

# MGI

## Company report

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✓ Inderes corporate customer

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# Navigating effectively in a dynamic market

MGI's Q1 revenues increased organically by 21%, slightly ahead of our estimates. At the same time, the adjusted operating profit fell short of our expectations due to higher operating costs than estimated. The new guidance for 2024 was in line with our estimates; however, following the announcement of the Google Cloud deal, we have raised our mid-term earnings estimates. Nonetheless, given the recent surge in the share price, indicating that the market has been pricing in improved financials, we believe that the current price levels present a moderate risk/reward ratio. Hence, we revise our recommendation to Accumulate (was Buy) while increasing the target price to SEK 24 (previously SEK 20).

## Strong organic growth underpinned by an improve market sentiment and new customer onboarding

MGI reported revenues of 82.5 MEUR in Q1'24, representing a 20% increase year-on-year, which was 2% higher than our estimates. The revenue increase followed a strong end to 2023, reinforces the notion of an overall recovery in the digital ad market. The growth in Q1 was supported by strong new customer onboardings, increased spending from existing customer as well as a growing demand for ID-less targeting solutions. Notably, the net dollar expansion rate exceeded the 100%-mark for the first time in 18 months, amounting to 110% in Q1, after hovering between 89-95% in 2023. EBIT adjusted for PPA amortization and non-recurring costs amounted to 16.6 MEUR, slightly lower than expected, translating to an adjusted EBIT margin of 20.2% (Q1'23: 22%). The adjusted EPS, burdened by higher financial expenses, was flat year-on-year and amounted to EUR 0.03.

## New strategic collaboration lays the foundation for enhanced operational efficiency

In the Q1 report, MGI provided a more detailed outlook for 2024 and guided for revenues in the range of 350-370 MEUR (9-15%) and adjusted EBITDA of 100-110 MEUR (5-16% growth). We believe that the guidance is very achievable given the strong start to the year, several significant cyclical events during the year and increasing consumer privacy expectations, which are well aligned with MGI's product offering. MGI also announced in Q2'24 that it had entered into a strategic collaboration with Google Cloud, which is expected to result in cost savings of 20 MEUR over the next four years (with effects from mid-2025) by consolidating MGI's marketplace onto a single cloud infrastructure. To reflect the expected cost savings and the potential for increased economies of scale from a unified single cloud environment, we have raised our earnings estimates for 2025 and beyond. For 2024, we estimate revenues of 366.8 MEUR and an adj. EBIT of 81.2 MEUR.

## Still trading at moderately low absolute multiples

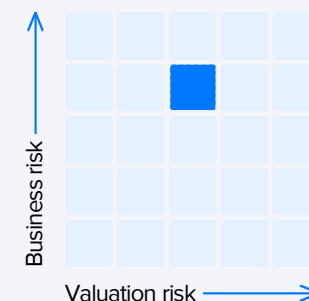
Based on our estimates for 2024 and 2025, MGI's adjusted EV/EBIT multiples are 7.7x and 7.8x, respectively. With a robust start to the year and a favorable outlook for the remainder of 2024 as the market continues to recover, we remain optimistic about MGI's near- and medium-term growth prospects. Notably, MGI has demonstrated strong margin profile resilience regardless of market conditions due to its flexible cost structure and focus on efficiency. With solid operating margins and a strong cash position (Q1'24: 124.7 MEUR), we expect MGI to skillfully manage the current debt burden, with net debt amounting to 318.8 MEUR at the end of Q1'24. MGI should be able to generate solid FCF going forward, especially after the earn-out payments (15 MEUR remaining in cash) and with the help of lower expected interest rates going forward.

## Recommendation

**Accumulate**  
(prev. Buy)

**24 SEK**  
(prev. 20 SEK)

**Share price:**  
20.85 SEK



## Key indicators

	2023	2024e	2025e	2026e
<b>Revenue</b>	322.0	366.8	399.9	434.9
<b>growth-%</b>	-1%	14%	9%	9%
<b>EBIT adj.</b>	76.9	81.2	80.1	87.5
<b>EBIT-% adj.</b>	23.9 %	22.1 %	20.0 %	20.1 %
<b>Net Income</b>	46.7	10.4	21.8	29.1
<b>EPS (adj.)</b>	0.15	0.16	0.20	0.26
<b>P/E (adj.)</b>	6.6	11.2	8.9	7.0
<b>P/B</b>	0.5	0.8	0.7	0.7
<b>Dividend yield-%</b>	0.0 %	0.0 %	0.0 %	0.0 %
<b>EV/EBIT (adj.)</b>	5.9	7.2	7.3	6.4
<b>EV/EBITDA</b>	2.9	5.9	5.6	4.8
<b>EV/S</b>	1.4	1.6	1.5	1.3

Source: Inderes

## Guidance

(New guidance)

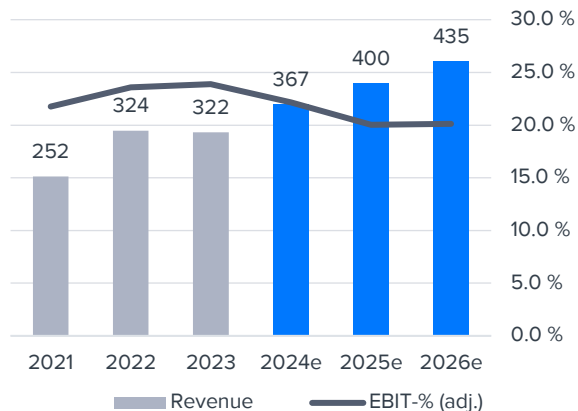
Revenue EUR 350-370 million (9-15%) and adjusted EBITDA EUR 100-110 million (5-16% growth)

## Share price



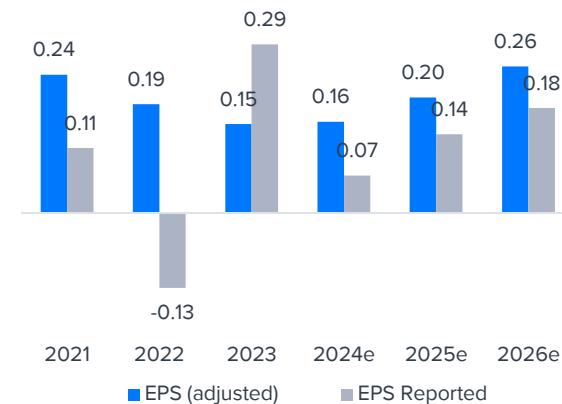
Source: Millstream Market Data AB

## Revenues and operating profit-%



Source: Inderes

## Earnings per share



Source: Inderes



## Value drivers

- Double-digit growth in the programmatic ad market over the medium to long-term
- Market-Leading mobile In-App SSP
- A number of proprietary targeting solutions for a post identifier and cookie-less world
- A trusted end-to-end omnichannel platform
- Own first-party content that provides data to the ad platform



## Risk factors

- Failing to maintain/increase market share in programmatic advertising
- Market disruption due to technological or regulatory reasons
- Slowdown in advertising spending persisting
- Rapid slowdown in first party games revenue
- Should operating profit decline FCF might not be able to cover the higher financial expenses.

Valuation	2024e	2025e	2026e
Share price (EUR)	1.78	1.78	1.78
Number of shares, millions	159.2	159.2	159.2
Market cap (MEUR)	284	284	284
EV (MEUR)	587	589	564
P/E (adj.)	11.2	8.9	7.0
P/E	27.2	13.0	9.8
P/B	0.8	0.7	0.7
P/S	0.8	0.7	0.7
EV/Sales	1.6	1.5	1.3
EV/EBITDA	5.9	5.6	4.8
EV/EBIT (adj.)	7.2	7.3	6.4
Payout ratio (%)	0.0 %	0.0 %	0.0 %
Dividend yield-%	0.0 %	0.0 %	0.0 %

Source: Inderes

# Delivers strong organic growth as the ad market continues to recover

## Revenue slightly higher expectations

MGI's Q1 revenues amounted to 82.5 MEUR (20% y/y), beating our estimates by 2%. According to the company, the revenue increase was supported by a strong inflow of new software clients, increased budgets from existing customers, and a growing demand for ID-less targeting solutions. The organic revenue growth, adjusted for FX, amounted to 21%.

Looking at some key KPI's, MGI served 199 billion ad impressions in Q1, representing an year-on-year increase of 20%. However, on a quarter-on-quarter basis, ad impressions declined by 3%. The net dollar expansion rate climbed above the 100% mark for the first time in 18 months, amounting to 110% (Q4'23: 95%), indicating that existing customers are spending 10% more than last year as a result of increased budgets and successful up-sell and cross-sell efforts. Regarding the number of large software customers, MGI changed the definition during the quarter. The new definition includes not only supply partners but also demand

partners. This number was 764 in Q1'24 (Q1'23: 612), an increase of 25% year-on-year and 5% quarter-on-quarter. The company did not disclose the retention rate of these customers due to the change in definition, but we understand that MGI will include the retention rate again going forward.

## Operating profit came in slightly lower than our estimates

MGI reported an adjusted EBIT of 16.6 MEUR for Q1 (Q1'23: 15.2 MEUR), which was slightly lower than our and consensus estimates. The lower-than-expected adjusted EBIT was a combination of higher purchased services & other operating expenses and slightly higher amortization of other intangibles. At the same time, MGI reported lower than expected personnel costs, showing clear effects of the cost reduction program implemented since Q2'23. The adjusted EBIT margin was 20.2% compared to 22.0% in the same period of the previous year. The pre-tax result was worse than expected, at -1.9 MEUR, due to higher-

than-expected financial expenses. Due to a tax benefit of approximately 2.5 MEUR, the reported EPS was EUR 0.00, and adjusted for one-time costs and PPA amortization, the corresponding figure was EUR 0.03.

## Operating cash flow affected by seasonality

The operating cash flow (OCF) amounted to 9.1 MEUR (Q1'23: -8.7 MEUR) due to a change in working capital of -14.6 MEUR. The cash flow is affected by seasonality, as MGI normally shows lower cash flows in the beginning of the year, as MGI pays publishers after Q4. The cash flow profile typically improves as the year progresses, as does the rest of the financials, which is also embedded in our estimates. MGI ended the quarter with cash and cash equivalents of 124.7 MEUR and net debt of 318.8 MEUR.

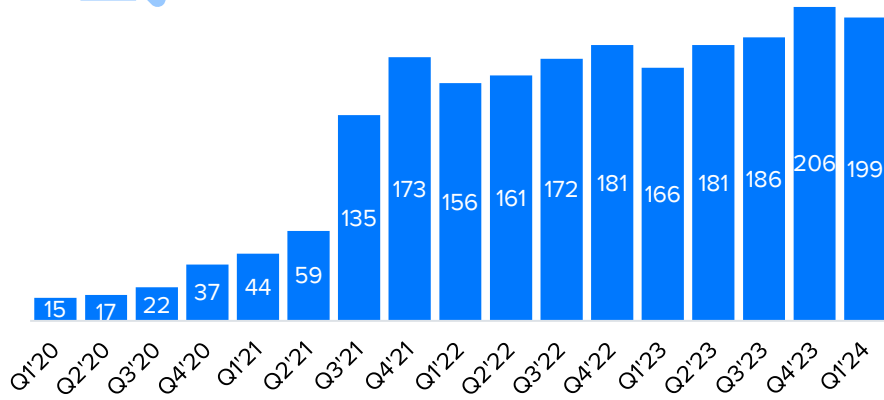
Estimates	Q1'23	Q1'24	Q1'24e	Q1'24e	Consensus		Difference (%)	2024e
	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. inderes	Inderes
Revenue	68.8	82.5	81.1	82.2	81.1	- 83.2	2%	367
EBITDA (adj.)	19.1	22.0	22.5	21.3	19.5	- 22.5	-2%	104
EBIT (adj.)	15.2	16.6	17.7	17.9	17.7	- 18.0	-6%	81.2
EBIT	11.0	12.3	13.9	17.7	12.4	- 14.8	-12%	66.4
PTP	0.6	-1.9	1.4	2.6	-0.6	- 11	-234%	11.2
EPS (adj.)	0.03	0.03	0.03	0.03	0.02	- 0.03	3%	0.16
EPS (reported)	0.01	0.00	0.01	0.01	0.01	- 0.01	-42%	0.07
Revenue growth-%	4.4 %	20.0 %	18.0 %	19.5 %	18.0 %	- 21.0 %	1.9 pp	13.9 %
EBIT-% (adj.)	22.0 %	20.2 %	21.8 %	21.7 %	21.8 %	- 21.6 %	-1.6 pp	22.1 %

Source: Inderes & Bloomberg (4) (consensus)

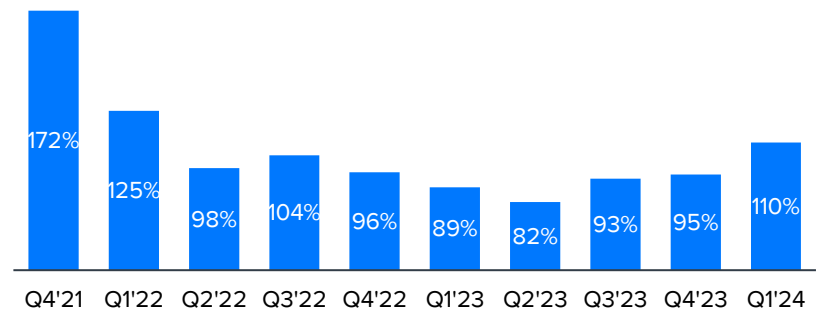
# KPIs



### Ad Impressions (in bn)

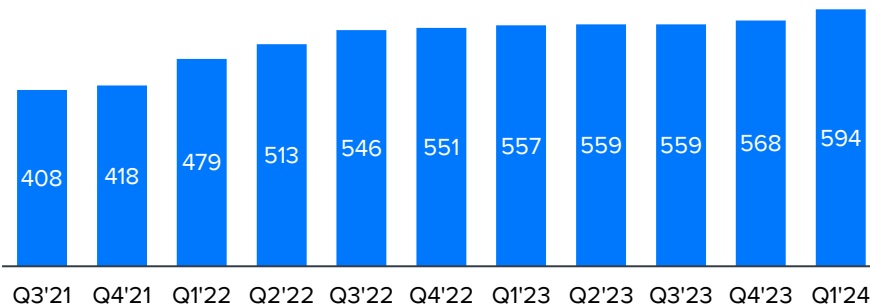


### Net Dollar Expansion rate of Software Clients



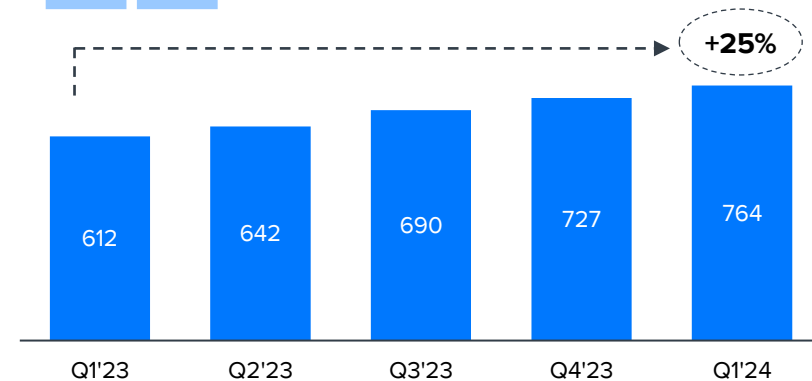
### Large Software Clients

Previous definition: >100k \$ supply partners only



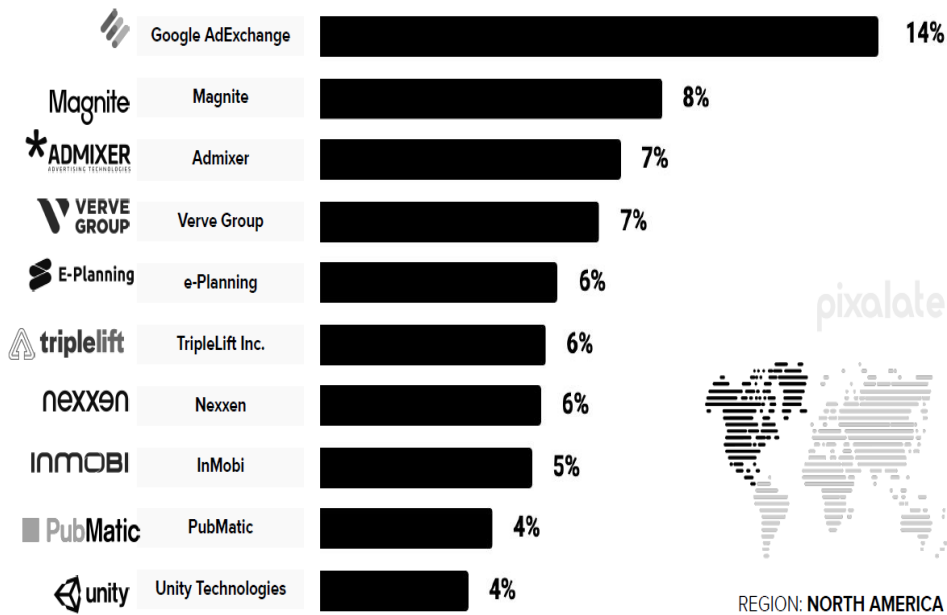
### Large Software Clients

New definition: >100k \$ demand and supply partners

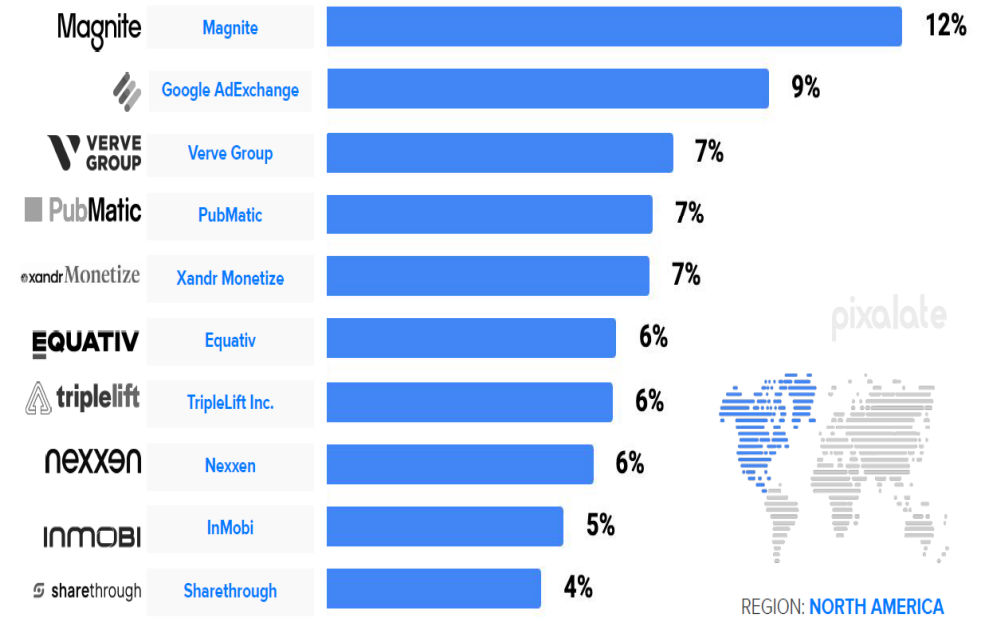


# Pixalate's Mobile in-app SSP Market Share Q1'24 Report

## Apple (North America)



## Google Play (North America)



### Verve Group is the name of MGI's ad platform business

The report rank SSPs based on their share of voice of open programmatic ads sold on apps from the Apple App Store and Google Play Store, as measured by Pixalate.

# Further efficiencies supports an improved profitability in the mid-term

## Estimate changes

- We keep our revenue estimates for 2024 and beyond unchanged. We are expecting revenue to grow by 13.9% in 2024 to 367 MEUR. This corresponds to the upper limit of the company's revenue guidance range of 350-370 MEUR, which the company's have stated is somewhat conservative.
- Our 2024 adjusted EBIT projection is relatively unchanged, however, we have increased our estimates for 2025 and onwards to, e.g., better reflect the strategic collaboration with Google Cloud, which is anticipated to result in 20 MEUR in cost savings over the next four years through the consolidation of MGI's marketplace into one cloud infrastructure.
- Furthermore, we have adjusted our estimates for earn-out payments. In Q1'24, MGI paid 10 MEUR in cash in earn-out to Dataseat. The company communicated that the book value of the amounts that will be settled in 2025 comprises 15.2 MEUR to be paid in cash, which was lower than our previous estimates of 20 MEUR, and we have changed our estimates regarding earn-outs accordingly. However, the earn-out payments are subject to certain performance metrics; therefore, the actual amount paid may vary.
- We have also lowered our estimated pre-tax profit by 28% due to higher than expected financial expenses during Q1'24 and the current outlook for interest rate cuts in 2024.

Estimate revisions MEUR / EUR	2024e			2025e			2026e		
	Old	New	Change %	Old	New	Change %	Old	New	Change %
Revenue	367	367	0%	400	400	0%	435	435	0%
EBITDA	98.8	98.8	0%	102	106	4%	111	117	6%
EBIT (exc. NRIs)	81.0	81.2	0%	76.9	80.1	4%	81.0	87.5	8%
EBIT	65.7	66.4	1%	65.7	70.0	6%	69.8	76.0	9%
PTP	15.7	11.2	-28%	25.4	29.1	15%	32.7	38.8	19%
EPS (excl. NRIs)	0.17	0.16	-6%	0.19	0.20	6%	0.22	0.26	14%
DPS	0.00	0.00		0.00	0.00		0.00	0.00	

Source: Inderes

# The valuation is starting to look more reasonable

## Valuation based on DCF-model favored

MGI's income statement contains several non-cash items and non-recurring costs, so we pay close attention to an FCF-based valuation method such as DCF. According to our DCF model, MGI's fair value is SEK 23.8 per share, about 14% above yesterday's closing price. Our model assumes that MGI's revenues will grow at a low double-digit rate in 2024, in line with the company's guidance. For 2025-2026, we expect growth to be roughly in line with the overall forecasts<sup>1</sup> of global digital ad spending growth. After 2026, our revenue growth rate estimate starts to taper off until reaching the terminal growth estimate of 2%. As for profitability, we expect an adjusted EBIT margin between 22% and 15% (company target 15-20%). Our adjusted EBIT margin starts in line with the figures for 2023 and 2022 and slowly tapers towards 15% as we approach the terminal period. We use a WACC of 10.2% in our model.

## MGI continues to trade at low multiples

Since our last report on MGI (March 21, 2024), the share price has increased by 23%. and is up roughly 80% YTD. Despite the recent surge in the share, MGI still trades at relatively low absolute multiples, especially the ones adjusted for PPA amortization. MGI's adjusted EV/EBIT multiples based on our estimates for 2024 and 2025 are 7.2x and 7.3x, respectively. As MGI records a relatively high PPA amortizations (11 MEUR in 2023), the adjusted multiples are generally lower than the unadjusted ones. As a result, the unadjusted EV/EBIT multiples for 2024 and 2025 are 8.8x and 8.4x, respectively.

We can also look at a cash flow-based multiple, such as EV/FCF, to see how the current valuation compares to MGI's free cash flow. MGI's EV/FCF multiple for 2024 and 2025, adjusted for earn-outs, are 11.4x and 13.4x, respectively.

MGI's multiples are significantly lower than those of its peer group. The peer group's median EV/EBIT multiples for 2024 and 2025 are 49.3x and 18.7x, respectively. We note that the median multiples of the peer group appear to be somewhat unreasonable, as the variation between companies is large. Nevertheless, we contend that a valuation gap between MGI and its peers is warranted, considering the peers' anticipated higher median 3-year revenue compound annual growth rate (CAGR), lower debt burdens, stronger earnings growth, and similar margin profile (see graphs on the next page). However, we acknowledge that the current discount to peers appears excessively steep, but instead of expecting MGI to revert to the mean, we believe it should rather be the other way around.

## Still room for an upside in the share price

We raise our target price to SEK 24 (was 20 SEK). At this target price, MGI's adjusted EV/EBIT multiples for 2024 and 2025 are 7.7x and 7.8x. We believe these multiples are fair or even on the low side for a company with high growth potential and robust operating margins. However, with cash flow still burdened by earn-outs and high interest expenses relative to near-term EBIT estimates, we think it's prudent to err on the conservative side. As MGI's strategy progresses and/or the ad markets recovers stronger than the current expectations, we see further upside potential, especially if CPMs bounces back. However, in the short term, market sentiment remains uncertain due to factors such as the prevailing geopolitical landscape and the potential trajectory of interest rate adjustments, which contribute to the risk of not achieving a full-scale recover. This could, in turn, continue to weigh on valuations for the ad tech sector as a whole and for MGI.

Valuation	2024e	2025e	2026e
Share price (EUR)	1.78	1.78	1.78
Number of shares, millions	159.2	159.2	159.2
Market cap (MEUR)	284	284	284
EV (MEUR)	587	589	564
P/E (adj.)	11.2	8.9	7.0
P/E	27.2	13.0	9.8
P/B	0.8	0.7	0.7
P/S	0.8	0.7	0.7
EV/Sales	1.6	1.5	1.3
EV/EBITDA	5.9	5.6	4.8
EV/EBIT (adj.)	7.2	7.3	6.4
Payout ratio (%)	0.0 %	0.0 %	0.0 %
Dividend yield-%	0.0 %	0.0 %	0.0 %

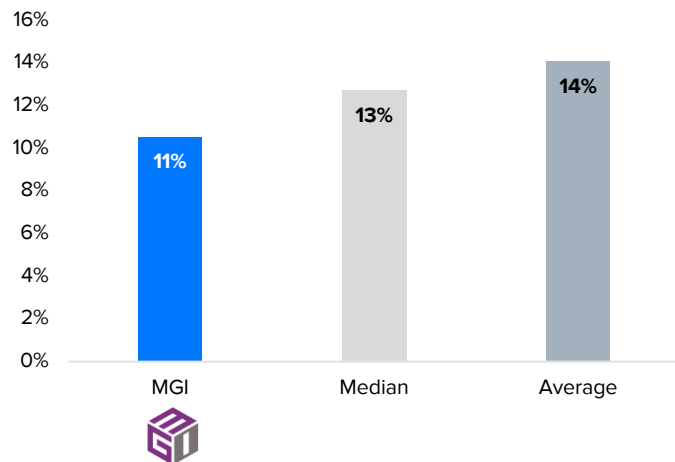
Source: Inderes

<sup>1</sup> eMarketer's latest projections of global digital ad spending growth is 2024: 13.2%, 2025: 11.0%, 2026: 9.8%, 2027: 9.2%

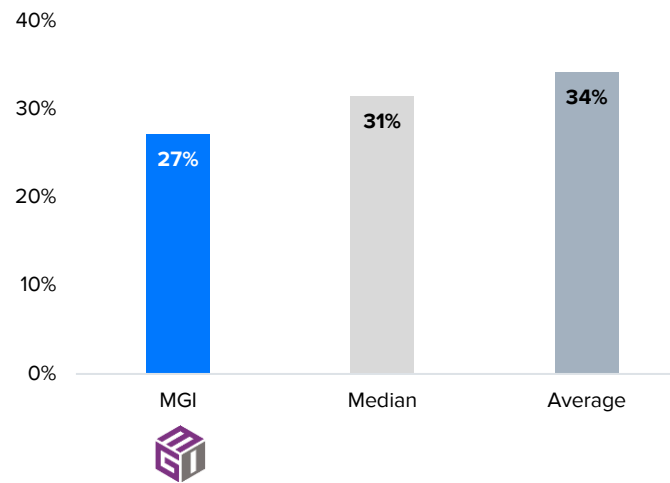


# MGI vs. Peers: At a glance

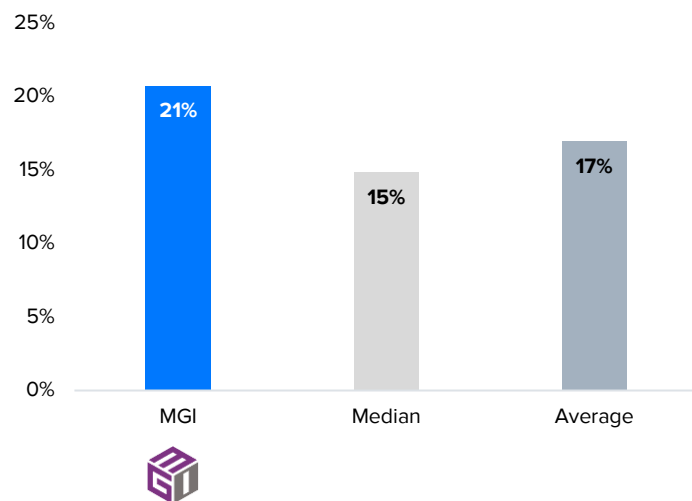
### Revenue CAGR 24-26'



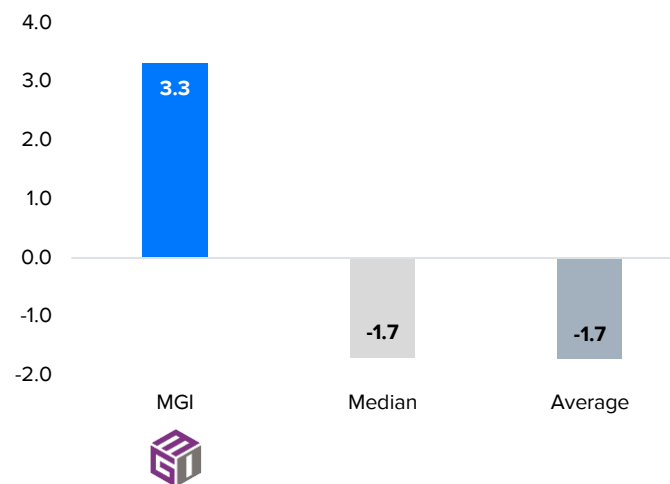
### Avg. EBITDA-% 24-26'



### Avg. EBIT-% 24-26'



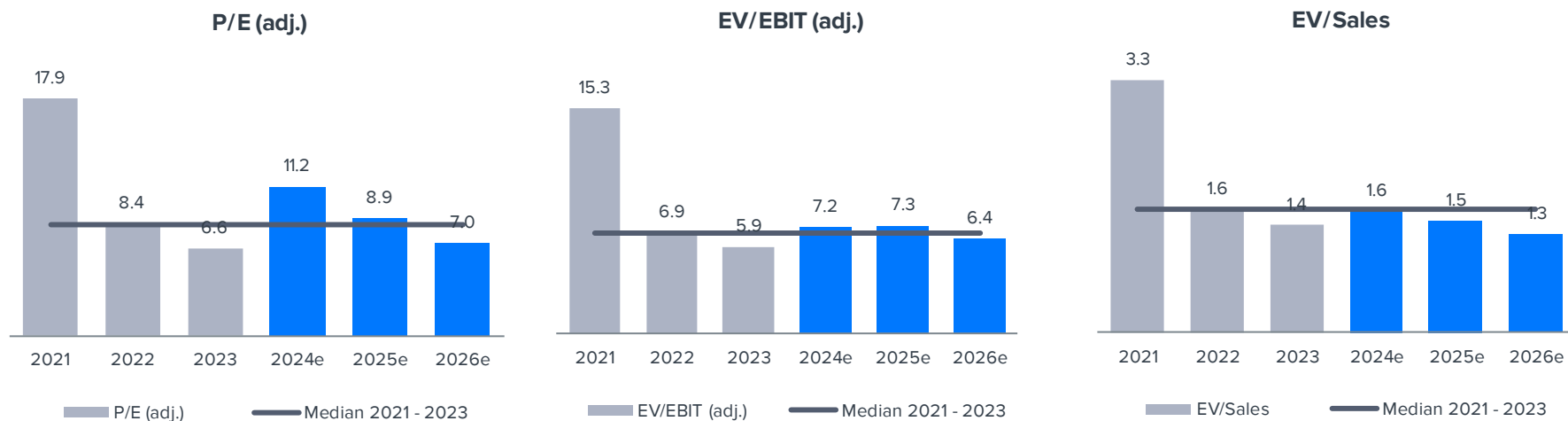
### Net Debt/EBITDA 23'



# Valuation table

Valuation	2021	2022	2023	2024e	2025e	2026e	2027e
Share price (EUR)	4.30	1.60	1.02	<b>1.78</b>	<b>1.78</b>	<b>1.78</b>	<b>1.78</b>
Number of shares, millions	141.7	156.2	159.2	<b>159.2</b>	<b>159.2</b>	<b>159.2</b>	<b>159.2</b>
Market cap (MEUR)	644	255	163	<b>284</b>	<b>284</b>	<b>284</b>	<b>284</b>
EV (MEUR)	840	525	456	<b>587</b>	<b>589</b>	<b>564</b>	<b>526</b>
P/E (adj.)	17.9	8.4	6.6	<b>11.2</b>	<b>8.9</b>	<b>7.0</b>	<b>5.5</b>
P/E	37.9	neg.	3.5	<b>27.2</b>	<b>13.0</b>	<b>9.8</b>	<b>7.1</b>
P/B	2.1	0.8	0.5	<b>0.8</b>	<b>0.7</b>	<b>0.7</b>	<b>0.6</b>
P/S	2.6	0.8	0.5	<b>0.8</b>	<b>0.7</b>	<b>0.7</b>	<b>0.6</b>
EV/Sales	3.3	1.6	1.4	<b>1.6</b>	<b>1.5</b>	<b>1.3</b>	<b>1.1</b>
EV/EBITDA	11.8	5.6	2.9	<b>5.9</b>	<b>5.6</b>	<b>4.8</b>	<b>4.2</b>
EV/EBIT (adj.)	15.3	6.9	5.9	<b>7.2</b>	<b>7.3</b>	<b>6.4</b>	<b>5.7</b>
Payout ratio (%)	0.0 %	0.0 %	0.0 %	<b>0.0 %</b>	<b>0.0 %</b>	<b>0.0 %</b>	<b>0.0 %</b>
Dividend yield-%	0.0 %	0.0 %	0.0 %	<b>0.0 %</b>	<b>0.0 %</b>	<b>0.0 %</b>	<b>0.0 %</b>

Source: Inderes



# Peer group valuation

Peer group valuation	Market cap	EV	EV/EBIT		EV/EBITDA		EV/S		P/E		P/B
Company	MEUR	MEUR	2024e	2025e	2024e	2025e	2024e	2025e	2024e	2025e	2024e
Applovin Corp	24,102	26,677	23.6	18.7	13.9	12.3	7.1	6.5	30.3	24.4	12.4
Magnite Inc	1,285	1,479	49.3	16.8	8.3	7.3	2.7	2.4	12.8	11.1	1.8
Trade Desk Inc	39,105	37,838	104.9	70.2	43.0	35.2	17.2	14.4	58.8	49.2	15.3
PubMatic Inc	1,089	928	139.0	47.7	11.3	9.6	3.4	3.1	123.8	71.0	4.0
DoubleVerify Holdings Inc	5,249	4,969	66.3	45.7	25.2	20.1	7.8	6.4	93.0	64.5	4.8
Criteo SA	1,787	1,431	12.9	11.5	4.9	4.6	1.4	1.4	10.4	10.1	1.7
Liveramp Holdings Inc	2,108	1,619	17.3	16.1	16.1	13.0	2.7	2.5	23.6	21.3	2.4
<b>MGI (Inderes)</b>	<b>284</b>	<b>587</b>	<b>7.2</b>	<b>7.3</b>	<b>5.9</b>	<b>5.6</b>	<b>1.6</b>	<b>1.5</b>	<b>11.2</b>	<b>8.9</b>	<b>0.8</b>
<b>Average</b>			<b>59.1</b>	<b>32.4</b>	<b>17.5</b>	<b>14.6</b>	<b>6.0</b>	<b>5.2</b>	<b>50.4</b>	<b>35.9</b>	<b>6.1</b>
<b>Median</b>			<b>49.3</b>	<b>18.7</b>	<b>13.9</b>	<b>12.3</b>	<b>3.4</b>	<b>3.1</b>	<b>30.3</b>	<b>24.4</b>	<b>4.0</b>
<b>Diff-% to median</b>			<b>-85%</b>	<b>-61%</b>	<b>-57%</b>	<b>-55%</b>	<b>-53%</b>	<b>-52%</b>	<b>-63%</b>	<b>-64%</b>	<b>-80%</b>

Source: Refinitiv / Inderes

# Income statement

Income statement	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24	Q2'24e	Q3'24e	Q4'24e	2024e	2025e	2026e	2027e
Revenue	324	68.8	76.2	78.3	98.7	322	82.5	85.4	88.1	111	367	400	435	467
EBITDA (excl. NRI)	93.2	19.1	21.3	23.1	31.7	95.2	22.0	23.3	25.0	33.3	104	106	117	126
EBITDA	84.8	17.4	20.0	63.7	27.3	128	20.2	22.3	24.0	32.3	98.8	106	117	125.6
Depreciation	-58.1	-6.4	-7.2	-8.3	-7.6	-29.5	-7.9	-7.8	-8.2	-8.5	-32.4	-35.6	-41.4	-45.0
EBIT (excl. NRI)	76.6	15.2	16.6	18.4	26.8	76.9	16.6	18.0	19.3	27.3	81.2	80.1	87.5	92.2
EBIT	26.6	11.0	12.8	55.4	19.7	99.0	12.3	14.5	15.8	23.8	66.4	70.0	76.0	80.7
Net financial items	-38.0	-10.5	-12.7	-12.8	-14.1	-50.1	-14.1	-14.0	-13.5	-13.5	-55.1	-40.9	-37.2	-27.6
PTP	-11.3	0.6	0.1	42.6	5.6	48.9	-1.9	0.5	2.3	10.3	11.2	29.1	38.8	53.0
Taxes	-9.1	0.0	1.4	-3.4	-0.7	-2.7	2.5	-0.1	-0.6	-2.6	-0.8	-7.3	-9.7	-13.3
Minority interest	0.1	0.3	0.2	0.0	0.0	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net earnings	-20.3	0.82	1.7	39.3	4.9	46.7	0.6	0.4	1.7	7.8	10.4	21.8	29.1	39.8
EPS (adj.)	0.19	0.03	0.03	0.01	0.08	0.15	0.03	0.02	0.03	0.07	0.16	0.20	0.26	0.32
EPS (rep.)	-0.13	0.01	0.01	0.25	0.03	0.29	0.00	0.00	0.01	0.05	0.07	0.14	0.18	0.25

Key figures	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24	Q2'24e	Q3'24e	Q4'24e	2024e	2025e	2026e	2027e
Revenue growth-%	28.7 %	4.4 %	-2.4 %	-10.6 %	6.3 %	-0.8 %	20.0 %	12.1 %	12.5 %	12.2 %	13.9 %	9.0 %	8.8 %	7.4 %
Adjusted EBIT growth-%	39.5 %	11.4 %	1.0 %	-0.3 %	-4.6 %	0.5 %	9.7 %	8.6 %	4.5 %	2.2 %	5.6 %	-1.3 %	9.2 %	5.3 %
EBITDA-%	26.1 %	25.3 %	26.2 %	81.4 %	27.7 %	39.9 %	24.5 %	26.1 %	27.2 %	29.2 %	26.9 %	26.4 %	27.0 %	26.9 %
Adjusted EBIT-%	23.6 %	22.0 %	21.8 %	23.5 %	27.1 %	23.9 %	20.2 %	21.1 %	21.9 %	24.7 %	22.1 %	20.0 %	20.1 %	19.7 %
Net earnings-%	-6.3 %	1.2 %	2.3 %	50.1 %	5.0 %	14.5 %	0.7 %	0.4 %	1.9 %	7.0 %	2.8 %	5.5 %	6.7 %	8.5 %

Source: Inderes

# Balance sheet

Assets	2022	2023	2024e	2025e	2026e
<b>Non-current assets</b>	<b>824</b>	<b>814</b>	<b>823</b>	<b>830</b>	<b>833</b>
Goodwill	588	578	578	578	578
Intangible assets	204	219	226	232	234
Tangible assets	5.5	4.0	5.8	7.1	7.6
Associated companies	1.0	1.0	1.0	1.0	1.0
Other investments	0.0	0.0	0.0	0.0	0.0
Other non-current assets	19.2	1.4	1.4	1.4	1.4
Deferred tax assets	6.7	10.5	10.5	10.5	10.5
<b>Current assets</b>	<b>221</b>	<b>194</b>	<b>170</b>	<b>147</b>	<b>151</b>
Inventories	0.0	0.0	0.0	0.0	0.0
Other current assets	5.9	5.9	5.9	5.9	5.9
Receivables	65.1	65.8	78.9	90.0	102
Cash and equivalents	150	122	85.4	50.6	43
<b>Balance sheet total</b>	<b>1045</b>	<b>1007</b>	<b>993</b>	<b>977</b>	<b>984</b>

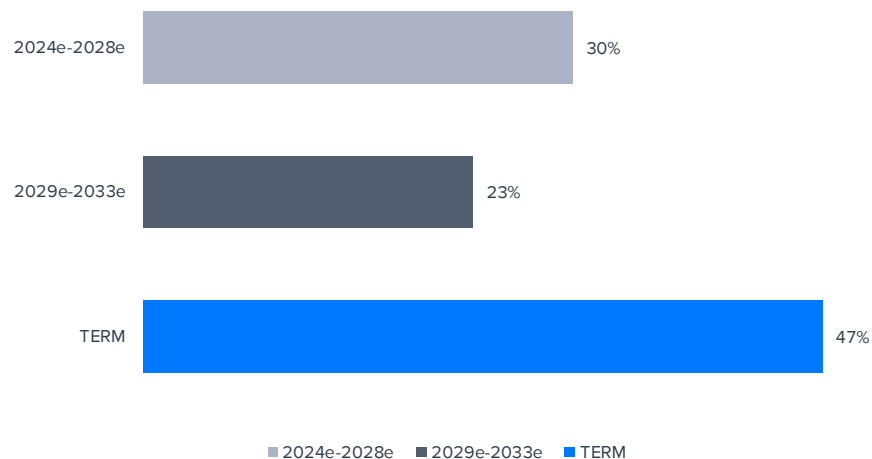
Source: Inderes

Liabilities & equity	2022	2023	2024e	2025e	2026e
<b>Equity</b>	<b>322</b>	<b>352</b>	<b>363</b>	<b>385</b>	<b>414</b>
Share capital	159	159	159	159	159
Retained earnings	1.4	48.1	58.5	80.4	109
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	162	145	145	145	145
Minorities	-1.2	0.2	0.2	0.2	0.2
<b>Non-current liabilities</b>	<b>503</b>	<b>414</b>	<b>406</b>	<b>361</b>	<b>331</b>
Deferred tax liabilities	24.4	28.9	28.9	28.9	28.9
Provisions	0.0	0.0	0.0	0.0	0.0
Interest bearing debt	389	348	350	320	290
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	89.6	36.9	26.9	11.7	11.7
<b>Current liabilities</b>	<b>219</b>	<b>241</b>	<b>224</b>	<b>231</b>	<b>239</b>
Interest bearing debt	31.9	66.5	38.0	35.0	32.0
Payables	90.1	102	114	124	135
Other current liabilities	97.5	72.4	72.4	72.4	72.4
<b>Balance sheet total</b>	<b>1045</b>	<b>1007</b>	<b>993</b>	<b>977</b>	<b>984</b>

# DCF calculation

DCF model	2023	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	TERM
Revenue growth-%	-0.8 %	13.9 %	9.0 %	8.8 %	7.4 %	7.0 %	6.0 %	5.0 %	5.0 %	5.0 %	2.0 %	2.0 %
EBIT-%	30.7 %	18.1 %	17.5 %	17.5 %	17.3 %	16.4 %	14.5 %	13.0 %	13.0 %	13.0 %	13.0 %	13.0 %
<b>EBIT (operating profit)</b>	<b>99.0</b>	<b>66.4</b>	<b>70.0</b>	<b>76.0</b>	<b>80.7</b>	<b>82.0</b>	<b>76.8</b>	<b>72.3</b>	<b>75.9</b>	<b>79.7</b>	<b>81.3</b>	
+ Depreciation	29.5	32.4	35.6	41.4	45.0	48.8	52.1	55.0	55.6	56.9	56.4	
- Paid taxes	-2.1	-0.8	-7.3	-9.7	-13.3	-14.3	-13.6	-13.2	-14.8	-16.4	-17.5	
- Tax, financial expenses	-2.8	-4.0	-10.2	-9.3	-6.9	-6.2	-5.6	-4.9	-4.2	-3.5	-2.9	
+ 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	-14.1	-1.2	-0.9	-1.4	-2.3	-2.9	-3.6	-4.4	-4.9	-5.4	-6.1	
<b>Operating cash flow</b>	<b>109</b>	<b>92.8</b>	<b>87.2</b>	<b>97.0</b>	<b>103</b>	<b>107</b>	<b>106</b>	<b>105</b>	<b>108</b>	<b>111</b>	<b>111</b>	
+ Change in other long-term liabilities	-52.7	-10.0	-15.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-15.5	-41.5	-43.1	-44.0	-44.9	-45.8	-46.7	-47.9	-49.1	-50.3	-51.2	
<b>Free operating cash flow</b>	<b>41.3</b>	<b>41.3</b>	<b>28.9</b>	<b>53.1</b>	<b>58.3</b>	<b>61.6</b>	<b>59.3</b>	<b>57.0</b>	<b>58.6</b>	<b>61.0</b>	<b>60.2</b>	
+/- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	41.3	41.3	28.9	53.1	58.3	61.6	59.3	57.0	58.6	61.0	60.2	746
<b>Discounted FCFF</b>		<b>38.8</b>	<b>24.6</b>	<b>41.0</b>	<b>40.9</b>	<b>39.2</b>	<b>34.2</b>	<b>29.8</b>	<b>27.8</b>	<b>26.3</b>	<b>23.5</b>	<b>291</b>
Sum of FCFF present value		618	579	554	513	472	433	399	369	341	315	291
<b>Enterprise value DCF</b>		<b>618</b>										
- Interest bearing debt		-414.5										
+ Cash and cash equivalents		122										
-Minorities		-0.1										
-Dividend/capital return		0.0										
<b>Equity value DCF</b>		<b>325</b>										
<b>Equity value DCF per share</b>		<b>2.0</b>										
<b>Equity value DCF per share (SEK)</b>		<b>23.8</b>										

Cash flow distribution

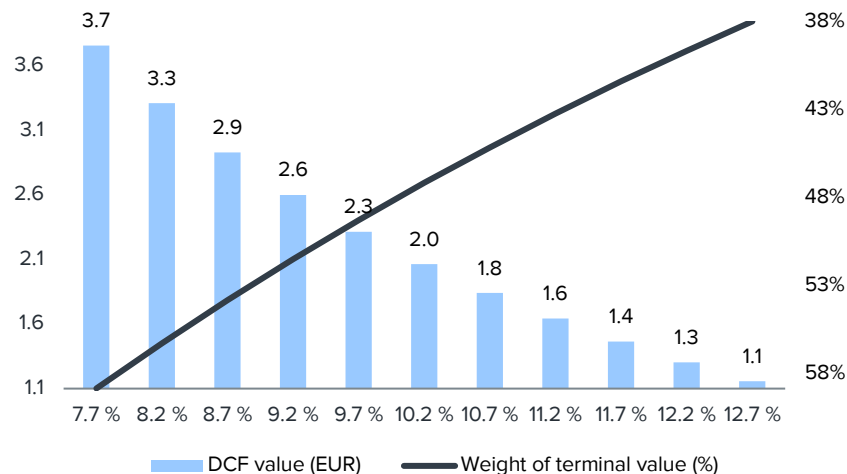


## WACC

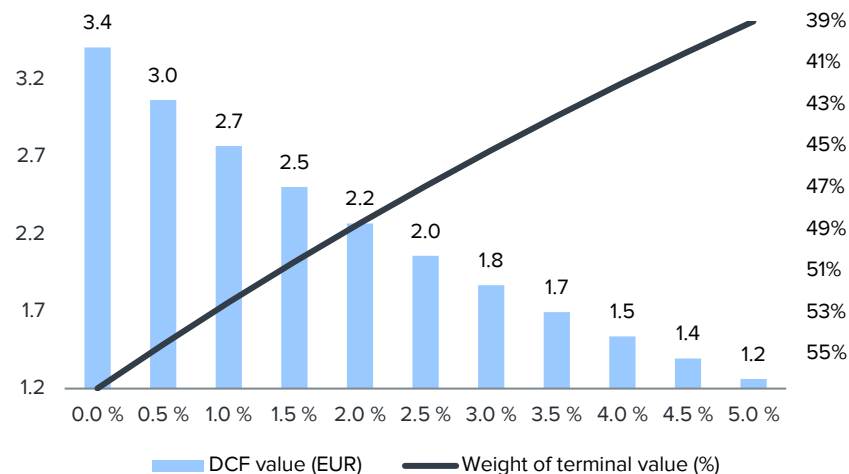
Tax-% (WACC)	21.0 %
Target debt ratio (D/(D+E))	15.0 %
Cost of debt	8.5 %
Equity Beta	1.40
Market risk premium	4.75%
Liquidity premium	1.70%
Risk free interest rate	2.5 %
<b>Cost of equity</b>	<b>10.9 %</b>
<b>Weighted average cost of capital (WACC)</b>	<b>10.2 %</b>

# DCF sensitivity calculations and key assumptions in graphs

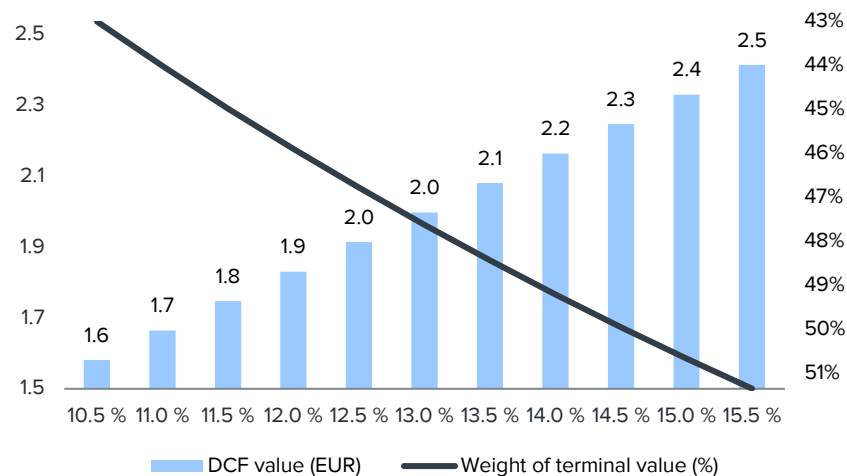
Sensitivity of DCF to changes in the WACC-%



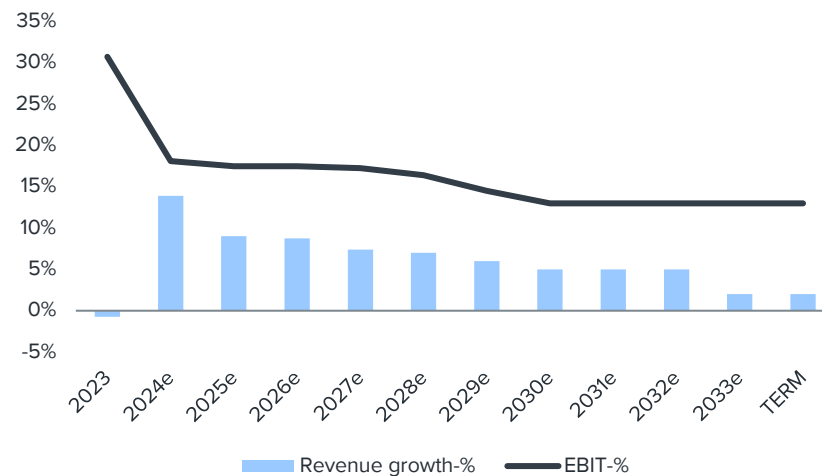
Sensitivity of DCF to changes in the risk-free rate



Sensitivity of DCF to changes in the terminal EBIT margin



Growth and profitability assumptions in the DCF calculation



Source: Inderes. Note that the weight of the terminal value (%) is shown on an inverse scale for clarity.

# Summary

Income statement	2021	2022	2023	2024e	2025e	Per share data	2021	2022	2023	2024e	2025e
Revenue	252.2	324.4	322.0	<b>366.8</b>	<b>399.9</b>	EPS (reported)	0.11	-0.13	0.29	<b>0.07</b>	<b>0.14</b>
EBITDA	65.0	84.8	128.5	<b>98.8</b>	<b>105.6</b>	EPS (adj.)	0.24	0.19	0.15	<b>0.16</b>	<b>0.20</b>
EBIT	36.8	26.6	99.0	<b>66.4</b>	<b>70.0</b>	OCF / share	1.06	0.53	0.69	<b>0.58</b>	<b>0.55</b>
PTP	14.9	-11.3	48.9	<b>11.2</b>	<b>29.1</b>	FCF / share	-1.66	-0.51	0.26	<b>0.26</b>	<b>0.18</b>
Net Income	16.1	-20.3	46.7	<b>10.4</b>	<b>21.8</b>	Book value / share	2.17	2.07	2.21	<b>2.28</b>	<b>2.41</b>
Extraordinary items	-18.1	-49.9	22.1	<b>-14.9</b>	<b>-10.2</b>	Dividend / share	0.00	0.00	0.00	<b>0.00</b>	<b>0.00</b>
Balance sheet	2021	2022	2023	2024e	2025e	Growth and profitability	2021	2022	2023	2024e	2025e
Balance sheet total	934.1	1044.7	1007.0	<b>992.8</b>	<b>976.7</b>	Revenue growth-%	80%	29%	-1%	<b>14%</b>	<b>9%</b>
Equity capital	307.5	321.7	352.5	<b>362.9</b>	<b>384.7</b>	EBITDA growth-%	145%	30%	52%	<b>-23%</b>	<b>7%</b>
Goodwill	412.0	587.7	578.0	<b>578.0</b>	<b>578.0</b>	EBIT (adj.) growth-%	214%	40%	0%	<b>6%</b>	<b>-1%</b>
Net debt	195.8	271.3	292.8	<b>302.6</b>	<b>304.4</b>	EPS (adj.) growth-%	117%	-21%	-18%	<b>3%</b>	<b>26%</b>
Cash flow	2021	2022	2023	2024e	2025e	EBITDA-%	25.8 %	26.1 %	39.9 %	<b>26.9 %</b>	<b>26.4 %</b>
EBITDA	65.0	84.8	128.5	<b>98.8</b>	<b>105.6</b>	EBIT (adj.)-%	21.8 %	23.6 %	23.9 %	<b>22.1 %</b>	<b>20.0 %</b>
Change in working capital	82.0	8.6	-14.1	<b>-1.2</b>	<b>-0.9</b>	EBIT-%	14.6 %	8.2 %	30.7 %	<b>18.1 %</b>	<b>17.5 %</b>
Operating cash flow	150.2	82.4	109.5	<b>92.8</b>	<b>87.2</b>	ROE-%	6.6 %	-6.4 %	13.8 %	<b>2.9 %</b>	<b>5.8 %</b>
CAPEX	-389.4	-236.3	-15.5	<b>-41.5</b>	<b>-43.1</b>	ROI-%	7.7 %	3.7 %	13.1 %	<b>8.7 %</b>	<b>9.4 %</b>
Free cash flow	-234.8	-80.3	41.3	<b>41.3</b>	<b>28.9</b>	Equity ratio	32.9 %	30.8 %	35.0 %	<b>36.6 %</b>	<b>39.4 %</b>
Valuation multiples	2021	2022	2023	2024e	2025e	Gearing	63.7 %	84.3 %	83.1 %	<b>83.4 %</b>	<b>79.1 %</b>
EV/S	3.3	1.6	1.4	<b>1.6</b>	<b>1.5</b>						
EV/EBITDA (adj.)	11.8	5.6	2.9	<b>5.9</b>	<b>5.6</b>						
EV/EBIT (adj.)	15.3	6.9	5.9	<b>7.2</b>	<b>7.3</b>						
P/E (adj.)	17.9	8.4	6.6	<b>11.2</b>	<b>8.9</b>						
P/B	2.1	0.8	0.5	<b>0.8</b>	<b>0.7</b>						
Dividend-%	0.0 %	0.0 %	0.0 %	<b>0.0 %</b>	<b>0.0 %</b>						

Source: Inderes



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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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Date	Recommendation	Target	Share price
2022-12-12	Buy	23 kr	16.90 kr
2023-01-03	Buy	26 kr	18.00 kr
2023-06-01	Buy	22 kr	12.70 kr
2023-09-01	Buy	21 kr	15.20 kr
2023-12-01	Buy	16 kr	10.10 kr
2024-03-01	Buy	17 kr	12.09 kr
2024-03-21	Buy	20 kr	16.98 kr
2024-05-08	Accumulate	24 kr	20.85 kr



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