

Nightingale Health

Company report

03/24/2023 08:35



Antti Luiri
+358 50 571 4893
antti.luiri@inderes.fi

✓ Inderes corporate customer

This report is a summary translation of the report “Annetaan kaupallistamiselle aikaa tekeytyä” published on 3/24/2023 at 8:37 am

inde
res.

Giving commercialization time to take shape

At the end of last year, Nightingale made its first clear revenue growth leap (+76%) on its journey as a listed company. However, continued strong growth will soon require new commercial contracts, and the company pursues several contracts in the current financial year. Despite the growth surprise, our estimate changes are quite neutral, as our cost estimates became more conservative. Considering the company's potential, the share is very cautiously valued (wide fair value range EUR 0.4-4.7), but we expect that clearer share price drivers toward the upper end of our valuation range will only surface after more than 12 months. We reiterate our EUR 1.3 target price and Reduce recommendation.

Growth was needed and growth was delivered, but building continues

In the second half of last year, Nightingale's commercial investments for the first time generated significant revenue growth (+76% from the comparison period) (H1'FY23: 2.24 MEUR vs. H1' FY22: 1.27 MEUR). Growth came in practice purely from research customers in the UK (79% of the period's revenue). Clearly negative profitability (H1'FY23 EBIT: -8.7 MEUR) was also expected. Net cash (Dec. 31: 84.0 MEUR excluding lease liabilities) is still spent in a disciplined manner, which gives the company peace to patiently build growth for years to come.

Seeking commercial breakthrough in a conservative large potential target market takes time

Chronic diseases account for a significant proportion of health care costs although a large proportion of these diseases could be avoided through lifestyle changes. We believe that Nightingale's technology for predicting disease risks that aims to solve the problem, is quite mature, scientifically validated and has highly competitive pricing. The company has entered into several commercial contracts where health service companies build consumer services using the company's technology. However, these contracts have not yet generated significant business for the company. Over time, Nightingale aims to integrate its services into the blood sample flows from existing health care providers (e.g. primary health care). This could enable its business to grow manifold from its current small level and to become profitable over time. The company does not yet have such contracts, so the risks are considerable. However, the market is slowly maturing and, according to management's estimates, primary health care could be its customer base already in ~2025-2026, although the visibility is still blurred. We believe that our estimates rely on a realistic but very high-risk scenario of Nightingale's business growth (revenue CAGR 43% in 2022-2032e). Achieving this, requires the company to sign several successful and significant commercial contracts every year, the biggest in terms of size we do not expect in the near future. Investors must believe in a commercial breakthrough of the company's technology over the next decade, have a very long investment horizon and be prepared to lose the invested capital.

We still seek more visibility into growth to compensate for the strongly negative cash flow

Nightingale's fundamental-based valuation is very challenging, as possible scenarios vary between destruction and multiplication of invested capital. Our fair value estimate range for the share is wide, EUR 0.4-4.7 (previous EUR 0.4-4.5). In our opinion, the visibility of strong growth materializing remains weak over the next 12 months, while large growth investments consume cash. We, therefore, maintain a cautious view. We wait for the company to take steps toward building large scale business and a lowering risk level. Increased visibility would make it easier to rely on the company's long-term potential, which remains significant if the growth story succeeds.

Recommendation

Reduce

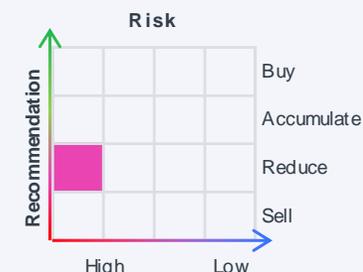
(previous Reduce)

EUR 1.30

(previous EUR 1.30)

Share price:

1.27



Key figures

	2022	2023e	2024e	2025e
Revenue	2.3	4.3	5.2	8.6
growth-%	0%	84%	22%	65%
EBIT adj.	-13.6	-18.3	-17.0	-15.6
EBIT-% adj.	-589%	-430%	-326%	-182%
PTP	-16.2	-19.7	-17.3	-16.3
EPS (adj.)	-0.23	-0.30	-0.28	-0.27

P/E (adj.)	neg.	neg.	neg.	neg.
P/B	1.0	0.8	1.0	1.3
EV/EBIT (adj.)	neg.	neg.	neg.	neg.
EV/EBITDA	neg.	neg.	neg.	neg.
EV/S	8.3	0.8	3.9	4.5

Source: Inderes

Guidance

(Unchanged)

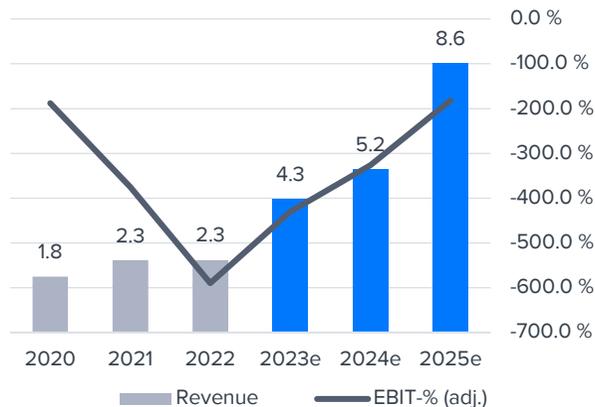
Nightingale Health has not provided guidance for the fiscal period 2022-2023.

Share price



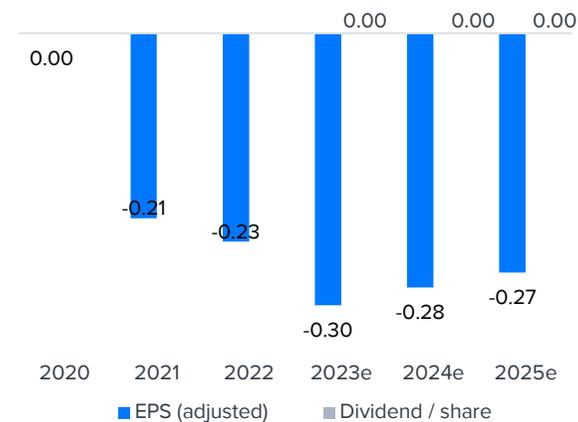
Source: Millistream Market Data AB

Revenue and EBIT %



Source: Inderes

EPS and dividend



Source: Inderes



Value drivers

- Huge growing global market supported by mega trends
- Competitive and cost-efficient technology for predicting disease risks from blood samples
- Platform-based, scalable business model that complement current players
- Strong position as analyzer of Biobanks' blood samples
- Credible investors support internationalization as partners



Risk factors

- Business model proving inoperative
- Falling behind ambitious objectives and drop in valuation that expects successful commercialization
- Slower than expected progress in the implementation of new technology in a conservative industry
- Data breach including personal health data
- Need for new financing
- Competing technologies

Valuation	2023e	2024e	2025e
Share price	1.27	1.27	1.27
Number of shares, millions	60.9	60.9	60.9
Market cap	77	77	77
EV	3.2	20	38
P/E (adj.)	neg.	neg.	neg.
P/E	neg.	neg.	neg.
P/FCF	neg.	neg.	neg.
P/B	0.8	1.0	1.3
P/S	18.2	14.9	9.0
EV/Sales	0.8	3.9	4.5
EV/EBITDA	neg.	neg.	neg.
EV/EBIT (adj.)	neg.	neg.	neg.
Payout ratio (%)	0.0 %	0.0 %	0.0 %
Dividend yield-%	0.0 %	0.0 %	0.0 %

Source: Inderes

Growth was needed and growth was delivered, but building continues

Revenue growth was the clear winner among figures

Nightingale's revenue in fiscal H1 (July 1-December 31, 2022) strengthened by 76% from the comparison period to EUR 2.24 million (H1'FY22: 1.27 MEUR), while we expected a clearly weaker neutral development. At the turn of the year, Nightingale had contracts with over 100 hospitals and clinics in Japan (03/23: 149). The source of the growth was, however, research customers in the UK that already generated EUR 1.8 million or 79% of the Group's revenue in the reporting period. H1 revenue growth was still small in absolute terms, but the growth is a small positive sign of the commercialization potential of the company's technology and progress in realizing this potential.

Profitability remained clearly negative on all lines as expected, as EBITDA and EBIT were EUR -5.5 million and EUR -8.7 million. As a whole, net cash consumption was slightly slower than our expectations (-6.6 MEUR, Inderes' estimate around -7 MEUR) and cash amounted to EUR 84.0 million at the end of the year (90.6 MEUR on June 30, 2022). Thus, the company's financial

position remained as expected, and sufficient funding does not appear to be a concern in the coming years.

Sights on bigger contracts to continue the growth path

By June 30, 2023 (in the fiscal year 2022-2023), Nightingale aims to reach a significant commercial contract in the public health care sector, win B2B commercial contract(s) with more than 50,000 blood samples, and win contract(s) in medical research with more than 175,000 blood samples. The company reported it had invested in contract negotiations with all targeted sectors (public health care, private sector and scientific research institutions) on the commercial side during the last six months. No contracts have been published yet, so the pressure to reach the targets and publish contracts lies on the next quarter.

In line with its previous press release, Nightingale is setting up a laboratory in the UK during 2023 and it is working on partnering with research operators in the market. In the next phase, the company will also seek

to introduce its technology there to private and public health care. In Japan, Nightingale together with its partners is moving from expanding its office network to increasing its sales and marketing efforts. The company also continues to invest in the sales and marketing of the Livit consumer service.

In addition to these and the fiscal year's targets, other clear guidelines for the focus areas of the company's commercial investments are not known, so we still must wait for clarifying information on future commercial steps. However, according to Nightingale, the interest and readiness of its customers to implement preventive health care has generally improved substantially over the past 12 months. According to the management, there has been signs of a chance to break into primary health care already in the next ~2.5 years, although visibility to this materializing is still blurred. We consider these promising signs of the company's growth conditions but investors will have to wait for at least a few years for actual concrete steps for the company's large-scale growth.

Estimates MEUR / EUR	H1'22	H1'23	H1'23e	H1'23e	Consensus		Difference (%)	2023e
	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. Inderes	Inderes
Revenue	1.27	2.24	1.25				80%	4.3
EBITDA	-4.1	-5.5	-5.4				-1%	-11.9
EBIT	-5.9	-8.7	-8.1				-7%	-18.3
PTP	-5.8	-8.5	-8.4				-2%	-19.7
EPS (reported)	-0.10	-0.14	-0.14				-2%	-0.32
Revenue growth-%		76.3 %	-2.1 %				78.5 pp	84.2 %
EBIT-% (adj.)	-464.4 %	-386.6 %	-650.0 %				263.4 pp	-430.4 %

Lähde: Inderes

Watch the earnings call:



Overall, our estimate changes were quite neutral

Estimate revisions 2023e-2025e

- We raised our revenue growth estimates slightly due to the revenue growth that clearly exceeded our expectations. The company commented that it expects growth to continue, but its revenue will still fluctuate semi-annually and the visibility into growth is also quite limited. In light of this, we also kept our revenue estimate hikes quite moderate.
- In terms of profitability, we again revised our estimates downward due to increased cost level estimates. We believe Nightingale has kept its costs well under control. Considering future growth projects (UK team and laboratory investment, Japanese sales and marketing), we adjusted our previous cost level expectations slightly upwards.
- Visibility into our estimates that predict growth is still limited, as Nightingale has not reported new contracts and revenues from current customers seems to still be fluctuating. Thus, the estimates still involve significant risks and we believe that the company has to win new contracts at a steady pace in the coming years to reach the growth we expect.
- However, despite the short-term estimate revisions, our longer term estimates have not changed materially, so we feel that our overall estimate changes were rather neutral.

Estimate revisions	2023e	2023e	Change	2024e	2024e	Change	2025e	2025e	Change
MEUR / EUR	Old	New	%	Old	New	%	Old	New	%
Revenue	2.9	4.3	48%	4.9	5.2	6%	8.6	8.6	0%
EBITDA	-10.9	-11.9	-10%	-9.7	-11.9	-23%	-7.8	-10.5	-35%
EBIT (exc. NRIs)	-16.5	-18.3	-11%	-14.9	-17.0	-14%	-12.8	-15.6	-22%
EBIT	-16.5	-18.3	-11%	-14.9	-17.0	-14%	-12.8	-15.6	-22%
PTP	-18.3	-19.7	-8%	-15.2	-17.3	-14%	-13.5	-16.3	-21%
EPS (excl. NRIs)	-0.28	-0.30	-8%	-0.25	-0.28	-14%	-0.22	-0.27	-21%
DPS	0.00	0.00		0.00	0.00		0.00	0.00	

Source: Inderes

Valuation in line with short-term drivers

A lot of risks and potential in commercialization

We believe Nightingale's value creation relies on expectations related to the commercialization potential of the technology and significant future business. This business is only being built. The company's fundamentals-based valuation is very challenging and only very imprecise valuation methods are available where the scenarios vary between the destruction and multiplication of capital. The range for the value per share indicated by our updated DCF scenarios is now a wide EUR 0.4-4.7 (previous EUR 0.4-4.5).

Balance sheet provides some valuation support which negative cash flow gnaws at

Some support is available for Nightingale's valuation from the balance sheet (2023e P/B 0.8x) which mainly consists of cash and the company's technological potential is presently a giveaway to the cash which in our view would initially be quite attractive. However, the company continuously invests in growth, so cash and balance sheet values are currently falling, increasing balance sheet valuation over time (2025e P/B 1.3x).

On the other hand, the value of Nightingale's technology and collected data provides some support for the valuation in a possible acquisition scenario. We, however, believe that the company's founders and main shareholders are persistent so ending up as an acquisition target is not highly likely especially in the near term. Thus, we believe valuation support should be sought elsewhere.

DCF scenarios help determine the value range of the company

The DCF model is the most important benchmark we use for the company's value. Our DCF model

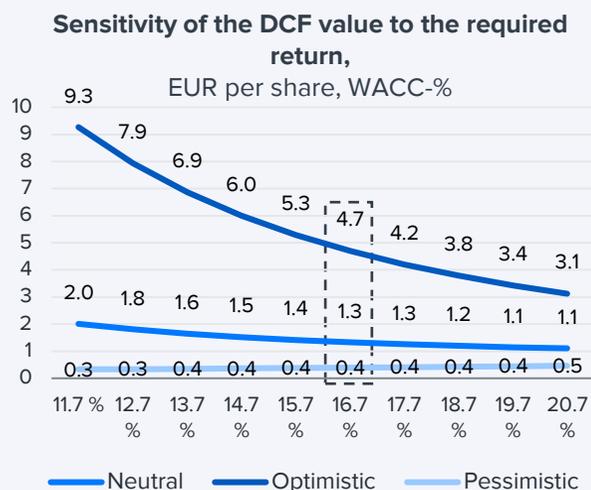
exceptionally continues for 15 years due to Nightingale's early development phase. The DCF model is very sensitive to the assumptions used, so it also acts as a guiding indicator. As a result, we also use scenarios for DCF valuation: an optimistic, pessimistic, and neutral scenario that reflects our current estimates. In the negative scenario, the company burns a significant share of its cash and reaches a limited size class. In the optimistic scenario, the company achieves a commercial breakthrough in the next few years and grows to a significant size class. The key figures for the scenarios are depicted in the graph on the next page.

All of our DCF scenarios include strong growth at different levels. Naturally, a more negative scenario is also possible, even though we see good initial conditions for company growth. The DCF scenarios indicate a share value of EUR 0.4-4.7 per share for the company and a current value of EUR 1.3 per share in the neutral scenario. Due to significant uncertainty, our DCF model has high required returns over the estimate period of CoE 18% and WACC 16.7%.

Nightingale continues to pursue commercial contracts and we believe it has a clear chance to become a major global player in the technology market for preventive health care. However, in the short term (12 months), we believe the contracts pursued by the company are still smallish based on the company's messages and our estimates. A fundamental change in the valuation picture would, in our opinion, require clearer signs of stronger growth progressing, e.g., by winning over customers in primary health care maybe in 2025-2026. In the absence of such signs, we keep our target price (EUR 1.3 per share) at the more conservative end of the valuation range and wait for a more favorable risk/return ratio before rejoining the company's story.

Valuation	2023e	2024e	2025e
Share price	1.27	1.27	1.27
Number of shares, millions	60.9	60.9	60.9
Market cap	77	77	77
EV	3.2	20	38
P/E (adj.)	neg.	neg.	neg.
P/E	neg.	neg.	neg.
P/FCF	neg.	neg.	neg.
P/B	0.8	1.0	1.3
P/S	18.2	14.9	9.0
EV/Sales	0.8	3.9	4.5
EV/EBITDA	neg.	neg.	neg.
EV/EBIT (adj.)	neg.	neg.	neg.
Payout ratio (%)	0.0 %	0.0 %	0.0 %
Dividend yield-%	0.0 %	0.0 %	0.0 %

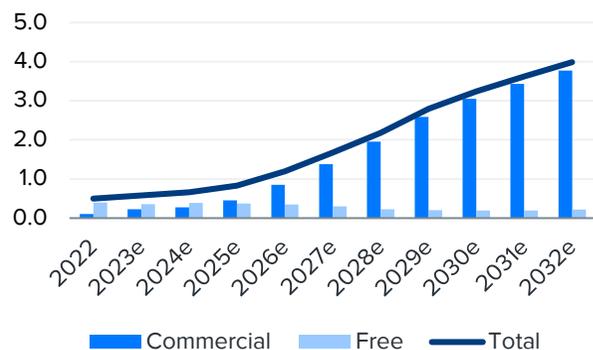
Source: Inderes



Source: Inderes

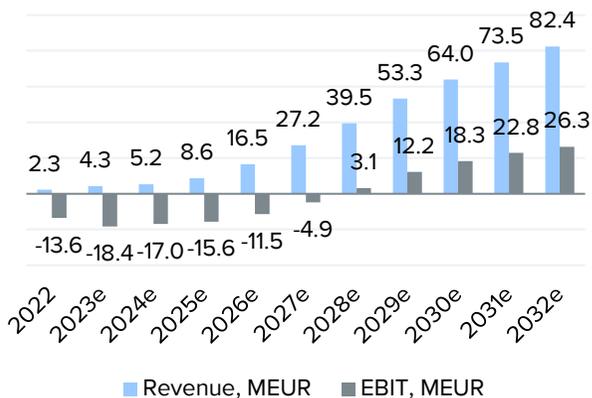
Key estimates and valuation as graphs

Estimate of analyzed sample volumes,
fiscal periods 2022-2032e, million samples per year



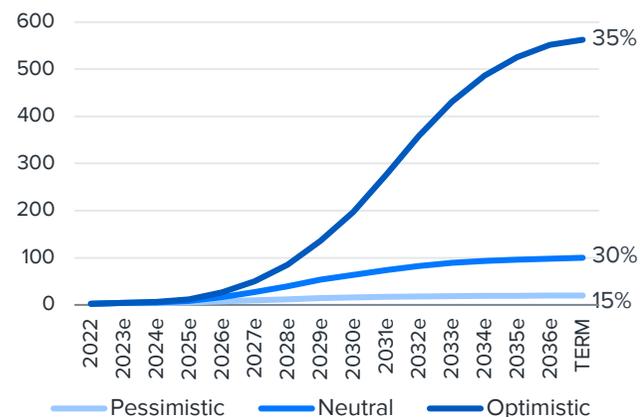
NB: Nightingale has not published detailed data on the volume of analyzed samples so the figures in the graph are based on our own estimates.

Revenue and EBIT estimates,
2022-2032e



Source: Inderes

Revenue development and terminal EBIT % of DCF scenarios, MEUR and %



Estimated future valuation ranges,
Fiscal period 2027e

2027e fiscal period	Low multiple	High multiple
Revenue, MEUR	27.2	27.2
EV/S, LTM, ratio	6	12
EV/S, NTM, ratio	4.1	8.3
EV, MEUR	163	327
Net cash, MEUR	13	13
Market cap, MEUR	177	340
EUR per share	2.9	5.6
Discounted to the present	1.4	2.7

NTM = 12 months forward-looking
LTM = 12 months backward-looking

Source: Inderes

Valuation table

Valuation	2018	2019	2020	2021	2022	2023e	2024e	2025e	2026e
Share price				5.77	1.81	1.27	1.27	1.27	1.27
Number of shares, millions				41.7	60.2	60.9	60.9	60.9	60.9
Market cap				349	110	77	77	77	77
EV				241	19	3.2	20	38	55
P/E (adj.)				neg.	neg.	neg.	neg.	neg.	neg.
P/E				neg.	neg.	neg.	neg.	neg.	neg.
P/FCF				3.3	neg.	neg.	neg.	neg.	neg.
P/B				2.8	1.0	0.8	1.0	1.3	1.7
P/S				>100	47.6	18.2	14.9	9.0	4.7
EV/Sales				>100	8.3	0.8	3.9	4.5	3.3
EV/EBITDA				neg.	neg.	neg.	neg.	neg.	neg.
EV/EBIT (adj.)				neg.	neg.	neg.	neg.	neg.	neg.
Payout ratio (%)				0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Dividend yield-%				0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %

Source: Inderes

Peer group valuation

Peer group valuation	Market cap	EV	EV/S		Revenue growth-%		EBIT-%		EV/EBIT		P/B
Company	MEUR	MEUR	2023e	2024e	2023e	2024e	2023e	2024e	2023e	2024e	2023e
23AndMe	581	182	0.7	0.7	8%	2%	-103%	-109%			1.1
Aiforia Technologies	106	98	23.3	13.3	126%	103%	-264%	-134%			15.8
CellaVision	387	386	6.3	5.5	2%	15%	27%	30%	23.4	18.5	5.9
Illumina	31476	32117	7.1	6.1	8%	16%	8%	12%	89.6	51.2	4.3
Immunovia	32	26	4.2	0.5	6800%	801%	-278%	29%		1.6	2.1
Prenetics	100				-49%	89%	-1%	25%	50.5		
Quest Diagnostics	13840	17396	2.1	2.1	-9%	3%	16%	17%	13.0	12.4	2.5
Somalogic	386				-3%	39%	-126%	-82%	1.3	1.4	
Nightingale Health (Inderes)	77	3	0.8	3.9	84%	22%	-430%	-326%	-0.2	-1.2	0.8
Average			7.2	4.7	764%	122%	-87%	-28%	35.6	17.0	4.9
Median	387	386	6.3	5.1	2%	29%	-58%	12%	23.4	12.4	2.5
Diff-% to median	-80%	-99%									-67%

Source: Refinitiv / Inderes. NB: The market cap Inderes uses does not consider own shares held by the company.

Income statement

Income statement	2020	2021	2022	H1'23	H2'23e	2023e	2024e	2025e	2026e
Revenue	1.8	2.3	2.3	2.2	2.0	4.3	5.2	8.6	16.5
EBITDA	-3.1	-7.3	-9.4	-5.5	-6.5	-11.9	-11.9	-10.5	-6.1
Depreciation	-0.2	-2.5	-4.2	-3.2	-3.2	-6.4	-5.1	-5.1	-5.3
EBIT (excl. NRI)	-3.3	-8.6	-13.6	-8.7	-9.7	-18.3	-17.0	-15.6	-11.5
EBIT	-3.3	-9.8	-13.6	-8.7	-9.7	-18.3	-17.0	-15.6	-11.5
Net financial items	-0.4	0.0	-2.6	0.1	-1.5	-1.4	-0.3	-0.7	-1.1
PTP	-3.7	-9.7	-16.2	-8.5	-11.2	-19.7	-17.3	-16.3	-12.5
Taxes	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.6
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net earnings	-3.7	-9.7	-16.1	-8.6	-11.2	-19.7	-17.3	-16.3	-11.9
EPS (adj.)		-0.21	-0.23	-0.14	-0.16	-0.30	-0.28	-0.27	-0.20
EPS (rep.)		-0.23	-0.27	-0.14	-0.18	-0.32	-0.28	-0.27	-0.20

Key figures	2020	2021	2022	H1'23	H2'23e	2023e	2024e	2025e	2026e
Revenue growth-%		29.4 %	0.3 %	76.3 %	93.9 %	84.2 %	22.2 %	65.0 %	92.0 %
Adjusted EBIT growth-%		158.6 %	57.7 %	46.8 %	25.1 %	34.5 %	-7.4 %	-8.1 %	-26.6 %
EBITDA-%	-174.9 %	-316.7 %	-405.9 %	-243.6 %	-320.5 %	-280.0 %	-229.2 %	-122.2 %	-37.3 %
Adjusted EBIT-%	-187.6 %	-375.0 %	-589.5 %	-386.6 %	-479.0 %	-430.4 %	-326.3 %	-181.7 %	-69.5 %
Net earnings-%	-209.2 %	-421.9 %	-695.7 %	-381.3 %	-553.3 %	-462.8 %	-332.3 %	-189.6 %	-72.2 %

Source: Inderes

Balance sheet

Assets	2021	2022	2023e	2024e	2025e
Non-current assets	23.8	26.8	24.2	24.5	25.4
Goodwill	0.0	1.0	1.0	1.0	1.0
Intangible assets	11.8	16.2	15.1	15.4	16.0
Tangible assets	8.1	7.8	7.5	7.5	7.8
Associated companies	0.1	0.1	0.1	0.1	0.1
Other investments	3.3	1.2	0.0	0.0	0.0
Other non-current assets	0.6	0.4	0.4	0.4	0.4
Deferred tax assets	0.0	0.0	0.0	0.0	0.0
Current assets	115	97.3	80.2	67.1	58.9
Inventories	0.7	0.6	0.0	0.0	0.0
Other current assets	0.0	0.0	0.0	0.0	0.0
Receivables	0.7	1.4	2.6	2.9	4.3
Cash and equivalents	114	95.3	77.6	64.2	54.6
Balance sheet total	139	124	104	91.5	84.3

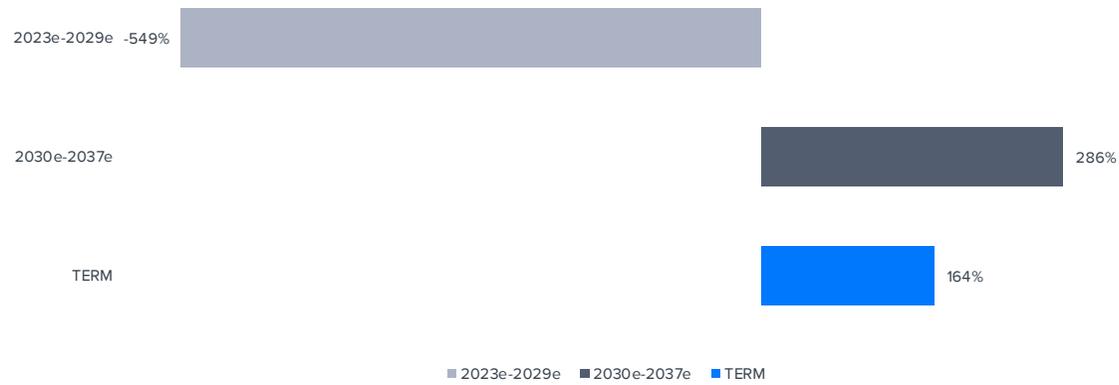
Source: Inderes

Liabilities & equity	2021	2022	2023e	2024e	2025e
Equity	123	111	91.7	74.4	58.1
Share capital	0.1	0.1	0.1	0.1	0.1
Retained earnings	-18.5	-31.1	-50.8	-68.1	-84.4
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	141	142	142	142	142
Minorities	0.0	0.0	0.0	0.0	0.0
Non-current liabilities	7.2	4.7	3.1	6.1	14.1
Deferred tax liabilities	0.0	0.0	0.0	0.0	0.0
Provisions	0.0	0.0	0.0	0.0	0.0
Long term debt	4.1	2.6	1.0	4.0	12.0
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	3.1	2.1	2.1	2.1	2.1
Current liabilities	8.7	7.9	9.6	11.1	12.1
Short term debt	2.2	2.1	2.5	3.0	3.5
Payables	4.9	4.7	6.0	7.0	7.5
Other current liabilities	1.7	1.1	1.1	1.1	1.1
Balance sheet total	139	124	104	91.5	84.3

DCF calculation

DCF model	2022	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	2034e	2035e	2036e	2037e	TERM
Revenue growth-%	0.3 %	84.2 %	22.2 %	65.0 %	92.0 %	65.0 %	45.0 %	35.0 %	20.0 %	15.0 %	12.0 %	8.0 %	5.0 %	3.0 %	2.0 %	2.0 %	
EBIT-%	-589.5 %	-430.4 %	-326.3 %	-181.7 %	-69.5 %	-18.0 %	8.0 %	22.8 %	28.5 %	31.0 %	32.0 %	32.0 %	31.0 %	30.0 %	30.0 %	30.0 %	
EBIT (operating profit)	-13.6	-18.3	-17.0	-15.6	-11.5	-4.9	3.1	12.2	18.3	22.8	26.3	28.5	29.0	28.9	29.4	30.0	
+ Depreciation	4.2	6.4	5.1	5.1	5.3	5.8	6.5	7.4	8.4	9.6	10.7	12.0	13.1	14.2	15.2	16.0	
- Paid taxes	0.1	0.0	0.0	0.0	0.6	0.3	-0.1	-0.5	-0.8	-1.1	-1.8	-2.7	-3.4	-4.1	-5.5	-5.6	
- Tax, financial expenses	0.0	0.0	0.0	0.0	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.2	-0.2	-0.3	-0.4	-0.4	
+ 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	0.0	0.0	0.0	0.0	0.0	
- Change in working capital	-1.3	0.7	0.7	-0.9	-2.6	-0.2	-0.7	-1.2	-1.7	-0.5	-0.4	-0.3	-0.2	-0.1	-0.1	-0.1	
Operating cash flow	-10.6	-11.2	-11.2	-11.4	-8.2	0.9	8.8	17.7	24.1	30.7	34.7	37.3	38.2	38.6	38.6	39.9	
+ Change in other long-term liabilities	-1.1	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	0.0	
- Gross CAPEX	-7.2	-3.8	-5.3	-6.0	-7.4	-8.9	-10.4	-12.1	-13.4	-14.8	-16.3	-17.0	-17.8	-18.5	-19.0	-19.0	
Free operating cash flow	-18.9	-15.0	-16.6	-17.5	-15.6	-8.0	-1.6	5.6	10.8	15.9	18.3	20.3	20.5	20.0	19.6	20.9	
+/- Other	0.5	-1.2	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	
FCFF	-18.4	-16.2	-16.6	-17.5	-15.6	-8.0	-1.6	5.6	10.8	15.9	18.3	20.3	20.5	20.0	19.6	20.9	145
Discounted FCFF		-15.6	-13.6	-12.3	-9.4	-4.1	-0.7	2.1	3.5	4.4	4.4	4.1	3.6	3.0	2.5	2.3	16.0
Sum of FCFF present value		-9.8	5.8	19.4	31.7	41.1	45.3	46.0	43.8	40.3	35.9	31.5	27.4	23.8	20.8	18.3	16.0
Enterprise value DCF		-9.8															
- Interesting bearing debt		-4.7															
+ Cash and cash equivalents		95.3															
- Minorities		0.0															
- Dividend/capital return		0.0															
Equity value DCF		80.8															
Equity value DCF per share		1.33															

Key figures



WACC	
Tax-% (WACC)	20.0 %
Target debt ratio (D/(D+E))	10.0 %
Cost of debt	6.0 %
Equity Beta	3.1
Market risk premium	4.75%
Liquidity premium	1.00%
Risk free interest rate	2.5 %
Cost of equity	18.0 %
Weighted average cost of capital (WACC)	16.7 %

Source: Inderes

Summary

Income statement	2020	2021	2022	2023e	2024e	Per share data	2020	2021	2022	2023e	2024e
Revenue	1.8	2.3	2.3	4.3	5.2	EPS (reported)		-0.23	-0.27	-0.32	-0.28
EBITDA	-3.1	-7.3	-9.4	-11.9	-11.9	EPS (adj.)		-0.21	-0.23	-0.30	-0.28
EBIT	-3.3	-9.8	-13.6	-18.3	-17.0	OCF / share		-0.12	-0.18	-0.18	-0.18
PTP	-3.7	-9.7	-16.2	-19.7	-17.3	FCF / share		2.53	-0.31	-0.27	-0.27
Net Income	-3.7	-9.7	-16.1	-19.7	-17.3	Book value / share		2.95	1.85	1.50	1.22
Extraordinary items	0.0	-1.1	0.0	0.0	0.0	Dividend / share		0.00	0.00	0.00	0.00
Balance sheet	2020	2021	2022	2023e	2024e	Growth and profitability	2020	2021	2022	2023e	2024e
Balance sheet total	27.2	139.0	124.0	104.4	91.5	Revenue growth-%	-13%	29%	0%	84%	22%
Equity capital	6.3	123.0	111.4	91.7	74.4	EBITDA growth-%	-12%	134%	29%	27%	0%
Goodwill	0.0	0.0	1.0	1.0	1.0	EBIT (adj.) growth-%	-12%	159%	58%	35%	-7%
Net debt	5.5	-107.5	-90.6	-74.1	-57.2	EPS (adj.) growth-%			13%	31%	-7%
Cash flow	2020	2021	2022	2023e	2024e	EBITDA-%	-174.9 %	-316.7 %	-405.9 %	-280.0 %	-229.2 %
EBITDA	-3.1	-7.3	-9.4	-11.9	-11.9	EBIT (adj.)-%	-187.6 %	-375.0 %	-589.5 %	-430.4 %	-326.3 %
Change in working capital	3.4	2.4	-1.3	0.7	0.7	EBIT-%	-187.6 %	-423.2 %	-589.5 %	-430.4 %	-326.3 %
Operating cash flow	0.2	-4.9	-10.6	-11.2	-11.2	ROE-%	-62.3 %	-15.0 %	-13.7 %	-19.4 %	-20.8 %
CAPEX	-12.4	-8.1	-7.2	-3.8	-5.3	ROI-%	-26.1%	-13.7 %	-11.1 %	-17.4 %	-19.2 %
Free cash flow	-8.6	105.4	-18.4	-16.2	-16.6	Equity ratio	23.2 %	88.5 %	89.8 %	87.9 %	81.2 %
						Gearing	87.6 %	-87.4 %	-81.3 %	-80.8 %	-76.9 %
Valuation multiples	2020	2021	2022	2023e	2024e						
EV/S		>100	8.3	0.8	3.9						
EV/EBITDA (adj.)		neg.	neg.	neg.	neg.						
EV/EBIT (adj.)		neg.	neg.	neg.	neg.						
P/E (adj.)		neg.	neg.	neg.	neg.						
P/B		2.8	1.0	0.8	1.0						
Dividend-%		0.0 %	0.0 %	0.0 %	0.0 %						

Source: Inderes

Disclaimer and recommendation history

The information presented in Inderes reports is obtained from several different public sources that Inderes considers to be reliable. Inderes aims to use reliable and comprehensive information, but Inderes does not guarantee the accuracy of the presented information. Any opinions, estimates and forecasts represent the views of the authors. Inderes is not responsible for the content or accuracy of the presented information. Inderes and its employees are also not responsible for the financial outcomes of investment decisions made based on the reports or any direct or indirect damage caused by the use of the information. The information used in producing the reports may change quickly. Inderes makes no commitment to announcing any potential changes to the presented information and opinions.

The reports produced by Inderes are intended for informational use only. The reports should not be construed as offers or advice to buy, sell or subscribe investment products. Customers should also understand that past performance is not a guarantee of future results. When making investment decisions, customers must base their decisions on their own research and their estimates of the factors that influence the value of the investment and take into account their objectives and financial position and use advisors as necessary. Customers are responsible for their investment decisions and their financial outcomes.

Reports produced by Inderes may not be edited, copied or made available to others in their entirety, or in part, without Inderes' written consent. No part of this report, or the report as a whole, shall be transferred or shared in any form to the United States, Canada or Japan or the citizens of the aforementioned countries. The legislation of other countries may also lay down restrictions pertaining to the distribution of the information contained in this report. Any individuals who may be subject to such restrictions must take said restrictions into account.

Inderes issues target prices for the shares it follows. The recommendation methodology used by Inderes is based on the share's 12-month expected total shareholder return (including the share price and dividends) and takes into account Inderes' view of the risk associated with the expected returns. The recommendation policy consists of four tiers: Sell, Reduce, Accumulate and Buy. As a rule, Inderes' investment recommendations and target prices are reviewed at least 2–4 times per year in connection with the companies' interim reports, but the recommendations and target prices may also be changed at other times depending on the market conditions. The issued recommendations and target prices do not guarantee that the share price will develop in line with the estimate. Inderes primarily uses the following valuation methods in determining target prices and recommendations: Cash flow analysis (DCF), valuation multiples, peer group analysis and sum of parts analysis. The valuation methods and target price criteria used are always company-specific and they may vary significantly depending on the company and (or) industry.

Inderes' recommendation policy is based on the following distribution relative to the 12-month risk-adjusted expected total shareholder return.

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

The assessment of the 12-month risk-adjusted expected total shareholder return based on the above-mentioned definitions is company-specific and subjective. Consequently, similar 12-month expected total shareholder returns between different shares may result in different recommendations, and the recommendations and 12-month expected total shareholder returns between different shares should not be compared with each other. The counterpart of the expected total shareholder return is Inderes' view of the risk taken by the investor, which varies considerably between companies and scenarios. Thus, a high expected total shareholder return does not necessarily lead to positive performance when the risks are exceptionally high and, correspondingly, a low expected total shareholder return does not necessarily lead to a negative recommendation if Inderes considers the risks to be moderate.

The analysts who produce Inderes' research and Inderes employees cannot have 1) shareholdings that exceed the threshold of significant financial gain or 2) shareholdings exceeding 1% in any company subject to Inderes' research activities. Inderes Oyj can only own shares in the target companies it follows to the extent shown in the company's model portfolio investing real funds. All of Inderes Oyj's shareholdings are presented in itemised form in the model portfolio. Inderes Oyj does not have other shareholdings in the target companies analysed. The remuneration of the analysts who produce the analysis are not directly or indirectly linked to the issued recommendation or views. Inderes Oyj does not have investment bank operations.

Inderes or its partners whose customer relationships may have a financial impact on Inderes may, in their business operations, seek assignments with various issuers with respect to services provided by Inderes or its partners. Thus, Inderes may be in a direct or indirect contractual relationship with an issuer that is the subject of research activities. Inderes and its partners may provide investor relations services to issuers. The aim of such services is to improve communication between the company and the capital markets. These services include the organisation of investor events, advisory services related to investor relations and the production of investor research reports.

More information about research disclaimers can be found at www.inderes.fi/research-disclaimer.

Inderes has made an agreement with the issuer and target of this report, which entails compiling a research report.

Recommendation history (>12 mo)

Date	Recommendation	Target	Share price
20-04-21	Buy	7.00 €	5.00 €
16-09-21	Buy	6.00 €	4.04 €
25-02-22	Buy	4.00 €	2.26 €
30-09-22	Reduce	1.40 €	1.29 €
17-03-23	Reduce	1.30 €	1.19 €
24-03-23	Reduce	1.30 €	1.27 €



Inderes connects investors and listed companies. We help over 400 listed companies to better serve their investors. Our community is home to over 70 000 active investors.

Our social objective is to democratize information in the financial markets.

We build solutions for listed companies that enable seamless and effective investor relations. Majority of our revenue comes from services to listed companies, including Commissioned Research, Virtual Events, AGM services, and IR technology and consultation.

Inderes is listed on Nasdaq First North growth market and operates in Finland, Sweden, Norway and Denmark.

Inderes Oyj

Itämerentori 2

FI-00180 Helsinki, Finland

+358 10 219 4690

Award-winning research at [inderes.fi](https://www.inderes.fi)



STARMINE
ANALYST AWARDS
FROM REFINITIV



THOMSON REUTERS
ANALYST AWARDS



Juha Kinnunen
2012, 2016, 2017, 2018, 2019, 2020



Mikael Rautanen
2014, 2016, 2017, 2019



Sauli Vilén
2012, 2016, 2018, 2019, 2020



Antti Viljakainen
2014, 2015, 2016, 2018, 2019, 2020



Olli Koponen
2020



Joni Grönqvist
2019, 2020



Erkki Vesola
2018, 2020



Petri Gostowski
2020



Atte Riikola
2020

**Research belongs
to everyone.**