Revenio Group

Company report

10/27/2023

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Inderes corporate customer

This report is a summary translation of the report "Hyödynnä väliaikainen heikkous" published on 10/27/2023 at 7:25 am EEST.

Take advantage of temporary weakness

We reiterate our Buy recommendation for Revenio but revise our target price to EUR 24.5 (was EUR 26). The Q3 result was better than our expectations thanks to strong profitability under the circumstances, but we lowered our forecasts for the coming years as the company's gave more precise market assessments. The result will turn positive next year but will be more concentrated towards the end of the year. The big picture has not changed, the company's competitiveness is intact, and a quality company deserves a higher valuation (2024e adj. EV/EBIT 17x) as growth accelerates again.

Net sales fell more than expected, profitability well defended

Net sales decreased by almost 9% to EUR 22.0 million in Q3, missing our forecast (23.4 MEUR). In comparable currencies, the decrease in net sales was slightly more moderate (6.6%). This decrease was mainly explained by the discontinuation of the end-of-lifecycle microperimeter product, which sold exceptionally well in the comparison period. With double-digit growth in fundus imaging devices and stable sales of tonometers on a currency-adjusted basis, the company continues to make progress in its main product groups. Despite the lower net sales, the company's EBIT landed at EUR 6.0 million in Q3 (Q3'22: 7.6 MEUR) against our forecast of EUR 5.6 million. The EBIT margin was thus at a good level of 27.4% (Q3'22: 31.7%). Cash flow was still sluggish but will improve in Q4. Overall, the Q3 results exceeded our expectations and, in our view, confirmed that the company's strong competitiveness in its main products has not weakened.

Market expected to recover in the second half of 2024

For 2023, Revenio still expects net sales growth of 1-5% in constant currency and profitability to remain at a good level excluding one-off items. FX-adjusted net sales growth in Q1-Q3'23 was 1.3%, so meeting the growth guidance will require a strong performance in Q4, against a strong comparison period and clear market headwinds. However, the company was confident about this, and we ended up slightly raising our 2023 estimates (see table below). The company estimates that the market situation will normalize in H2'24, when in August the company estimated that the challenging market would continue for 6-9 months. This means that earnings growth will be concentrated towards the end of the year, and we cut around 7% of our earnings forecasts for the coming years, which lead to the target price cut. We still expect that the company returns to (earnings) growth from Q2'24 onwards as the market stabilizes and comparison periods get weaker. Growth towards the end of 2024 will also be supported by the launch of the renewed Maia product ("missing" microperimeter), although the timing is still unclear. There was also interest in a small conditional acquisition (involving a conditional debt of 8.1 MEUR). However, the arrangement still subject to a confidentiality agreement.

Valuation is looking to bottom out

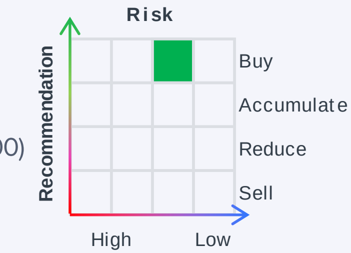
At current share price, the 2023 multiples (adj. EV/EBIT 19x) are already tolerable and as the company's earnings growth story gets back on track in 2024, we believe the valuation will increase from the current level (2024e adj. EV/EBIT ~17x). Revenio, which has strongly captured market share in recent years, is also now priced roughly in line with its peer group (2024e EV/EBIT 18x), when we believe the premium would be well justified. We estimate the current valuation level also reflects a lack of confidence in the company's longer-term performance, in which we continue to firmly believe. Our view is that after three exceptionally strong years, Revenio will suffer roughly a one-year hangover along with the rest of the market, after which we expect the company to return to its previous growth trend.

Recommendation

Buy
(previous Buy)

EUR 24.50
(previous EUR 26.00)

Share price:
19.90



Key figures

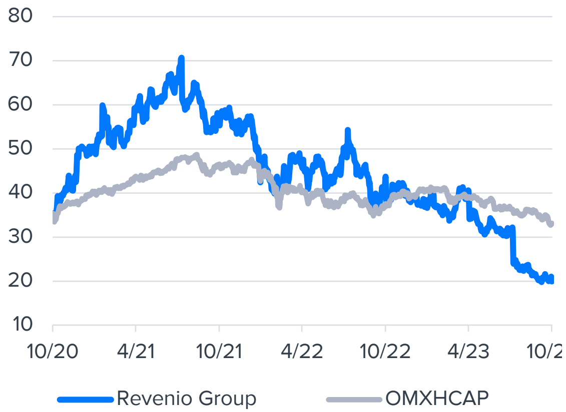
	2022	2023e	2024e	2025e
Revenue	97	95	102	118
growth-%	23%	-2%	7%	16%
EBIT adj.	30.9	27.5	30.0	36.6
EBIT-% adj.	31.8 %	28.9 %	29.5 %	31.0 %
Net Income	21.8	18.4	21.9	27.2
EPS (adj.)	0.86	0.78	0.87	1.07
P/E (adj.)	44.6	25.7	22.9	18.7
P/B	11.3	5.3	4.8	4.2
Dividend yield-%	0.9 %	1.9 %	2.1 %	2.8 %
EV/EBIT (adj.)	32.9	18.8	16.8	13.2
EV/EBITDA	30.6	17.7	15.3	12.2
EV/S	10.5	5.4	4.9	4.1

Source: Inderes

Guidance (Unchanged)

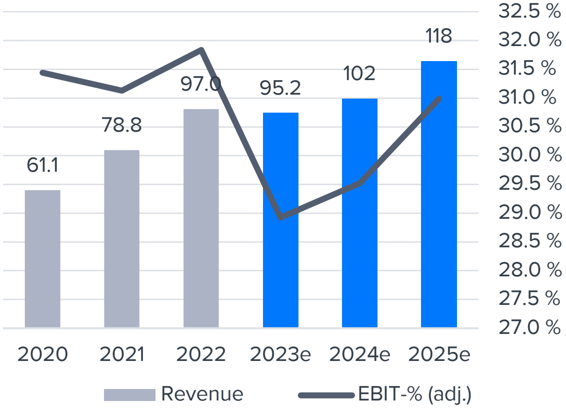
Revenio Group's exchange rate-adjusted net sales growth is estimated to be between 1 - 5 percent compared to the previous year and profitability, excluding non-recurring items, is estimated to remain at a good level.

Share price



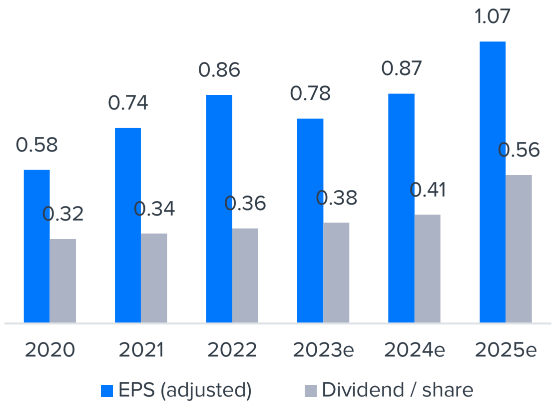
Source: Millistream Market Data AB

Revenue and EBIT-%



Source: Inderes

EPS and dividend



Source: Inderes

Value drivers

- Long-term growth outlook is strong
- Generally quite good predictability of the result and cash flow
- Strong competitive protection and growth drivers give support
- New products and software systems have attractive long-term growth potential
- Excellent track record of value creation
- Potential acquisitions (OCT)

Risk factors

- Weakening of patent protection for the Icare tonometer after 2023
- Speed and success of the HOME product's ramp-up
- Success in strong growth of imaging devices
- Success of growth investments (new products)
- High valuation level of the share poses a risk for investors

Valuation	2023e	2024e	2025e
Share price	19.9	19.9	19.9
Number of shares, millions	26.6	26.6	26.6
Market cap	529	529	529
EV	517	503	484
P/E (adj.)	25.7	22.9	18.7
P/E	28.7	24.1	19.5
P/B	5.3	4.8	4.2
P/S	5.6	5.2	4.5
EV/Sales	5.4	4.9	4.1
EV/EBITDA	17.7	15.3	12.2
EV/EBIT (adj.)	18.8	16.8	13.2
Payout ratio (%)	55.0 %	50.0 %	55.0 %
Dividend yield-%	1.9 %	2.1 %	2.8 %

Source: Inderes

Net sales clearly down; profitability well protected

Net sales down more than we expected

Revenio's Q3 net sales decreased by 8.9% to EUR 22.0 million, below both our and consensus forecasts. In constant currency, net sales decreased by 6.6%, so 2.3 percentage points of the decline was due to FX movements. The decline in net sales was mainly due to the discontinuation of the microperimeter at the end of 2022, which came to the end of its lifecycle. Revenio shipped its entire inventory of the product in H2'23, i.e., worth around EUR 5 million, which boosted growth and earnings figures at the time, but is now hitting back hard. This was known, but the impact in Q3 was higher than we expected.

The company did not report net sales trends by product area but commented that net sales for fundus imaging devices have been growing in Q3 and in the early part of 2023. This means that on this side the company continues to take market share (excl. perimeters), which in our view largely eliminates concerns about the loss of product competitiveness.

FX-adjusted net sales growth for imaging devices remained around zero in the quarter and is returning to pre-pandemic trend levels. While this is worrying, it is more of a return to normal after very strong growth. Probe sales were still good, so the equipment is being used and the need has not disappeared. According to the company, there have also been no significant changes in the competitive situation. Sales of the HOME product family continue to grow strongly, but volumes remain limited.

Profitability was commendably protected

Q3 EBIT decreased 21% to EUR 6.0 million (Q3’22: 7.7 MEUR) which corresponds to an EBIT margin of 27%. The result exceeded our estimate (5.6 MEUR), which we believe was a strong performance considering the lower-than-expected net sales. Gross margins showed a slight deterioration year-on-year (Q3'23: 70.8% vs. Q3’22: 73.3%), but this is probably related to the sales mix and the level is still excellent. Revenio has been more successful in its fixed cost discipline than we had anticipated, where flexibility is provided by lower bonus provisions (including all staff) in the wake of a weaker year. In addition to personnel costs, we also saw a clear year-on-year decrease in other operating expenses, which was a positive surprise for us.

The reported EBIT was also burdened by one-off project costs of EUR 0.2 million related to the same project as the larger write-down in Q2. The adjusted operating profit was EUR 6.2 million, or around 28% of net sales. The company posted EPS of EUR 0.17 in Q3 (Q3'22: EUR 0.23), slightly exceeding our forecast of EUR 0.16.

Balance sheet is net debt-free

Cash flow from operating activities in Q3 was a weak EUR 5.6 million (Q3'23: 7.1 MEUR), as more inventory was accumulated. In Q3, the company spent an exceptional amount (3.1 MEUR) on investments, explained by "Investments in other investments" of EUR 1.9 million. This is possibly related to a minority investment made by the company, which also resulted in contingent liabilities of up to EUR 8.1 million. If this mystery company reaches the targets set, Revenio has committed to buy it by Q3'24 at the latest. The company did not elaborate on this (confidentiality agreement), but said it was not a strategic investment.

Revenio's balance sheet remains strong and the company's net debt ratio is negative (-1%). The balance sheet provides good opportunities for acquisitions, which the company continues to explore.

Estimates	Q3'22	Q3'23	Q3'23e	Q3'23e	Consensus			Difference (%)	2023e
MEUR / EUR	Comparison	Actualized	Inderes	Consensus	Low		High	Act. vs. inderes	Inderes
Revenue	24.1	22.0	23.4	23.6	22.5	-	24.7	-6%	95.2
EBIT	7.7	6.0	5.6	6.5	5.9	-	7.2	8%	25.4
EPS (reported)	0.23	0.17	0.16	0.18	0.16	-	0.20	5%	0.69
Revenue growth-%	24.1 %	-8.9 %	-3.1 %	-2.1 %				-5.9 pp	-1.8 %
EBIT-%	31.7 %	27.4 %	23.9 %	27.5 %				3.5 pp	26.6 %

Source: Inderes & Bloomberg (6 forecasts 10/3/2023)

Market expected to recover in the second half of 2024

Guidance for 2023 was repeated

As expected, Revenio reiterated its guidance given in the summer profit warning. The company expects currency-adjusted net sales to grow by 1-5% year-on-year and profitability to be at a good level excluding one-off items. We are not concerned about profitability, but FX-adjusted growth is 1.3% after 9 months. Growth should therefore accelerate in Q4, although the market is unlikely to ease.

The operating environment will remain challenging for the rest of the year, but the company seemed confident in its guidance and reported that Q3 performance was in line with expectations. Q4 is seasonally the strongest quarter, with sales often concentrated at the very end of the period. This means there is also tension in the air about the guidance, although we trust the company meet it.

More clarity for market assessments

Revenio said it believes the market situation will return to normal in H2'24, which at first glance was disappointing for us and presumably for the market. In connection with the August Q2 report, the company expected the challenging operating environment to persist for another 6-9 months, which would take the "misery" up to Q2’24. Strictly speaking, however, the company did not actually estimate the recovery of the market earlier, so the recovery in H2'24 does not really contradict the earlier communication and the company stressed that there has been no change in its assessment. The communication could have been clearer before, but now the market assessment leaves little room for interpretation. The question remains, of course, how strong the recovery will ultimately be. The underlying megatrends are stable, but there are many other (e.g. macroeconomic) factors that influence market performance.

Estimates for 2023 up slightly

This year's forecast changes were small and partly explained by the Q3 result, but we also slightly increased our forecasts for Q4 profitability. Taking into account the strong comparison period, the guidance points to a good last quarter in terms of net sales, although earnings will of course remain on a downward trajectory. We expect (reported) net sales to continue to decline (Q4'23e: -1.7%) with exchange rates (EUR/USD) continuing to provide headwinds, but on an FX-adjusted basis we expect growth of 1-2% and expect our forecast to be at the lower end of the guidance range. Our full-year 2023 earnings forecasts were raised slightly and call for a strong performance in this market.

Few tweaks to the estimates for the coming years

We have made cuts of 5-7% in our estimates for the coming years. Our previous assumption of a pick-up in demand next year is unchanged, but we now forecast a clear recovery only in Q3. This is based on a refined market assessment, which is currently the best estimate of future market developments. By H2'24, a new microperimeter should also be on the market, but the timeline of the launch is still unclear. We expect the downturn to continue in Q1'24 against a strong comparison period, but after that the direction should change and accelerate towards the end of the year. Overall, the big picture is largely unchanged, but there has been a slight shift in the forecasts.

Estimate revisions	2023e	2023e	Change	2024e	2024e	Change	2025e	2025e	Change
MEUR / EUR	Old	New	%	Old	New	%	Old	New	%
Revenue	95.9	95.2	-1%	108	102	-6%	125	118	-5%
EBITDA	28.1	29.3	4%	34.9	32.8	-6%	42.2	39.7	-6%
EBIT (exc. NRIs)	26.2	27.5	5%	32.1	30.0	-7%	39.3	36.6	-7%
EBIT	24.2	25.4	5%	30.9	28.8	-7%	38.1	35.5	-7%
PTP	23.4	24.6	5%	30.7	28.4	-7%	38.0	35.3	-7%
EPS (excl. NRIs)	0.74	0.78	5%	0.93	0.87	-7%	1.15	1.07	-7%
DPS	0.37	0.38	4%	0.44	0.41	-7%	0.61	0.56	-7%

Source: Inderes

Big picture unchanged

Core business in shape

Despite our slight estimate cuts, the underlying drivers and assumptions in our forecasts are unchanged. We still see no reason to doubt the competitiveness of Revenio's core product portfolio; on the contrary, the company's core products are very likely to continue to gain market share from competitors. The partial expiry of the patent protection for iCare tonometers has brought competition to the market, but this has so far proven to be harmless on the veterinary side and has not materially affected the competitive situation in human use. Revenio's excellent gross margins have held up very well, while some of its competitors have started to offer discounts.

The growth of tonometers has fallen back to the pre-pandemic trend, but we see no indication that Revenio is losing ground. We expect the market to return to moderate growth next year as the situation normalizes from the wild COVID-driven acceleration. The underlying megatrends have not changed. Of course, the growth of the installed base will inevitably slow down before long because Revenio's market share is already so high. At the same time, the focus of growth is shifting more towards probes, which will bring Revenio "recurring" revenue. The competitiveness of imaging devices remains very strong, allowing the company to capture a significant share of the market in the medium term.

Overall, we believe that concerns about Revenio's competitiveness and quality are greatly exaggerated.

Growth initiatives are being matured

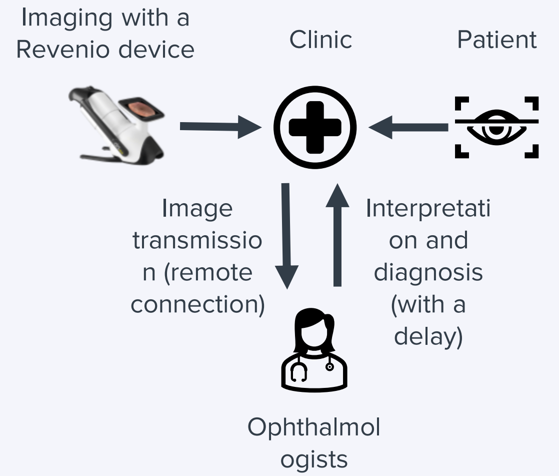
We estimate that the above drivers will be able to take Revenio forward for an estimated 3-5 years, but at the same time the company is maturing new growth initiatives to take the mantle. The most notable of these are the HOME2 tonometers, ILLUME and AI solutions in imaging devices and software, and Oculo software. With these, Revenio aims to transform itself from a quality device manufacturer to a total solutions provider. New growth areas are critical for longer-term growth, as core business growth will inevitably start to slow gradually in the medium term.

In the report, Revenio commented that sales of the iCare ILLUME screening solution in Central and Eastern Europe are progressing well, and that new trials are underway. Customer feedback has been very positive, and the company has launched sales activities in other European countries. This is of course positive, as ILLUME is one of the company's key growth drivers for the future.

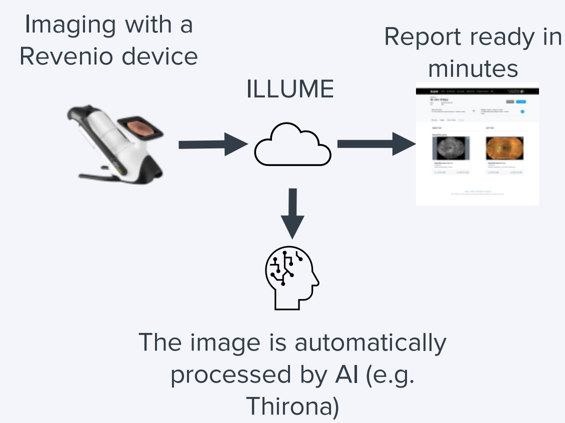
Capital Markets Day coming up

Revenio will organize a Capital Markets Day on November 30, 2023, where we expect to learn more about AI and software strategies in particular and to gain additional insights into different product areas. We are particularly interested in the update to the "digital strategy", which we have tried to describe on the right-hand side. At the same time, the company will also provide a more detailed outlook for next year. In any case, the event will be interesting and provide visibility.

Simplified description of traditional fundus screening (Revenio included for device sales only)



Simplified description of fundus screening with ILLUME (Revenio receives one-off revenue from devices as well as ongoing software revenue)



We continue to buy

Still a quality company with good growth prospects

It has been relatively easy to paint Revenio's high-quality earnings growth story well into the future, as the core business has maintained a strong growth trajectory while the company's profitability has scaled upwards. The excellent track-record took a hit from the profit warning in the summer, after which the share valuation has plummeted. Overall, however, Revenio is well positioned in an industry with strong structural long-term growth drivers and deep moats (patents, brand, slow-moving industry and high barrier of entry). In addition, Revenio can expand its product portfolio through acquisitions, which we believe are very well positioned to create shareholder value.

The sharp fall in the share price also makes the company a more interesting takeover target, and we would not be surprised if Demant (which owned around 18% of Revenio as of September 31) had increased its stake again in the temporary drop following the Q3 results. There were wild movements on the day the Q3 results were published, but in the end the stock ended up only 3% down.

Valuation at the level of a mere mortal

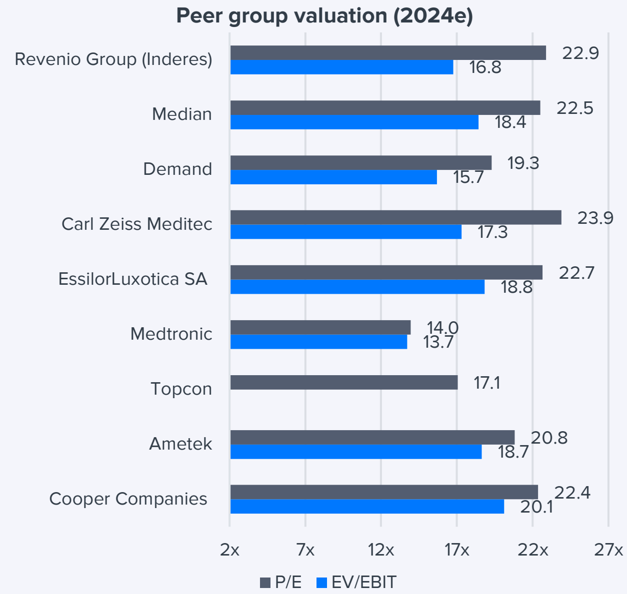
Revenio’s 2023 adjusted EV/EBIT is now around 19x, which we generally consider already attractive. At present, however, the absence of an earnings growth driver makes it relatively neutral in our view. If the company's earnings growth story returns to track in 2024 as we expect, the valuation is already very low by the company's standards (2024e adj. EV/EBIT 17x). This is very attractive for a quality company in an industry where competitive advantages are relatively stable, and valuations are therefore generally high. If we have estimated the future earnings growth multiples roughly correctly, we estimate that in a year's time the stock will be priced at around 20x EV/EBIT levels, which would put the stock close to our target price. In our view, the level is justified even without the strategic benefits that a company in the sector could gain, for example through acquisitions.

With the share price drop, Revenio's valuation also fell below the peer group median when looking at EV/EBIT multiples for 2023-2024. Overall, the valuation is now roughly in line with the peer group. After disappointments, the valuation have returned to mere mortal levels, reflecting weaker earnings growth and concerns about the sustainability of challenges. At the same time, the previously extremely high expectations of the company have been brought down to a very human level, through which we may also see positive surprises in the near future.

This is why we find the risk/return ratio of the stock very attractive when looking just a bit farther down the road. In the short term, Revenio is still on a negative trend, earnings growth is negative, and the company is also exposed to profit warning risk (for growth). However, already on a three-year horizon, we think the current share price level is very attractive. We recommend looking further ahead when investors are generally short-sighted and fearful.

Valuation	2023e	2024e	2025e
Share price	19.9	19.9	19.9
Number of shares, millions	26.6	26.6	26.6
Market cap	529	529	529
EV	517	503	484
P/E (adj.)	25.7	22.9	18.7
P/E	28.7	24.1	19.5
P/B	5.3	4.8	4.2
P/S	5.6	5.2	4.5
EV/Sales	5.4	4.9	4.1
EV/EBITDA	17.7	15.3	12.2
EV/EBIT (adj.)	18.8	16.8	13.2
Payout ratio (%)	55.0 %	50.0 %	55.0 %
Dividend yield-%	1.9 %	2.1 %	2.8 %

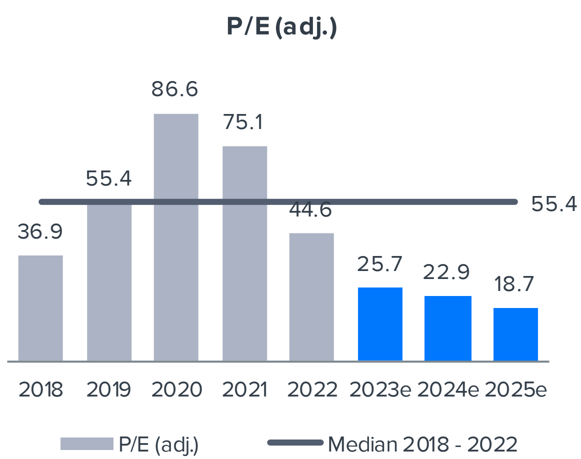
Source: Inderes

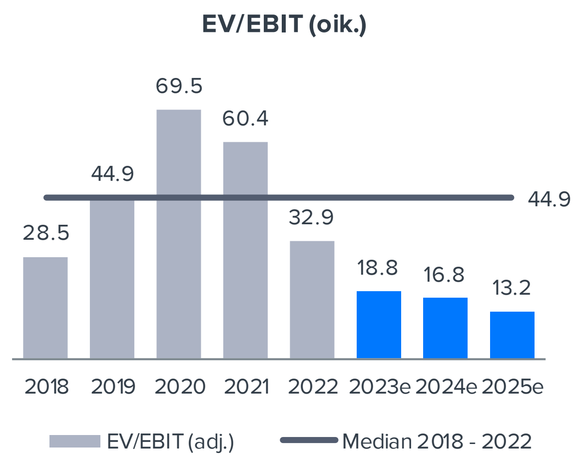


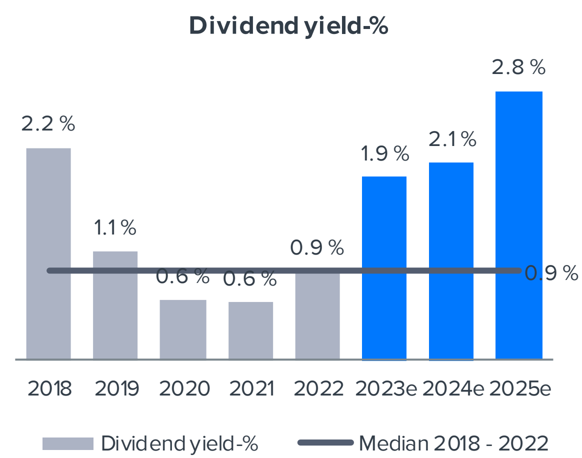
Valuation table

Valuation	2018	2019	2020	2021	2022	2023e	2024e	2025e	2026e
Share price	12.6	26.3	50.3	55.6	38.6	**19.9**	**19.9**	**19.9**	**19.9**
Number of shares, millions	23.9	26.0	26.6	26.7	26.6	**26.6**	**26.6**	**26.6**	**26.6**
Market cap	301	697	1337	1482	1026	**529**	**529**	**529**	**529**
EV	290	700	1335	1482	1015	**517**	**503**	**484**	**467**
P/E (adj.)	36.9	55.4	86.6	75.1	44.6	**25.7**	**22.9**	**18.7**	**15.9**
P/E	36.9	73.0	>100	85.7	47.1	**28.7**	**24.1**	**19.5**	**16.4**
P/B	16.6	10.8	19.2	18.9	11.3	**5.3**	**4.8**	**4.2**	**3.7**
P/S	9.8	14.1	21.9	18.8	10.6	**5.6**	**5.2**	**4.5**	**3.8**
EV/Sales	9.5	14.1	21.9	18.8	10.5	**5.4**	**4.9**	**4.1**	**3.4**
EV/EBITDA	27.1	47.9	61.5	57.7	30.6	**17.7**	**15.3**	**12.2**	**10.1**
EV/EBIT (adj.)	28.5	44.9	69.5	60.4	32.9	**18.8**	**16.8**	**13.2**	**10.9**
Payout ratio (%)	82.3 %	85.1 %	63.7 %	52.4 %	43.9 %	**55.0 %**	**50.0 %**	**55.0 %**	**60.0 %**
Dividend yield-%	2.2 %	1.1 %	0.6 %	0.6 %	0.9 %	**1.9 %**	**2.1 %**	**2.8 %**	**3.7 %**

Source: Inderes







Peer group valuation

Peer group valuation	Market cap	EV	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%	
Company	**MEUR**	**MEUR**	**2023e**	**2024e**	**2023e**	**2024e**	**2023e**	**2024e**	**2023e**	**2024e**	**2023e**	**2024e**
Revenio Group	548	550	21.2	18.1	18.4	16.1	5.7	5.2	28.8	23.7	1.8	2.1
Cooper Companies	14746	17086	22.2	20.1	18.0	16.1	5.0	4.7	24.6	22.4	0.0	0.0
Ametek	30436	31934	20.1	18.7	16.8	15.7	5.1	4.8	22.4	20.8	0.7	0.8
Topcon	1155	1472			7.7	8.2	1.1	1.1	14.0	17.1	2.5	2.5
Medtronic	89737	106060	13.7	13.7	12.1	12.3	3.6	3.5	13.5	14.0	3.8	3.9
EssilorLuxotica SA	76467	87192	20.3	18.8	13.3	12.2	3.4	3.2	25.0	22.7	2.0	2.2
Carl Zeiss Meditec	6726	6958	19.0	17.3	15.4	14.5	3.3	3.1	25.1	23.9	1.4	1.5
Demand	7924	9686	17.2	15.7	13.1	12.2	3.2	3.0	26.1	19.3		
Optomed (Inderes)	45	44					2.9	2.6				
Revenio Group (Inderes)	**529**	**517**	**18.8**	**16.8**	**17.7**	**15.3**	**5.4**	**4.9**	**25.7**	**22.9**	**1.9**	**2.1**
Average			**24.4**	**19.9**	**16.3**	**14.6**	**3.8**	**3.5**	**32.0**	**23.9**	**1.5**	**1.6**
Median			**20.3**	**18.4**	**16.1**	**15.1**	**3.6**	**3.5**	**24.9**	**22.5**	**1.4**	**1.5**
Diff-% to median			***-7%***	***-9%***	***10%***	***2%***	***49%***	***42%***	***3%***	***2%***	***35%***	***38%***

Source: Refinitiv / Inderes

Income statement

Income statement	2020	2021	Q1'22	Q2'22	Q3'22	Q4'22	2022	Q1'23	Q2'23	Q3'23	Q4'23e	2023e	2024e	2025e	2026e
Revenue	**61.1**	**78.8**	**20.2**	**24.4**	**24.1**	**28.3**	**97.0**	**23.2**	**22.3**	**22.0**	**27.8**	**95.2**	**102**	**118**	**139**
Tonometers (estimate)	41.8	49.2	13.2	16.9	13.0	15.5	58.6	14.7	14.3	11.5	15.0	55.5	57.6	64.6	74.2
Imaging devices (estimate)	19.1	28.3	6.6	6.9	10.7	12.1	36.2	7.8	7.4	9.8	12.0	37.0	40.4	47.7	56.3
Oculo / Software (estimate)	0.0	0.9	0.4	0.6	0.5	0.7	2.2	0.6	0.7	0.7	0.8	2.8	3.5	6.0	8.0
Other products (estimate)	0.2	0.4	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
EBITDA	**21.7**	**25.7**	**6.4**	**8.0**	**8.5**	**10.2**	**33.1**	**7.1**	**5.6**	**7.1**	**9.5**	**29.3**	**32.8**	**39.7**	**46.2**
Depreciation	-4.6	-3.6	-0.8	-0.9	-0.9	-0.9	-3.4	-0.9	-1.0	-1.0	-1.0	-3.9	-4.0	-4.3	-4.4
EBIT (excl. NRI)	**19.2**	**24.5**	**5.9**	**7.4**	**8.0**	**9.6**	**30.9**	**6.5**	**5.8**	**6.5**	**8.8**	**27.5**	**30.0**	**36.6**	**43.0**
EBIT	**17.1**	**22.1**	**5.6**	**7.1**	**7.7**	**9.3**	**29.7**	**6.2**	**4.7**	**6.0**	**8.5**	**25.4**	**28.8**	**35.5**	**41.8**
Net financial items	-0.4	0.0	0.3	-0.1	-0.1	-0.7	-0.6	-0.4	-0.2	-0.1	-0.1	-0.8	-0.3	-0.2	0.0
PTP	**16.7**	**22.1**	**5.8**	**7.1**	**7.6**	**8.6**	**29.1**	**5.8**	**4.5**	**5.9**	**8.4**	**24.6**	**28.4**	**35.3**	**41.8**
Taxes	-3.4	-4.8	-1.2	-1.7	-1.5	-2.9	-7.3	-1.5	-1.2	-1.5	-1.9	-6.1	-6.5	-8.1	-9.6
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	0.0
Net earnings	**13.3**	**17.3**	**4.6**	**5.4**	**6.1**	**5.7**	**21.8**	**4.2**	**3.3**	**4.4**	**6.5**	**18.4**	**21.9**	**27.2**	**32.2**
EPS (adj.)	**0.58**	**0.74**	**0.18**	**0.22**	**0.24**	**0.23**	**0.86**	**0.17**	**0.17**	**0.18**	**0.25**	**0.78**	**0.87**	**1.07**	**1.25**
EPS (rep.)	**0.50**	**0.65**	**0.17**	**0.20**	**0.23**	**0.22**	**0.82**	**0.16**	**0.12**	**0.17**	**0.24**	**0.69**	**0.82**	**1.02**	**1.21**

Key figures	2020	2021	Q1'22	Q2'22	Q3'22	Q4'22	2022	Q1'23	Q2'23	Q3'23	Q4'23e	2023e	2024e	2025e	2026e
Revenue growth-%	23.4 %	29.1 %	20.6 %	29.5 %	24.1 %	18.9 %	23.1 %	14.9 %	-8.7 %	-8.9 %	-1.7 %	-1.8 %	6.7 %	16.4 %	17.1 %
Adjusted EBIT growth-%		27.8 %	6.6 %	57.6 %	27.5 %	19.3 %	25.9 %	10.6 %	-22.1 %	-18.6 %	-8.6 %	-10.8 %	8.8 %	22.2 %	17.2 %
EBITDA-%	35.5 %	32.6 %	31.7 %	32.7 %	35.4 %	36.1 %	34.1 %	30.5 %	25.3 %	32.1 %	34.2 %	30.7 %	32.3 %	33.6 %	33.4 %
Adjusted EBIT-%	31.4 %	31.1 %	29.0 %	30.4 %	33.0 %	34.1 %	31.8 %	27.9 %	26.0 %	29.5 %	31.7 %	28.9 %	29.5 %	31.0 %	31.0 %
Net earnings-%	21.9 %	22.0 %	22.6 %	22.2 %	25.2 %	20.2 %	22.5 %	18.3 %	14.8 %	20.1 %	23.3 %	19.3 %	21.6 %	23.0 %	23.2 %

Source: Inderes

Balance sheet

Assets	2021	2022	2023e	2024e	2025e
Non-current assets	**69.8**	**70.8**	**75.9**	**76.8**	**77.4**
Goodwill	59.8	59.8	59.4	59.4	59.4
Intangible assets	4.2	4.3	4.8	5.2	5.7
Tangible assets	2.6	2.8	3.3	3.8	3.9
Associated companies	0.0	0.0	0.0	0.0	0.0
Other investments	0.0	0.4	2.3	2.3	2.3
Other non-current assets	1.9	1.9	3.3	3.3	3.3
Deferred tax assets	1.3	1.6	2.8	2.8	2.8
Current assets	**40.8**	**52.5**	**52.6**	**65.9**	**86.1**
Inventories	6.4	6.7	8.1	7.6	8.3
Other current assets	0.0	0.0	0.0	0.0	0.0
Receivables	9.2	13.7	14.3	14.2	15.4
Cash and equivalents	25.2	32.1	30.2	44.1	62.4
Balance sheet total	**125**	**136**	**140**	**153**	**173**

Source: Inderes

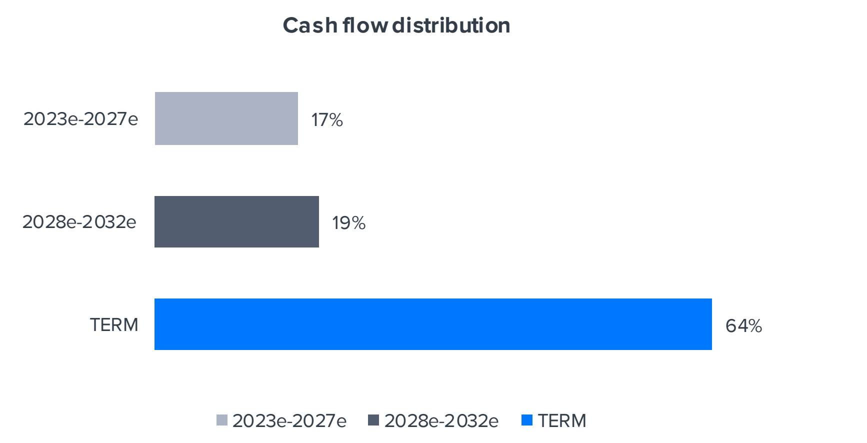
Liabilities & equity	2021	2022	2023e	2024e	2025e
Equity	**78.4**	**90.9**	**99.0**	**111**	**127**
Share capital	5.3	5.3	5.3	5.3	5.3
Retained earnings	22.1	34.3	43.2	54.9	71.1
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	0.0	0.0	0.0	0.0	0.0
Other equity	51.0	51.3	50.5	50.5	50.5
Minorities	0.0	0.0	0.0	0.0	0.0
Non-current liabilities	**5.8**	**20.1**	**19.0**	**19.0**	**19.0**
Deferred tax liabilities	3.6	3.7	3.5	3.5	3.5
Provisions	0.5	0.5	0.5	0.5	0.5
Interest bearing debt	1.7	15.8	15.0	15.0	15.0
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	**40.4**	**25.2**	**22.0**	**23.3**	**26.7**
Interest bearing debt	23.5	5.0	3.0	3.0	3.0
Payables	16.9	20.2	19.0	20.3	23.7
Other current liabilities	0.0	0.0	0.0	0.0	0.0
Balance sheet total	**125**	**136**	**140**	**153**	**173**

DCF calculation

DCF model	2022	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	TERM
Revenue growth-%	23.1 %	-1.8 %	6.7 %	16.4 %	17.1 %	15.0 %	12.0 %	9.0 %	8.0 %	5.0 %	3.0 %	3.0 %
EBIT-%	30.6 %	26.6 %	28.3 %	30.0 %	30.2 %	30.5 %	30.0 %	29.0 %	29.0 %	28.0 %	28.0 %	28.0 %
EBIT (operating profit)	**29.7**	**25.4**	**28.8**	**35.5**	**41.8**	**48.6**	**53.5**	**56.4**	**60.9**	**61.8**	**63.6**	
+ Depreciation	3.4	3.9	4.0	4.3	4.4	4.7	4.9	5.3	5.6	5.9	5.5	
- Paid taxes	-7.5	-7.6	-6.5	-8.1	-9.6	-11.2	-12.4	-13.1	-14.1	-14.3	-14.8	
- Tax, financial expenses	-0.2	-0.3	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	
+ Tax, financial income	0.0	0.1	0.1	0.1	0.2	0.2	0.2	0.3	0.3	0.3	0.3	
- Change in working capital	-1.5	-3.1	1.8	1.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Operating cash flow	**24.0**	**18.4**	**28.0**	**33.1**	**36.6**	**42.1**	**46.1**	**48.7**	**52.5**	**53.4**	**54.5**	
+ 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	-2.9	-6.6	-3.7	-3.6	-4.2	-4.7	-5.4	-5.7	-6.0	-4.3	-5.4	
Free operating cash flow	**21.1**	**11.8**	**24.3**	**29.5**	**32.4**	**37.4**	**40.7**	**43.0**	**46.5**	**49.1**	**49.1**	
+/- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	21.1	11.8	24.3	29.5	32.4	37.4	40.7	43.0	46.5	49.1	49.1	906
Discounted FCFF		**11.6**	**22.0**	**24.6**	**24.9**	**26.5**	**26.6**	**25.9**	**25.7**	**25.1**	**23.0**	**425**
Sum of FCFF present value		661	650	628	603	578	552	525	499	474	448	425
Enterprise value DCF		**661**										
- Interest bearing debt		-20.8										
+ Cash and cash equivalents		32.1										
-Minorities		0.0										
-Dividend/capital return		-9.6										
Equity value DCF		**663**										
Equity value DCF per share		**25.0**										

WACC	
Tax-% (WACC)	20.0 %
Target debt ratio (D/(D+E)	0.0 %
Cost of debt	4.0 %
Equity Beta	1.28
Market risk premium	4.75%
Liquidity premium	0.00%
Risk free interest rate	2.5 %
Cost of equity	**8.6 %**
Weighted average cost of capital (WACC)	**8.6 %**

Source: Inderes



Summary

Income statement	2020	2021	2022	2023e	2024e
Revenue	61.1	78.8	97.0	**95.2**	**101.6**
EBITDA	21.7	25.7	33.1	**29.3**	**32.8**
EBIT	17.1	22.1	29.7	**25.4**	**28.8**
PTP	16.7	22.1	29.1	**24.6**	**28.4**
Net Income	13.3	17.3	21.8	**18.4**	**21.9**
Extraordinary items	-2.1	-2.4	-1.2	**-2.2**	**-1.2**

Per share data	2020	2021	2022	2023e	2024e
EPS (reported)	0.50	0.65	0.82	**0.69**	**0.82**
EPS (adj.)	0.58	0.74	0.86	**0.78**	**0.87**
OCF / share	0.59	0.85	0.90	**0.69**	**1.05**
FCF / share	0.50	0.25	0.79	**0.44**	**0.91**
Book value / share	2.62	2.94	3.42	**3.72**	**4.17**
Dividend / share	0.32	0.34	0.36	**0.38**	**0.41**

Balance sheet	2020	2021	2022	2023e	2024e
Balance sheet total	114.4	124.6	136.1	**140.1**	**153.1**
Equity capital	69.7	78.4	90.9	**99.0**	**110.8**
Goodwill	50.4	59.8	59.8	**59.4**	**59.4**
Net debt	-1.9	0.0	-11.3	**-12.2**	**-26.1**

Growth and profitability	2020	2021	2022	2023e	2024e
Revenue growth-%	23%	29%	23%	**-2%**	**7%**
EBITDA growth-%	49%	18%	29%	**-12%**	**12%**
EBIT (adj.) growth-%	23%	28%	26%	**-11%**	**9%**
EPS (adj.) growth-%	23%	27%	17%	**-10%**	**12%**
EBITDA-%	35.5 %	32.6 %	34.1 %	**30.7 %**	**32.3 %**
EBIT (adj.)-%	31.4 %	31.1 %	31.8 %	**28.9 %**	**29.5 %**
EBIT-%	28.0 %	28.0 %	30.6 %	**26.6 %**	**28.3 %**
ROE-%	19.9 %	23.4 %	25.7 %	**19.4 %**	**20.9 %**
ROI-%	17.9 %	22.1 %	27.6 %	**22.5 %**	**23.7 %**
Equity ratio	60.9 %	63.0 %	66.8 %	**70.7 %**	**72.4 %**
Gearing	-2.7 %	0.0 %	-12.5 %	**-12.3 %**	**-23.5 %**

Cash flow	2020	2021	2022	2023e	2024e
EBITDA	21.7	25.7	33.1	**29.3**	**32.8**
Change in working capital	-2.1	2.4	-1.5	**-3.1**	**1.8**
Operating cash flow	15.8	22.7	24.0	**18.4**	**28.0**
CAPEX	-2.5	-15.8	-2.9	**-6.6**	**-3.7**
Free cash flow	13.2	6.7	21.1	**11.8**	**24.3**

Valuation multiples	2020	2021	2022	2023e	2024e
EV/S	21.9	18.8	10.5	**5.4**	**4.9**
EV/EBITDA (adj.)	61.5	57.7	30.6	**17.7**	**15.3**
EV/EBIT (adj.)	69.5	60.4	32.9	**18.8**	**16.8**
P/E (adj.)	86.6	75.1	44.6	**25.7**	**22.9**
P/B	19.2	18.9	11.3	**5.3**	**4.8**
Dividend-%	0.6 %	0.6 %	0.9 %	**1.9 %**	**2.1 %**

Source: Inderes

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

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Recommendation history (>12 mo)

Date	Recommendation	Target	Share price
2/21/2020	Accumulate	31.00 €	28.85 €
3/19/2020	Buy	24.00 €	18.48 €
4/23/2020	Accumulate	25.00 €	22.75 €
8/7/2020	Reduce	34.00 €	33.50 €
10/23/2020	Reduce	36.00 €	38.05 €
12/21/2020	Reduce	44.00 €	48.65 €
2/12/2021	Accumulate	60.00 €	53.00 €
4/26/2021	Accumulate	65.00 €	59.20 €
Analyytikko vaihtuu			
6/9/2021	Accumulate	65.00 €	59.50 €
8/6/2021	Reduce	65.00 €	64.80 €
10/22/2021	Accumulate	58.00 €	55.40 €
2/11/2022	Accumulate	48.00 €	44.30 €
4/7/2022	Reduce	48.00 €	47.96 €
4/29/2022	Reduce	48.00 €	47.58 €
8/5/2022	Reduce	52.00 €	54.30 €
10/28/2022	Reduce	40.00 €	39.48 €
1/27/2023	Reduce	40.00 €	37.62 €
2/10/2023	Reduce	38.00 €	37.26 €
1/27/2023	Reduce	40.00 €	37.62 €
2/10/2023	Reduce	38.00 €	37.26 €
3/20/2023	Accumulate	38.00 €	34.66 €
4/28/2023	Reduce	38.00 €	39.24 €
8/3/2023	Accumulate	26.00 €	24.08 €
8/11/2023	Accumulate	26.00 €	23.20 €
10/4/2023	Buy	26.00 €	19.81 €
10/27/2023	Buy	24.50 €	19.90 €

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