

Innofactor

Company report

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✓ Inderes corporate customer

This report is a summary translation of the report “Hyvä suoritus haastavasta markkinasta huolimatta” published on 7/21/2023 at 9:25 am

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Good performance despite the challenging market

We reiterate our Accumulate recommendation for Innofactor and lower our target price to EUR 1.35 (previously 1.45) reflecting estimate changes and uncertainty created by the market. Innofactor's net sales grew strongly considering the challenging market. Profitability was, however, slightly below expectations, depressed by a weak start to the quarter. Market uncertainty remains high, but we expect Innofactor to navigate relatively well due to a good order backlog and recurring business. We expect moderate organic growth in the coming years and slight improvement in profitability. With our estimates the share's valuation (2023e P/E 11 and EV/EBIT 9x) is still attractive, considering the stronger base for earnings growth although uncertainty is elevated.

Growth continued at a good level, but profitability was slightly below estimates

Q2 net sales increased strongly supported by the Invenco acquisition by 19% to EUR 20.1 million, which was in line with our expectations. Especially positive was organic growth continuing at a good 11% level, despite the headwind from exchange rates (4 percentage points) and the weakening of the market in Q2. Comparable EBITDA increased to EUR 1.8 million, which was slightly below our EUR 1.9 million estimate and accounted for 8.8% of net sales (9.7%). Geographically, profitability was positive in Finland, but negative in Norway, Denmark and Sweden.

Uncertainty in the IT service market in the short term

The uncertainty in the IT service market that has been a hot topic for a year materialized in Q2 but Innofactor fared relatively well in Q2. In our view, market uncertainty stems from the uncertainty of the general economy and its impact on private sector customer demand, especially in software development. As a result of available capacity, this weakness has also trickled to the public sector and is now visible as a clear decrease. However, Innofactor has thus far fared quite well thanks to a good order backlog and recurring business. Despite this, the company's focus in H2 is on sales as there is room for improvement in billable utilization and there is better access to talent on the market than in years. We believe the good demand outlook is unchanged in the medium and long term.

Good earnings growth and capital management

Innofactor reiterated its guidance and expects net sales and adjusted EBITDA to increase from 2022. With the Q2 report, we cut our 2023 estimates slightly, but kept the estimates for the coming years almost unchanged. Supported by the [Invenco acquisition](#), we expect Innofactor's net sales will grow by 12% to EUR 80 million in 2023 (organic 9%) and EBITDA to be EUR 8.3 million (10.4% of net sales, 2022: 7.8 MEUR). We expect net sales to grow organically by ~4% in the coming years, driven by billable utilization, and the EBITDA margin to be around 11%, limited by wage inflation and use of subcontracting. We also consider it highly possible that the company will accelerate growth with small acquisitions, enabled by the balance sheet (equity ratio 47%). Because no suitable acquisition targets have been found, the company stated alternatively "according to our assessment" that it would start share buybacks equivalent to EUR 1 million or up to 2% of the share capital. In addition, the company cleared cash and repaid debts in Q2. Key risks relate to customer demand on the market, new project or country-specific challenges emerging and acquisitions.

Expected return reaches an attractive level

With our estimates, the valuation of the share with 2023 EV/EBIT and P/E ratios is 9x and 11x or 25% below Finnish peers. In our view, the valuation is attractive both absolutely and relatively, considering the improved earnings growth outlook although there is uncertainty in the market. The expected return of the share consists of annual earnings growth (10%), dividend yield (6%) and the upside in the multiples and is attractive.

Recommendation

Accumulate

(previous Accumulate)

EUR 1.35

(previous EUR 1.45)

Share price:

1.11



Key figures

	2022	2023e	2024e	2025e
Revenue	71	80	83	86
growth-%	7%	12%	4%	3%
Käyttökate	7.8	8.3	9.4	10.1
Käyttökate-%	11.0 %	10.4 %	11.3 %	11.7 %
Net Income	3.3	3.5	4.7	5.4
EPS (adj.)	0.10	0.10	0.13	0.15

P/E (adj.)	10.7	11.0	8.3	7.3
P/B	1.5	1.5	1.4	1.3
Dividend yield-%	5.7 %	6.3 %	7.2 %	8.1 %
EV/EBIT (adj.)	10.0	9.1	7.0	5.8
EV/EBITDA	6.5	6.0	4.9	4.2
EV/S	0.7	0.6	0.6	0.5

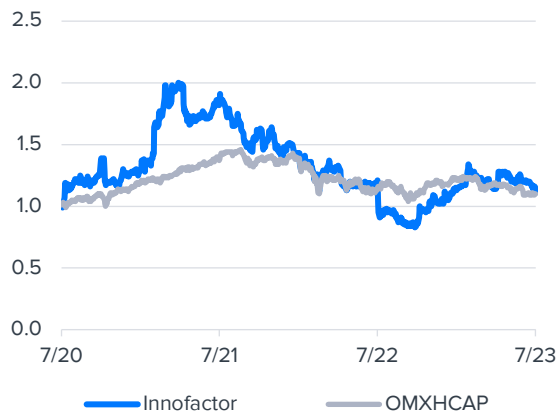
Source: Inderes

Guidance

(Unchanged)

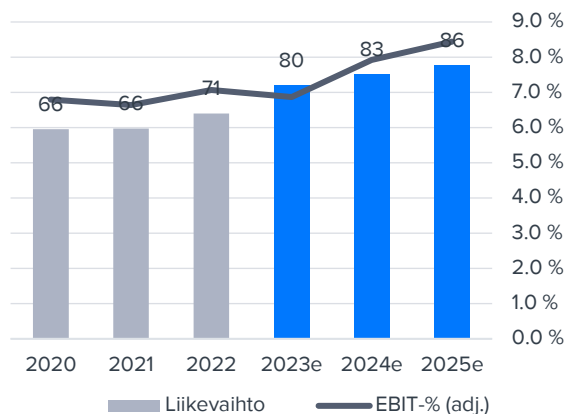
Innofactor's net sales and operating margin (EBITDA) in 2023 are estimated to increase from 2020, during which the net sales were EUR 71.1 million and operating margin was EUR 7.8 million.

Share price



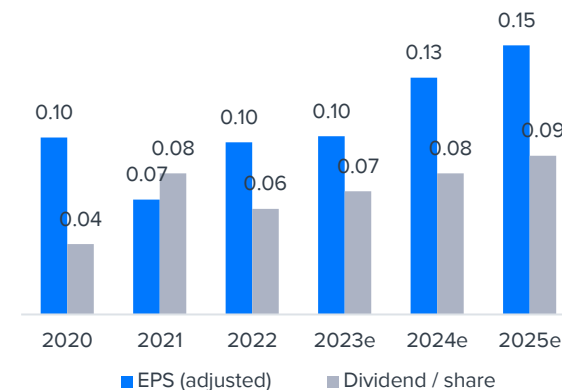
Source: Millstream Market Data AB

Revenue and EBIT-%



Source: Inderes

EPS and dividend



Source: Inderes



Value drivers

- Growth and profitability improvement in all Nordic countries, especially in Finland and Sweden
- Turnaround continuing and strengthening
- Restoring investor confidence, even though it has progressed well
- Organic and acquisition-driven growth
- Increasing share of continuous business and own product business



Risk factors

- Failure of the new growth strategy
- Failure in project management
- Failure in strengthening international business
- Delay in building a Nordic organization
- Internationalization and acquisitions raise the risk level
- Weakening of Microsoft's position
- Geopolitical situation

Valuation	2023e	2024e	2025e
Share price	1.11	1.11	1.11
Number of shares, millions	36.3	36.3	36.3
Market cap	40	40	40
EV	50	46	42
P/E (adj.)	11.0	8.3	7.3
P/E	11.6	8.5	7.5
P/FCF	7.3	6.2	5.7
P/B	1.5	1.4	1.3
P/S	0.5	0.5	0.5
EV/Sales	0.6	0.6	0.5
EV/EBITDA	6.0	4.9	4.2
EV/EBIT (adj.)	9.1	7.0	5.8
Payout ratio (%)	72.9 %	61.6 %	60.7 %
Dividend yield-%	6.3 %	7.2 %	8.1 %

Source: Inderes

As a whole, developments almost in line with our estimates

Growth continued at a good level, very strong development in Finland

Q1 net sales increased strongly supported by the Invenco acquisition by 19% to EUR 20.1 million, exceeding our EUR 19.9 million expectation slightly. Exchange rates generated headwind for growth to the tune of some 4 percentage points. Especially continued organic growth at a strong 11% level (estimate: 10%). Organic growth was driven by recruitment, higher billable utilization and slightly increased use of subcontracting. In April-May, billable utilization was below target levels, but in June the rate rose to a particularly good level and the company achieved its highest rate in its stock market history. In local currencies, Finland grew very well, Norway and Sweden also grew, but Danish net sales fell slightly from the comparison period.

The number of active employees at the end of the period was 588 persons, up by 16 people from the previous quarter. 60 experts from the company's own Digistar training program will start working for

the company in Q2-Q3. This depressed the billable utilization as expected in April-May. In the short term, we believe Innofactor has preconditions to grow if billable utilization remains at a good level.

Profitability was slightly below our expectations

In Q2, comparable EBITDA rose to EUR 1.8 million, which was slightly below our EUR 1.9 million estimate and accounted for 8.8% of net sales. Geographically, profitability was positive in Finland, but negative in Norway, Denmark and Sweden. Thus we believe profitability was at a good level in Finland. EPS was EUR 0.01 per share, which was below our EUR 0.03 estimate, especially due to higher taxes than we expected, and because the EUR 250,000 posting error in financial costs in Q1 will be adjusted in Q3 instead of Q2 as we had previously assumed.

Difficult market in Q2, especially in public sector, Microsoft specialization supports the company

The company commented that price competition was exceptionally tough in Q2 and based on the

company's analysis the weighted average prices of new deals fell by as much as 20% among public sector customers. The company believes that the average prices will rise to more reasonable levels in Q4'23. Innofactor itself did not take part in the toughest price competition. The company now estimates that market growth will be lower than last year. According to company comments, the recruitment market is easier for senior talent than in a long time and talent is also available.

Innofactor has developed new offering around generative AI and has focused its sales efforts more on the private sector, where price levels have remained more reasonable. In our opinion, the company is in a better position than average as a Microsoft-specialized player in the current uncertain environment. In addition, the company's good order backlog and the high share of continuous services support it in a difficult market environment.

Estimates MEUR / EUR	Q2'22	Q2'23	Q2'23e	Q2'23e	Consensus		Difference (%)	2023e
	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. inderes	Inderes
Revenue	16.9	20.1	19.9				1%	80.0
EBITDA	1.4	1.8	1.9				-8%	8.3
EBIT	0.7	1.0	1.2				-16%	5.3
PTP	0.6	0.8	1.3				-36%	4.6
EPS (reported)	0.02	0.01	0.03				-55%	0.10
Revenue growth-%	-2.0 %	18.6 %	17.5 %				1 pp	12.4 %
Käyttökate-%	8.1%	8.8 %	9.7 %				-0.9 pp	10.4 %

Lähde: Inderes

Price competition reflected in order book development that was at last year's level

Order backlog remained at last year's level

The company's order backlog remained at last year's level at EUR 77.3 million. Order backlog development was limited by the very tight price competition in the public sector. The timing of the large order backlog materializing as sales and assessment of the profitability structure of the order backlog is still difficult and uncertain but it does clearly support the development. We believe that Innofactor's organic growth will be more closely linked to its sales success in the rest of the year. The order backlog focused more on various product/geographic areas than before, and the company has also used more subcontracting, which together with recruitment supported the acceleration of organic growth in the latest quarters. Especially in Finland we believe that the company is in a strong position in an uncertain environment, which is also evidenced by organic growth of about 20%.

As expected, the company reiterated its guidance that indicates net sales growth and improved EBITDA from last year.

The share buyback program will continue

The company announced that the Board of Directors has decided to start buying the company's own shares to develop the company's capital structure. A maximum of 600,000 shares are repurchased, which corresponds to approximately 1.7% of all the shares in the company. The buyback will start on July 24th, 2023, at the earliest. This indicates that the company's Board of Directors also considers the outlook to be good and the share undervalued. We believe that the announcement is positive in the current uncertain environment.

In previous years, the company has also carried out share buybacks. In June, the company canceled good 1 million of its own shares.

Estimates MEUR / EUR	Q2'22	Q2'23	Q2'23e	Q2'23e	Consensus		Difference (%)	2023e
	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. inderes	Inderes
Revenue	16.9	20.1	19.9				1%	80.0
EBITDA	1.4	1.8	1.9				-8%	8.3
EBIT	0.7	1.0	1.2				-16%	5.3
PTP	0.6	0.8	1.3				-36%	4.6
EPS (reported)	0.02	0.01	0.03				-55%	0.10
Revenue growth-%	-2.0 %	18.6 %	17.5 %				1 pp	12.4 %
Käyttökate-%	8.1%	8.8 %	9.7 %				-0.9 pp	10.4 %

Lähde: Inderes

We lowered our 2023 earnings estimates slightly

Estimate revisions 2023e-2025e

- We lowered our 2023 earnings estimates slightly driven by the Q2 report and market uncertainty.
- We kept our estimates for the coming years almost unchanged.

Estimates 2023e-2025e

- We expect Innofactor to grow organically by 3-9% in 2023-25
- We estimate that EBITDA will be 10-12% in 2023-2025 (2022: 11.0%)
- Profitability is supported by rising billable utilization but on the other hand, wage inflation and the increasing use of subcontracting provide headwinds.
- If the company succeeds to further increase the share of software, profitability still has upside closer to the company's targeted EBITDA level of 20%.

Operational earnings drivers 2023-2025e:

Revenue growth

- Increase in the number of personnel
- Increasing subcontracting
- Increase in billable utilization (company target an increase of 5 percentage points)
- Acquisitions

Profitability is supported by

- Increased billable utilization
- Increased share of software (company target to raise from current 28% to over 33%)

Profitability is limited by

- Wage inflation, but recruitment of young people also mitigates this
- Increasing use of subcontracting
- Employee attrition

Estimate revisions	2023e	2023e	Change	2024e	2024e	Change	2025e	2025e	Change
MEUR / EUR	Old	New	%	Old	New	%	Old	New	%
Revenue	79.6	80.0	0%	82.4	83.4	1%	85.2	86.2	1%
EBITDA	8.9	8.3	-6%	9.3	9.4	1%	10.1	10.1	0%
EBIT (exc. NRIs)	6.1	5.5	-10%	6.5	6.6	1%	7.3	7.3	0%
EBIT	5.8	5.3	-10%	6.3	6.4	1%	7.1	7.1	0%
PTP	5.3	4.6	-12%	5.9	5.9	1%	6.8	6.8	-1%
EPS (excl. NRIs)	0.12	0.10	-17%	0.13	0.13	0%	0.16	0.15	-2%
DPS	0.07	0.07	0%	0.08	0.08	0%	0.09	0.09	0%

Source: Inderes

Valuation is still attractive

Valuation multiples

The primary valuation multiples we use for Innofactor are adjusted P/E and EV/EBIT ratios. The figures are adjusted for IFRS3 book depreciations from acquisitions (~ 0.2 MEUR p.a.). With our estimates, Innofactor's adjusted P/E ratios for 2023 and 2024 are 11x and 8x. This is an attractive level in absolute terms, given the increased confidence in earnings growth although there is uncertainty in the market. Corresponding EV/EBIT ratios are 9x and 7x, which are also relatively attractive. Corresponding 2023 multiples are 25% below the Finnish peers (previously good 30%), which is already a very attractive level, although partly justified by the earnings growth outlook that is in line with the sector or lower.

In our view a slightly higher than “normal” P/E level can be accepted for the share due to the company's high tax receivables and the fact that tax expenses do not have a cash flow effect for the company. The book value of the tax receivable is currently EUR 3.4 million, which corresponds to a value of around EUR 0.09 per share. If the current value of this tax receivable would be priced conservatively, e.g., as half of the book value some 5% higher valuation multiples could be accepted for the share.

In our view, a gradually higher valuation can be accepted for the share as the turnaround continues, growth strengthens and is geographically broader and steadier. In addition, with growth and scalability of own products, a higher valuation can be accepted for the share.

DCF analysis

Our DCF model indicates a value of EUR 1.5 per share for Innofactor. In our estimate model the company will grow organically by 5% on average in 2023-2025 and

achieve an EBITDA margin or around 11%. In the long term (after 2025), growth will remain at 2.5% (1.5% in terminal) and EBITDA % will stabilize at 10% level. In the model, the taxes in the income statement do not have a cash flow effect in Finland because the company can utilize profits against the tax receivables in the balance sheet. In the model, the weight of the terminal assumption is 42%, which is low and improves reliability. In the cash flow model, the average cost of capital (WACC) used is 9.4% and the cost of capital is 9.9%. Thus, considering the DCF model based on rather conservative estimates, share pricing also seems moderate at the moment.

Components of the expected return for the share

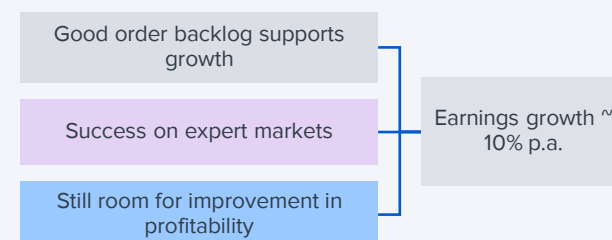
We also examine Innofactor's share from the viewpoint of earnings growth, dividend yield and accepted valuation multiples. We estimate that the company has preconditions to reach annual earnings growth of ~10% in coming years driven by net sales and increased profitability. The dividend now also supports the valuation and with our dividend estimates that are in line with the dividend policy (around 50% of the result) the dividend yield is ~6%. Strong cash flow provides good preconditions for relatively high profit distribution, but we believe the company will continue to also strive for inorganic growth in line with its strategy.

The share is attractively priced with 2023 multiples, considering the increased earnings growth outlook although there is uncertainty in the market. Thus the share's expected return consisting of dividend yield, earnings growth and the upside in multiples is >15% and the risk/return ratio is attractive. The key risks in the share relate to customer demand on the market, new project or country challenges emerging and acquisitions.

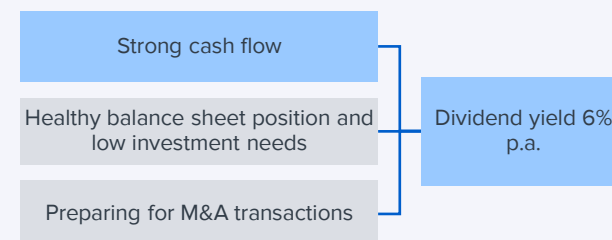
TSR drivers 2023-2025

■ Positive ■ Neutral ■ Negative

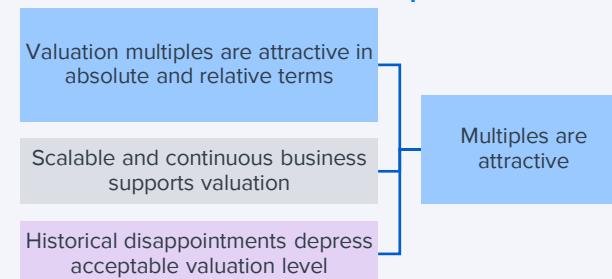
Performance



Dividend yield



Valuation multiples

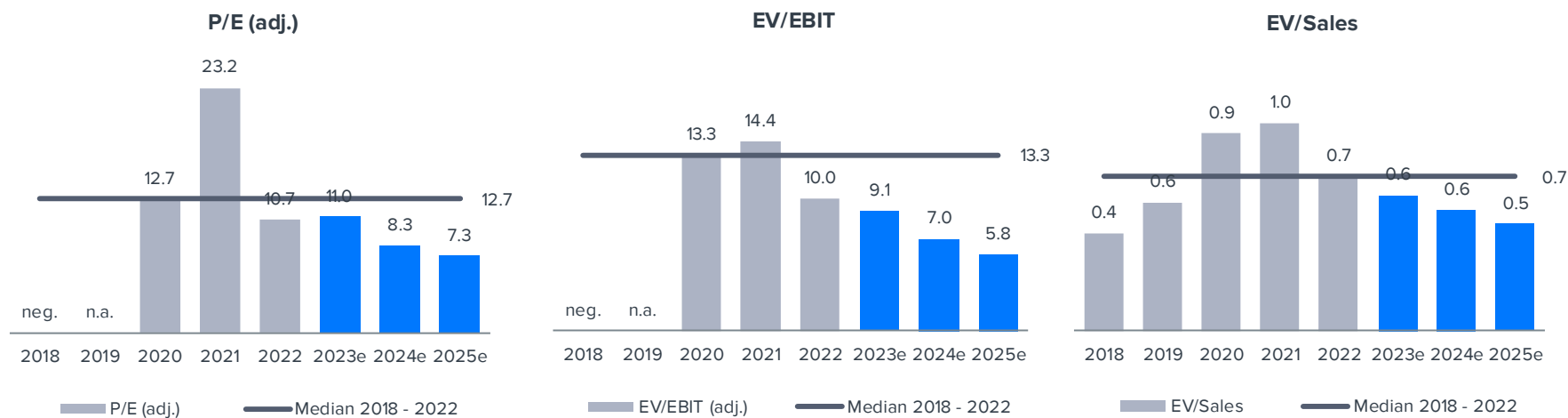


Share's expected total return good 15% p.a.

Valuation table

Valuation	2018	2019	2020	2021	2022	2023e	2024e	2025e	2026e
Share price	0.36	0.72	1.28	1.52	1.05	1.11	1.11	1.11	1.11
Number of shares, millions	36.2	36.8	37.4	36.6	36.2	36.3	36.3	36.3	36.3
Market cap	13	27	48	55	38	40	40	40	40
EV	28	38	60	63	50	50	46	42	38
P/E (adj.)	neg.	n.a.	12.7	23.2	10.7	11.0	8.3	7.3	6.7
P/E	neg.	63.3	27.1	12.3	11.5	11.6	8.5	7.5	6.8
P/FCF	neg.	2.7	neg.	7.3	neg.	7.3	6.2	5.7	5.3
P/B	0.6	1.2	2.0	2.2	1.5	1.5	1.4	1.3	1.2
P/S	0.2	0.4	0.7	0.8	0.5	0.5	0.5	0.5	0.5
EV/Sales	0.4	0.6	0.9	1.0	0.7	0.6	0.6	0.5	0.4
EV/EBITDA	neg.	7.4	8.4	6.3	6.5	6.0	4.9	4.2	3.6
EV/EBIT (adj.)	neg.	n.a.	13.3	14.4	10.0	9.1	7.0	5.8	4.9
Payout ratio (%)	0.0 %	0.0 %	84.9 %	65.1 %	65.4 %	72.9 %	61.6 %	60.7 %	61.7 %
Dividend yield-%	0.0 %	0.0 %	3.1 %	5.3 %	5.7 %	6.3 %	7.2 %	8.1 %	9.0 %

Source: Inderes



Peer group valuation

Company	Market cap MEUR	EV MEUR	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%	
			2023e	2024e	2023e	2024e	2023e	2024e	2023e	2024e	2023e	2024e
Digia*	159	171	8.8	7.4	7.2	6.2	0.9	0.8	10.9	9.5	3.2	3.4
Digital Workforce*	46	30	36.6	11.9	26.2	10.4	1.0	0.8	66.6	21.8		
Gofore*	333	308	11.4	9.1	10.5	8.5	1.6	1.3	15.4	13.5	2.4	2.7
Loihde*	73	53	17.4	8.1	5.8	3.7	0.4	0.3	29.9	14.1	2.3	2.5
Netum Group*	43	44	11.9	10.2	11.1	9.5	1.2	1.1	14.6	12.9	3.9	4.2
Silli Solutions*	103	96	10.0	7.7	7.4	6.0	0.8	0.7	15.4	12.1	2.4	2.9
Solteq*	22	41		16.8	3.1	3.9	0.7	0.7		35.5		2.7
Tietoevry*	2903	3504	8.9	8.2	7.6	7.0	1.2	1.1	10.0	9.4	6.1	6.3
Vincit*	60	51	11.7	7.0	10.3	6.5	0.5	0.5	19.3	11.2	4.7	5.5
Witted Megacorp*	44	34	48.3	7.3	45.0	7.2	0.5	0.4	59.9	12.3		
Bouvet	572	590	15.4	14.2	12.9	12.1	1.9	1.8	19.6	18.1	4.4	4.9
CombinedX	45	41	6.2	5.6	4.3	4.0	0.6	0.6	8.9	7.7		
Avensia AB	30	32			14.3	10.5	0.8	0.7	1840.0	20.0	1.6	3.3
Knowit	407	499	13.5	12.2	7.5	7.1	0.8	0.8	16.2	14.1	4.1	4.4
Netcompany Group	2159	2402	21.6	18.0	16.7	14.6	2.9	2.6	26.3	21.4	0.5	0.9
Innofactor (Inderes)	40	50	9.1	7.0	6.0	4.9	0.6	0.6	11.0	8.3	6.3	7.2
Median Nordic companies			11.9	8.7	10.3	7.1	0.8	0.8	17.7	13.5	3.2	3.3
<i>Diff-% to median</i>			-24%	-19%	-42%	-31%	-23%	-28%	-38%	-39%	98%	118%
Median Finnish companies			11.8	8.2	10.3	7.0	0.9	0.8	17.3	12.9	3.5	3.4
<i>Peer group's key figures</i>			-23%	-14%	-42%	-30%	-31%	-28%	-37%	-36%	78%	115%

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

Income statement

Income statement	2020	2021	Q1'22	Q2'22	Q3'22	Q4'22	2022	Q1'23	Q2'23	Q3'23e	Q4'23e	2023e	2024e	2025e
Revenue	66.2	66.4	17.0	16.9	16.7	20.5	71.1	20.2	20.1	17.5	22.2	80.0	83.4	86.2
EBITDA	7.2	10.1	2.0	1.4	1.9	2.5	7.8	2.5	1.8	1.4	2.6	8.3	9.4	10.1
Depreciation	-4.7	-3.6	-0.7	-0.7	-1.0	-0.6	-3.1	-0.8	-0.8	-0.8	-0.8	-3.1	-3.0	-3.0
EBIT (excl. NRI)	4.5	4.4	1.4	0.7	1.0	1.9	5.0	1.8	1.0	0.7	1.9	5.5	6.6	7.3
EBIT	2.5	6.5	1.3	0.7	1.0	1.8	4.8	1.7	1.0	0.7	1.9	5.3	6.4	7.1
Net financial items	-0.5	-0.8	-0.2	0.0	-0.2	-0.1	-0.6	-0.4	-0.2	0.1	-0.2	-0.6	-0.5	-0.3
PTP	2.1	5.7	1.1	0.6	0.8	1.7	4.2	1.3	0.8	0.8	1.7	4.6	5.9	6.8
Taxes	-0.3	-1.2	-0.3	-0.1	-0.2	-0.4	-0.9	-0.3	-0.4	-0.2	-0.3	-1.1	-1.2	-1.4
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	1.8	4.5	0.8	0.5	0.6	1.3	3.3	1.0	0.5	0.6	1.4	3.5	4.7	5.4
EPS (adj.)	0.10	0.07	0.03	0.02	0.02	0.04	0.10	0.03	0.01	0.02	0.04	0.10	0.13	0.15
EPS (rep.)	0.05	0.12	0.02	0.02	0.02	0.04	0.09	0.03	0.01	0.02	0.04	0.10	0.13	0.15

Key figures	2020	2021	Q1'22	Q2'22	Q3'22	Q4'22	2022	Q1'23	Q2'23	Q3'23e	Q4'23e	2023e	2024e	2025e
Revenue growth-%	3.1 %	0.3 %	-4.7 %	-2.0 %	21.8 %	16.9 %	7.2 %	19.2 %	18.6 %	5.0 %	7.9 %	12.4 %	4.3 %	3.3 %
Adjusted EBIT growth-%		-2%	4%	-47%	-3%	214%	14%	27%	39%	-28%	5%	9%	20%	10%
EBITDA-%	10.8 %	15.2 %	12.0 %	8.1 %	11.6 %	11.9 %	11.0 %	12.3 %	8.8 %	8.2 %	11.9 %	10.4 %	11.3 %	11.7 %
Adjusted EBIT-%	6.8 %	6.6 %	8.2 %	4.4 %	6.1 %	9.1 %	7.1 %	8.8 %	5.2 %	4.2 %	8.8 %	6.9 %	7.9 %	8.4 %
Net earnings-%	2.7 %	6.8 %	5.0 %	3.2 %	3.6 %	6.5 %	4.7 %	5.1 %	2.3 %	3.5 %	6.2 %	4.4 %	5.7 %	6.2 %

Source: Inderes

Balance sheet

Assets	2021	2022	2023e	2024e	2025e
Non-current assets	35.7	39.3	37.9	36.6	35.1
Goodwill	26.4	26.8	26.8	26.8	26.8
Intangible assets	0.6	2.4	2.2	2.0	1.8
Tangible assets	3.7	5.9	5.9	5.9	6.0
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	0.1	0.1	0.1	0.1
Deferred tax assets	4.8	4.1	3.0	1.7	0.4
Current assets	15.4	16.5	18.4	20.0	20.6
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	13.4	14.5	16.8	17.5	18.1
Cash and equivalents	2.0	2.0	1.6	2.5	2.5
Balance sheet total	51.1	55.8	56.3	56.6	55.6

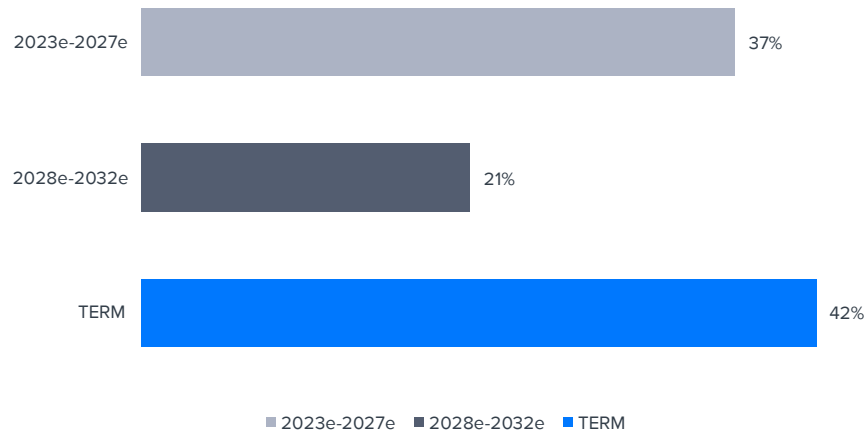
Source: Inderes

Liabilities & equity	2021	2022	2023e	2024e	2025e
Equity	25.5	24.8	26.1	28.3	30.8
Share capital	2.1	2.1	2.1	2.1	2.1
Retained earnings	3.1	5.3	6.6	8.8	11.3
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	0.1	0.1	0.1	0.1	0.1
Other equity	20.2	17.2	17.2	17.2	17.2
Minorities	0.0	0.0	0.0	0.0	0.0
Non-current liabilities	7.8	9.2	10.4	7.9	4.9
Deferred tax liabilities	1.5	1.9	1.9	1.9	1.9
Provisions	0.0	0.0	0.0	0.0	0.0
Long term debt	6.3	7.3	8.6	6.0	3.0
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	0.0	0.0	0.0	0.0	0.0
Current liabilities	17.8	21.8	19.8	20.4	20.0
Short term debt	3.5	7.0	2.6	2.5	1.5
Payables	14.3	14.8	17.2	17.9	18.5
Other current liabilities	0.0	0.0	0.0	0.0	0.0
Balance sheet total	51.1	55.8	56.3	56.6	55.6

DCF calculation

DCF model	2022	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	TERM
Revenue growth-%	7.2 %	12.4 %	4.3 %	3.3 %	3.4 %	2.5 %	2.5 %	2.5 %	2.5 %	2.5 %	1.5 %	1.5 %
EBIT-%	6.7 %	6.6 %	7.7 %	8.2 %	8.4 %	8.0 %	7.8 %	7.5 %	7.0 %	7.0 %	7.0 %	7.0 %
EBIT (operating profit)	4.8	5.3	6.4	7.1	7.5	7.3	7.3	7.2	6.9	7.1	7.2	
+ Depreciation	3.1	3.1	3.0	3.0	3.1	3.1	3.1	3.2	3.1	3.2	3.2	
- Paid taxes	0.2	0.0	0.0	0.0	0.0	-1.5	-1.5	-1.5	-1.4	-1.5	-1.5	
- Tax, financial expenses	-0.1	-0.2	-0.1	-0.1	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	-0.7	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Operating cash flow	7.3	8.3	9.3	10.0	10.6	8.9	8.9	8.9	8.6	8.8	8.9	
+ Change in other long-term liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-7.4	-2.8	-2.9	-2.9	-3.0	-3.0	-3.1	-3.2	-3.2	-3.2	-3.5	
Free operating cash flow	-0.2	5.5	6.5	7.1	7.6	5.9	5.8	5.8	5.4	5.6	5.4	
+/- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	-0.2	5.5	6.5	7.1	7.6	5.9	5.8	5.8	5.4	5.6	5.4	69.5
Discounted FCFF		5.3	5.7	5.7	5.6	4.0	3.6	3.2	2.8	2.6	2.3	29.8
Sum of FCFF present value		70.6	65.3	59.6	53.9	48.3	44.4	40.8	37.5	34.7	32.1	29.8
Enterprise value DCF		70.6										
- Interest bearing debt		-14.4										
+ Cash and cash equivalents		2.0										
-Minorities		0.0										
-Dividend/capital return		-2.2										
Equity value DCF		56.0										
Equity value DCF per share		1.54										

Cash flow distribution



WACC

Tax-% (WACC)	20.0 %
Target debt ratio (D/(D+E))	10.0 %
Cost of debt	6.0 %
Equity Beta	1.55
Market risk premium	4.75%
Liquidity premium	0.00%
Risk free interest rate	2.5 %
Cost of equity	9.9 %
Weighted average cost of capital (WACC)	9.4 %

Source: Inderes

Summary

Income statement	2020	2021	2022	2023e	2024e	Per share data	2020	2021	2022	2023e	2024e
Revenue	66.2	66.4	71.1	80.0	83.4	EPS (reported)	0.05	0.12	0.09	0.10	0.13
EBITDA	7.2	10.1	7.8	8.3	9.4	EPS (adj.)	0.10	0.07	0.10	0.10	0.13
EBIT	2.5	6.5	4.8	5.3	6.4	OCF / share	0.13	0.24	0.20	0.23	0.26
PTP	2.1	5.7	4.2	4.6	5.9	FCF / share	-0.01	0.21	0.00	0.15	0.18
Net Income	1.8	4.5	3.3	3.5	4.7	Book value / share	0.63	0.70	0.68	0.72	0.78
Extraordinary items	-2.0	2.1	-0.3	-0.2	-0.2	Dividend / share	0.04	0.08	0.06	0.07	0.08
Balance sheet	2020	2021	2022	2023e	2024e	Growth and profitability	2020	2021	2022	2023e	2024e
Balance sheet total	56.6	51.1	55.8	56.3	56.6	Revenue growth-%	3%	0%	7%	12%	4%
Equity capital	23.4	25.5	24.8	26.1	28.3	EBITDA growth-%	n.a.	n.a.	-23%	7%	13%
Goodwill	26.5	26.4	26.8	26.8	26.8	EBIT (adj.) growth-%	n.a.	n.a.	14%	9%	20%
Net debt	12.3	7.9	12.4	9.6	6.0	EPS (adj.) growth-%	n.a.	n.a.	50%	3%	33%
Cash flow	2020	2021	2022	2023e	2024e	EBITDA-%	10.8 %	15.2 %	11.0 %	10.4 %	11.3 %
EBITDA	7.2	10.1	7.8	8.3	9.4	EBIT (adj.)-%	6.8 %	6.6 %	7.1 %	6.9 %	7.9 %
Change in working capital	-2.0	-1.1	-0.7	0.1	0.0	EBIT-%	3.8 %	9.8 %	6.7 %	6.6 %	7.7 %
Operating cash flow	5.0	8.9	7.3	8.3	9.3	ROE-%	7.7 %	18.4 %	13.2 %	13.7 %	17.4 %
CAPEX	-2.2	-1.3	-7.4	-2.8	-2.9	ROI-%	6.9 %	17.7 %	12.8 %	13.8 %	17.4 %
Free cash flow	-0.5	7.6	-0.2	5.5	6.5	Equity ratio	41.4 %	49.9 %	44.4 %	46.4 %	50.0 %
						Gearing	52.6 %	30.8 %	50.0 %	36.6 %	21.2 %
Valuation multiples	2020	2021	2022	2023e	2024e						
EV/S	0.9	1.0	0.7	0.6	0.6						
EV/EBITDA (adj.)	8.4	6.3	6.5	6.0	4.9						
EV/EBIT (adj.)	13.3	14.4	10.0	9.1	7.0						
P/E (adj.)	12.7	23.2	10.7	11.0	8.3						
P/B	2.0	2.2	1.5	1.5	1.4						
Dividend-%	3.1 %	5.3 %	5.7 %	6.3 %	7.2 %						

Source: Inderes

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Recommendation history (>12 mo)

Date	Recommendation	Target	Share price
10/31/2018	Reduce	0.52 €	0.50 €
1/28/2019	Reduce	0.35 €	0.40 €
3/6/2019	Reduce	0.45 €	0.47 €
5/15/2019	Reduce	0.58 €	0.60 €
6/5/2019	Sell	0.68 €	0.71 €
7/24/2019	Reduce	0.68 €	0.63 €
10/30/2019	Reduce	0.80 €	0.75 €
2/26/2020	Reduce	0.90 €	0.78 €
4/1/2020	Accumulate	0.68 €	0.66 €
5/5/2020	Accumulate	0.90 €	0.84 €
6/23/2020	Accumulate	0.95 €	0.90 €
6/24/2020	Reduce	1.30 €	1.19 €
10/28/2020	Accumulate	1.40 €	1.28 €
2/19/2021	Accumulate	1.80 €	1.43 €
4/28/2021	Accumulate	2.00 €	1.97 €
6/10/2021	Accumulate	2.00 €	1.72 €
7/23/2021	Buy	2.00 €	1.86 €
10/27/2021	Reduce	1.80 €	1.59 €
2/18/2022	Accumulate	1.50 €	1.33 €
4/27/2022	Accumulate	1.45 €	1.24 €
6/28/2022	Accumulate	1.35 €	1.17 €
7/22/2022	Reduce	1.00 €	1.02 €
10/25/2022	Reduce	1.00 €	1.00 €
2/10/2023	Accumulate	1.35 €	1.20 €
4/26/2023	Accumulate	1.45 €	1.29 €
7/20/2023	Accumulate	1.35 €	1.11 €



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