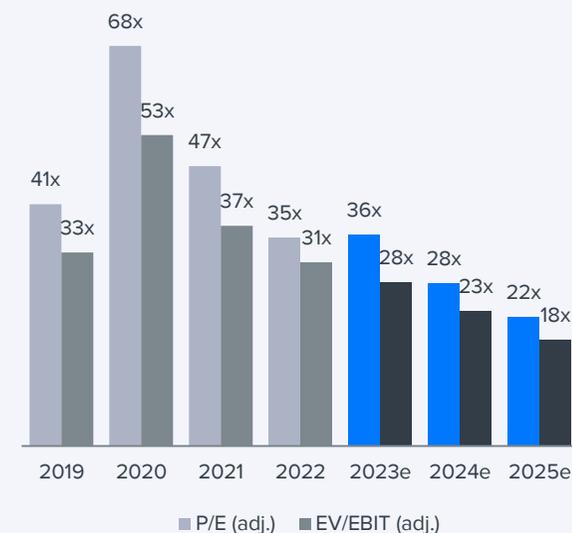
Talenom's 2023e P/E ratio is clearly over 30x and EV/EBIT is 28x, but despite continued profitability pressure, 2024e ratios (P/E 28x and EV/EBIT 23x) actually in our opinion have some upside when the earnings growth turns around. Although there is considerable uncertainty concerning the success of the company's international growth strategy, we do not believe that the potential can be overlooked either. Thanks to the excellent cash-flow profile of the Finnish core business we estimate that the cash flow of Talenom's business operations is well above EUR 30 million, compared to which the current EV of around EUR 430 million does not sound unreasonable, even if international growth would not generate scalable growth. Recent acquisitions have mainly been carried out with reasonable valuations (EV/EBITDA 4-6x), making it unlikely that value is destroyed. However, a major performance improvement will in principle, wait until 2025-2026 and one must tolerate considerable uncertainty on the way so Talenom does require patience from its shareholders.

Among the most interesting equity stories in Finland

Talenom's equity story has many attractive elements and opportunities that few listed companies in Helsinki have. The business is mainly recurring and defensive, profitability is partially scalable and competitive advantages are strong in the SME sector selected by the company, as evidenced by the excellent profitability in Finland. The company has a strong position in the transforming accounting services industry, and we estimate Talenom to be one of the future winners, at least in Finland. The abundant cash flow from Finland is now being invested in international growth, which opens realistic prospects for success in the European market as well in the long term.

Valuation	2023e	2024e	2025e
Share price	7.88	7.88	7.88
Number of shares, millions	45.4	45.9	46.4
Market cap	358	362	366
EV	431	450	463
P/E (adj.)	35.8	27.6	21.9
P/E	35.8	27.6	21.9
P/FCF	neg.	neg.	98.3
P/B	6.2	5.8	5.2
P/S	2.8	2.3	1.9
EV/Sales	3.4	2.9	2.4
EV/EBITDA	11.9	10.9	9.6
EV/EBIT (adj.)	27.8	23.0	18.1
Payout ratio (%)	86.4 %	70.0 %	58.4 %
Dividend yield-%	2.4 %	2.5 %	2.7 %

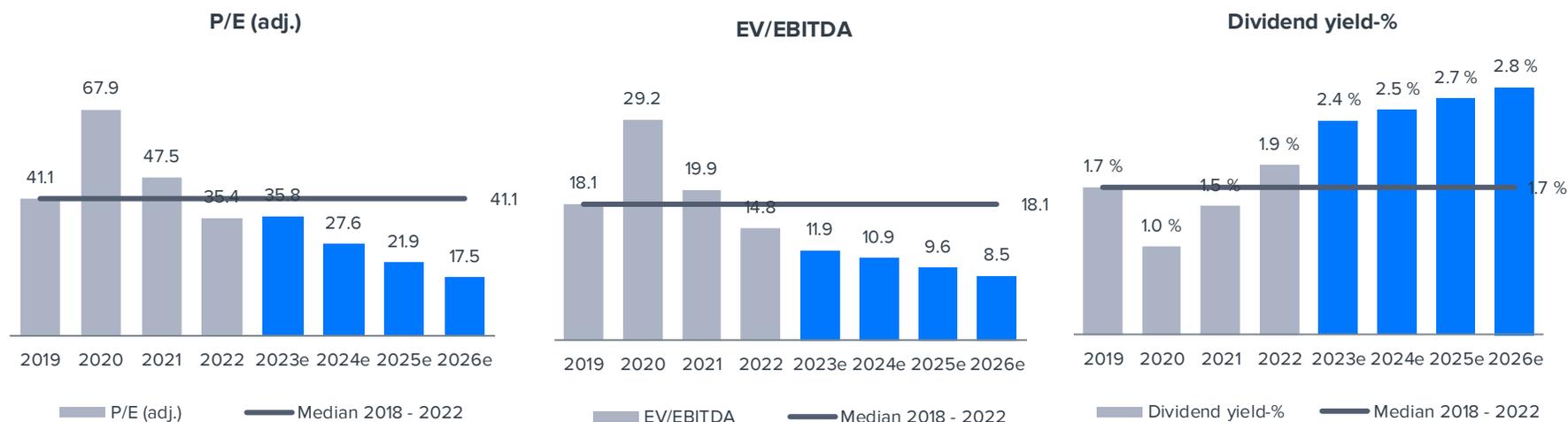
Source: Inderes



Valuation table

Valuation	2018	2019	2020	2021	2022	2023e	2024e	2025e	2026e
Share price	3.18	7.50	15.1	11.7	9.39	7.88	7.88	7.88	7.88
Number of shares, millions	41.2	41.7	43.2	43.8	44.5	45.4	45.9	46.4	46.4
Market cap	131	313	650	512	420	358	362	366	366
EV	149	342	679	552	475	431	450	463	459
P/E (adj.)	20.6	41.1	67.9	47.5	35.4	35.8	27.6	21.9	17.5
P/E	20.6	41.1	67.9	47.5	35.4	35.8	27.6	21.9	17.5
P/FCF	90.2	neg.	>100	neg.	neg.	neg.	neg.	98.3	20.9
P/B	7.0	13.3	20.2	11.5	7.5	6.2	5.8	5.2	4.5
P/S	2.7	5.4	10.0	6.2	4.1	2.8	2.3	1.9	1.6
EV/Sales	3.1	5.9	10.4	6.7	4.6	3.4	2.9	2.4	2.1
EV/EBITDA	10.9	18.1	29.2	19.9	14.8	11.9	10.9	9.6	8.5
EV/EBIT (adj.)	17.5	32.8	52.7	37.4	31.1	27.8	23.0	18.1	14.8
Payout ratio (%)	59.4 %	68.4 %	67.7 %	69.0 %	68.3 %	86.4 %	70.0 %	58.4 %	49.0 %
Dividend yield-%	2.9 %	1.7 %	1.0 %	1.5 %	1.9 %	2.4 %	2.5 %	2.7 %	2.8 %

Source: Inderes



Peer group valuation

Peer group valuation	Market cap	EV	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%	
Company	MEUR	MEUR	2023e	2024e	2023e	2024e	2023e	2024e	2023e	2024e	2023e	2024e
Aallon Group	41	39	10.3	9.2	9.3	8.2	1.2	1.1	13.6	13.0	2.1	2.2
Fortnox	3706	3700	62.5	43.9	50.6	36.4	25.0	18.9	81.9	56.7	0.2	0.3
Admicom	214	209	16.8	15.1	16.6	15.0	6.2	5.8	22.0	20.3	2.8	3.0
ECIT	216	286	10.4	7.8	6.3	4.9	0.9	0.8	20.8	15.2	1.7	2.2
Administer	47	59	19.6	9.8	7.4	5.3	0.7	0.7	40.9	13.1	3.1	4.6
Xero	8526	8526	219	72	55	34	10.7	9.1	498	107		
Enento	390	527	13.4	11.5	8.8	8.2	3.2	3.0	16.7	13.3	6.2	6.4
Fondia	32	27	10.6	8.3	8.3	6.8	1.0	0.9	16.3	13.5	3.9	4.8
Vincit	75	63	7.4	5.5	6.8	5.1	0.6	0.5	11.6	9.1	3.7	4.4
Gofore	395	366	13.3	11.3	12.2	10.5	1.9	1.6	18.1	16.4	2.0	2.3
Etteplan	433	496	16.2	14.3	9.6	8.7	1.4	1.2	19.9	18.1	2.5	2.8
Talenom (Inderes)	358	431	27.8	23.0	11.9	10.9	3.4	2.9	35.8	27.6	2.4	2.5
Average			36.3	19.0	17.4	13.0	4.8	4.0	69.0	26.9	2.8	3.3
Median			13.4	11.3	9.3	8.2	1.4	1.2	19.9	15.2	2.7	2.9
Diff-% to median			109%	103%	28%	33%	150%	130%	80%	82%	-9%	-12%

Source: Refinitiv / Inderes

Income statement

Income statement	2021	Q1'22	Q2'22	Q3'22	Q4'22	2022	Q1'23	Q2'23e	Q3'23e	Q4'23e	2023e	2024e	2025e	2026e
Revenue	82.8	25.2	27.0	23.6	26.3	102	31.3	34.0	29.5	32.7	127	158	193	222
EBITDA	27.7	8.9	9.3	7.3	6.6	32.0	8.4	10.1	8.9	8.9	36.2	41.2	48.0	53.8
Depreciation	-12.9	-4.0	-4.2	-4.2	-4.4	-16.8	-4.9	-5.2	-5.3	-5.3	-20.7	-21.6	-22.4	-22.7
EBIT (excl. NRI)	14.8	4.9	5.1	3.1	2.2	15.3	3.5	4.9	3.6	3.6	15.5	19.6	25.6	31.1
EBIT	14.8	4.9	5.1	3.1	2.2	15.3	3.5	4.9	3.6	3.6	15.5	19.6	25.6	31.1
Net financial items	-0.8	-0.1	-0.1	-0.3	-0.2	-0.7	-0.7	-0.7	-0.7	-0.7	-2.8	-3.2	-4.4	-4.7
PTP	14.0	4.7	5.1	2.8	2.0	14.6	2.7	4.2	2.9	2.9	12.7	16.4	21.1	26.4
Taxes	-3.2	-1.0	-1.0	-0.6	-0.1	-2.8	-0.7	-0.8	-0.6	-0.6	-2.7	-3.3	-4.4	-5.5
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net earnings	10.8	3.7	4.1	2.2	1.8	11.8	2.1	3.3	2.3	2.3	10.0	13.1	16.7	20.8
EPS (adj.)	0.25	0.09	0.09	0.05	0.04	0.27	0.05	0.07	0.05	0.05	0.22	0.29	0.36	0.45
EPS (rep.)	0.25	0.09	0.09	0.05	0.04	0.27	0.05	0.07	0.05	0.05	0.22	0.29	0.36	0.45

Key figures	2021	Q1'22	Q2'22	Q3'22	Q4'22	2022	Q1'23	Q2'23e	Q3'23e	Q4'23e	2023e	2024e	2025e	2026e
Revenue growth-%	27.1 %	24.1 %	26.2 %	21.7 %	21.1 %	23.3 %	24.2 %	26.0 %	25.0 %	24.0 %	24.8 %	23.6 %	22.5 %	15.0 %
Adjusted EBIT growth-%	14.6 %	10.2 %	24.0 %	-10.8 %	-20.5 %	3.4 %	-28.9 %	-5.2 %	15.9 %	63.0 %	1.3 %	26.6 %	30.5 %	21.5 %
EBITDA-%	33.4 %	35.2 %	34.4 %	30.8 %	25.0 %	31.4 %	26.7 %	29.6 %	30.1 %	27.2 %	28.4 %	26.1 %	24.9 %	24.2 %
Adjusted EBIT-%	17.8 %	19.3 %	19.0 %	13.0 %	8.3 %	15.0 %	11.0 %	14.3 %	12.1 %	11.0 %	12.1 %	12.4 %	13.2 %	14.0 %
Net earnings-%	13.0 %	14.9 %	15.0 %	9.2 %	7.0 %	11.6 %	6.6 %	9.8 %	7.8 %	7.1 %	7.8 %	8.3 %	8.6 %	9.4 %

Source: Inderes

Balance sheet

Assets	2021	2022	2023e	2024e	2025e
Non-current assets	94.3	124	148	173	192
Goodwill	37.3	55.0	69.0	83.0	97.0
Intangible assets	44.7	55.9	65.6	74.8	80.1
Tangible assets	2.8	2.8	3.0	3.8	3.3
Associated companies	0.0	0.0	0.0	0.0	0.0
Other investments	0.9	0.3	0.3	0.3	0.3
Other non-current assets	8.6	9.9	10.1	10.3	10.5
Deferred tax assets	0.1	0.4	0.4	0.4	0.4
Current assets	20.0	30.5	34.4	42.5	52.1
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	9.8	14.5	16.6	20.5	25.1
Cash and equivalents	10.1	16.0	17.8	22.1	27.0
Balance sheet total	118	156	183	213	242

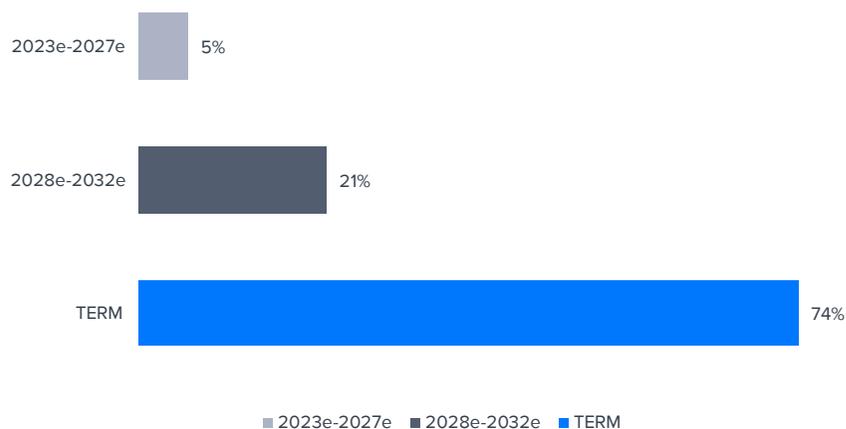
Source: Inderes

Liabilities & equity	2021	2022	2023e	2024e	2025e
Equity	44.7	56.0	58.0	62.4	69.9
Share capital	0.1	0.1	0.1	0.1	0.1
Retained earnings	23.1	29.1	31.0	35.5	43.0
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	21.6	26.9	26.9	26.9	26.9
Minorities	0.0	0.0	0.0	0.0	0.0
Non-current liabilities	50.4	62.3	84.9	96.5	112
Deferred tax liabilities	2.0	3.0	3.0	3.0	3.0
Provisions	0.0	0.0	0.0	0.0	0.0
Long term debt	46.2	56.4	79.0	90.6	106
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	2.2	2.8	2.8	2.8	2.8
Current liabilities	22.6	38.0	39.8	54.3	60.9
Short term debt	3.2	13.7	11.8	19.7	18.4
Payables	16.6	24.3	28.0	34.7	42.4
Other current liabilities	2.9	0.0	0.0	0.0	0.0
Balance sheet total	118	156	183	213	242

DCF calculation

DCF model	2022	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	TERM
Revenue growth-%	23.3 %	24.8 %	23.6 %	22.5 %	15.0 %	12.0 %	8.0 %	6.0 %	5.0 %	5.0 %	3.0 %	3.0 %
EBIT-%	15.0 %	12.1 %	12.4 %	13.2 %	14.0 %	15.0 %	15.0 %	15.0 %	15.0 %	14.5 %	14.5 %	14.5 %
EBIT (operating profit)	15.3	15.5	19.6	25.6	31.1	37.3	40.3	42.7	44.8	45.5	46.8	
+ Depreciation	16.8	20.7	21.6	22.4	22.7	25.8	24.6	24.5	24.1	24.6	25.1	
- Paid taxes	-2.1	-2.7	-3.3	-4.4	-5.5	-6.9	-7.7	-8.3	-8.9	-9.1	-9.4	
- Tax, financial expenses	-0.1	-0.6	-0.7	-1.0	-1.0	-1.0	-0.9	-0.7	-0.6	-0.6	-0.6	
+ Tax, financial income	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	
- Change in working capital	0.2	1.6	2.7	3.2	2.6	2.4	1.8	1.4	1.3	1.3	0.8	
Operating cash flow	30.0	34.5	40.0	45.8	49.8	57.6	58.2	59.6	60.8	61.9	62.9	
+ Change in other long-term liabilities	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-44.5	-43.1	-44.1	-42.1	-32.3	-26.9	-25.9	-21.0	-25.2	-25.6	-27.7	
Free operating cash flow	-13.8	-8.5	-4.1	3.7	17.5	30.7	32.3	38.6	35.6	36.3	35.3	
+/- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	-13.8	-8.5	-4.1	3.7	17.5	30.7	32.3	38.6	35.6	36.3	35.3	732
Discounted FCFF		-8.1	-3.6	3.0	13.2	21.4	20.9	23.1	19.7	18.6	16.8	348
Sum of FCFF present value		474	482	485	482	469	448	427	404	384	365	348
Enterprise value DCF		474										
- Interesting bearing debt		-70.1										
+ Cash and cash equivalents		16.0										
-Minorities		0.0										
-Dividend/capital return		-8.1										
Equity value DCF		411										
Equity value DCF per share		9.1										

Cash flow distribution



WACC

Tax-% (WACC)	20.0 %
Target debt ratio (D/(D+E))	15.0 %
Cost of debt	4.0 %
Equity Beta	1.20
Market risk premium	4.75%
Liquidity premium	0.60%
Risk free interest rate	2.5 %
Cost of equity	8.8 %
Weighted average cost of capital (WACC)	8.0 %

Source: Inderes

Summary

Income statement	2020	2021	2022	2023e	2024e	Per share data	2020	2021	2022	2023e	2024e
Revenue	65.2	82.8	102.1	127.4	157.5	EPS (reported)	0.22	0.25	0.27	0.22	0.29
EBITDA	23.3	27.7	32.0	36.2	41.2	EPS (adj.)	0.22	0.25	0.27	0.22	0.29
EBIT	12.9	14.8	15.3	15.5	19.6	OCF / share	0.54	0.66	0.68	0.76	0.87
PTP	12.0	14.0	14.6	12.7	16.4	FCF / share	0.04	-0.26	-0.31	-0.19	-0.09
Net Income	9.6	10.8	11.8	10.0	13.1	Book value / share	0.74	1.02	1.26	1.28	1.36
Extraordinary items	0.0	0.0	0.0	0.0	0.0	Dividend / share	0.15	0.17	0.18	0.19	0.20
Balance sheet	2020	2021	2022	2023e	2024e	Growth and profitability	2020	2021	2022	2023e	2024e
Balance sheet total	84.9	117.7	156.3	182.6	213.3	Revenue growth-%	12%	27%	23%	25%	24%
Equity capital	32.2	44.7	56.0	58.0	62.4	EBITDA growth-%	23%	19%	16%	13%	14%
Goodwill	24.0	37.3	55.0	69.0	83.0	EBIT (adj.) growth-%	24%	15%	3%	1%	27%
Net debt	29.0	39.2	54.1	72.9	88.2	EPS (adj.) growth-%	21%	11%	8%	-17%	30%
Cash flow	2020	2021	2022	2023e	2024e	EBITDA-%	35.7 %	33.4 %	31.4 %	28.4 %	26.1 %
EBITDA	23.3	27.7	32.0	36.2	41.2	EBIT (adj.)-%	19.8 %	17.8 %	15.0 %	12.1 %	12.4 %
Change in working capital	2.4	3.3	0.2	1.6	2.7	EBIT-%	19.8 %	17.8 %	15.0 %	12.1 %	12.4 %
Operating cash flow	23.5	28.9	30.0	34.5	40.0	ROE-%	34.4 %	28.1 %	23.4 %	17.5 %	21.8 %
CAPEX	-22.2	-41.9	-44.5	-43.1	-44.1	ROI-%	19.8 %	18.0 %	13.9 %	11.4 %	12.3 %
Free cash flow	1.8	-11.3	-13.8	-8.5	-4.1	Equity ratio	38.1 %	38.2 %	35.9 %	31.8 %	29.3 %
						Gearing	90.3 %	87.7 %	96.6 %	125.8 %	141.3 %
Valuation multiples	2020	2021	2022	2023e	2024e						
EV/S	10.4	6.7	4.6	3.4	2.9						
EV/EBITDA (adj.)	29.2	19.9	14.8	11.9	10.9						
EV/EBIT (adj.)	52.7	37.4	31.1	27.8	23.0						
P/E (adj.)	67.9	47.5	35.4	35.8	27.6						
P/B	20.2	11.5	7.5	6.2	5.8						
Dividend-%	1.0 %	1.5 %	1.9 %	2.4 %	2.5 %						

Source: Inderes

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Recommendation history (>12 mo)

Yhtiö teki 1/5-splitin 25.2.2020, kurssit ja tavoitehinnat oikaistu

Date	Recommendation	Target	Share price
24-07-19	Accumulate	6.00 €	5.68 €
30-07-19	Accumulate	6.33 €	6.02 €
22-10-19	Accumulate	6.33 €	5.67 €
08-01-20	Reduce	7.33 €	7.42 €
04-02-20	Reduce	7.00 €	6.97 €
26-02-20	Accumulate	6.80 €	6.40 €
01-04-20	Reduce	6.00 €	5.88 €
28-04-20	Accumulate	7.50 €	7.14 €
15-06-20	Reduce	8.20 €	8.20 €
04-08-20	Reduce	9.00 €	9.32 €
27-10-20	Reduce	10.00 €	10.20 €
19-11-20	Reduce	12.00 €	12.20 €
09-02-21	Reduce	12.00 €	12.50 €
02-03-21	Accumulate	12.00 €	11.15 €
27-04-21	Reduce	14.00 €	14.12 €
03-08-21	Reduce	16.00 €	16.72 €
01-10-21	Accumulate	15.00 €	13.98 €
02-11-21	Accumulate	15.50 €	14.50 €
17-12-21	Accumulate	13.50 €	11.92 €
09-02-22	Buy	12.00 €	9.84 €
13-04-22	Buy	12.00 €	9.99 €
27-04-22	Buy	12.00 €	10.00 €
03-08-22	Reduce	12.50 €	12.30 €
26-10-22	Reduce	9.50 €	9.39 €
01-02-23	Reduce	9.00 €	9.09 €
27-03-23	Accumulate	9.00 €	7.69 €
21-04-23	Accumulate	8.80 €	7.88 €



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