

Talenom

Company report

4/19/2024 8:00 am EEST



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✓ Inderes corporate customer

This report is a summary translation of the report "Suunta on oikea" published on 4/19/2024 at 8:00 am EEST.

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The direction is right

We lower our recommendation for Talenom to Accumulate (was Buy) but reiterate our EUR 6.3 target price. Q1 results were slightly below our expectations due to slow organic growth, but the company demonstrated that the Finnish business continues to be in line with the company's guidance as profitability improves. The company reiterated its guidance for 2024, but as the growth outlook weakened, we lowered our forecasts to near the low end of the guidance range. The earnings growth outlook for the coming years is still very good, despite negative forecast revisions, but 2024 will be spent laying the groundwork for international growth. We think the valuation is reasonable in the overall context.

Expenses in control, but there were challenges with growth

Talenom's Q1 results were a slight disappointment for us, mainly due to the weaker-than-expected revenue development. Organic growth was close to zero in Finland and Sweden and did not meet our expectations in Spain. The market situation continued to deteriorate, especially in Finland, but the miss may also be partly due to Easter, which ate up working days in March. In Finland, profitability was still excellent (EBITDA margin 39.7%), but contrary to our expectations, the EBITDA margin in Sweden and Spain was close to zero. In Sweden, in particular, the year-on-year decline was significant due to the introduction of proprietary software and other integration costs. Talenom's Q1 EBIT was 3.9 MEUR, in line with the consensus forecast, compared to our own forecast of 4.3 MEUR. The result turned up in all other indicators, but net income remained stable due to higher-than-expected taxes. Despite the disappointment, Talenom proved that, at least in Finland, it has done well to improve the efficiency of its business.

Weakening growth outlook weighs on forecasts

As expected, Talenom's guidance was unchanged, i.e., the company expects 2024 revenue of approximately 130-140 MEUR, EBITDA of 34-40 MEUR and EBIT of 14-17 MEUR. However, the market outlook has deteriorated for Finland and to some extent also for Sweden. The plight of the SME sector has continued and the continued decline in transaction volumes in Q1 was disappointing. The situation in Sweden is not much better, but in Spain the market is developing normally. We have lowered our growth forecasts almost across the board, putting pressure on profitability and further earnings growth expectations. Our forecasts for 2024 are close to the lower end of the guidance range (EBIT forecast 14.1 MEUR), and we have also lowered our forecasts for the coming years by around 5%. Nevertheless, the company's earnings growth prospects for the next few years are very good, once the Swedish software is up and running and the headwinds from the general economic situation subside. The latter significantly facilitates organic growth, which can translate the expected efficiency gains from proprietary systems into profitability-scaling growth.

Valuation is reasonable, but requires strong earnings growth

After the forecast revisions, the valuation multiples for 2024 (P/E 34x and EV/EBIT 24x) look high, but those for 2025 are already quite attractive (P/E 21x and EV/EBIT 17x). In the forecasts for both years, the operating result is still entirely on the shoulders of Finland. The value of the Swedish and Spanish businesses is thus not reflected in the earnings multiples, although we see significant potential in these businesses in the medium term. Our sum-of-the-parts calculation still suggests a value of around EUR 6.3 per share, although the Swedish and Spanish values are relatively close to their book values (around EUR 1.6 per share in the calculation). If even a moderate part of the Finnish success story could be replicated overseas in the coming years, the stock would be very cheap in the medium term.

Recommendation

Accumulate
(previous Buy)

EUR 6.30
(previous EUR 6.3C)

Share price:
5.60



Key figures

	2023	2024e	2025e	2026e
Revenue	122	131	147	167
growth-%	19%	8%	12%	13%
EBIT adj.	11.1	14.1	20.5	26.8
EBIT-% adj.	9.1 %	10.8 %	13.9 %	16.0 %
Net Income	3.4	7.6	12.4	17.3
EPS (adj.)	0.14	0.16	0.27	0.37
P/E (adj.)	43.2	34.0	21.0	15.0
P/B	5.0	4.7	4.5	4.0
Dividend yield-%	3.1 %	3.6 %	3.8 %	3.9 %
EV/EBIT (adj.)	32.1	24.1	16.9	12.8
EV/EBITDA	11.2	9.3	7.9	6.6
EV/S	2.9	2.6	2.3	2.1

Source: Inderes

Guidance

(Unchanged)

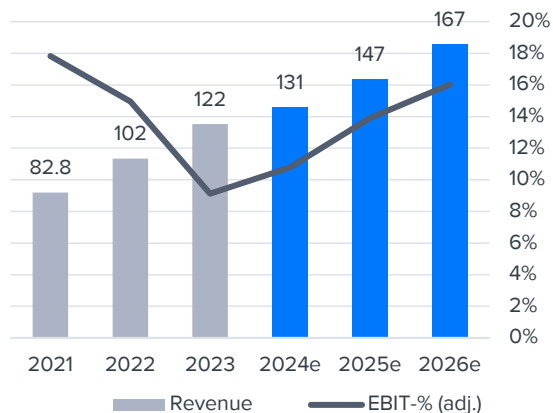
Talenom estimates that 2024 revenue will be about 130-140 MEUR, EBITDA 34-40 MEUR and EBIT 14-17 MEUR.

Share price



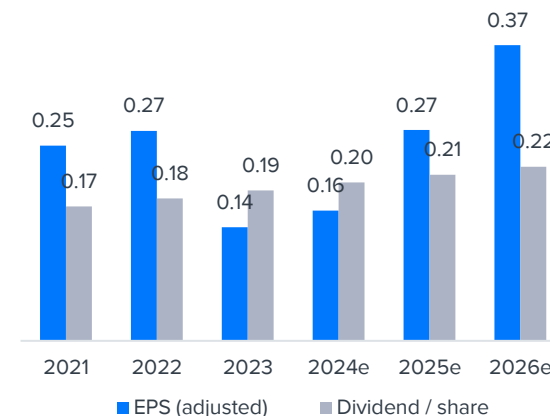
Source: Millstream Market Data AB

Revenue and EBIT-%



Source: Inderes

EPS and dividend



Source: Inderes



Value drivers

- Strong earnings growth after the acquisition-driven growth phase
- Clear competitive advantages contribute to increasing the market share
- Growth of Swedish and Spanish businesses and significant profitability improvement
- Fragmented market is transforming, which opens new opportunities
- Business model that utilizes economies of scale strengthens with growth
- In the long term, expansion elsewhere in Europe



Risk factors

- Failure to improve efficiency and profitability in Sweden
- Failure in internationalization
- Competitive advantage relies on technology, whose development tends to be fast
- Potential drop in customer retention
- Potential tightening competition in digital financial management
- Transformation can bring new challengers to the industry
- Risks associated with the balance sheet have increased

Valuation	2024e	2025e	2026e
Share price	5.60	5.60	5.60
Number of shares, millions	45.9	46.4	46.4
Market cap	257	260	260
EV	340	346	342
P/E (adj.)	34.0	21.0	15.0
P/E	34.0	21.0	15.0
P/B	4.7	4.5	4.0
P/S	2.0	1.8	1.6
EV/Sales	2.6	2.3	2.1
EV/EBITDA	9.3	7.9	6.6
EV/EBIT (adj.)	24.1	16.9	12.8
Payout ratio (%)	122%	78.9%	58.9%
Dividend yield-%	3.6%	3.8%	3.9%

Source: Inderes

Challenges with growth

Finland's profitability was put back on track

Talenom's revenue growth in Finland remained close to zero in Q1 (+0.1%). Due to the difficult market situation, we expected growth of 1%, so revenue of 23.4 MEUR was a slight disappointment (forecast 23.6 MEUR). The normally highly defensive accounting market has struggled with the Finnish economic slowdown, which has hit the SME sector hard. Talenom has been able to compensate for the decline in transaction volumes and customer prices, for example in the construction sector, by acquiring new customers, but this was no longer sufficient for growth.

The weaker-than-expected top-line growth is also reflected in profitability, although costs developed in line with expectations. Finland's EBITDA amounted to 9.3 MEUR, corresponding to an EBITDA margin of a commendable 39.7%. Compared to the same period last year (Q1'23: 35.0%), the EBITDA margin improved significantly due to the soft cost savings implemented last year. According to the company, the resource situation in Finland is now balanced, but there is still room for improvement in profitability. However, we estimate that this would require an increase in revenue. In any case, business in Finland has returned to profit growth, as expected.

Sweden's development did not meet our expectations

Revenue in Sweden increased by 3.4% to 7.0 MEUR in Q1, below of our forecast of 7.9 MEUR. The disappointment may have been due to the low number of working days in the March season (timing of Easter), which we will be able to assess better after Q2. Organic growth remained weak and the company said the limited growth was mainly due to acquisitions. According to the company, growth and profitability in Sweden have been weakened by the spill-over effects of the economic downturn.

Sweden had a zero EBITDA margin, which was a clear disappointment for us. We expected Sweden to achieve an EBITDA margin of 7% in a seasonally strong period (Q1'23: 12.6%), even though the implementation of proprietary software takes resources and incurs costs. However, by far the biggest deviation came already in the top line. According to the company, the roll-out of its own software in Sweden has gone according to plan and the company has been able to demonstrate the benefits of operational efficiencies on a small scale. Talenom estimates that the implementation of the processes and platform will enable a reduction in routine working time of up to 75% of the current level.

This provides a strong basis for profitability improvements, but these will take years to fully materialize. On the positive side, we believe that most of the other integration activities in Sweden were completed in Q1, which will ease some of the cost pressure as the year progresses. However, the introduction of proprietary software will weigh on results throughout the year.

Other countries (Spain)

In Spain, Talenom's revenue amounted to 3.7 MEUR, an increase of more than 200%. The lion's share came from acquisitions, but the company said there was also evidence of organic growth. In contrast to Finland and Sweden, the Spanish market is growing at a good pace. EBITDA in Spain was also close to zero, as high fixed costs in support functions were covered by a profitable accounting business. Still, the development was slightly below our forecasts, as we expected a revenue of 3.9 MEUR and an EBITDA margin of 0.2 MEUR in Spain. We got the cost structure right, but we were optimistic about growth across the board. In Spain, the actual reporting period is slightly later than in the Nordic countries, so again we will know more after Q2.

Estimates MEUR / EUR	Q1'23	Q1'24	Q1'24e	Q1'24e	Consensus		Difference (%)	2024e
	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. inderes	Inderes
Revenue	31.3	34.1	35.7	35.2	34.8	- 35.7	-4%	131
EBITDA	8.4	9.5	10.2	9.5	9.1	- 10.2	-7%	36.6
EBIT	3.5	3.9	4.5	3.9	3.6	- 4.5	-15%	14.1
EPS (adj.)	0.05	0.04	0.06	0.06	0.05	- 0.06	-25%	0.16
Revenue growth-%	24.2 %	8.8 %	13.9 %	12.4 %	11.1 %	- 13.9 %	-5.1 pp	7.7 %
EBIT-% (adj.)	11.0 %	11.3 %	12.7 %	11.1 %	10.3 %	- 12.7 %	-1.4 pp	10.8 %

Source: Inderes & Bloomberg (3 forecasts, collected 4/12/2024) (consensus)

Weakening growth outlook weighed on forecasts

Guidance unchanged, but the outlook has deteriorated

As expected, Talenom's guidance was unchanged, i.e., the company expects 2024 revenue of approximately 130-140 MEUR, EBITDA of 34-40 MEUR and EBIT of 14-17 MEUR. However, the market outlook has deteriorated for Finland and to some extent also for Sweden. The Finnish accounting market has performed poorly as the SME sector continues to struggle, with no clear turnaround in sight as interest rates remain high. Although the general malaise was well known, the continued decline in transaction volumes in Q1 was disappointing. The situation in Sweden is slightly better, but still weak. In Spain, the accounting market is growing with the economy, but its role in the group is limited for the time being (12% of revenue in 2024e).

As an economic recovery traditionally takes about six months to materialize for Talenom, 2024 is likely to pass in a weak market environment. We expect the situation to ease toward the end of the year, but we have lowered our growth forecasts almost across the board. This also puts pressure on profitability and

expectations for future earnings growth. Our 2024 estimates are now close to the low end of the guidance range, and we lowered our projections for the following few years by about 5%. Still, the earnings growth outlook is very good once the market headwinds end.

Finland delivers results despite difficulties

We expect revenue growth in Finland to be around 0.5% in Q2 and to pick up towards 3% for the rest of the year. This is due not only to a slight easing of the market, but also to weaker comparison periods. So growth will be modest this year (+1.3% forecast), but we estimate that the Finnish business will still be able to achieve an EBITDA margin of around 39.5% in 2024 if it can maintain cost discipline. This would mean a significant improvement in Finland's earnings and an increase in adjusted EBIT to around 17.4 MEUR (2023: 14.5 MEUR), which is critical for the guidance. This year again, Finland is responsible for the group's results.

Year of implementation in Sweden

In Sweden, acquisitions made in 2023 will continue to provide modest inorganic growth, but we expect

organic growth to slow. We expect revenue to grow just over 4% in 2024, with organic growth accelerating slightly toward the end of the year. For Sweden, success this year in implementing its own software, training staff, improving efficiency and creating the conditions for organic growth will be crucial. Next year, revenue growth can be scaled up thanks to increased efficiency, and Sweden will then be in a position for strong earnings growth.

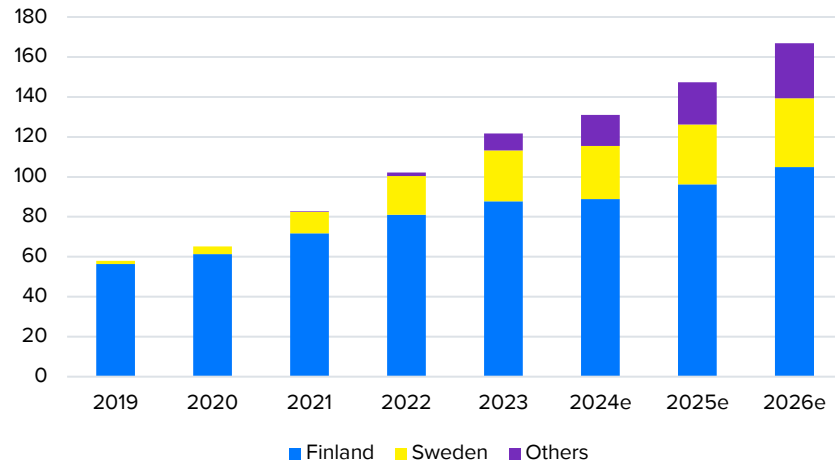
Spain is growing to scale

In Spain, growth will continue to be strong due to the acquisitions already made, and we expect a few more acquisitions towards the end of the year. We expect revenue to grow by more than 80% to 15.6 MEUR and EBITDA to turn positive this year. Profit improvement will still be sluggish as the company sets the stage for organic growth, which we expect to accelerate towards the end of the year and further next year. The scaling of growth depends to a large extent on the efficiency of growth efforts, but the outlook for earnings growth is still very good for the coming years. In the small Italian business, the recipe also relies on organic growth, at least at this stage.

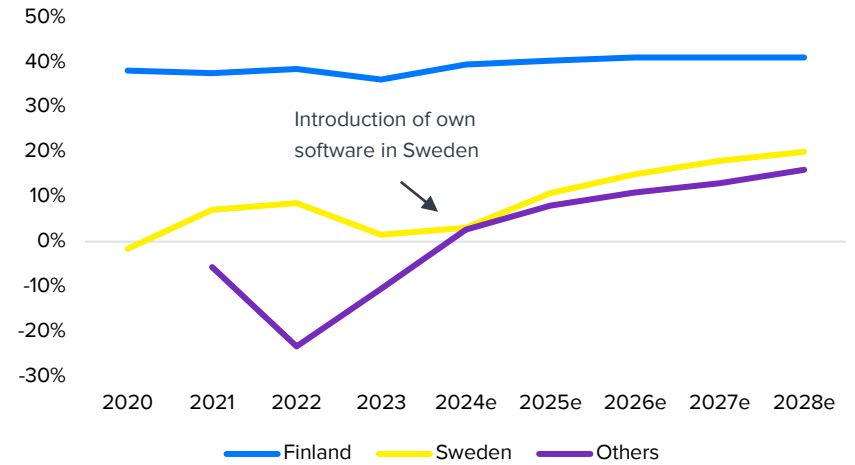
Estimate revisions	2024e			2025e			2026e		
	Old	New	Change %	Old	New	Change %	Old	New	Change %
MEUR / EUR									
Revenue	135	131	-3%	152	147	-3%	173	167	-3%
EBITDA	37.8	36.6	-3%	44.8	43.9	-2%	52.7	51.6	-2%
EBIT (exc. NRIs)	15.3	14.1	-8%	21.4	20.5	-4%	27.8	26.8	-4%
EBIT	15.3	14.1	-8%	21.4	20.5	-4%	27.8	26.8	-4%
PTP	11.2	10.0	-11%	17.2	16.3	-5%	23.7	22.5	-5%
EPS (excl. NRIs)	0.19	0.16	-12%	0.29	0.27	-8%	0.40	0.37	-6%
DPS	0.20	0.20	0%	0.21	0.21	0%	0.22	0.22	0%

Country-specific forecasts in graphs

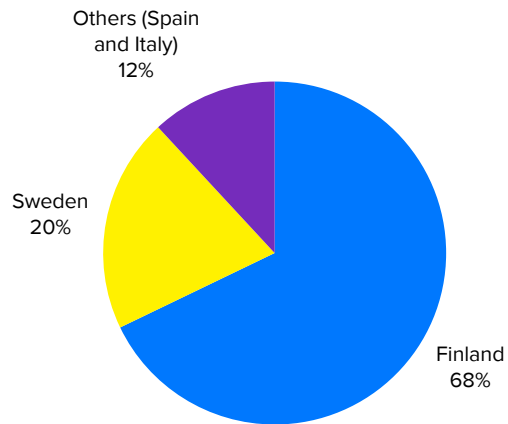
Revenue development in different countries (MEUR)



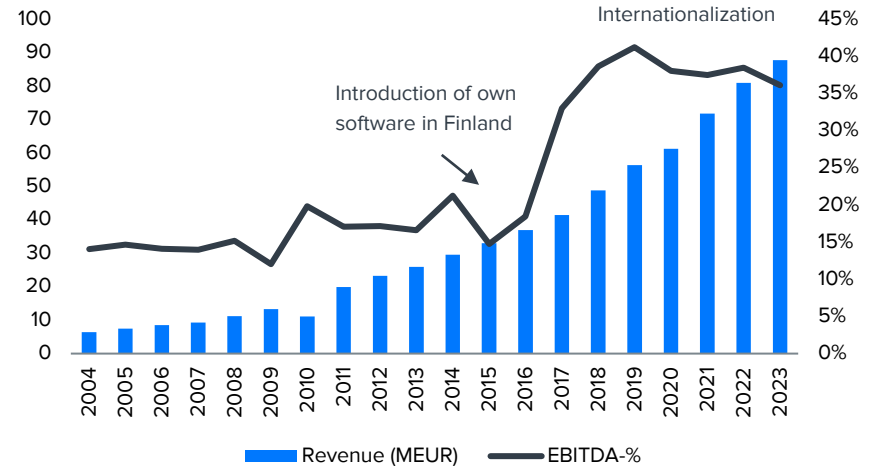
EBITDA margins by country (%)



Revenue breakdown (2024e)



Key figures for Finnish business



Valuation is reasonable, but requires earnings growth

Valuation multiples are reasonable

In our view, Talenom's valuation is relatively neutral after the share price increase and forecast cuts. The company is returning to earnings growth this year, but profitability remains weak as the international business continues to drag. The stock's 2024e P/E of 34x and EB/EBIT of 24x are high in absolute terms, but in our view reasonable for the earnings growth potential. Visibility to 2025 is still limited, but with the projected performance the multiples (P/E 21x and EV/EBIT 17x) are quite attractive. However, relying on them is a bit risky for the time being, as the visibility of developments in Sweden is still too low.

We believe that Talenom's EBIT margin will reach at least 15% in the medium term (2020: 10.8%, 2020: 19.8%), if the company succeeds in international growth at least moderately. This gives Talenom excellent medium-term earnings growth prospects, but in the coming years the focus of earnings growth will increasingly shift to international operations. The risks associated with these are significantly higher than in Finland.

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

term. However, the game is long and still largely unfinished.

Sum of the parts

When Finland generates the Group's earnings and others destroy it, the image reflected by the valuation multiples does not give any value to the international business. Thus, the valuation multiples for the next few years abandon the entire potential of the international business, which we believe in in the medium term. We have therefore also reviewed the valuation of Talenom on a sum-of-the-parts basis.

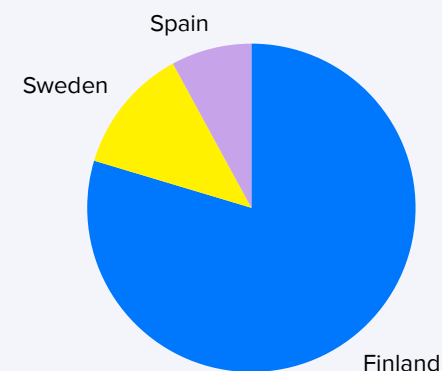
In our view, the sum of Talenom's parts is still around EUR 6.3 per share. The slight forecast changes are slightly reflected in the value of the Finnish business, but we still value the business at 287 MEUR (2024e EV/EBIT 16x) in our calculation. Sweden is valued at around 45 MEUR and Spain (incl. Italy) at around 29 MEUR. Together, they amount to around EUR 1.6 per share, which is relatively close to their book value (investments made). At the end of 2024, Talenom is estimated to have net interest-bearing debt of approximately 73 MEUR (excluding IFRS 16 liabilities), which is deducted from the enterprise value (EV). This brings the indicative market value of the sum of the parts to around 287 MEUR.

We believe that the calculation gives a reasonable picture of the distribution of Talenom's share value. In Finland, the value is very tangible, while in international business it is largely based on future potential and on the investments made. But if international growth turns sour, the destruction of value is likely to be limited. We think the company has a lot of potential, but even in a good scenario, it will take a significant amount of time to unlock it.

Valuation	2024e	2025e	2026e
Share price	5.60	5.60	5.60
Number of shares, millions	45.9	46.4	46.4
Market cap	257	260	260
EV	340	346	342
P/E (adj.)	34.0	21.0	15.0
P/E	34.0	21.0	15.0
P/B	4.7	4.5	4.0
P/S	2.0	1.8	1.6
EV/Sales	2.6	2.3	2.1
EV/EBITDA	9.3	7.9	6.6
EV/EBIT (adj.)	24.1	16.9	12.8
Payout ratio (%)	122%	78.9 %	58.9 %
Dividend yield-%	3.6 %	3.8 %	3.9 %

Source: Inderes

EV breakdown

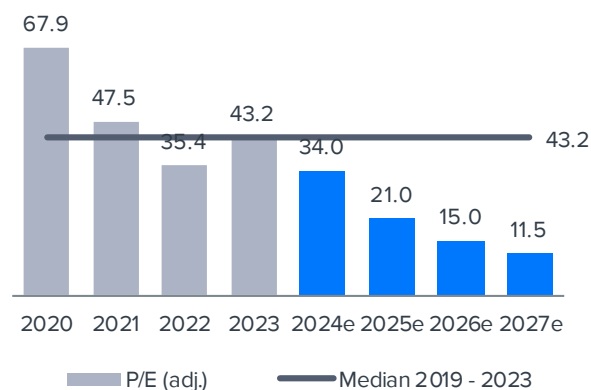


Valuation table

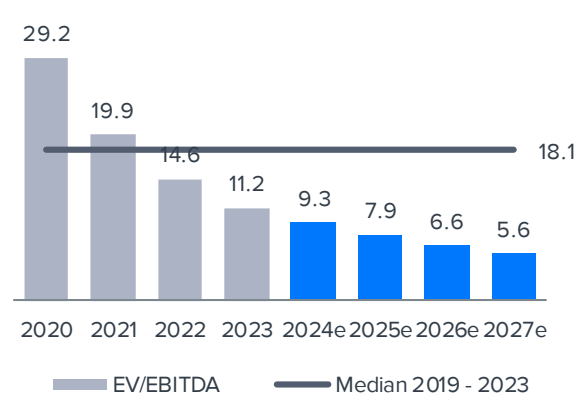
Valuation	2019	2020	2021	2022	2023	2024e	2025e	2026e	2027e
Share price	7.50	15.1	11.7	9.39	6.20	5.60	5.60	5.60	5.60
Number of shares, millions	41.7	43.2	43.8	44.5	45.4	45.9	46.4	46.4	46.4
Market cap	313	650	512	420	282	257	260	260	260
EV	342	679	552	475	357	340	346	342	328
P/E (adj.)	41.1	67.9	47.5	35.4	43.2	34.0	21.0	15.0	11.5
P/E	41.1	67.9	47.5	35.4	83.7	34.0	21.0	15.0	11.5
P/B	13.3	20.2	11.5	7.5	5.0	4.7	4.5	4.0	3.3
P/S	5.4	10.0	6.2	4.1	2.3	2.0	1.8	1.6	1.4
EV/Sales	5.9	10.4	6.7	4.6	2.9	2.6	2.3	2.1	1.8
EV/EBITDA	18.1	29.2	19.9	14.6	11.2	9.3	7.9	6.6	5.6
EV/EBIT (adj.)	32.8	52.7	37.4	31.1	32.1	24.1	16.9	12.8	10.1
Payout ratio (%)	68.4 %	67.7 %	69.0 %	68.3 %	256.6 %	121.5 %	78.9 %	58.9 %	51.2 %
Dividend yield-%	1.7 %	1.0 %	1.5 %	1.9 %	3.1 %	3.6 %	3.8 %	3.9 %	4.5 %

Source: Inderes

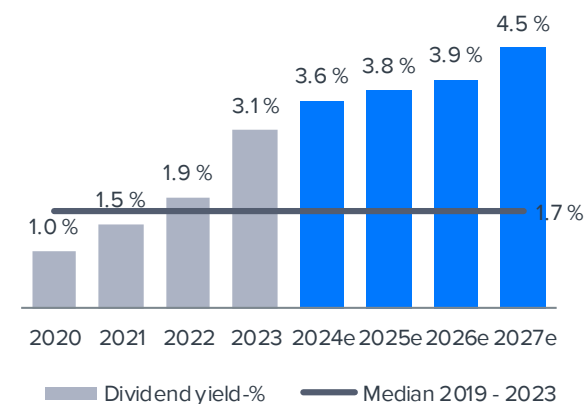
P/E (adj.)



EV/EBITDA



Dividend yield-%



Peer group valuation

Peer group valuation	Market cap	EV	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%	
Company	MEUR	MEUR	2024e	2025e	2024e	2025e	2024e	2025e	2024e	2025e	2024e	2025e
Aallon Group	32	32	10.1	9.0	6.3	5.7	0.9	0.9	12.7	12.1	2.8	2.9
Fortnox	3314	3282	42.4	32.8	30.0	27.3	18.4	14.8	54.1	42.0	0.4	0.5
Admicom	208	198	17.3	14.7	17.0	14.4	5.7	5.1	22.5	19.4	1.6	1.8
ECIT	203	308	10.3	9.0	6.5	5.9	0.9	1.0	13.5	11.4	0.9	0.9
Administer	37	49	97.7	32.6	8.1	6.5	0.6	0.6	43.3	14.1	1.7	3.1
Xero	10916	10916	89	58	41	32	11.6	9.9	123	76		
Enento	387	527	15.2	12.9	9.5	8.6	3.4	3.3	19.1	15.1	6.1	6.4
Fondia	26	22	8.9	6.9	7.0	5.7	0.8	0.7	13.0	10.6	5.2	6.1
Vincit	44	33	7.7	5.1	6.3	4.6	0.4	0.3	14.3	9.4	5.6	6.3
Gofore	345	320	12.4	9.7	10.6	8.6	1.6	1.4	16.5	13.4	2.3	2.6
Etteplan	349	407	11.4	9.4	7.8	6.7	1.1	1.0	13.8	11.7	2.7	3.6
Talenom (Inderes)	257	340	24.1	16.9	9.3	7.9	2.6	2.3	34.0	21.0	3.6	3.8
Average			29.3	18.1	13.6	11.5	4.1	3.5	31.4	21.4	2.9	3.4
Median			12.4	9.7	8.1	6.7	1.1	1.0	16.5	13.4	2.5	3.0
Diff-% to median			95%	75%	14%	18%	145%	142%	107%	57%	44%	25%

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	102	31.3	32.4	28.3	29.7	122	34.1	35.1	30.3	31.7	131	147	167	187
Finland	81.0	23.4	23.3	20.3	20.8	87.8	23.4	23.4	20.7	21.4	88.9	96.3	105	113
Sweden	19.4	6.7	7.3	5.5	5.9	25.5	7.0	7.5	5.8	6.3	26.5	29.9	34.4	39.6
Other countries	1.7	1.2	1.8	2.5	3.0	8.5	3.7	4.1	3.8	4.0	15.6	21.2	27.6	34.5
EBITDA	32.4	8.4	8.9	7.6	7.0	31.9	9.5	10.2	8.4	8.5	36.6	43.9	51.6	58.4
Depreciation	-17.1	-4.9	-5.2	-8.4	-5.4	-23.9	-5.6	-5.6	-5.6	-5.6	-22.5	-23.4	-24.9	-25.8
EBIT (excl. NRI)	15.3	3.5	3.7	2.4	1.6	11.1	3.9	4.6	2.8	2.9	14.1	20.5	26.8	32.6
EBIT	15.3	3.5	3.7	-0.8	1.6	8.0	3.9	4.6	2.8	2.9	14.1	20.5	26.8	32.6
Finland	16.0	4.0	3.8	3.4	3.2	14.5	4.9	5.2	3.6	3.7	17.4	20.7	24.2	27.1
Sweden	-0.1	0.3	0.0	-0.7	-1.8	-2.2	-0.7	-0.3	-0.5	-0.5	-2.0	0.3	2.0	3.7
Other countries	-0.6	-0.5	-0.4	-0.4	-0.6	-1.9	-0.5	-0.3	-0.4	-0.4	-1.5	-0.5	0.6	1.8
Non-allocated	0.0	-0.3	0.2	-3.2	0.7	-2.5	0.3	0.0	0.0	0.0	0.3	0.0	0.0	0.0
Net financial items	-0.7	-0.7	-0.8	-1.1	-1.1	-3.7	-1.0	-1.1	-1.0	-1.0	-4.1	-4.2	-4.3	-3.5
PTP	14.6	2.7	2.9	-1.9	0.5	4.3	2.8	3.5	1.8	1.9	10.0	16.3	22.5	29.1
Taxes	-2.8	-0.7	-0.7	0.2	0.3	-0.9	-0.8	-0.8	-0.4	-0.4	-2.4	-3.9	-5.2	-6.4
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	11.8	2.1	2.2	-1.7	0.8	3.4	2.0	2.7	1.4	1.5	7.6	12.4	17.3	22.7
EPS (adj.)	0.27	0.05	0.05	0.03	0.02	0.14	0.04	0.06	0.03	0.03	0.16	0.27	0.37	0.49
EPS (rep.)	0.27	0.05	0.05	-0.04	0.02	0.07	0.04	0.06	0.03	0.03	0.16	0.27	0.37	0.49

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-%	23.3 %	24.2 %	20.1 %	20.0 %	12.8 %	19.2 %	8.8 %	8.2 %	7.0 %	6.6 %	7.7 %	12.5 %	13.2 %	12.3 %
Adjusted EBIT growth-%	3.4 %	-28.9 %	-28.6 %	-22.3 %	-27.4 %	-27.2 %	11.5 %	24.4 %	17.0 %	82.8 %	27.2 %	45.0 %	30.7 %	21.6 %
EBITDA-%	31.7 %	26.7 %	27.3 %	27.0 %	23.7 %	26.2 %	27.9 %	29.0 %	27.8 %	27.0 %	27.9 %	29.8 %	30.9 %	31.2 %
Adjusted EBIT-%	15.0 %	11.0 %	11.3 %	8.4 %	5.4 %	9.1 %	11.3 %	13.0 %	9.2 %	9.2 %	10.8 %	13.9 %	16.0 %	17.4 %
Net earnings-%	11.6 %	6.6 %	6.7 %	-6.0 %	2.8 %	2.8 %	6.0 %	7.6 %	4.6 %	4.7 %	5.8 %	8.4 %	10.4 %	12.1 %

Source: Inderes

Balance sheet

Assets	2022	2023	2024e	2025e	2026e
Non-current assets	123	145	155	164	170
Goodwill	55.0	66.6	70.6	74.6	76.6
Intangible assets	54.2	62.7	67.3	71.5	74.9
Tangible assets	2.8	4.7	5.5	6.1	6.5
Associated companies	0.0	0.0	0.0	0.0	0.0
Other investments	0.3	0.2	0.2	0.2	0.2
Other non-current assets	9.9	9.4	9.6	9.8	10.0
Deferred tax assets	0.4	1.5	1.5	1.5	1.5
Current assets	30.5	29.2	31.5	35.4	40.1
Inventories	0.0	0.0	0.0	0.0	0.0
Other current assets	0.0	0.0	0.0	0.0	0.0
Receivables	14.5	19.0	20.4	23.0	26.0
Cash and equivalents	16.0	10.3	11.0	12.4	14.1
Balance sheet total	156	176	186	197	207

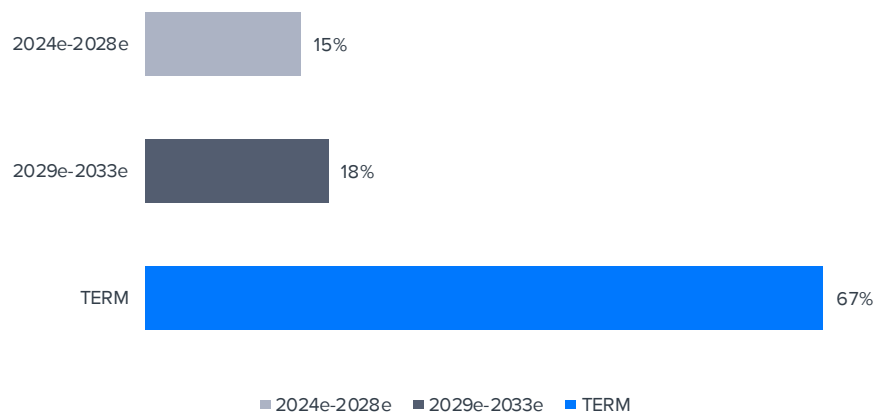
Source: Inderes

Liabilities & equity	2022	2023	2024e	2025e	2026e
Equity	56.0	55.8	54.7	57.9	65.5
Share capital	0.1	0.1	0.1	0.1	0.1
Retained earnings	29.1	24.9	23.8	27.0	34.5
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	26.9	30.9	30.9	30.9	30.9
Minorities	0.0	0.0	0.0	0.0	0.0
Non-current liabilities	62.3	81.4	82.7	90.4	88.5
Deferred tax liabilities	3.0	4.3	4.3	4.3	4.3
Provisions	0.0	0.0	0.0	0.0	0.0
Interest bearing debt	56.4	76.4	77.8	85.4	83.6
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	2.8	0.6	0.6	0.6	0.6
Current liabilities	38.0	38.5	48.1	49.0	53.3
Interest bearing debt	13.7	9.0	16.4	13.4	12.9
Payables	24.3	29.4	31.7	35.7	40.4
Other current liabilities	0.0	0.0	0.0	0.0	0.0
Balance sheet total	156	176	186	197	207

DCF calculation

DCF model	2023	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	TERM
Revenue growth-%	19.2 %	7.7 %	12.5 %	13.2 %	12.3 %	10.0 %	7.0 %	5.0 %	5.0 %	5.0 %	3.0 %	3.0 %
EBIT-%	6.5 %	10.8 %	13.9 %	16.0 %	17.4 %	17.0 %	16.0 %	15.5 %	15.0 %	15.0 %	15.0 %	15.0 %
EBIT (operating profit)	8.0	14.1	20.5	26.8	32.6	35.0	35.3	35.9	36.5	38.3	39.4	
+ Depreciation	23.9	22.5	23.4	24.9	25.8	27.1	28.2	29.7	31.0	31.9	32.9	
- Paid taxes	-0.7	-2.4	-3.9	-5.2	-6.4	-7.0	-7.1	-7.3	-7.5	-7.9	-8.2	
- Tax, financial expenses	-0.8	-1.0	-1.0	-1.0	-0.8	-0.7	-0.7	-0.6	-0.6	-0.6	-0.5	
+ 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	0.6	0.8	1.4	1.7	1.8	1.6	1.2	0.9	1.0	1.0	0.7	
Operating cash flow	31.1	34.0	40.4	47.1	53.0	56.1	57.0	58.6	60.4	62.8	64.4	
+ Change in other long-term liabilities	-2.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-43.5	-30.2	-31.2	-30.2	-26.1	-34.5	-33.2	-33.3	-34.9	-36.0	-35.8	
Free operating cash flow	-14.6	3.8	9.2	17.0	26.9	21.6	23.8	25.3	25.5	26.8	28.6	
+/- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	-14.6	3.8	9.2	17.0	26.9	21.6	23.8	25.3	25.5	26.8	28.6	562
Discounted FCFF		3.6	8.1	13.7	20.1	14.9	15.2	14.9	13.9	13.5	13.3	261
Sum of FCFF present value		392	388	380	367	347	332	317	302	288	274	261
Enterprise value DCF		392										
- Interest bearing debt		-85.5										
+ Cash and cash equivalents		10.3										
-Minorities		0.0										
-Dividend/capital return		-8.6										
Equity value DCF		308										
Equity value DCF per share		6.7										

Cash flow distribution

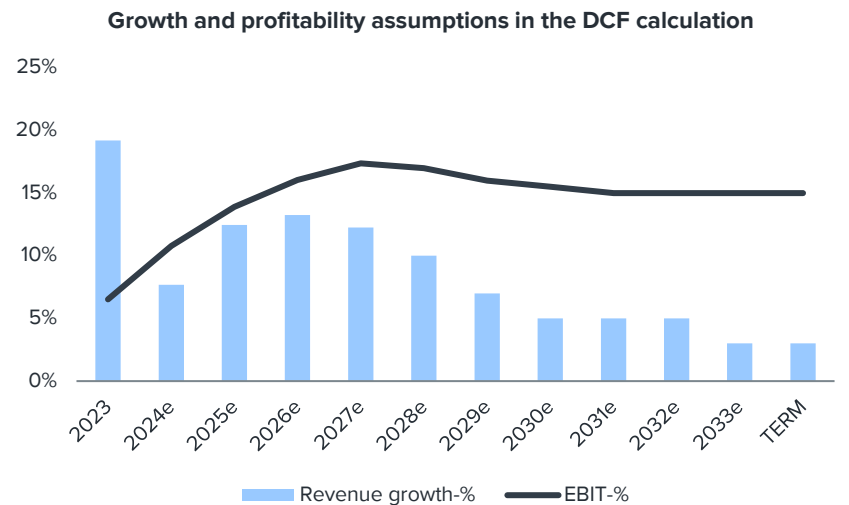
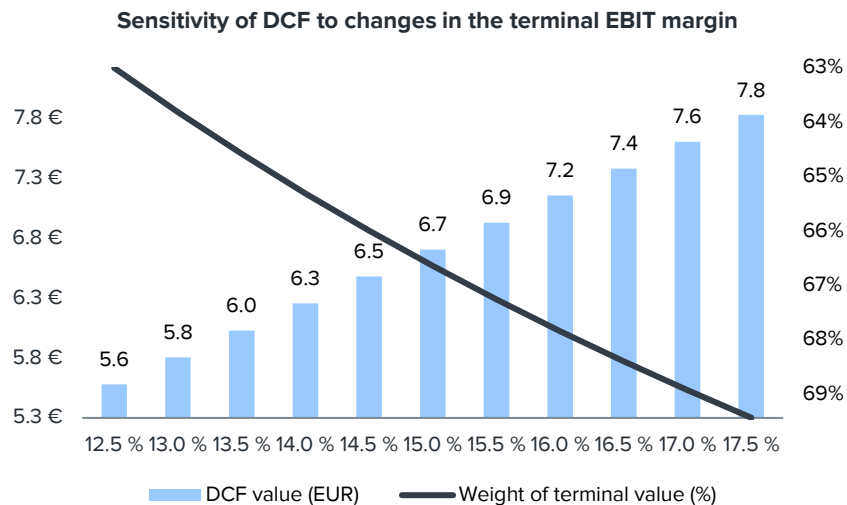
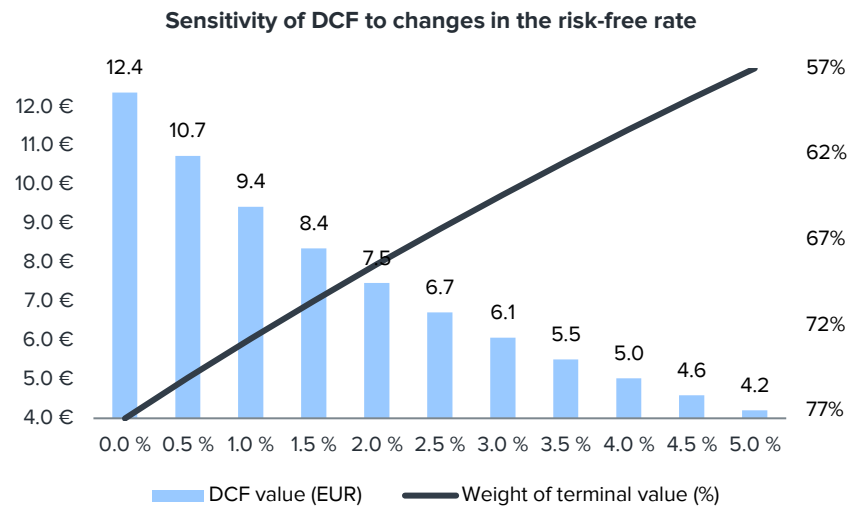
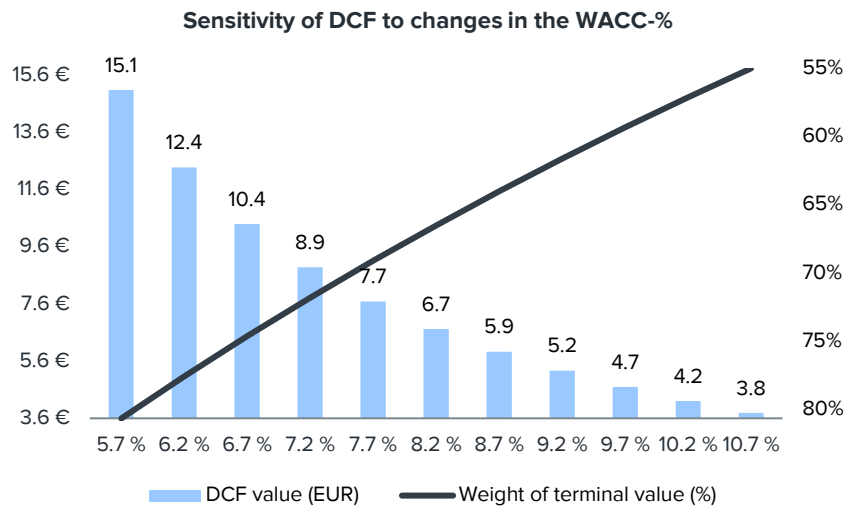


WACC

Tax-% (WACC)	22.0 %
Target debt ratio (D/(D+E))	20.0 %
Cost of debt	4.5 %
Equity Beta	1.33
Market risk premium	4.75%
Liquidity premium	0.60%
Risk free interest rate	2.5 %
Cost of equity	9.4 %
Weighted average cost of capital (WACC)	8.2 %

Source: Inderes

DCF sensitivity calculations and key assumptions in graphs



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	82.8	102.1	121.7	131.1	147.4	EPS (reported)	0.25	0.27	0.07	0.16	0.27
EBITDA	27.7	32.4	31.9	36.6	43.9	EPS (adj.)	0.25	0.27	0.14	0.16	0.27
EBIT	14.8	15.3	8.0	14.1	20.5	OCF / share	0.66	0.68	0.68	0.74	0.87
PTP	14.0	14.6	4.3	10.0	16.3	FCF / share	-0.26	-0.31	-0.32	0.08	0.20
Net Income	10.8	11.8	3.4	7.6	12.4	Book value / share	1.02	1.26	1.23	1.19	1.25
Extraordinary items	0.0	0.0	-3.2	0.0	0.0	Dividend / share	0.17	0.18	0.19	0.20	0.21
Balance sheet	2021	2022	2023	2024e	2025e	Growth and profitability	2021	2022	2023	2024e	2025e
Balance sheet total	117.7	156.3	175.7	185.6	197.3	Revenue growth-%	27%	23%	19%	8%	12%
Equity capital	44.7	56.0	55.8	54.7	57.9	EBITDA growth-%	19%	17%	-2%	15%	20%
Goodwill	37.3	55.0	66.6	70.6	74.6	EBIT (adj.) growth-%	15%	3%	-27%	27%	45%
Net debt	39.2	54.1	75.2	83.2	86.3	EPS (adj.) growth-%	11%	8%	-46%	15%	62%
Cash flow	2021	2022	2023	2024e	2025e	EBITDA-%	33.4 %	31.7 %	26.2 %	27.9 %	29.8 %
EBITDA	27.7	32.4	31.9	36.6	43.9	EBIT (adj.)-%	17.8 %	15.0 %	9.1 %	10.8 %	13.9 %
Change in working capital	3.3	0.2	0.6	0.8	1.4	EBIT-%	17.8 %	15.0 %	6.5 %	10.8 %	13.9 %
Operating cash flow	28.9	30.4	31.1	34.0	40.4	ROE-%	28.1 %	23.4 %	6.0 %	13.7 %	21.9 %
CAPEX	-41.9	-44.9	-43.5	-30.2	-31.2	ROI-%	18.0 %	13.9 %	6.1 %	9.8 %	13.5 %
Free cash flow	-11.3	-13.8	-14.6	3.8	9.2	Equity ratio	38.2 %	35.9 %	31.8 %	29.5 %	29.4 %
						Gearing	87.7 %	96.6 %	134.7 %	151.9 %	149.1 %
Valuation multiples	2021	2022	2023	2024e	2025e						
EV/S	6.7	4.6	2.9	2.6	2.3						
EV/EBITDA (adj.)	19.9	14.6	11.2	9.3	7.9						
EV/EBIT (adj.)	37.4	31.1	32.1	24.1	16.9						
P/E (adj.)	47.5	35.4	43.2	34.0	21.0						
P/B	11.5	7.5	5.0	4.7	4.5						
Dividend-%	1.5 %	1.9 %	3.1 %	3.6 %	3.8 %						

Source: Inderes

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Recommendation history (>12 mo)

The company made a 1/5 split on 25 February 2020, share prices and target prices adjusted.

Date	Recommendation	Target	Share price
7/24/2019	Accumulate	6.00 €	5.68 €
7/30/2019	Accumulate	6.33 €	6.02 €
10/22/2019	Accumulate	6.33 €	5.67 €
1/8/2020	Reduce	7.33 €	7.42 €
2/4/2020	Reduce	7.00 €	6.97 €
2/26/2020	Accumulate	6.80 €	6.40 €
4/1/2020	Reduce	6.00 €	5.88 €
4/28/2020	Accumulate	7.50 €	7.14 €
6/15/2020	Reduce	8.20 €	8.20 €
8/4/2020	Reduce	9.00 €	9.32 €
10/27/2020	Reduce	10.00 €	10.20 €
11/19/2020	Reduce	12.00 €	12.20 €
2/9/2021	Reduce	12.00 €	12.50 €
3/2/2021	Accumulate	12.00 €	11.15 €
4/27/2021	Reduce	14.00 €	14.12 €
8/3/2021	Reduce	16.00 €	16.72 €
10/1/2021	Accumulate	15.00 €	13.98 €
11/2/2021	Accumulate	15.50 €	14.50 €
12/17/2021	Accumulate	13.50 €	11.92 €
2/9/2022	Buy	12.00 €	9.84 €
4/13/2022	Buy	12.00 €	9.99 €
4/27/2022	Buy	12.00 €	10.00 €
8/3/2022	Reduce	12.50 €	12.30 €
10/26/2022	Reduce	9.50 €	9.39 €
2/1/2023	Reduce	9.00 €	9.09 €
3/27/2023	Accumulate	9.00 €	7.69 €
4/21/2023	Accumulate	8.80 €	7.88 €
7/24/2023	Accumulate	8.00 €	6.96 €
10/13/2023	Buy	6.00 €	4.65 €
10/23/2023	Buy	6.00 €	4.70 €
12/28/2023	Accumulate	6.50 €	6.03 €
2/2/2024	Reduce	6.30 €	6.20 €
3/19/2024	Buy	6.30 €	5.18 €
4/19/2024	Accumulate	6.30 €	5.60 €



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