Admicom

Extensive report

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Inderes corporate customer

This report is a summary translation of the report “Valmiina kasvun kiihdyttämiseen markkinan piristyessä” published on 6/25/2024 at 8:00 am EEST.

Ready to accelerate growth when market picks up

We reiterate our Accumulate recommendation and target price of EUR 52.0 for Admicom, a specialist in construction software. Admicom's share price, and thus its valuation, has rebounded significantly from its lows in the fall of 2023, when concerns about the impact of a weak construction cycle on the company were at their highest. Since then, the company has demonstrated its ability to grow organically also in this market while delivering good earnings and cash flow. Going forward, earnings growth will be a more prominent driver of expected returns, although there may still be room for valuation multiples to rise as growth picks up.

Comprehensive SaaS software provider for construction industry SMEs

At the core of Admicom's solution offering is the Ultima ERP system (formerly Adminet), developed especially for SMEs, and its complementary accounting services. The core idea of a solution offered as a scalable SaaS software is the advance automation and a comprehensive solution that considers the special characteristics of the construction industry. The acquisitions made by the company in recent years have expanded the offering, e.g., into cost accounting, project management and documentation. At the same time, the enlarged customer base (>3,000 customers) offers additional and cross-selling potential when the Finnish construction market picks up.

A high-quality company that has undergone significant changes in recent years in a difficult market environment

Admicom's investment profile combines strong long-term growth potential, excellent profitability and cash flow with good continuity, scalability and predictability of the business model. The company's revenue has increased by an average of 29% in 2015-2022 and the EBITA margin was 37% last year. In recent years, however, organic growth has slowed due to a major organizational change and a weakening of the construction cycle. At the same time, increased investments in the next phase of growth and internationalization have pushed the company's profitability from historically high levels. However, the major investments have been made and like the company has demonstrated in the past, future growth should be reflected more strongly in earnings. Admicom's strong market position and competitive product offering in Finland put the company in a good position to return to an accelerated growth path when the market situation improves. In addition, international expansion has the potential to multiply the market potential, and a first opening in this area is targeted for later this year. The degree of digitalization in construction is well below other industries and, in coming decades, the digitalization of the industry will offer huge growth opportunities for companies working in this area.

Attractive valuation when looking past the weak construction cycle

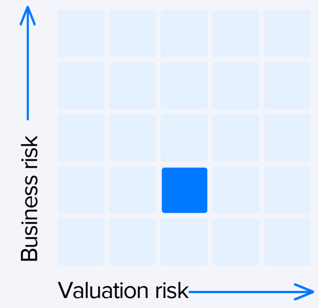
Based on our forecasts, Admicom's adjusted EV/EBIT multiple for 2024 (19x) is high only in light of the current year's sluggish growth and weakening profitability. However, we expect 2024 to remain the bottom year for earnings, with Admicom's growth accelerating in the medium term as the construction cycle recovers. EV/EBIT multiples for 2026-2027 (14x-11x) fall to attractive levels in our forecasts, reflecting Admicom's value-creation potential as earnings growth resumes. Thanks to Admicom's strong cash flow profile, the company's free cash flow conversion ratio from earnings is very good, which together with good long-term growth prospects justifies the relatively high valuation multiples in our view.

Recommendation

Accumulate
(previous Accumulate)

EUR 52.00
(previous EUR 52.00)

Share price:
46.65



Key figures

	2023	2024e	2025e	2026e
Revenue	34.3	35.0	37.7	41.8
growth-%	9%	2%	8%	11%
EBIT adj.	12.7	11.4	13.0	14.9
EBIT-% adj.	36.9 %	32.7 %	34.6 %	35.7 %
Net Income	6.3	5.6	7.1	8.6
EPS (adj.)	2.04	1.86	2.15	2.45

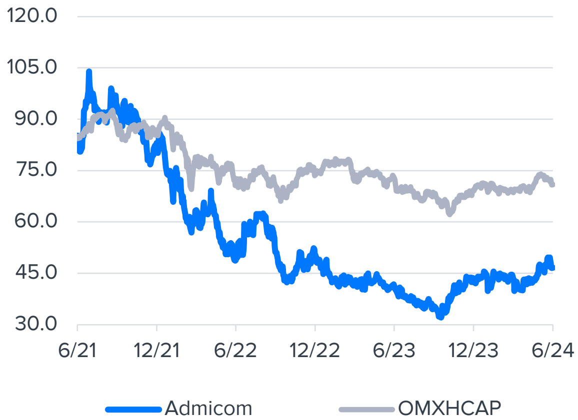
P/E (adj.)	21.2	25.1	21.7	19.0
P/B	7.4	7.4	6.6	5.8
Dividend yield-%	1.6 %	1.4 %	1.6 %	1.9 %
EV/EBIT (adj.)	16.6	19.4	16.5	13.9
EV/EBITDA	16.4	19.1	16.2	13.6
EV/S	6.1	6.4	5.7	4.9

Source: Inderes

Guidance (Unchanged)

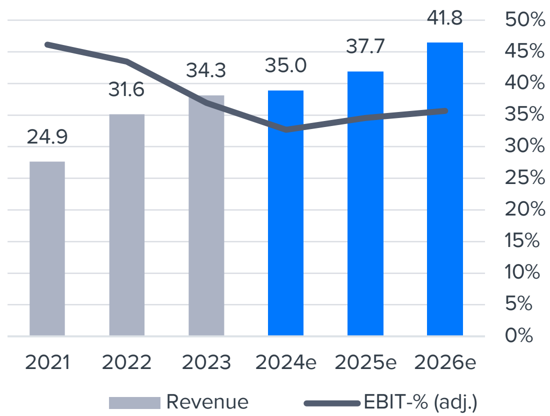
Annual recurring revenue (ARR) is expected to grow by 5-10% in 2024 (2023: 32.5 MEUR). Total revenue is expected to grow from 2023. Adjusted EBITDA is estimated to be 32-37% of revenue.

Share price



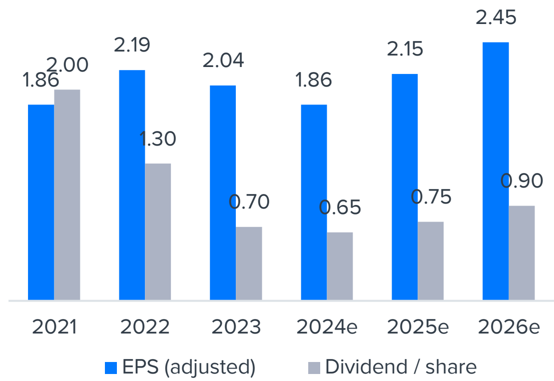
Source: Millistream Market Data AB

Revenue and EBIT-%



Source: Inderes

EPS and dividend



Source: Inderes

Value drivers

- Strong market position in Finland and competitive product portfolio
- Scalable business model based on recurring invoicing
- Strong profitability and cash flow despite growth investments
- Historical growth figures lend credibility to growth targets
- Accelerating earnings growth through successful acquisitions

Risk factors

- Weak construction sector casts a shadow on organic growth outlook
- Increased growth investments and their success
- Risks related to acquisitions
- Success in internationalization is important for long-term growth
- Tightening competitive situation

Valuation	2024e	2025e	2026e
Share price	46.7	46.7	46.7
Number of shares, millions	4.99	4.99	4.99
Market cap	233	233	233
EV	222	215	207
P/E (adj.)	25.1	21.7	19.0
P/E	41.3	32.8	27.0
P/B	7.4	6.6	5.8
P/S	6.6	6.2	5.6
EV/Sales	6.4	5.7	4.9
EV/EBITDA	19.1	16.2	13.6
EV/EBIT (adj.)	19.4	16.5	13.9
Payout ratio (%)	57.5 %	52.7 %	52.2 %
Dividend yield-%	1.4 %	1.6 %	1.9 %

Source: Inderes

Contents

Admicom in brief

Admicom is a Finnish a comprehensive construction software provider operating on a SaaS model.

2004
Year of establishment

2018
IPO

34.3 MEUR (+9% vs. 2022)
Revenue 2023

33.8 MEUR (+10% y/y)
Annual recurring revenue (ARR) at the end of Q1'24

12.8 MEUR (37% of revenue)
EBITDA 2023

279
Headcount at the end of Q1'24

93%
Share of ARR in revenue 2023

-2010

No significant revenue

- Product development and commercial piloting
- Focus on development of SaaS software and advanced automation

2010-2012

+61%
Revenue growth / year

- Increasing sales and marketing efforts
- Focus on SMEs in technical building services

2013-2016

+36 %
Revenue growth/year

- Scaling the business
- Expansion to include SMEs in the construction industry

2017-2020

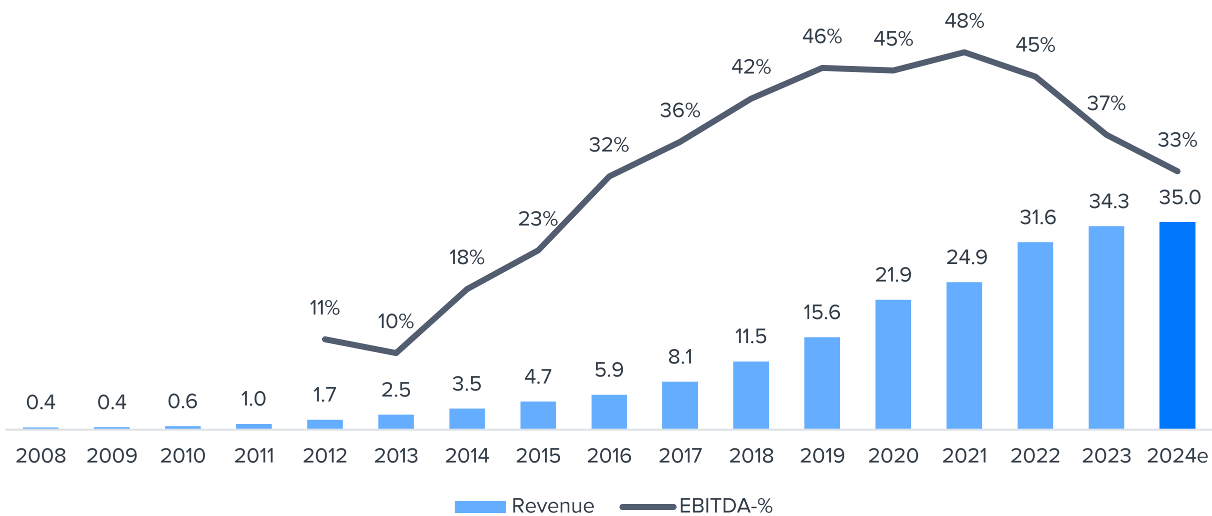
+39%
Revenue growth / year

- IPO 2/2018
- Expansion to include industrial SMEs
- Adminet Lite for small technical building services and construction companies
- 3/2020 Tocoman acquisition

2021-2024

+12%
Revenue growth / year

- Organic growth slows down with internal changes and the weakening economic outlook
- Strategic acquisitions (Lakeus, Aitio Finland, Hillava, Planman, Kotopro, Trackinno) to strengthen competitive advantages and growth
- Strategy focuses on being a comprehensive construction software provider



Source: Admicom / Inderes

Company description and business model 1/5

Admicom's background and history

Admicom is a SaaS software provider for the construction industry, founded in 2004. The original development team of the ERP system developed by the company (formerly Adminet, now Ultima) built a successful earlier generation ERP software (Liinos) which was sold to Visma in 2002. In 2004, the team started building a new generation solution that was right away planned as a scalable cloud service. This was a key strategic decision, as the popularity of cloud software later took off. Admicom's success factors also include strong industry expertise and advanced automation.

Admicom's R&D phase lasted for as much as 6 years with a team of about 10 people. The company did not rush into commercializing the product, but patiently developed it to a sufficiently mature stage that enables strong scalability with the help of a few customers. In 2010, the company's focus shifted to commercialization, which begun with a solution aimed at the specific needs of SMEs in technical building services. Admicom quickly started to win market shares from previous generation software and solutions based on various software. In 2013, Admicom expanded from technical building services to construction and in 2017 to industrial solutions.

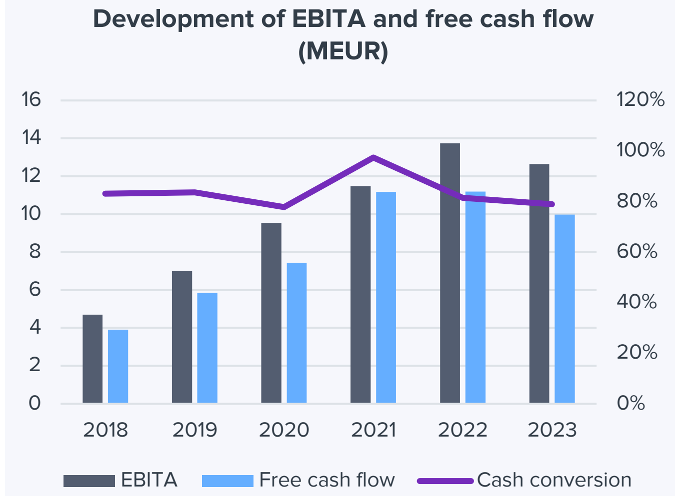
Since its IPO in 2018, Admicom has continued to grow and has already achieved a strong market position in its core target group. The company's acquisitions in recent years, focused on the construction industry, have also broadened the company's product offering, providing additional and cross-selling opportunities to an expanded customer base. With a renewed strategy at the end of 2022, Admicom will focus in particular on becoming a software provider for the construction sector.

Admicom today

Admicom has been very successful in commercializing its software and in expanding its product portfolio through M&A in recent years, as evidenced by a compound annual revenue growth rate of 29% from 2015 to 2023. In recent years, however, organic growth has slowed due to a major organizational change and a weakening of the construction cycle. Thanks to Admicom's scalable business model, the company has been highly profitable for a long time. Despite a significant increase in growth investments in 2023, the company is expecting an adjusted EBITDA margin of 32-37% this year and is generating free cash flow at a high rate. Admicom's headcount has grown strongly in recent years and the company employed 279 people at the end of Q1'24.

Admicom's core target group is SMEs in technical building services and construction industries (revenue 1-5 MEUR). This target group has a clear need for comprehensive ERP solutions and does not require advanced customization. In this way, highly scalable, modular, standardized and automated software solutions can be offered to the target group.

Admicom currently has a total of just over 3,000 customers. Of these, approximately 1,500 use the company's Ultima ERP system and just over 1,500 use other software solutions.



Source: Inderes

Company description and business model 2/5

Product offering and business idea

The cloud-based enterprise resource planning (ERP) system Ultima (formerly known as Adminet) is Admicom's core product. The basic idea of Ultima is based on 1) SaaS software that enables scalability, up-to-dateness and location independence, 2) advanced automation of routine work, 3) a modular turnkey solution, and 4) real-time business data and reporting.

As a cloud service, Ultima enables faster and more cost-effective deployment and maintenance than conventional software solutions, continuous updates and location independence. Ultima's features are very comprehensive and it offers a turnkey solution including all ERP applications without the need to integrate several systems and transfer data from one system to another. According to Admicom, it can also replace up to dozens of separate systems for the customer.

The system is also based on completely paperless administration, accounting and reporting. These characteristics bring significant efficiency to SMEs. This way the need for office workers who run administration can even be completely removed and the administrative workload of the management decreases significantly. According to Admicom, the efficiency increase generated by the software has been several man-years for many customers. Ultima's advantage is also the continuous and real-time visibility into the company's operations, which improves management and operational efficiency and speeds up compliance with regulatory requirements. Thanks to the system's automated calculation operational accounting and accounting records are consistently matched, increasing transparency and reducing errors.

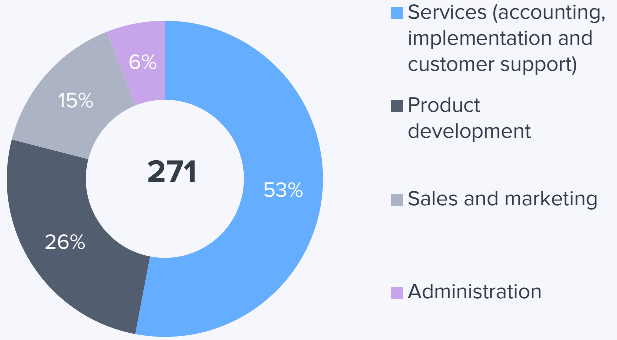
Functionalities included in Ultima include, e.g., offer calculation, production management, project management, cost control, reporting, product information management, accounting, invoicing, project accounting, document management and payroll. The software also includes ready-made integration to bank connections, notifications to authorities, e-invoice operators and interfaces containing construction product price data. A lighter Lite version of the solution is also available for micro-enterprises.

In recent years, Admicom has expanded from a pure ERP vendor to a more comprehensive software company through M&A and internal product development. With the brand renewal in early 2024, product names were changed to reflect the unified Admicom product family.

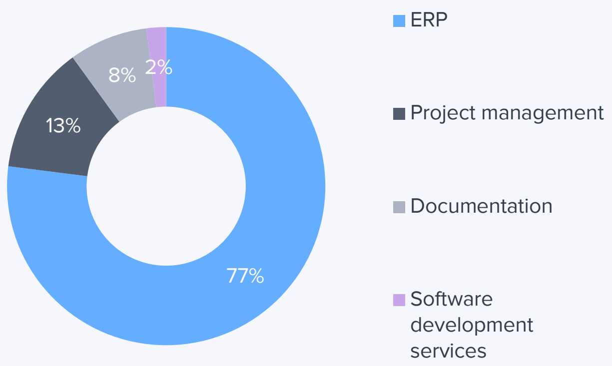
Today, Admicom's product portfolio also includes Admicom Flex (formerly Hillava), a precision solution for mobile work control, and Admicom Vision (formerly Kotopro), a documentation and data management software. Trackinno, acquired in early 2024, added a fleet management and maintenance solution to the product portfolio.

Admicom's project management division offers solutions for quantity takeoff and costing (Estima and Estima Pro), cost reporting (Insite, formerly Tocoman Reporting), scheduling (Tempo and Planner, formerly Tocoman Schedule) and BIM3 solutions for using data models.

Personnel distribution at the end of 2023

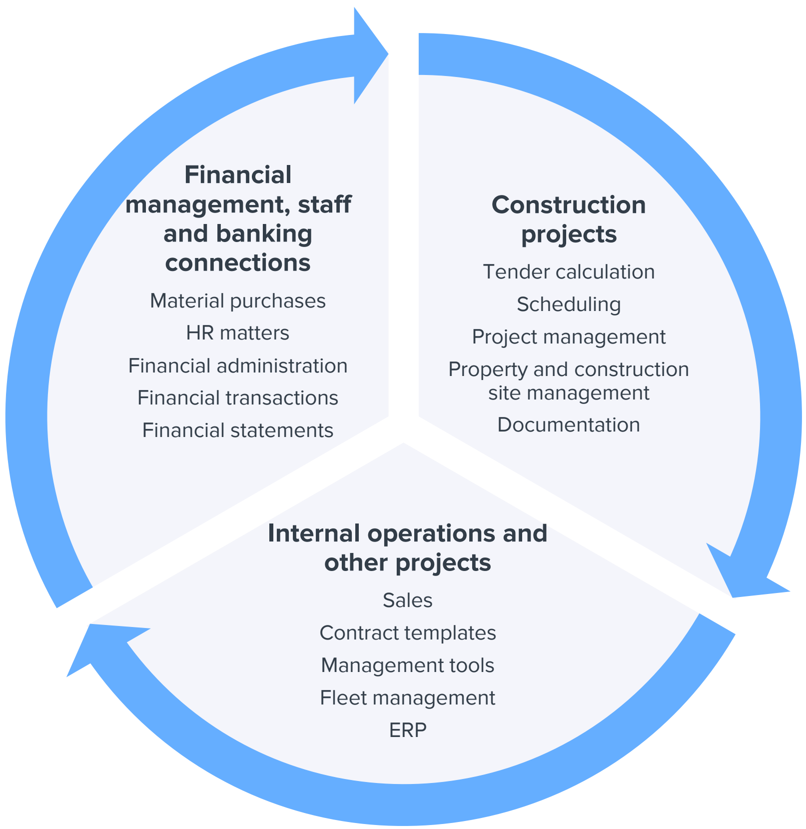


Revenue distribution by business area 2023



Source: Inderes

Description of Admicom's software solutions



Ultima

A comprehensive and highly automated ERP system.

Flex

ERP especially designed for task management of mobile maintenance and installation work.

Vision

Software can be used for extensive documentation or reporting, certificates and other important findings directly from the work site.

Estima

Comprehensive quantity and cost accounting software

Tempo

Software for scheduling construction sector projects

Planner

Software for construction scheduling and time management.

Insite

A revenue and cost management tool for construction managers, controllers, production managers, and project managers.

BIM3

The software provides a comprehensive and flexible solution for using data models throughout the construction process.

Trackinno

Trackinno provides versatile tools for fleet management and maintenance

Source: Admicom, Inderes

Company description and business model 3/5

Services related to the solution

Admicom is a pure product company, but the solution involves certain essential and value-added services. For example, the company provides software implementation projects and training as a service, because successful implementation is a key priority in achieving the benefits of the software. The share of training and consulting services in revenue was around 6% in 2023. Standard customer support is provided as part of the monthly software SaaS payments.

Admicom also offers its customers accounting service (2023: 18% of revenue). The role of the accounting services is to support software product development, especially in process automation and software sales, when the customer wants a turnkey service solution. When accounting work is performed under the same roof, Admicom’s product development has constant visibility into what working stages should be automated in the process next.

The customer can use Admicom’s software themselves utilizing their own accounting firm or use Admicom’s accounting firm. Admicom cannot compete directly in accounting services but offer the Ultima software as part of the whole as a tool for the accounting firm and corporate customer. However, the ability to offer software and accounting services together is a competitive advantage for the company that also increases customer loyalty. About a third of Admicom's SaaS customers use the company's accounting services. We believe that about half of new customers also take the accounting services into use.

Admicom provides accounting services only to clients using its own ERP system. Thanks to highly automated processes, accounting services are very efficient (2023: revenue/employee estimated at around EUR 90,000) and we estimate that profitability is at a very good level.

Target groups

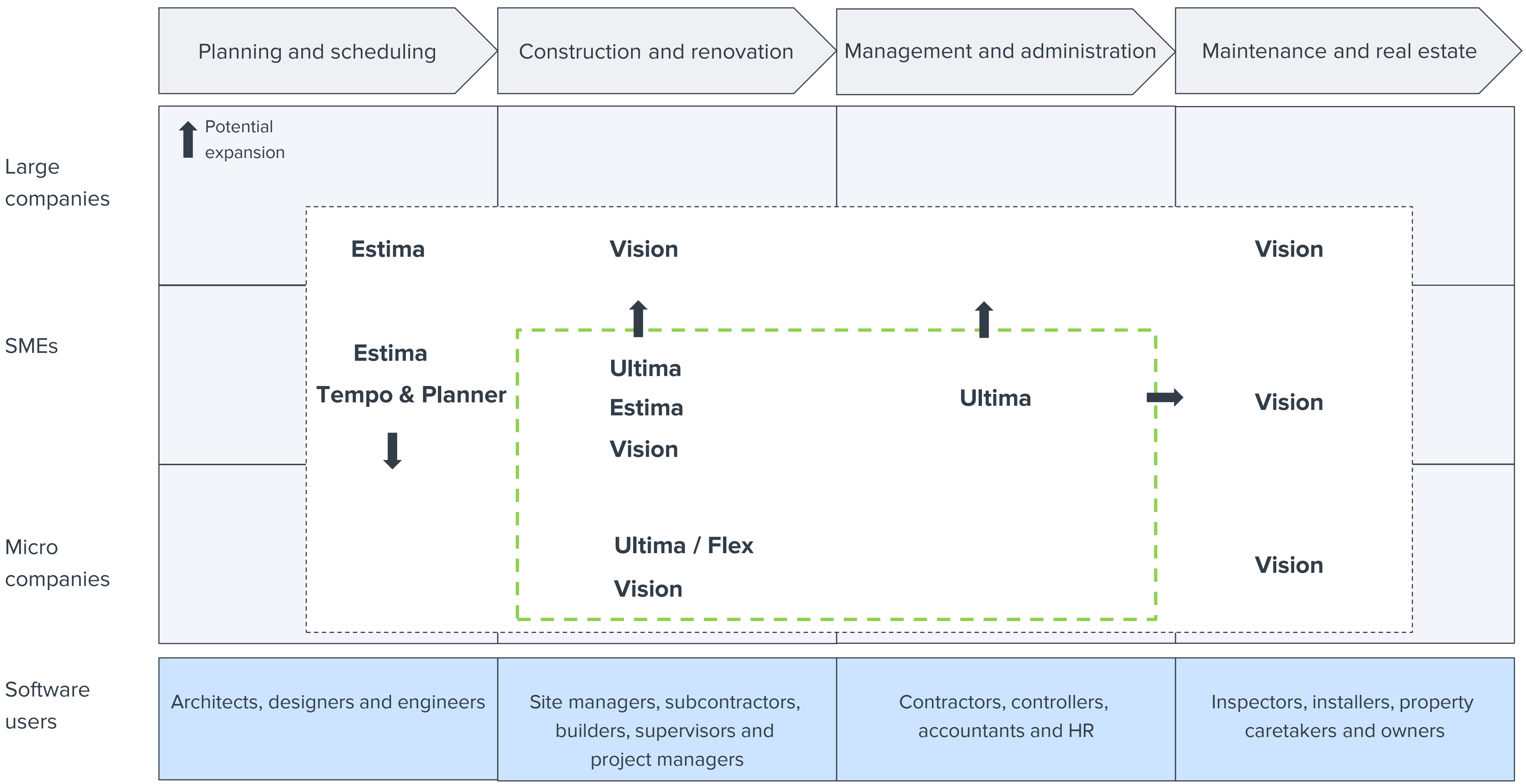
With its services, Admicom focuses on a customer size class and profile, where the product can be standardized and automated as far as possible. In practice, this means companies operating in a revenue class of under 5 MEUR are the core target group. Admicom considers customer-specific customization needs when new features can be replicated extensively to benefit the company’s customers. However, every customer has their own business focus areas and processes to some extent. The comprehensiveness and modularity of the software's functionality is therefore important for achieving the strongest possible market position.

Large companies (revenue over 50 MEUR) have traditionally not been the main focus of Admicom, as they often require extensive software customization and integration. However, the company has some customers in the 25-100 MEUR size class and interest from big companies towards Ultima has increased in recent years. Project management and documentation solutions are also used by larger enterprises. Admicom also has a lighter solution (Ultima Lite) for companies with revenue of under 1 MEUR. In addition, versions of existing cost accounting and scheduling software have been developed for smaller companies.

In Admicom's updated strategy, the company's focus is entirely on construction software, so the software offering will be developed on the terms of companies in the industry. For example, in technical building services, the software considers the special features of HVAC, electrical and other building technology sectors. In construction, in turn, the special features of the industry such as project accounting and partial revenue recognition, equipment management, cost calculation and reporting obligation are considered. The mobile solution enables real-time data transfer between the site and the office. The software also includes integrated price lists, where product search is used to find suppliers and up-to-date prices for technical building services and construction products and to place purchase orders.

Admicom has traditionally focused its business activities on the Finnish market, as the strength of the company's ERP solution is a package that takes into account the specifics of the domestic market. With the new strategy and new software solutions internationalization is playing an increasing role in the company's growth objectives. The company already has several international clients in the areas of documentation and project management. We will discuss the options of Admicom’s internationalization in more detail in the strategy section.

Positioning of Admicom's software solutions



Source: Admicom, Inderes

Company description and business model 4/5

Sales organization and process

Ultima is well standardized for its target groups and it is quick to take into use. As a result, the sales process is relatively short for an ERP system and does not require highly paid experts or extensive consulting. The sales cycle of the product is typically a few months and the purchaser is the CEO and the administration of the target company. Admicom's target groups in Finland are clear and well-defined, which facilitates sales.

ERP sales is consultative sales, which is why Admicom mainly carries out sales within its own organization. For some of the newer solutions (e.g., documentation), the company also has the ability to develop product-driven sales, where, for example, the product can be tested free of charge for a period of time before the actual purchase decision is made. In 2023, around 15% of the personnel were employed in sales and marketing.

Once the Ultima agreements are in place, Admicom's in-house project team begins implementing a deployment project for the customer, including training and setup specifications. Admicom charges for the implementation mainly by cost with project values of some thousands of euros. The customer can typically be taken to production within a few months. When the customer is in production, the SaaS payments start to generate revenue. After the transition to production, the customer will continue to be supported by the project team for a few months before transitioning to regular customer support.

Product development

Last year, around 26% of the company's employees worked in product development. A major product development project in recent years has been the modernization of the outdated economic engine of the entire Ultima ERP system. This allows ecosystem partners to interface with the system and more easily integrate new solutions. A major innovation visible to customers this year was the introduction of a new modern and customizable "flight control view" on Ultima's home page, where customers can see all Admicom solutions with a single sign-on. Going forward, renewing the economic engine will allow us to bring new features and solutions to customers much faster.

Otherwise, Ultima is at a mature stage, and the role of product development is currently to automate manual processes, build interfaces to other systems, and update the software according to regulatory changes, among other things. In addition, the usability and mobile features of the service will be continuously improved.

At the end of 2021, Admicom made a significant investment in product development when it acquired over 20 software developers and experts in the Aitio Finland acquisition. These elements, which were previously invoiced externally, have now been transferred to the company's internal projects, which has significantly reduced Aitio's sales in recent years (2021: around 2.0 MEUR). The technology and integration expertise gained through the acquisition has strengthened Admicom's resources for new product development, future M&A, partnership development and ecosystem expansion.

A new area of product development is artificial intelligence, where the first applications are already being introduced to enrich Admicom's solutions. A concrete example under development is automated data collection and reporting in documentation. For example, an AI could identify water damage based on a photo taken at a construction site, create a finished inspection report, and translate it into multiple languages simultaneously.

In the big picture, AI offers a wealth of opportunities to boost productivity in the construction sector in a variety of ways, which is likely to accelerate the digitization of the industry in the longer term.

SaaS income and pricing model

76% (2023) of Admicom's revenue is based on recurring SaaS income. This is currently based on open-ended contracts which are invoiced monthly. We estimate that the average Ultima customer generates about EUR 1,000-2,000 in SaaS income per month, which is a rather high amount compared to, e.g., only accounting software. The value received by the customer for the cost can be compared to the fact that an average customer saves one man-year in administration work with the software whose annual cost would be manifold.

Admicom does not have long-term contracts, customer churn is limited by the fact that ERP is a business-critical system for the customer. Admicom is strongly connected to the customer's core processes and replacing the system is a laborious project. Thus, customer churn mainly comes through bankruptcies and M&A transactions that are typical for the construction industry.

Company description and business model 5/5

In 2023, Admicom's customer churn (6.9%) was high, reflecting the weak economic conditions in the industry.

Admicom does not use transaction-based pricing for Ultima, which is based on a single monthly fee. The monthly price is adjusted based on the customer's monthly user volumes and revenue annually. This means that the balancing invoice can be higher for a growing company and lower in a shrinking company based on the customer's annual contract. The balancing invoice is issued five months after the end of the customer's fiscal year. For other software solutions, the pricing models are linked to the number of users.

Historically, Ultima's pricing model has been a driver of Admicom's scalable growth. As the customer's revenue and/or number of employees increases, or as the customer adopts more of the product's features, the cost of using the system will also increase. The customer's revenue and usage data are derived directly from Admicom's system and balancing invoicing is automated. Balancing invoicing and expanding customer usage has historically provided a clear boost to Admicom's revenue, as the company's customer industries have grown strongly and customer revenue has grown faster than the industry average.

In 2023, balancing invoices reached a record level of 2.3 MEUR (2022: 1.6 MEUR), contributing 2.4 percentage points to growth. As the construction cycle slows, the change in the balancing invoicing will have a negative impact on Admicom's growth in 2024, when the company expects it to fall to 1.5 MEUR. This item is unlikely to increase significantly next year either, as the balancing invoice will then be based on customer volumes in 2024.

In the long term, we estimate that the impact of balancing invoicing on growth is slightly positive. Admicom is also constantly evaluating possible changes to Ultima's pricing model. At some point, the balancing invoicing may become a thing of the past, and could be, e.g., included directly in the monthly software fees.

Scalable and sustained business model

From the outset, Admicom’s business model has been built with a strong focus on replicability, scalability and continuity. Recurring revenue accounted for about 93% of the company's revenue in 2023, and profitability was at a very good level (37%). However, historically high earnings margins (EBITDA 45-48%) have been significantly eroded in recent years as the company has invested in virtually every function of the organization to build a sustainable foundation for long-term growth.

After a period of historically rapid growth, the company has grown to a size where the next leap in growth would not have been possible with the old organizational structure. The last few years have therefore been a period of great renewal for the company, with significant changes in the Board of Directors, the management team and the employees. Some parts of the transformation process are still ongoing, but overall the growth base is starting to be in shape. This puts the company in a very strong position to accelerate growth as the market recovers.

Partners

Banking connections

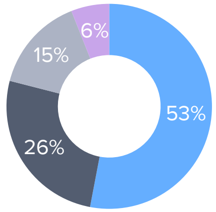
Web invoice connections

Product and price information from material suppliers

Connections to authorities

Web service interfaces

Operations



- Services (accounting, implementation and customer support)
- Product development
- Sales and marketing
- Administration

Solutions

- ERP
- Quantity and cost accounting
- Scheduling and project management
- BIM data modeling
- Documentation
- Fleet management
- Support and training services
- Accounting services

Business idea

Admicom software enables more profitable, sustainable and learning construction.

admicom

- Comprehensive software and service offering to meet the needs of the construction industry
- The goal is to significantly increase the productivity and operational quality of construction contractors through software.
- Automate manual processes
- Real-time visibility into the development of results, projects and cash flows, and quick reporting

Sales channels

New customer acquisition (own sales)

Extensions to an existing customer base

Examples of competitors/industry companies

Easoft, VISMA, ecom[a+], JYDACOM, Fondion, Evelia, SmartCraft, Pajadata, GBuilder, Hantverksdata, lemonsoft

Customer segments

Construction

Technical building services

Real estate services

- Core target group is SMEs with 10-50 employees
- Lighter solutions for e.g. ERP and scheduling also for micro companies
- Larger customers through in particular project management and documentation

Cost structure (2023)

271 employees (2023)

Personnel expenses *(43.5% of revenue)*

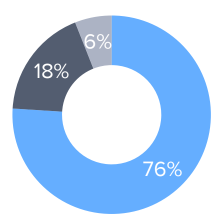
Materials and services *(4.6%)*

Other operating expenses *(14.7%)*

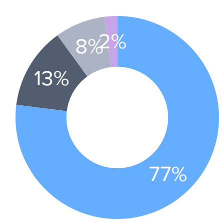
Depreciation *(11.6%)*

Income flows (2023)

Revenue 34.3 MEUR
EBITDA 12.8 MEUR



- SaaS
- Accounting services
- Training, consulting and other



- ERP
- Project management

Source: Inderes, Admicom

Markets 1/2

Still plenty of room for growth in Finland

Admicom’s target market in Finland comprises ERP systems for technical building service and construction SMEs, and supporting accounting services, as well as project management and documentation solutions.

Admicom has estimated that the entire market for ERP solutions in Finland is about 220 MEUR, of which around half is related to software and half to services. Admicom’s market share of this is currently around 12%. The market size for project management applications is estimated to be around 48 MEUR, of which Admicom accounts for good 9%. The company has estimated the market for documentation solutions at around 54 MEUR, of which Admicom controls around 5%.

In total, Admicom's target market in Finland is roughly 320 MEUR, of which the company’s market share is 10.5%. Thus, in terms of market size, the company still has significant growth potential in Finland as well.

The size of the target market can be multiplied through internationalization

As part of its strategy, Admicom is also looking for growth abroad, but the countries and method of implementation are still at the planning stage. For example, the company estimates that the market potential in German-speaking Europe is up to 15 times larger than in Finland. The other Nordic countries have about 3 times the potential of Finland. There is also market potential in many other European countries. As a result, the European market is unlikely to reach its growth limits. The key for Admicom is to find the right market for expansion, not the exact market potential. This work is currently under careful review by the company.

Industry’s growth outlook and drivers

We estimate that Admicom’s target markets are growing in the long term based on research, the industry and the revenue development of companies in the target market, as well as market drivers.

One of the main growth drivers for the industry is that productivity development in the construction industry has historically been very weak and, at the same time, construction companies are suffering from resource shortages. The degree of digitalization in construction is still well below other industries and, in coming decades, the digitalization of the industry will offer huge growth opportunities for companies working in this area.

With the need for efficiency and digitalization, there is a growing interest in adopting new software, automation and digital services. The latest digital survey conducted in 2024 shows that 31% of companies in the sector expect to invest more in digitalization and 32% expect to maintain at least the current level of investment. According to Statistics Finland, only 38% of Finnish construction enterprises had an ERP system in use in 2021.

Construction companies are also still using legacy software, and the transition to cloud computing is still underway in some areas. However, according to Admicom, the cloud transformation itself is no longer a significant growth driver or differentiating factor as most software suppliers in the industry have moved to a SaaS model. With the increase in the importance of digitalization in general, however, the need for software that improves efficiency is growing strongly in the construction industry.

Cyclicality of the construction industry is a risk

The construction industry is a much more cyclical sector than average. This will have a significant impact on Admicom's target market and thus on the company's near-term growth prospects. In 2022, the outlook for the construction sector begins to cool, and in 2023, the sector’s revenue fell by about 11%. By 2024, the figures will be even bleaker, largely due to anemic new construction.

The slowdown in construction volumes has negatively impacted new ERP software sales and significantly increased the natural churn of construction companies (bankruptcies, acquisitions). These factors began to be reflected in Admicom's figures last year in the form of slower growth. However, even in the current crisis, new sales have not come to a complete standstill, with software and tools that help businesses operate more efficiently also acting as selling points.

There are also many areas of construction (e.g. infrastructure and renovation) where the cyclicality is much more moderate than in new construction. The impact of a weak construction cycle will therefore affect the company's customer base in very different ways.

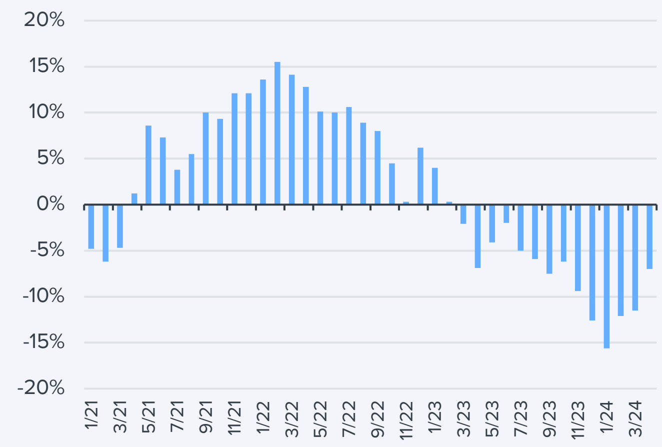
Markets 2/2

Some customers in this market are also growing and increasing their software purchases, while some companies associated with new construction are struggling to survive. Admicom's customer base is widely dispersed, and new construction does not play a particularly large role. In our opinion, the company's customer base is relatively more concentrated in the more stable areas of construction rather than in new construction compared to the distribution of construction companies in Finland as a whole.

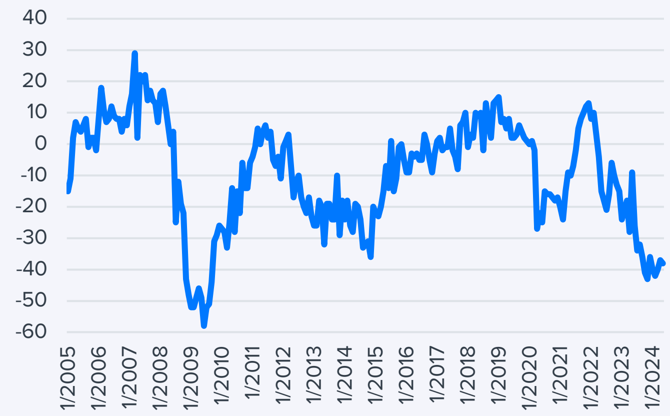
In the first half of 2024, the news flow from the construction sector is still gloomy, but stocks of construction companies, for example, have already started to anticipate the coming turnaround. Admicom has also seen early signs of improvement in software sales, but uncertainty about near-term developments remains high.

Overall, we believe that the fundamentals of the market will be shaken this year and that a recovery will occur sooner or later. Admicom sees the market turnaround as a good time to sell its software, when contractors don’t have their hands full yet, but as the outlook for the future brightens, the willingness to invest increases. Thus, the software market may pick up before the rest of the construction news flow shows any real signs of improvement.

Monthly change in construction revenue in Finland

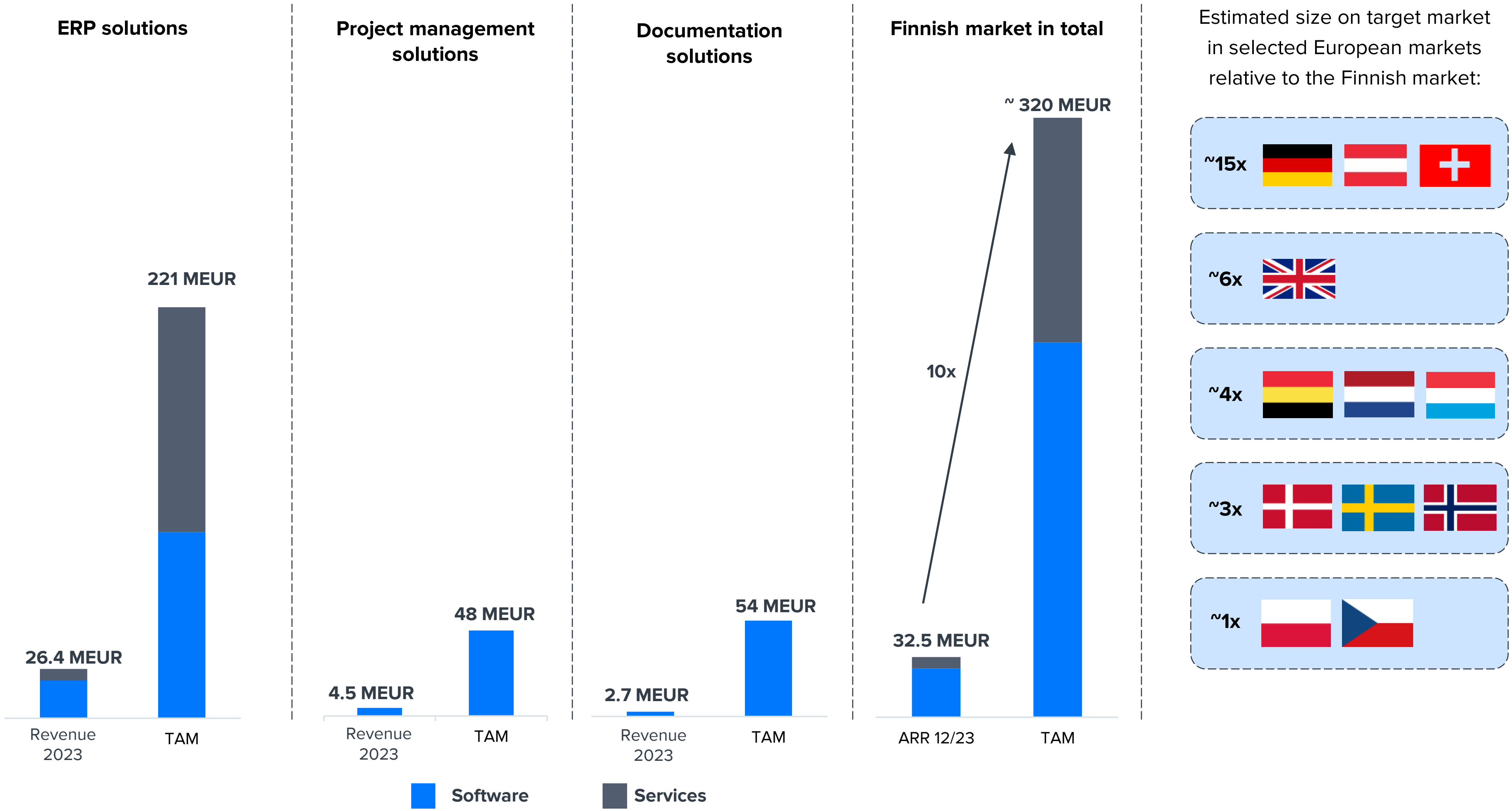


Construction industry confidence indicator



Source: Statistics Finland, EK, Inderes

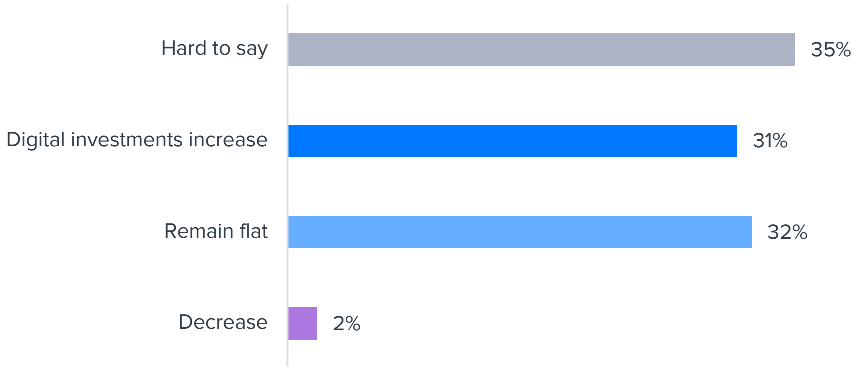
The size Admicom's target markets



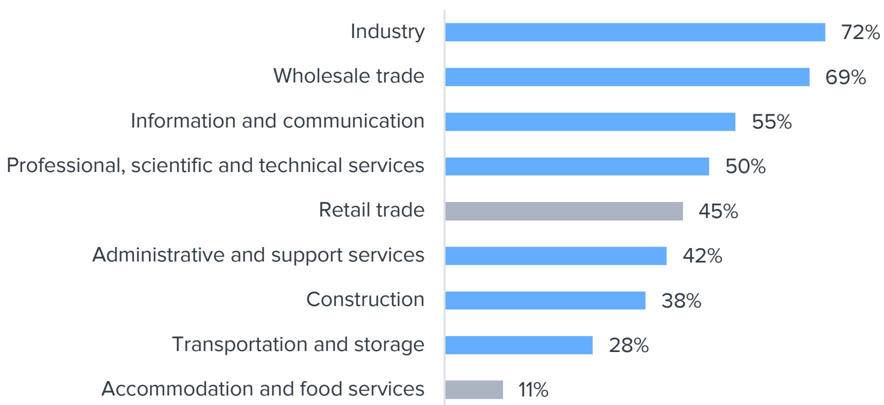
Source: Inderes, Admicom

Market outlook and trends

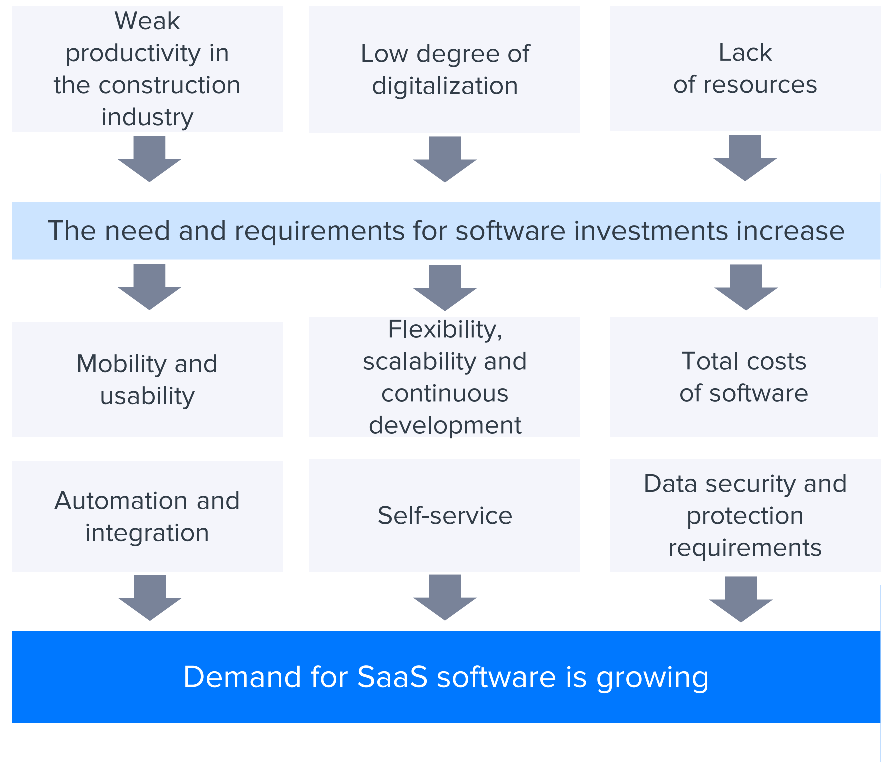
Digital survey of Confederation of Finnish Construction Industries RT (2024)



Finnish companies with ERP in use in 2021



Market trends



Source: Statistics Finland, Confederation of Finnish Constuction Industries RT, Inderes

Competitive landscape 1/2

Competitive factors in the market

The target groups of the market for ERP software can roughly be divided into three categories, depending on the extent required and hence the size of the customer. The biggest companies often need solutions tailored to their own operating practices, while the smallest micro companies are satisfied with the basic features of generic software (e.g. Office, accounting software). Admicom is positioned in between these where customers have a clear need for a comprehensive system, but the service can be provided as a highly replicable and automated solution (no customer-specific customization).

We estimate that large system deliveries represent the largest segment in the ERP software market. This is, however, essentially an uninteresting market for medium-sized and specialized software companies like Admicom. This is because the segment's customers already typically use ERP systems that are highly customized to customer-specific operating models and processes, as well as other tailor-made solutions.

The largest customer volume from Admicom's and its competitors' point of view is in the middle and small parts of the market, which includes SMEs. In this case, customer needs are often quite extensive and mission-critical, but resources, ability and willingness to invest in business development and systems are limited. In this target group, the need to increase operational efficiency and automate operations is constantly increasing with growth and digitalization, but customers' needs can be met with a well-standardized software offering with a wide range of functionalities.

There is also a need for ERP systems or parts thereof in micro companies, but for companies like Admicom that primarily offer extensive software solutions these are not often the primary target group. It is often essential for this group that ERP-related issues are carried out as simply and cost-effectively as possible. This can be achieved either with standard "off the shelf" generic software, such as spreadsheet software, and utilizing general accounting and administrative services, or with software solutions with significantly reduced functionalities (e.g. Ultima Lite).

Admicom's competitive field

Depending on the customer segment, Admicom's competitive field consists of 1) smallish software companies specialized in the industry, 2) companies providing general-purpose ERP software, and 3) small and medium-sized software companies providing tailor-made solutions for customers.

Solutions offered by accounting firms are not direct competitors to the company, as they always need to be accompanied by industry-specific special software. Moreover, companies offering sub-solutions are not strong competitors, as they need to be accompanied by a financial management system. In practice, Admicom's main competitors only include ERP systems with integrated, industry-specific solutions that include partial or full financial management solutions. The biggest competitors in Finland are found in companies that focus on the same target groups as Admicom and offer industry-specific solutions. Players that have been involved in Finland for a longer time include Ecom, Pajadata and EG Jydacom. Newer competitors to consider include Easoft, Fondion and Evelia.

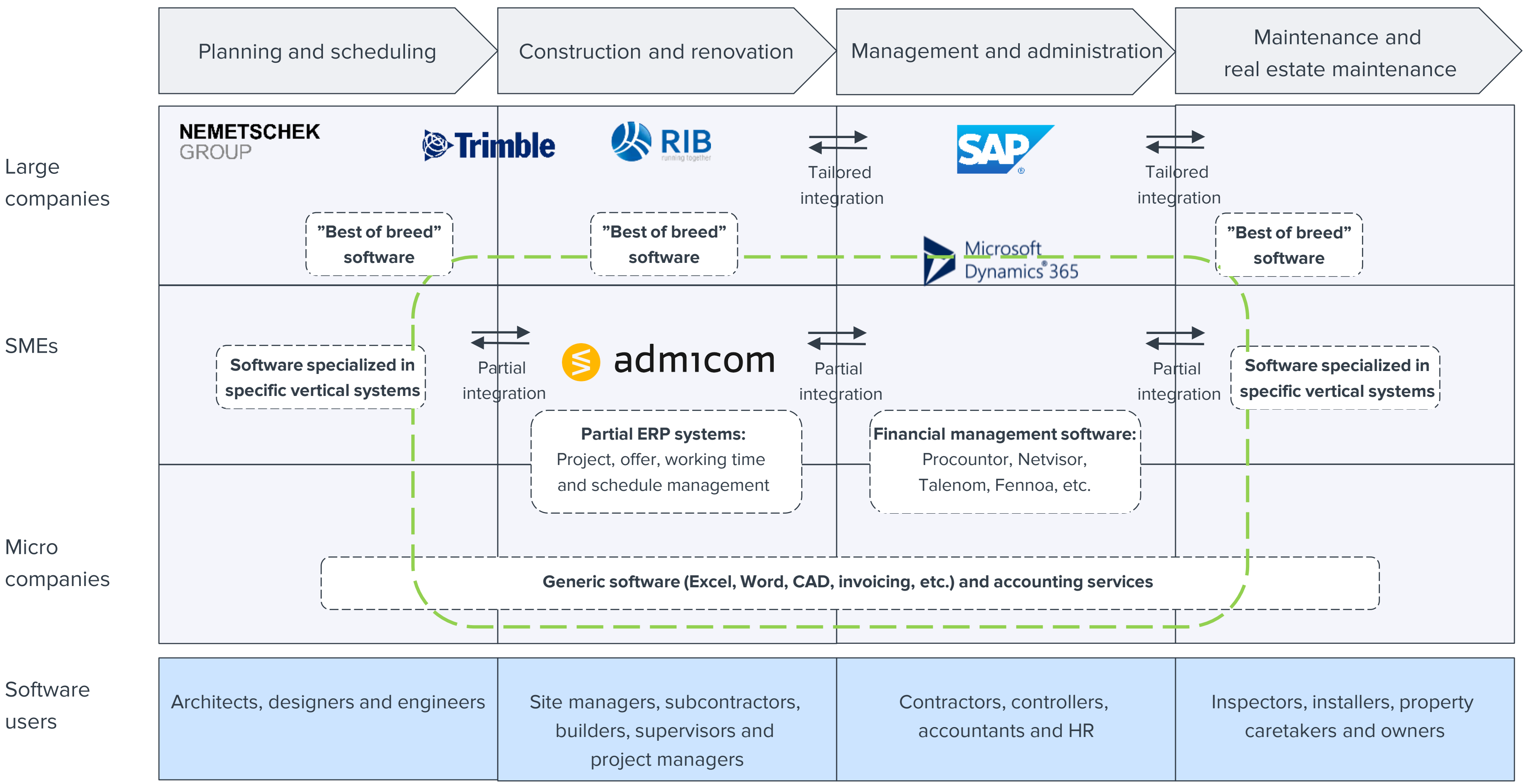
Internationally, a myriad of companies of varying sizes offer construction software, and the industry as a whole is still very fragmented. The low degree of digitalization in the construction industry continues to attract a lot of new competitors and technological development has also, in some respects, lowered the barrier to entry.

Admicom's market position

In Finland, Admicom is the market leader in the technical building services core target group (SMEs), where the company has the longest operating history. With the acquisitions in recent years, Admicom's market position is also strong in other construction areas. Admicom estimates that the company is the leading supplier of comprehensive SaaS software solutions for the technical building services and construction sectors in the Finnish market.

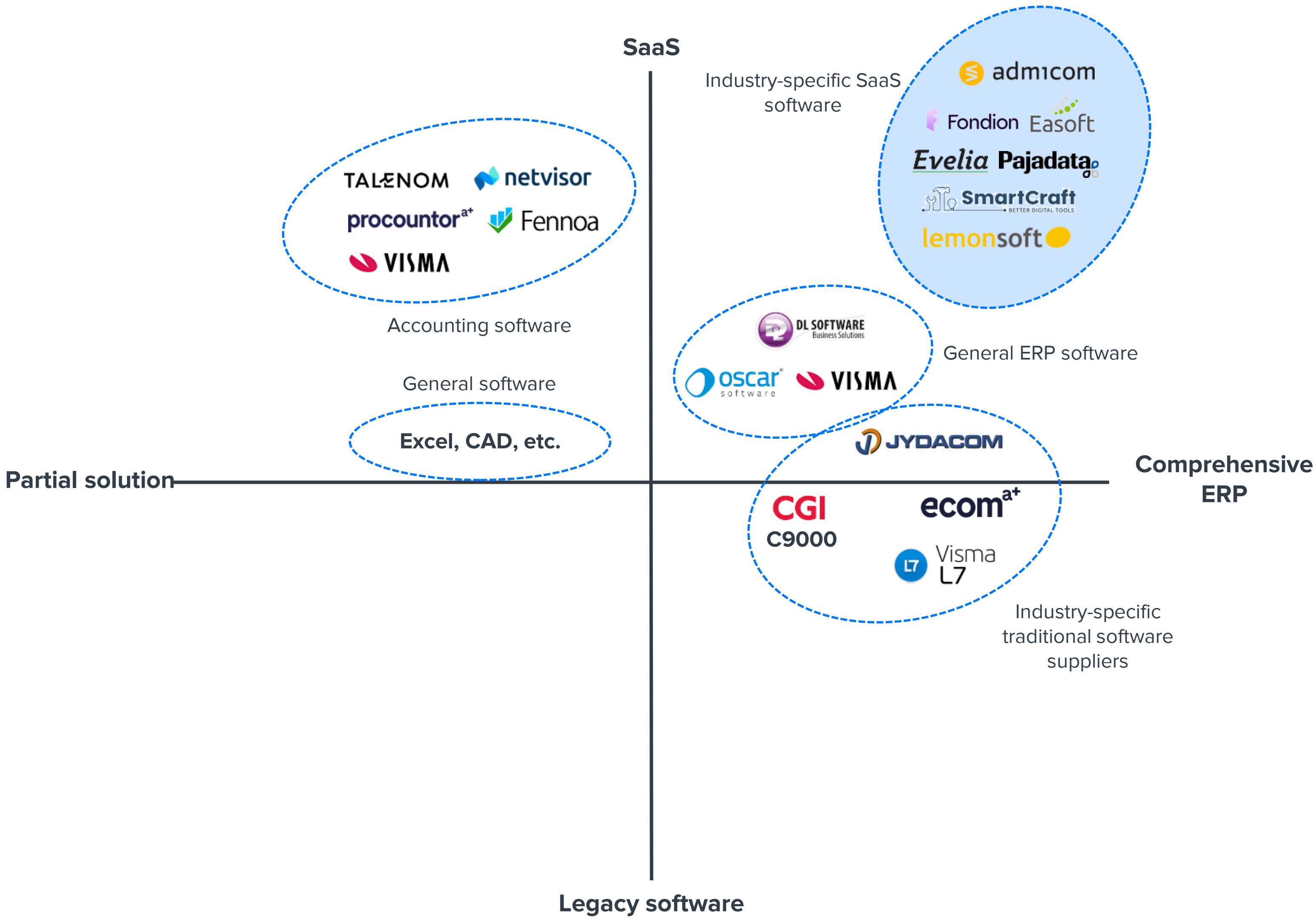
According to Admicom, the products and services of many established competitors are mainly based on conventional software solutions with limited remote access, automation and flexibility. However, simply offering cloud software is no longer a selling point, but rather the continuous evolution of the software, the user interface and the excellent customer experience are the key competitive factors.

Admicom's competitive field



Source: Admicom, Inderes

Admicom's positioning in the Finnish market



Source: Inderes, NB! The graph only shows examples of companies operating in the market, not an exhaustive list of players in each category.

Competitive landscape 2/2

Admicom’s competitive advantages

We estimate Admicom’s main competitive advantages are:

- Strong market position in Finland
- Extensive software solution based on a SaaS model
- High level of system automation and highly integrated industry-specific features
- Own financial management services

Due to the industry transformation, all previous generation product providers have so far not been able to successfully convert to the SaaS model, which has, especially in the past, created a competitive advantage for a clean-cut SaaS company like Admicom. SaaS software offers features such as remote access, data management, real-time, development, and flexibility that are superior to legacy software. However, there are so many SaaS players in the market today that SaaS software alone is not enough to differentiate them.

According to Admicom, automation in the company's ERP system has been taken far beyond what competitors have. This saves customers considerable time and resources by seamlessly transferring data from one phase to another within one system. Admicom's system has also largely automated third-party reporting.

In its product development, Admicom has invested in considering the specific features of technical building services and construction industries and the modular structure, giving it a competitive advantage over companies producing non-industry-specific general-purpose software and special software. Admicom's industry-specific capabilities, developed over a long history, bring benefits to the customer's business that most other competitors cannot offer.

We believe one of the important competitive factors of Admicom is the strong position it has achieved in Finland. Bringing a new and equally comprehensive software product to the competitive field would require long development. The threshold for international competitors is also high, as the Finnish sector-specific ERP market requires not only a strong product but also a lot of localization and the market is relatively small on a global scale. A strong market position is also important because customers are typically reluctant to switch their ERP software, and the first company to establish a successful customer relationship often gains a long-term market share advantage.

In addition, Admicom's own training, support and accounting services also provide a competitive advantage as they increase the benefits for the customer and commitment of the customer to the service and provide an important source of product development ideas and automation growth.

Consolidation of the industry is underway

In recent years, M&A transactions in Admicom’s target markets have increased, and in addition, Admicom is actively involved in the consolidation of the sector as a buyer. At the Nordic level, we believe that the market has a large number of small and medium-sized software companies focusing on the construction industry, which offers many opportunities for Admicom in terms of international expansion. Several other companies and venture capitalists are also interested in the opportunities offered by digitalization in the construction sector.

Today, Admicom also faces some competition from Nordic operators that have entered the Finnish market through acquisitions. For example, Smartcraft (2023 revenue: 35 MEUR), a Norwegian-listed provider of software solutions for the construction industry, has been active on the M&A front in recent years. However, the company's revenue from Finland (2023: ~4.4 MEUR) is still relatively small.

In 2021, the Danish software company EG acquired the construction ERP software Jydacom (then with revenue of around 8 MEUR) from TietoEVRY. EG with a venture capitalist background has also made several acquisitions in the Nordic countries since then. In Finland, the company made a total of 5 acquisitions in the construction sector. In total, EG Construction, which focuses on the Nordic countries, employs more than 300 people.

At the end of 2023, the Swedish construction software landscape underwent a major restructuring when HVD Group (Hantsverksdata) and Next merged, with private equity investor EQT joining as an investor. The combined company has revenue of over 65 MEUR and more than 400 employees, making it a major player in Sweden.

Of the large players, Visma, in the size class of around EUR 2.4 billion, also makes acquisitions at a rapid pace (2022-2023 in total 74 acquisitions), some of which have at some level been in the same target market as Admicom.

Strategy 1/2

Strategy focuses on the digitalization of the construction industry

Admicom announced its strategy update on 11/2022, which focuses on software and value-added services in the construction and real estate industry value chain. We consider the strategic direction and specialization reasonable, as a clear industry focus will bring synergies in the long term, from the perspective of customer experience, product development and sales and marketing. Moreover, the limited focus facilitates the implementation of the otherwise very challenging international expansion.

The first phase of the strategy will lay the foundation for accelerating organic growth, data-driven operations and internationalization. The focus at this stage will in particular be on better serving the large existing customer base, expanding the range of solutions available to customers, and increasing the ease of use, data-drivenness and degree of automation of solutions. In practice, this means investments in 2023-2024 in product development (greater integration of the product portfolio, new solutions), customer experience, sales and marketing, and organizational structures and governance.

In the second phase of the strategy period, Admicom is looking for a much stronger organic growth level through a superior customer experience, synergistic sales, diversified solution offering and international markets. Acquisitions will be an integral part of the company's growth strategy and can support internationalization or expand the company's solution offering to meet the digitalization needs of construction industry customers. In the long term, Admicom's vision is to become the number one partner in the European construction software ecosystem.

Financial targets

Admicom has set the following financial objectives for its strategy:

- Admicom aims to achieve an ARR of 100 MEUR by 2030, well above the *Rule of 40* target, and to be present in several European markets. At the end of Q1'24, recurring revenue totaled 33.8 MEUR.
- During the first phase of the strategy for 2023-2024, Admicom aims for organic recurring revenue growth of 8-15% and EBITA margin of 35-40%, due to increased growth investments. The 2024 guidance (ARR growth 5-10%, adj. EBITDA 32-37%) is close to the lower end of the target range.
- During the second phase of the strategy, Accelerating Growth, 2025-2030, Admicom aims for more than 15% organic recurring revenue growth and EBITA margin to exceed 40% of revenue.

The original target of over 15% organic recurring revenue growth starting from next year looks very ambitious in the context of a construction market that has weakened much more than expected since the targets were set. However, in the medium term, as the market recovers, we see the potential to achieve growth in this direction if the strategy is well executed. By the end of the decade, we estimate that growth in line with our target will also require success in internationalization, where Admicom is still in its infancy. However, at the Capital Markets Day (1/23), the company stated that the ARR target of 100 MEUR would be achievable in the long term even in Finland alone. The weak market has contributed to a cautious approach to international acquisitions, which the company is carefully and prudently evaluating. The aim is to achieve a first opening in this area before the end of the year.

In terms of profitability, Admicom's objectives appear realistic and the company has also historically generated stronger portability than its targets. Internationalization and the growing size of the company will lead to a certain increase in the company's fixed cost base, against which the historically high profitability targets (2019-21 EBITA: 44-46%) will be difficult to achieve. The profitability levels targeted in the strategy remain excellent, and with successful growth, the company will create significant shareholder value with these numbers.

Admicom's dividend policy is to distribute more than half of its earnings as dividends to its owners, without the profit distribution endangering the growth targets defined in the strategy nor other financial objectives. In recent years, the company's dividend payout ratio (55-122%) has also largely followed the target level. As Admicom generates strong cash flow and the overall investment need is low, the conditions for dividend distribution remain in place also in the future. However, in the coming years, the level of dividends will depend on the pace of corporate restructuring. Given Admicom's track record, we believe that allocating capital to strategic acquisitions would be a much more prudent option than paying a dividend.

Admicom's strategy

Development of Admicom's product portfolio

History	The present and the near future	Long-term objective
• An ERP supplier for SMEs focused on the needs of several industries • Technologically competitive, especially in construction and technical building services • The software was created for the Finnish market and is in practice not replicable abroad	• Comprehensive software company specializing in construction in Finland • A software portfolio that serves a broad range of construction industry needs • Managing data flows and utilizing them in the business a focus area in future	• An international data-driven software ecosystem specialized in construction • A strong position among SMEs, but potentially also solutions for large companies' needs in the product offering

Admicom's two-stage growth strategy

Building a growth base (2023-2024)

- Building a base for future growth in a quieter construction cycle
- Additional and cross-selling of existing software to an expanded customer base
- Increased product development investments for technical integration of the software offering and developing a unified software portfolio
- Integrating the cultures, brands and business models of acquisitions into Admicom
- Standardizing sales and marketing functions
- New product launches (Tempo and Estima Pro) and Trackinno acquisition
- First international opening through M&A

Accelerating growth (2025-2030)

- Accelerating growth in Finland and enlargement to international markets
- The goal is a superior customer experience
- Agile operating model, but strong processes and practices across all markets
- Growth both organically and inorganically
- Growth will strengthen economies of scale and competitive advantages
- By 2030, a significant share of revenue from outside Finland

Source: Inderes

Financial targets

	Building a base for growth 2023-2024	Accelerating growth 2025-2030	2030 objective
Organic growth	Comparable organic growth in recurring revenue **8-15% p.a.**	Organic growth of recurring revenue **> 15% p.a.**	Recurring revenue level 100 MEUR
Inorganic growth	Acquisitions will continue to be an integral part of Admicom's growth strategy		Presence on several European markets
Profitability	EBITA margin **35-40%**	EBITA margin **>40%**	Growth % + EBITA % clearly above 40%

Source: Inderes, Admicom

Strategy 2/2

Internationalization still a question mark

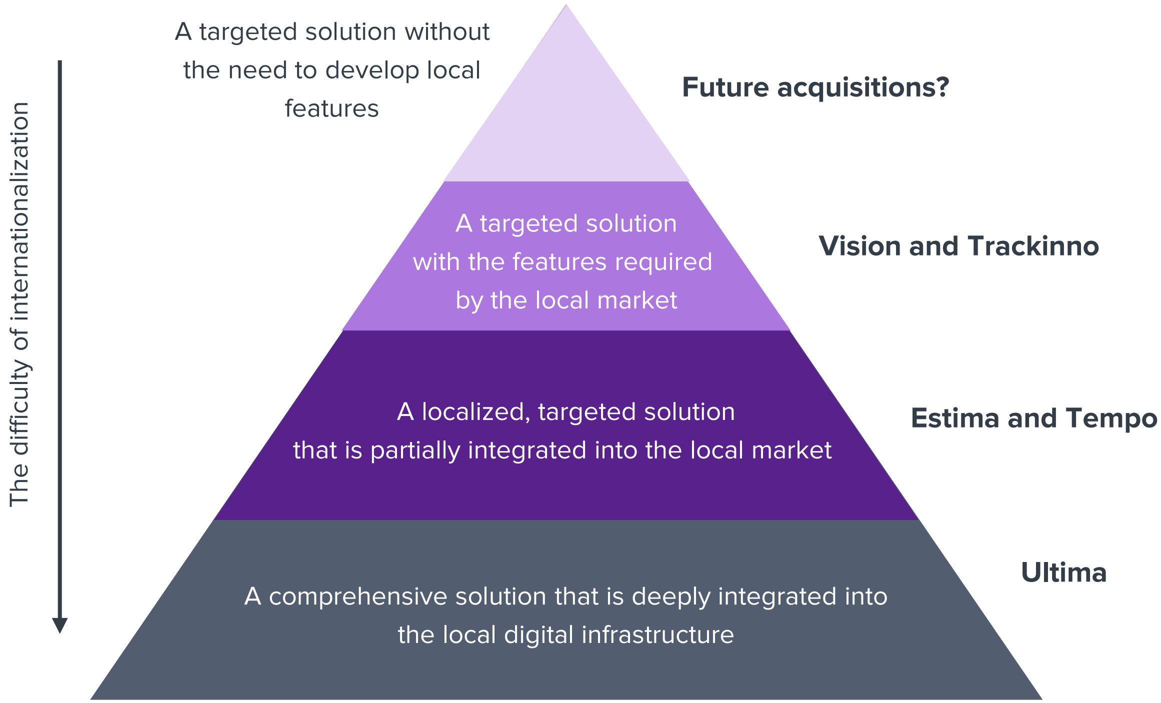
Admicom's steps towards internationalization are not yet entirely clear. Both future expansion countries and go-to-market products/solutions remain open for the time being. Opening of a new market is fastest through an acquisition, in which case you could acquire existing customer relationships, completed products/technology or both. In addition, even bigger transactions (revenue up to +10 MEUR) are possible if the opportunity presents itself. However, acquisitions are not made for growth alone, but also to find a strategic fit, both in terms of the target company and the market (not forgetting valuation).

Organically, for example, localizing the entire Ultima ERP software to fit the practices and legislation of another country would be a huge undertaking. Thus, the conquest of international markets will start through point solutions, which are easier to adapt to the requirements of each country. Of Admicom's current products, the documentation and data management software Vision and the fleet management solution Trackinno, acquired through acquisitions, appear to be the solutions with the greatest potential for internationalization in the coming years. The products already have some foreign customers.

Project management solutions (formerly Tocoman) also have potential for internationalization, and there was some interesting news from Admicom at the beginning of the year. The company managed to sell a project management package to a large Nordic construction company (headquartered in Sweden), where the customer chose Admicom solutions instead of a large construction software supplier. This may open the door for Admicom to offer its software solutions to that customer's subcontractors, as the prime contractor's software choices may be reflected in the subcontractors' choices.

In terms of individual markets, we believe that Sweden would be a natural expansion target for Admicom, and the aforementioned new large customer there now supports this. Sweden, like Finland, has a good level of digital infrastructure, automation, e-invoicing, government connections and operating models. On the other hand, these factors have already attracted a lot of competition, and from this point of view, entering the market is not so attractive. In the big picture, the construction software market is still so fragmented in virtually every country that there is room for more players to grow well into the future.

Internationalization options



Organic growth:

- Product-driven sales
- Direct sales with a 'non-localized' product
- Sales to a particular focused customer group, or through individual international customers
- Establishing a local unit and localizing a software solution

Inorganic growth:

- Expansion to the market with the acquisition of a targeted solution
- Technology-driven M&A transaction
- A larger scale M&A transaction

Source: Inderes, Admicom

Acquisition strategy

Admicom's acquisitions

3/2020 TOCOMAN	• Revenue 3.5 MEUR • 90% SaaS revenue • EV/S 3x
7/2021 Lakeus (business acquisition)	• Revenue 0.6 MEUR • Service revenue • EV/EBITDA 3.8x
12/2021 Aitio	• Revenue 2.0 MEUR • Consulting revenue • EV/S 2.5x
12/2021 HILLAVA	• Revenue 0.7 MEUR • 60% SaaS revenue • EV/S 3.8x
5/2022 Planman	• Revenue 0.8 MEUR • 100% SaaS revenue • EV/S 5.5x, EV/EBITDA 7.3x
6/2022 KOTOPRO	• Revenue 2.1 MEUR • 100% SaaS revenue • EV/S 5.5x
1/2024 trackinno	• Revenue 0.5 MEUR • 87% SaaS revenue • EV/S 2.2x-3.0x

Source: Inderes, Admicom

Objectives of the acquisition strategy

Strengthening expertise and competitive advantages

- Tocoman, Kotopro, Aitio Finland, Lakeus, Trackinno

Strengthening and expanding current market position

- Tocoman, Kotopro, Hillava

Supporting scalable growth

- Tocoman, Kotopro, Planman, Hillava, Trackinno

Ensuring continuity and development of product development

- Planman and Aitio Finland

Enabling internationalization

- Kotopro, Trackinno

Financial position 1/2

Convincing growth history, weak construction cycle currently holding back growth

Admicom's revenue has grown strongly after the company moved its product into the commercialization phase in the early 2010s after a long development phase. Revenue has increased from 1.7 MEUR in 2012 to 34.3 MEUR in 2023, with a CAGR of 32%. Growth has been driven especially by strong growth in new SaaS sales in the technical building services and construction industries, but growth in services has also been strong. In addition, balancing invoicing based on increased customer revenue has been clearly positive. Growth has been mainly organic, although acquisitions have played an increasing role in recent years.

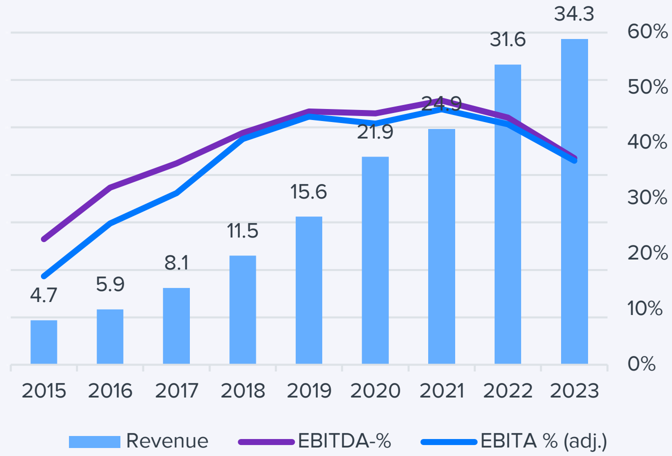
Since the onset of the COVID pandemic, Admicom's organic growth rate has slowed from historical levels due to both internal issues and difficult market conditions. In addition to new sales being hampered by the pandemic and increased customer attrition, there were significant changes in the Admicom organization that resulted in the departure of long-time sales and product development personnel. Antti Seppä, the company's CEO for the past 5 years, also announced that he will move on to new challenges in January 2021. In June 2021, CFO Petri Aho became interim CEO of the company, under whose leadership the company completed several acquisitions. Petri Kairinen, who moved from the cybersecurity service company Nixu to Admicom, became the CEO in June 2022. Under his leadership, investments in product development, sales and customer experience, and organizational structures have continued to increase significantly. All in all, Admicom has gone through a massive renewal in recent years and new personnel has joined the company both through recruitment and acquisitions. At the same time, the weakened construction cycle has slowed organic growth and continues to create uncertainty about near-term growth. However, given the circumstances, we think Admicom has done quite well and organic growth has remained positive throughout. With the investments already made, we believe the company is well positioned to accelerate growth as the market recovery drives sales and reduces churn (2023: 6.9%).

Building a growth platform has eaten into profitability in recent years

Admicom has a very convincing history of scalable growth, and between 2019 and 2022, the company's EBITDA ranged between a whopping 45-48%. Admicom's EBITDA continues to reflect almost entirely the cash flow generated by the business because, unlike many software companies, the company's investments in product development are directly reflected in the income statement.

In line with the new strategy, laying the foundation for future growth is reflected in a declining EBITDA margin (2023: 37%) and the investments made will only be fully reflected in the current year's EBITDA margin (2024e 33%). However, the major investments have now been made and we expect profitability to gradually improve in line with the company's targets over the next few years.

Revenue and profitability



Organic revenue growth-% by quarter

Source: Inderes

Financial position 2/2

Cost structure

Admicom sells and produces its services through its own personnel, so the company's materials and services cost item has been relatively low in recent years, around 5-6% of revenue. We estimate that most of the costs in the expense item are generated from server costs, external services, transaction fees and equipment sales costs.

A majority of the company's cost structure consists of personnel costs, as is typical for a software and service company. In 2023, personnel costs corresponded to around 43.5% of revenue. At the end of last year, the company employed 271 people (2022: 241). Historically, personnel expenses have generally grown at a slower rate than revenue, but growth investments and acquisitions in recent years have increased costs significantly faster than revenue.

Other operating expenses are Admicom's second largest expense item, hovering around 11-12% of revenue, but increased investments will be reflected in the 2023 figure (15%). These expenses are largely linked to the increase in the number of employees and revenue. We expect other costs to remain elevated in the coming years, followed by some scaling potential in the longer term. Admicom's personnel and offices are largely located outside the greater Helsinki region, which has explained the historically moderate cost level.

Under FAS accounting, Admicom's depreciation consists primarily of the amortization of goodwill from the company's acquisitions in recent years (around 3.6 MEUR/year). Otherwise, the company's depreciation level is very low. Admicom has not capitalized significant amounts of product development costs in recent years (development costs in the balance sheet for 2023: 0.45 MEUR) and goodwill amortization has no impact on cash flow. As a result, Admicom's EBITDA and EBITA are good indicators of the cash flow generated by the company's operations before financial charges and taxes.

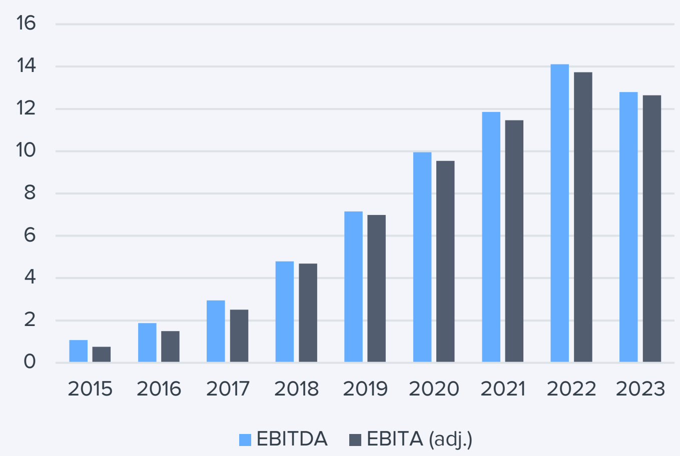
Balance sheet and financial position

Thanks to its strong cash flow, Admicom's balance sheet remains strong despite its acquisitions and the rather hefty dividends paid out in recent years. The equity ratio at the end of 2023 was 73% and gearing -20%.

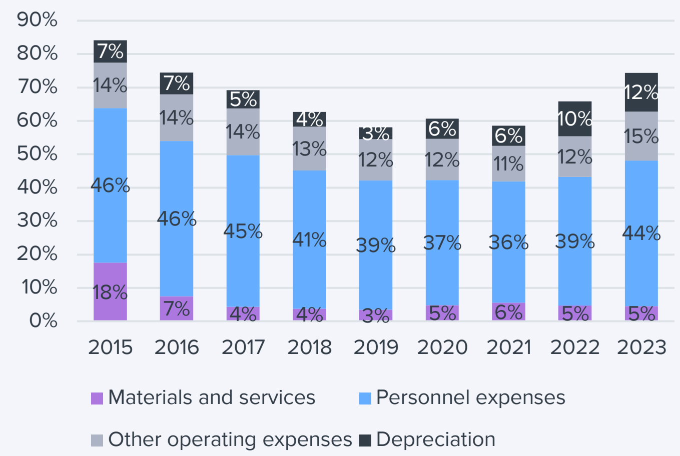
The balance sheet structure is also very simple. The balance sheet total at the end of 2023 was 40.6 MEUR. The assets of the balance sheet consisted mainly of goodwill arising from acquisitions (26.8 MEUR), cash and cash equivalents (9.9 MEUR) and receivables (3.2 MEUR). On the liabilities side, Admicom had 29.3 MEUR in equity and 4.1 MEUR in interest-bearing debt. Non-interest-bearing liabilities consisting mainly of accrued expenses and deferred income amounted to 6.7 MEUR.

We estimate that Admicom has good preconditions of organic growth and carrying out acquisitions supported by a strong balance sheet. With a strong cash flow profile, we also believe it makes sense to use debt to finance acquisitions. If the company were to take on debt of 3x net debt/EBITDA, the company would have the potential to increase the amount of debt on its balance sheet by more than 35 MEUR in the coming years.

EBITDA and EBITA (MEUR)



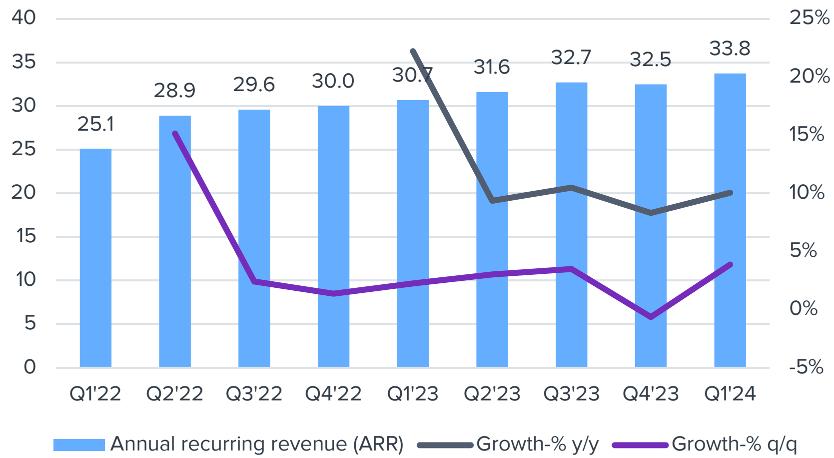
Cost structure, % of revenue



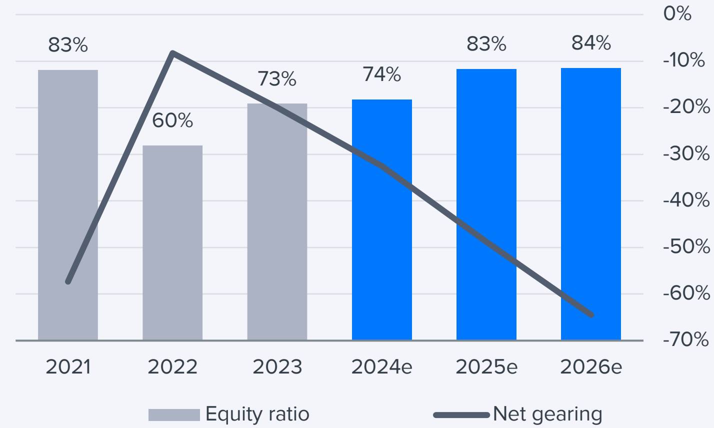
Source: Inderes

Financial position

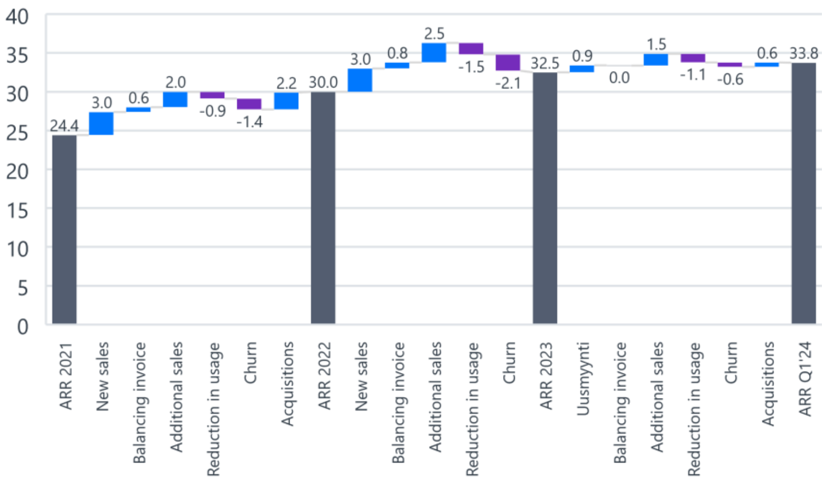
ARR development



Taseen avainlukujen kehitys



Growth components in ARR



Source: Inderes

Balance sheet 2023

Estimates 1/3

Basis for the estimate model

We assess the development of Admicom's revenue mainly through three revenue items:

- SaaS services
- Accounting services
- Training, consultancy and other items

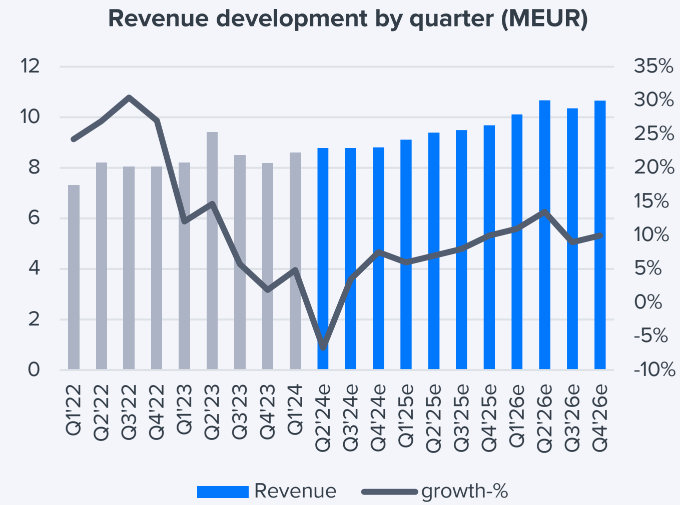
The most important both in terms of Admicom's value creation and business model is sales development of SaaS services because without a software service agreement the company does not sell accounting, training or consulting services either.

Our estimates are based solely on organic growth and acquisitions that have already been made, because modeling future transactions without information on their size or purchase price is not meaningful. However, acquisitions are likely to be made also in the future, which is worth bearing in mind when looking at estimates. In terms of organic growth, we expect revenue in the medium term to come from the current target markets, and the role of international growth will only become emphasized in the longer term. In connection with this report, we have slightly raised our long-term growth assumptions.

In practice, Admicom's profitability is determined by the gross margin and level of fixed costs (OPEX %). In our model, we estimate that Admicom will be able to maintain the sales margin at around 95% with the current business model. Otherwise, operating expenses will increase relative to revenue in the short term as the company's strategy focuses on strengthening its growth base and enabling international growth. In a slightly longer term, we expect that profitability will gradually start strengthening as growth improves, of which the company already has strong historical track record. We believe that Admicom's current profitability targets include possible smaller acquisitions, but in the case of a larger and clearly less profitable M&A transaction, the profitability targets would naturally have to be reviewed.

In general, the visibility of Admicom's revenue and profitability development is relatively good in the short and medium term, as over 90% of revenue is based on recurring SaaS service income and associated accounting services. In the short term, the downturn in the construction industry creates uncertainty about Admicom's organic growth rate as it inhibits new sales, reduces the use of software by certain customers, and increases churn due to bankruptcies. As the construction market recovers, organic growth should be well-positioned to accelerate through a pick-up in new sales and additional and cross-selling opportunities from an expanded product portfolio.

Long-term estimates are weakened by the visibility into the success of Admicom's sales investments and the development of its competitive position. At the same time, cyclical fluctuations in the construction sector also create variance in the longer term, although the next move is very likely to be upward. Long-term growth prospects are supported by the low level of digitalization in the construction industry, and the use of software to improve operational efficiency is certain to increase in the future.



Source: Inderes

Estimates 2/3

Estimates for 2024

In 2024, Admicom expects the annual recurring revenue (ARR) to increase by 5-10% (2023: 32.5 MEUR). Total revenue (2023: 34.3 MEUR) is expected to grow and adjusted EBITDA is estimated to be 32-37% of revenue. The outlook assumes an inorganic impact of around 1.5 percentage points from the Trackinno acquisition. The negative impact of the balancing invoicing change on the current year's revenue is estimated to be around 0.8 MEUR (-2.3 percentage points), the most significant part of which will be in Q2. In addition, the shift of Aitio Finland's software development resources from external customer work to internal projects is estimated to slow growth by a further 1 percentage point.

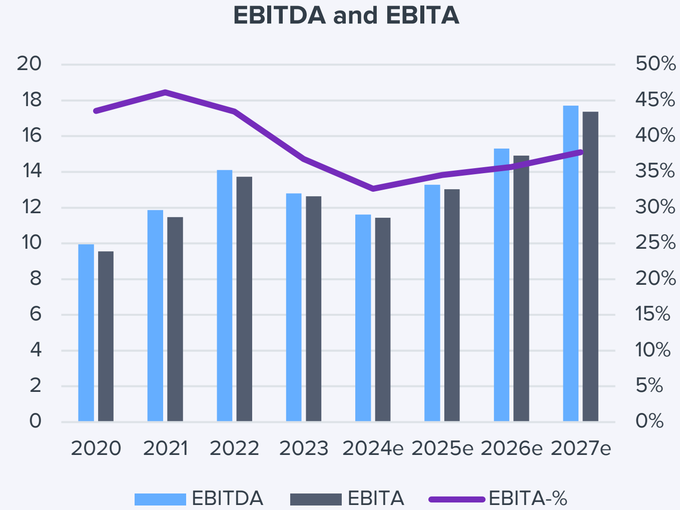
The guidance is cautious on organic growth, and overall the company is still building a platform for growth this year in the midst of the construction slowdown. However, the underlying assumption for the outlook is that the situation will start to look slightly better in H2'24. The investments already made in product modernization, new products, sales and marketing team development and improved customer service are expected to begin to strengthen new sales and customer churn.

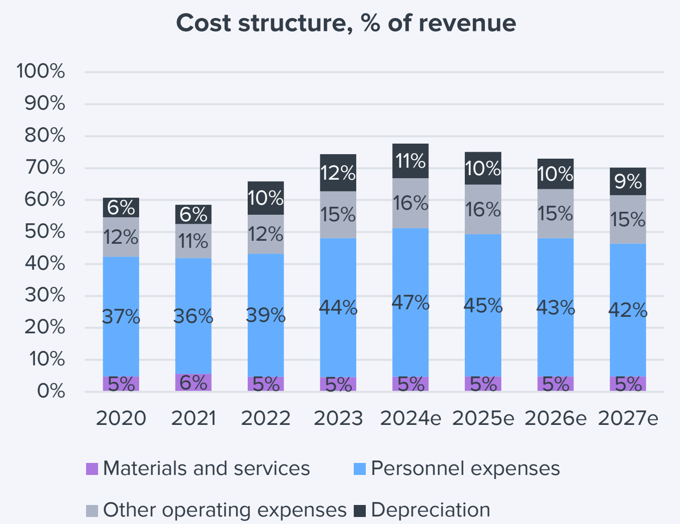
According to the analyst call organized by Admicom in early June, the market situation remains difficult as in Q1, but new sales are still reasonable relative to the circumstances. In terms of software sales, there are small signs of an upturn in the customer base, but the company is reluctant to get too excited.

The weakness in the market is also reflected in the fact that the average store size was smaller, with slightly larger customers being more cautious in their decisions. On the positive side, the company says that new customers are increasingly buying more of Admicom's solutions from the start. This is important for realizing additional revenue potential, as the use of software, especially for project management solutions, typically expands in the years following the initial sale.

There is still no clear sign of a recovery in the construction market, and the much-anticipated decline in interest rates is a key variable in this equation. Overall, however, we believe that the market is likely to bottom out this year and that a recovery will come sooner or later.

We forecast Admicom's revenue to grow by 2% to 35.0 MEUR in 2024, with an inorganic impact of 1.5 percentage points from Trackinno. We expect the adjusted EBITDA margin to decline to the lower end of the guidance range at 33.4%. We expect the situation in terms of new sales and customer churn to gradually improve towards the end of 2024, setting the stage for accelerated growth from that point onwards.





Source: Inderes

Estimates 3/3

2025-2027

In 2025, we forecast a slight market recovery, with a gradually improving outlook driving software sales. At that time, we expect Admicom's growth to reach 8% and to start supporting an improving EBITA margin (34.6%), as the company's hiring needs should be more limited in the short term.

In 2026-2027, we expect the market situation to improve again and Admicom's growth investments to be reflected in accelerating growth and gradually improving profitability. At that time, we estimate an annual growth rate of about 10-11% and a 36-38% EBITA margin.

As a whole, we expect Admicom's adjusted EPS to decrease by about 9% in 2024 and then to increase by about 15% per year in 2024-2027. We estimate that the company will distribute dividends at a payout ratio of around 35-38% of the adjusted result. Thanks to the strong cash flow of Admicom's business, we expect the company's net cash to grow rapidly in the coming years, which the company will most likely use for acquisitions.

Long-term estimates

In our forecast model, revenue growth gradually slows to about 10-6% between 2028 and 2032, and then to 5-3% between 2033 and 2034. Our terminal growth assumption is 2.7% from 2035 onwards. Our long-term growth forecasts are well below the company's target level, leaving significant upside potential if the strategy is well executed. We expect profitability to continue on a gradual upward trajectory, with an EBITA margin of around 40-41% by the end of the decade, after which we expect it to level off. In the terminal assumption, we have set the EBIT margin at 38%.

EPS and dividend

Source: Inderes

Estimates

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	**31.6**	**8.2**	**9.4**	**8.5**	**8.2**	**34.3**	**8.6**	**8.8**	**8.8**	**8.8**	**35.0**	**37.7**	**41.8**	**46.0**
EBITDA	**14.1**	**3.0**	**3.6**	**3.8**	**2.4**	**12.8**	**2.6**	**2.8**	**3.5**	**2.8**	**11.6**	**13.3**	**15.2**	**17.7**
Depreciation	-3.3	-0.7	-0.8	-0.8	-1.7	-4.0	-0.9	-1.0	-1.0	-1.0	-3.8	-3.9	-3.9	-4.0
EBITA (adj.)	**13.7**	**3.0**	**3.6**	**3.7**	**2.4**	**12.7**	**2.6**	**2.7**	**3.4**	**2.7**	**11.4**	**13.0**	**14.9**	**17.4**
EBIT	**10.8**	**2.3**	**2.8**	**3.0**	**0.7**	**8.8**	**1.6**	**1.8**	**2.5**	**1.8**	**7.8**	**9.4**	**11.3**	**13.7**
Net financial items	-0.2	-0.1	-0.1	0.0	0.0	-0.2	-0.1	0.0	0.0	0.0	-0.2	-0.1	-0.1	0.0
PTP	**10.6**	**2.2**	**2.8**	**3.0**	**0.7**	**8.6**	**1.5**	**1.8**	**2.5**	**1.8**	**7.6**	**9.3**	**11.2**	**13.7**
Taxes	-2.6	-0.6	-0.7	-0.8	-0.2	-2.3	-0.5	-0.4	-0.6	-0.4	-2.0	-2.2	-2.6	-3.1
Minority interest	-0.1	0.0	0.0	0.0	0.0	-0.06	0.0	0.0	0.0	0.0	-0.02	0.0	0.0	0.0
Net earnings	**8.0**	**1.6**	**2.1**	**2.2**	**0.5**	**6.3**	**1.1**	**1.3**	**1.9**	**1.3**	**5.6**	**7.1**	**8.6**	**10.6**
EPS (adj.)	**2.19**	**0.46**	**0.56**	**0.59**	**0.43**	**2.04**	**0.40**	**0.45**	**0.56**	**0.45**	**1.86**	**2.15**	**2.45**	**2.86**
EPS (rep.)	**1.60**	**0.32**	**0.42**	**0.44**	**0.09**	**1.27**	**0.21**	**0.27**	**0.38**	**0.27**	**1.13**	**1.42**	**1.72**	**2.13**

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-%	27.2 %	12.1 %	14.7 %	5.7 %	1.9 %	8.6 %	4.8 %	-6.7 %	3.5 %	7.5 %	2.0 %	7.8 %	10.9 %	10.0 %
Adjusted EBIT growth-%	19.7 %	-7.2 %	-9.5 %	1.0 %	-17.0 %	-7.7 %	-14.4 %	-23.1 %	-7.7 %	13.0 %	-9.7 %	13.9 %	14.4 %	16.4 %
EBITDA-%	44.6 %	36.7 %	38.1 %	44.2 %	29.8 %	37.3 %	29.9 %	31.7 %	39.7 %	31.4 %	33.2 %	35.2 %	36.4 %	38.5 %
EBITA-% (oik.)	43.4 %	36.3 %	37.8 %	43.8 %	29.4 %	36.9 %	29.7 %	31.1 %	39.1 %	30.9 %	32.7 %	34.6 %	35.7 %	37.8 %
Net earnings-%	25.2 %	19.4 %	22.0 %	25.8 %	5.6 %	18.4 %	12.4 %	15.2 %	21.4 %	15.2 %	16.1 %	18.8 %	20.6 %	23.1 %

Source: Inderes

Estimate revisions	2024e	2024e	Change	2025e	2025e	Change	2026e	2026e	Change
MEUR / EUR	**Old**	**Uusi**	**%**	**Old**	**New**	**%**	**Old**	**New**	**%**
Revenue	35.0	35.0	0%	37.7	37.7	0%	41.4	41.8	1%
EBITDA	11.6	11.6	0%	13.3	13.3	0%	15.1	15.2	1%
EBIT (exc. NRIs)	11.4	11.4	0%	13.0	13.0	0%	14.8	14.9	1%
EBIT	7.8	7.8	0%	9.4	9.4	0%	11.2	11.3	1%
PTP	7.6	7.6	0%	9.3	9.3	0%	11.1	11.2	1%
EPS (excl. NRIs)	1.86	1.86	0%	2.15	2.15	0%	2.43	2.45	1%
DPS	0.65	0.65	0%	0.75	0.75	0%	0.90	0.90	0%

Source: Inderes

Investment profile

1. **Lots of growth potential, both organically and through acquisitions**
2. **Scalable business model based on recurring invoicing**
3. **Competitive product portfolio and strong market position in Finland**
4. **Strong balance sheet and excellent cash flow provide leeway for acquisitions**
5. **Low level of digitalization in construction helps drive long-term growth**

Potential

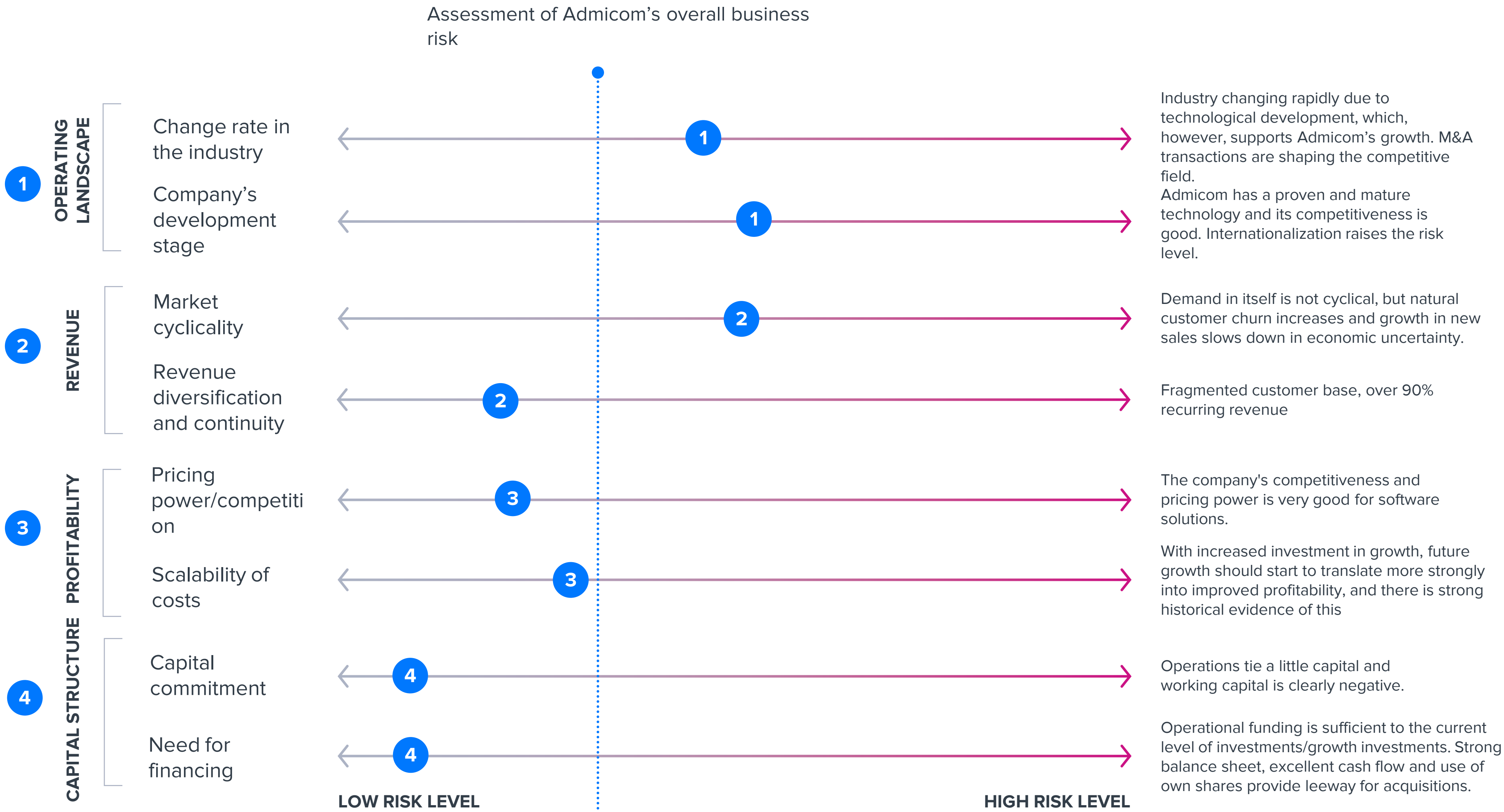
- Solidifying an already strong market position in Finland
- Exploiting additional and cross-selling opportunities
- Strong profitability despite growth investments, with room for improvement over the long term
- Value creation through M&A transactions
- Expansion into new operating countries

Risks

- Weak construction sector casts a shadow on organic growth outlook
- Increased growth investments and their success
- Acquisitions and their integration
- Success in internationalization is important for long-term growth
- Tightening competitive situation
- Technology, data security and key personnel risks

Source: Inderes

Risk profile of the business model



Source: Inderes

Valuation 1/4

The stock has rebounded as the worst fears about the construction cycle have been allayed

Admicom's share price, and thus its valuation, has rebounded significantly from its lows in the fall of 2023, when concerns about the impact of a weak construction cycle on the company were at their highest. Since then, the company has demonstrated its ability to grow organically also in this market while delivering good earnings and cash flow. In its darkest moments, the stock was priced with virtually no growth expectations, but this year the valuation has corrected to a more reasonable level. Going forward, earnings growth will be a more prominent driver of expected returns, although there may still be room for valuation multiples to rise as growth picks up.

Valuation is interesting when looking beyond the weak construction cycle

There are many factors in Admicom's business model and investment profile that we believe support the stock's relatively high valuation. Historically, Admicom has a very strong track record of growth and creating shareholder value. Despite the growth investments made, the company's profitability is at a very good level and the business generates ample cash flow. In addition, Admicom's long-term growth outlook remains good and the overall risk profile is moderate. Admicom's business is more than 90% recurring, its solutions are mostly business critical for its customers, and it has clear competitive advantages in its area of specialization. In addition, Admicom's growth does not tie capital, so the company can allocate the cash flow generated by its business to acquisitions and pay relatively large dividends if it so wishes.

We forecast an adjusted EV/EBIT multiple of 19x for Admicom in 2024. The multiple is high based on the current year's sluggish growth and weakening profitability alone. However, we expect 2024 to remain the bottom year for earnings, with Admicom's growth accelerating in the medium term as the construction cycle recovers. By 2025, the EV/EBIT ratio (16.5x) already falls to a moderate level with the growth pick-up we forecast. At that time, the market environment for Admicom is likely to be only tentatively recovering, and we believe that the tailwind of a recovering market will create good conditions for accelerated growth for several years to come.

We believe that, depending on Admicom's earnings growth outlook, the neutral multiple range in the medium term is around 15x-20x. The valuation will quickly come down to very attractive levels (2026-2027e EV/EBIT 14x-11x) if the company's growth picks up to the level we forecast. The company's own goals are even more ambitious.

With its acquisitions and increased growth investments in recent years, Admicom has sown several seeds of growth that will be harvested in the coming years. As a result, the company has the potential to sustain strong earnings growth over the long term as it executes its strategy, which we believe offers attractive long-term value creation potential. We believe, the key risks also relate to acquisitions and future stronger internationalization investments, in addition to the cyclical risks in the construction industry.

Valuation	2024e	2025e	2026e
Share price	46.7	46.7	46.7
Number of shares, millions	4.99	4.99	4.99
Market cap	233	233	233
EV	222	215	207
P/E (adj.)	25.1	21.7	19.0
P/E	41.3	32.8	27.0
P/B	7.4	6.6	5.8
P/S	6.6	6.2	5.6
EV/Sales	6.4	5.7	4.9
EV/EBITDA	19.1	16.2	13.6
EV/EBIT (adj.)	19.4	16.5	13.9
Payout ratio (%)	57.5 %	52.7 %	52.2 %
Dividend yield-%	1.4 %	1.6 %	1.9 %

Source: Inderes

Admicom's NTM EV/EBITDA multiple

Source: Inderes, Bloomberg

Valuation 2/4

Peer group valuation

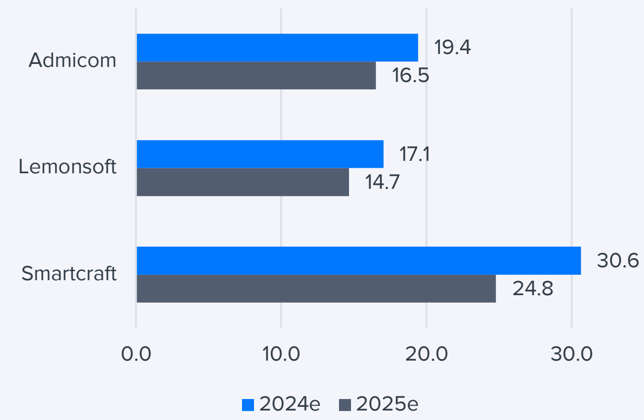
We compare Admicom's relative valuation to a peer group consisting of Nordic software companies. We especially compare the company's valuation to its closest SaaS peers, Lemonsoft and Smartcraft, which are also the company's competitors in construction industry software. In addition, the companies' size, growth and profitability profiles are quite similar to Admicom.

Relative to its closest peers on a 2025 EV/EBIT multiple, Admicom's valuation is at a premium to the reasonably priced Lemonsoft (15x). However, Admicom's adjusted EBIT currently converts to cash flow at a much higher rate than Lemonsoft's, which is a good thing to consider when comparing multiples. Compared to Smartcraft (25x), which operates in the Nordic countries and trades at high multiples, Admicom's valuation is at a significant discount. However, Smartcraft's organic growth rate is currently significantly higher than Admicom's, which justifies the higher multiple. In terms of cash flow, the quality of Admicom's earnings is in turn better than Smartcraft's. Overall, we believe that Admicom's stock valuation looks reasonable compared to its nearest peers.

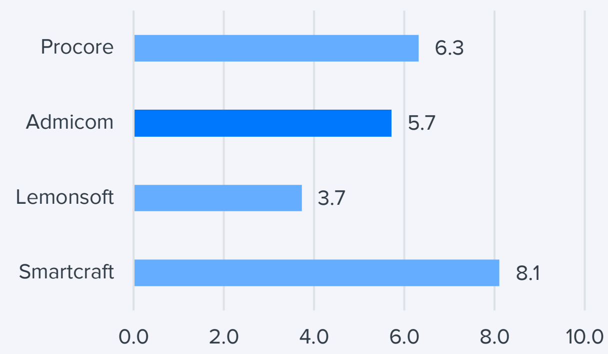
Among the software companies focused on the construction industry, US-based Procore is also one of Admicom's competitors. However, in terms of revenue (2024e 1.1 BNUSD), the company is on a completely different scale. In addition, the company has a history of investing heavily in growth at the expense of profitability, and EBITDA is expected to grow only moderately (14-16%) over the next few years. Therefore, a direct comparison of Procore's earnings multiples (2024e EV/EBITDA 54x) with Admicom is not meaningful. Procore is expected to grow at an annual rate of approximately 20% over the medium term.

On an EV/Sales basis, Admicom (2025e 5.7x) is trading at a clear premium to Lemonsoft (3.7x) and at a clear discount to Smartcraft (8.1x). We believe that the differences in revenue multiples are largely explained by the same factors that we just discussed when looking at earnings multiples. Procore's EV/Sales (6.3x) is only slightly higher than Admicom's.

EV/EBIT of Admicom and nearest peers

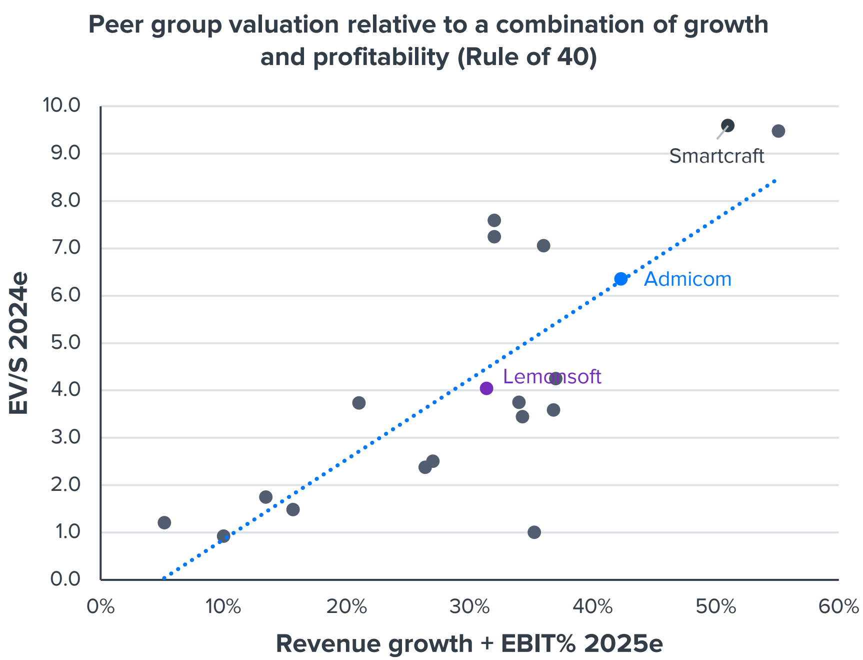


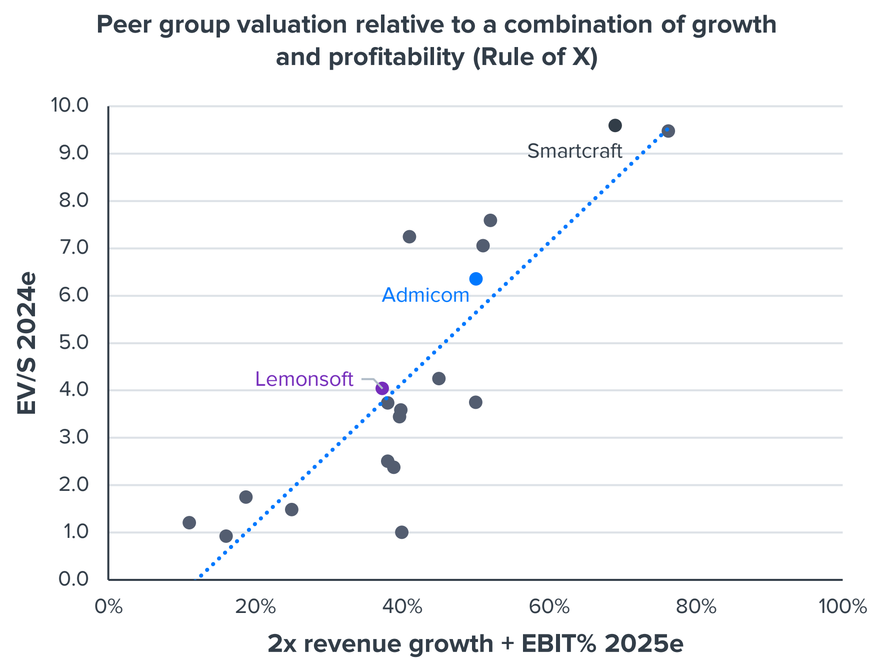
2025e EV/S of Admicom and peers



Source: Inderes

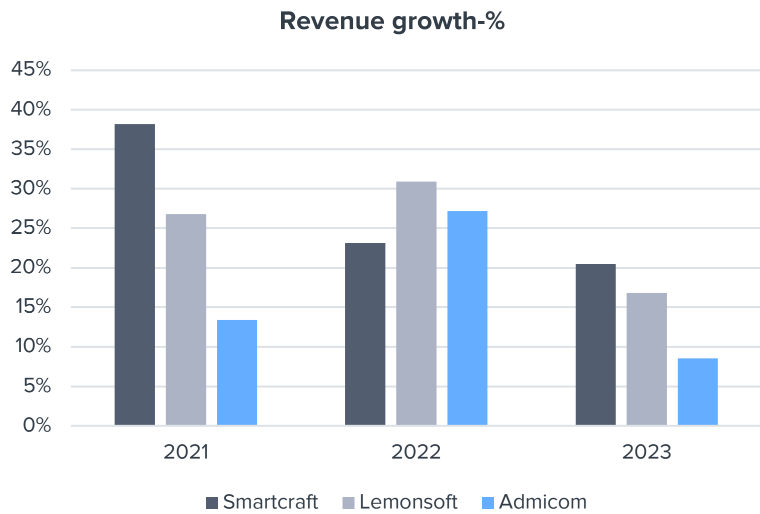
Valuation relative to peers

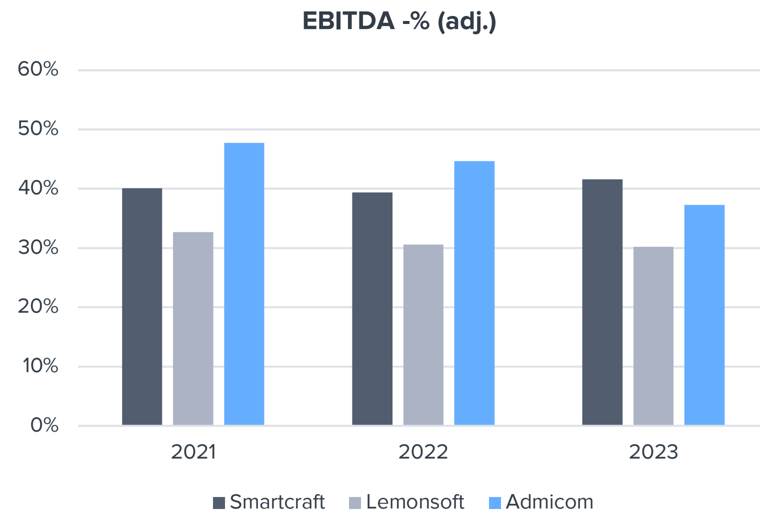


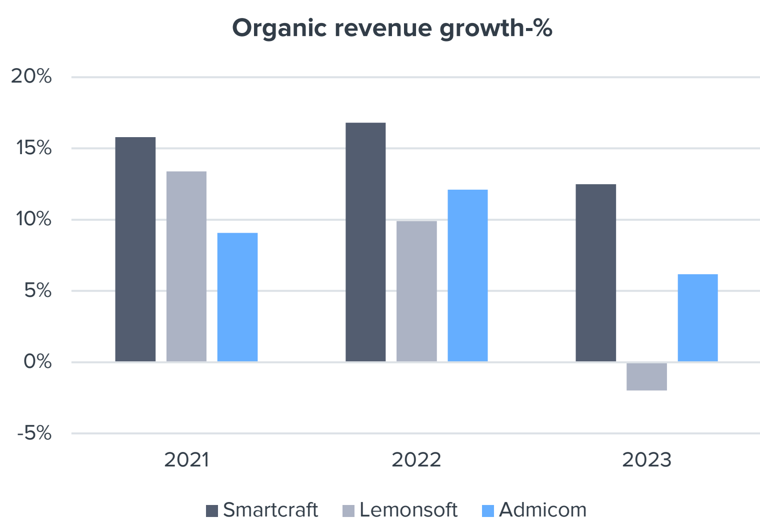


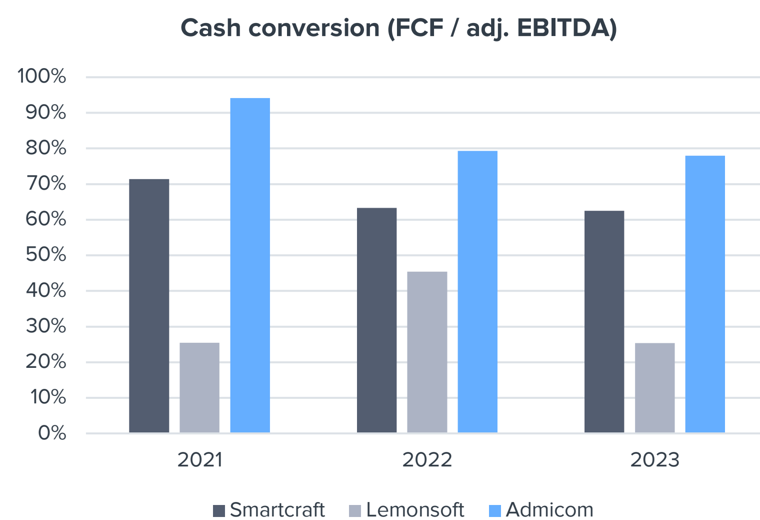
Source: Refinitiv and Inderes, *Note: Fortnox has been removed from the charts due to its exceptionally high EV/S and combination of growth and profitability.

Key figures of Admicom and peers









Valuation 3/4

Scenarios by 2028

We examine the expected returns for Admicom's share in three different scenarios based on different assumptions of the company's growth rate and business scalability looking into 2028.

With our current estimates, we expect Admicom's revenue to grow by an average of about 8% and profitability (adjusted EBIT %) to improve to 39% by 2028. We expect companies to trade at an EV/EBIT multiple of 17.5x at the end of 2027/beginning of 2028, based on a one-year forward projection. As Admicom's strategy progresses, the company's growth prospects should remain strong at that point, so relatively high valuation multiples would still be well justified. The enterprise value of Admicom calculated through our forecasts would be 349 MEUR under these assumptions. By adding the estimated 2027 net cash to this, as well as the 2025-2027 dividends, the value of the entire stock is some 413 MEUR or EUR 83 per share. This would mean some 18% annual expected earnings with the current share price. We believe that this scenario reflects well the medium-term potential of Admicom's stock if the company is able to accelerate its growth towards double-digit levels in the coming years. In the sensitivity calculation below, we show how changes in growth rates and acceptable valuation affect the expected return in the neutral scenario.

In the pessimistic scenario, we expect annual revenue growth to remain at 3% and profitability to improve only slightly to 35%. Assuming an EV/EBIT multiple of 15x in this scenario, the stock is valued at 261 MEUR or 52 EUR per share, which would imply a low expected annual return of around 3%. In our view, the pessimistic scenario partly reflects the relatively modest growth expectations currently priced into the stock, as the expected return would still be modestly positive even with a weak performance, provided the acceptable valuation level does not fall significantly as the growth rate slows.

In the optimistic scenario, we assume that Admicom's revenue will grow by 11% p.a. and the adjusted EBIT margin rises to 42%. In the light of the stronger growth and profitability profile, we apply a 20x EV/EBIT ratio. With these assumptions the value of the entire stock is 552 MEUR or EUR 111 per share, which would mean annual expected earnings of 28%. This scenario would require excellent success in the next few years in the company's strategy and a significant acceleration in organic growth from the current level. In this scenario, the expected return would also be very good.

Scenarios by 2028	Pessimistic	Current estimates	Optimistic
Revenue	40.0	50.6	57.0
Revenue growth % (CAGR 24-28)	*3%*	*8%*	*11%*
EBIT % (adj.)	35%	39%	42%
EBIT (adj.)	14.0	20.0	23.9
x valuation multiple (EV/EBIT)	15.0	17.5	20.0
= EV 2028e (MEUR)	**210**	**349**	**479**
Net cash + dividends 2024-2027	51	64	74
= Value of share capital (MEUR)	**261**	**413**	**552**
Per share (EUR)	*52*	*83*	*111*
Potential	*12%*	*78%*	*137%*
Annual expected return	*3%*	*18%*	*28%*

Sensitivity of the annual expected revenue

	Revenue growth-%				
EV/EBIT	***3%***	***6%***	***8%***	***11%***	***13%***
14x	6%	9%	12%	15%	18%
16x	6%	12%	15%	18%	22%
18x	12%	15%	18%	22%	25%
20x	15%	18%	21%	25%	28%
22x	17%	21%	24%	28%	32%
24x	20%	23%	27%	31%	35%

Valuation 4/4

DCF calculation

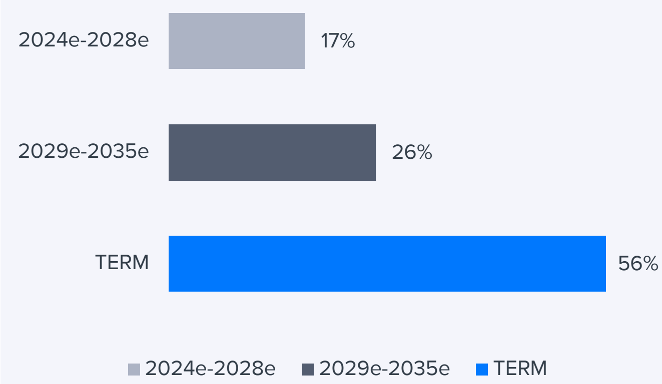
Our DCF calculation gives Admicom's share a value of around EUR 57 with our moderate assumptions compared to the company's targets. We have set the terminal (2035-) growth rate to 2.7% and the EBIT margin to 38%. The weight of the terminal period in the DCF calculation is 56%, which is a fairly moderate level for a growth company.

In the calculation, we have used an 8.5% required return as the average cost of equity (WACC), which based on the assumed debt leverage means an 9.0% return on equity. We believe the level of required return is reasonable and well justified in the current interest rate environment by the low risk profile of Admicom's business. There may still be some downside to the required rate of return if interest rates fall and/or if the accelerating growth that Admicom's strategy seeks is evident over the next few years. The adjacent graph illustrates the sensitivity of the DCF model to changes in the required return.

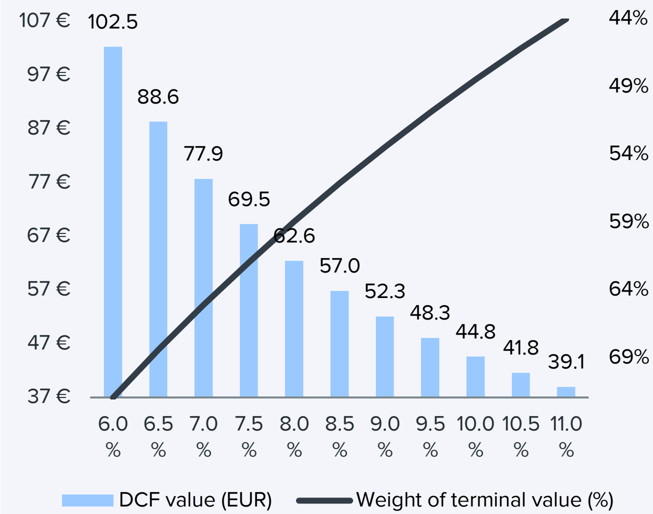
Fair value and recommendation

Based on the valuation methodologies discussed above, we estimate that the fair value of Admicom is currently in the range of EUR 43-57. This is also broadly in line with our estimate of an acceptable 15x-20x multiple range applied to 2025 adjusted EBIT estimate. In the medium term, we see fair value upside potential once the company returns to an upward growth trajectory. The scenarios discussed on the previous page help to illustrate this. In this report, we reiterate our Accumulate recommendation and our target price of EUR 52 for Admicom.

Cash flow breakdown



Sensitivity of DCF to changes in the WACC-%

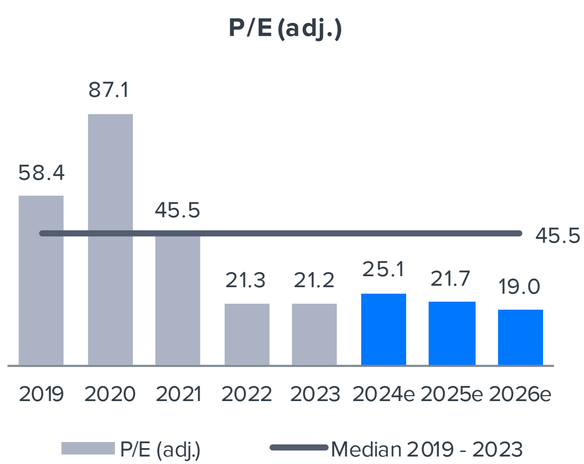


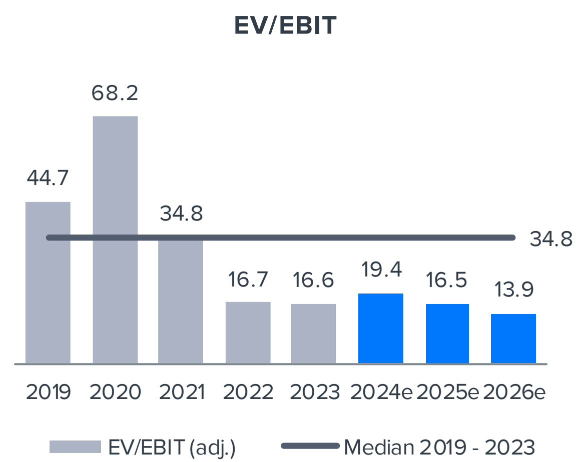
Source: Inderes

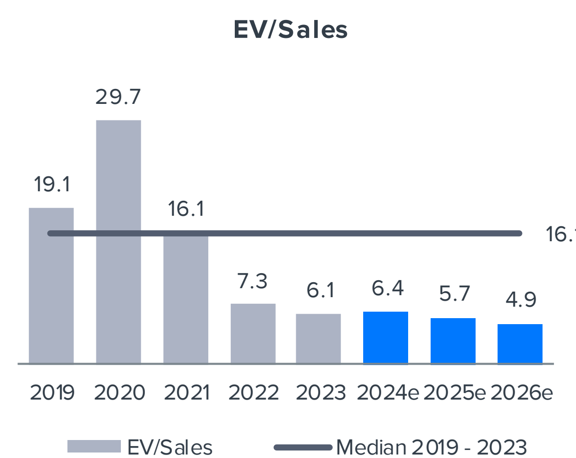
Valuation table

Valuation	2019	2020	2021	2022	2023	2024e	2025e	2026e	2027e
Share price	64.4	135.0	84.5	46.5	43.3	**46.7**	**46.7**	**46.7**	**46.7**
Number of shares, millions	4.85	4.92	4.93	4.99	4.99	**4.99**	**4.99**	**4.99**	**4.99**
Market cap	314	665	416	232	216	**233**	**233**	**233**	**233**
EV	298	651	400	229	210	**222**	**215**	**207**	**197**
P/E (adj.)	58.4	87.1	45.5	21.3	21.2	**25.1**	**21.7**	**19.0**	**16.3**
P/E	59.0	>100	51.7	29.1	34.1	**41.3**	**32.8**	**27.0**	**21.9**
P/B	19.3	29.5	13.3	7.9	7.4	**7.4**	**6.6**	**5.8**	**5.0**
P/S	20.1	30.3	16.7	7.3	6.3	**6.6**	**6.2**	**5.6**	**5.1**
EV/Sales	19.1	29.7	16.1	7.3	6.1	**6.4**	**5.7**	**4.9**	**4.3**
EV/EBITDA	41.7	65.4	33.7	16.3	16.4	**19.1**	**16.2**	**13.6**	**11.1**
EV/EBIT (adj.)	44.7	68.2	34.8	16.7	16.6	**19.4**	**16.5**	**13.9**	**11.3**
Payout ratio (%)	66.5 %	66.9 %	122.3 %	81.3 %	55.3 %	**57.5 %**	**52.7 %**	**52.2 %**	**51.6 %**
Dividend yield-%	1.1 %	0.7 %	2.4 %	2.8 %	1.6 %	**1.4 %**	**1.6 %**	**1.9 %**	**2.4 %**

Source: Inderes







Peer group valuation

Peer group valuation	Market cap	EV	EV/EBIT		EV/EBITDA		EV/S		Lv:n kasvu-%		EBIT-%		Rule of 40
Company	**MEUR**	**MEUR**	**2024e**	**2025e**	**2024e**	**2025e**	**2024e**	**2025e**	**2024e**	**2025e**	**2024e**	**2025e**	**2025e**
Lemonsoft	119	117	17.1	14.7	14.9	13.0	4.0	3.7	10%	6%	24%	25%	31%
Smartcraft	446	426	30.6	24.8	23.3	19.2	9.6	8.1	27%	18%	31%	33%	51%
LeadDesk	44	47	32.1	20.9	11.1	8.8	1.5	1.3	7%	9%	5%	6%	16%
Talenom	229	312	22.1	15.5	8.5	7.2	2.4	2.2	8%	12%	11%	14%	26%
Qt Group	2148	2078	28.0	22.5	26.9	21.7	9.5	7.6	21%	21%	34%	34%	55%
WithSecure	198	183			57.3	22.6	1.2	1.2	6%	6%	-4%	-1%	5%
F-Secure	362	529	10.9	10.0	9.9	8.9	3.6	3.4	13%	3%	33%	34%	37%
Enento	396	533	12.0	11.2	10.5	8.9	3.5	3.2	-1%	5%	29%	29%	34%
QPR Software	10	11	48.1	19.8	8.8	8.0	1.8	1.6	-17%	5%	4%	8%	13%
Tecnotree	80	83	3.1	2.7	2.4	1.9	1.0	0.8	5%	5%	33%	31%	35%
Fortnox	3468	3447	43.6	33.5	35.6	27.8	18.6	15.0	27%	24%	43%	45%	69%
Carasent	118	89		72.9	25.8	19.6	3.7	3.2	12%	17%	-4%	4%	21%
Lime Technologies	415	436	35.9	29.5	23.0	19.9	7.1	6.2	20%	15%	20%	21%	36%
FormPipe Software	123	120	24.9	14.6	10.9	8.2	2.5	2.3	3%	11%	10%	16%	27%
Vitec Software Group	1841	1989	32.0	28.9	17.8	16.0	7.3	6.6	11%	9%	23%	23%	32%
Sinch	1722	2418	31.6	19.9	7.7	6.8	0.9	0.9	2%	6%	3%	4%	10%
IAR Systems Group	201	188	15.3	13.8	10.4	9.4	4.3	3.9	11%	8%	28%	29%	37%
Upsales Technology	55	50	22.5	18.1	15.2	13.1	3.8	3.2	-2%	16%	17%	18%	34%
Procore Technologies	8752	8095	78.1	52.6	53.1	37.2	7.6	6.3	22%	20%	10%	12%	32%
Admicom (Inderes)	**233**	**222**	**19.4**	**16.5**	**19.1**	**16.2**	**6.4**	**5.7**	**2%**	**8%**	**33%**	**35%**	**42%**
Average			**28.7**	**23.6**	**19.6**	**14.6**	**4.9**	**4.2**	**10%**	**11%**	**18%**	**20%**	
Median			**28.0**	**19.8**	**14.9**	**13.0**	**3.7**	**3.2**	**10%**	**9%**	**20%**	**21%**	
Diff-% to median			***-31%***	***-17%***	***29%***	***25%***	***70%***	***77%***					

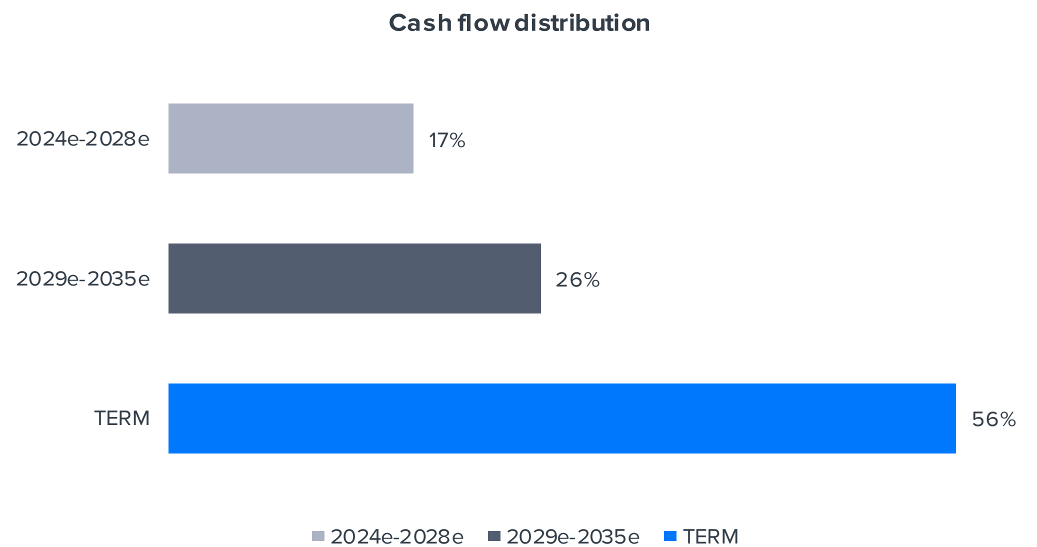
Source: Refinitiv / Inderes

DCF calculation

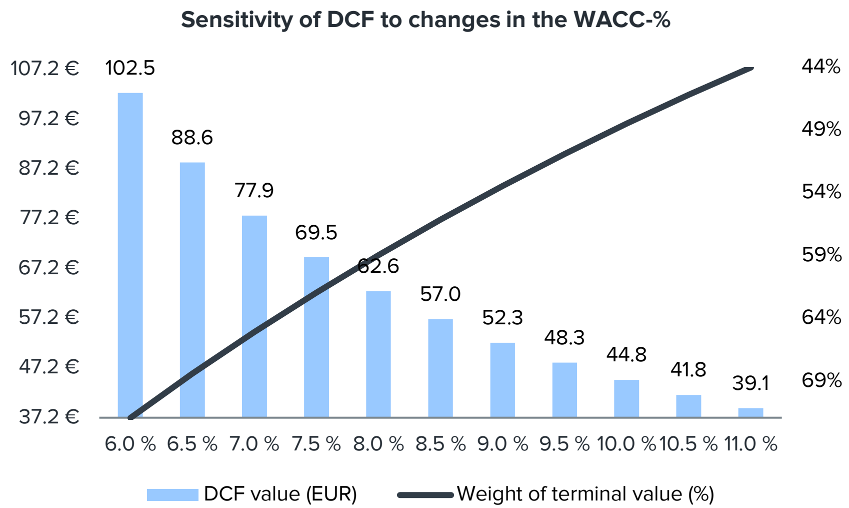
DCF model	2023	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	2034e	2035e	TERM
Revenue growth-%	8.6 %	2.0 %	7.8 %	10.9 %	10.0 %	10.0 %	9.0 %	8.0 %	7.0 %	6.0 %	5.0 %	3.0 %	2.7 %	2.7 %
EBIT-%	25.7 %	22.3 %	25.0 %	27.0 %	29.9 %	32.3 %	33.7 %	37.9 %	38.5 %	38.5 %	38.5 %	38.5 %	38.0 %	38.0 %
EBIT (operating profit)	**8.8**	**7.8**	**9.4**	**11.3**	**13.7**	**16.3**	**18.6**	**22.6**	**24.5**	**26.0**	**27.3**	**28.1**	**28.5**	
+ Depreciation	4.0	3.8	3.9	3.9	4.0	4.0	4.0	2.1	2.1	2.1	1.1	0.6	0.6	
- Paid taxes	-2.3	-2.0	-2.2	-2.6	-3.1	-3.6	-3.9	-4.7	-5.2	-5.5	-5.7	-5.9	-6.0	
- Tax, financial expenses	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
+ Tax, financial income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Change in working capital	0.0	-0.1	0.3	0.4	0.4	0.4	0.4	0.4	0.4	0.3	0.2	0.2	0.2	
Operating cash flow	**10.5**	**9.5**	**11.3**	**12.9**	**15.0**	**17.2**	**19.1**	**20.3**	**21.9**	**23.0**	**22.8**	**23.0**	**23.3**	
+ Change in other long-term liabilities	0.0	0.0	-0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-0.4	-1.4	-0.5	-0.5	-0.5	-0.5	-0.6	-0.6	-0.6	-0.6	-0.7	-0.7	-0.7	
Free operating cash flow	**10.1**	**8.0**	**10.3**	**12.5**	**14.5**	**16.6**	**18.6**	**19.7**	**21.3**	**22.3**	**22.1**	**22.3**	**22.6**	
+/- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	10.1	8.0	10.3	12.5	14.5	16.6	18.6	19.7	21.3	22.3	22.1	22.3	22.6	
Discounted FCFF		**7.7**	**9.1**	**10.2**	**10.9**	**11.5**	**11.9**	**11.6**	**11.5**	**11.2**	**10.2**	**9.5**	**8.9**	**158**
Sum of FCFF present value		282	275	266	255	245	233	221	210	198	187	177	167	158
Enterprise value DCF		**282**												
- Interest bearing debt		-4.1												
+ Cash and cash equivalents		9.9												
-Minorities		0.0												
-Dividend/capital return		-3.5												
Equity value DCF		**285**												
Equity value DCF per share		**57.1**												

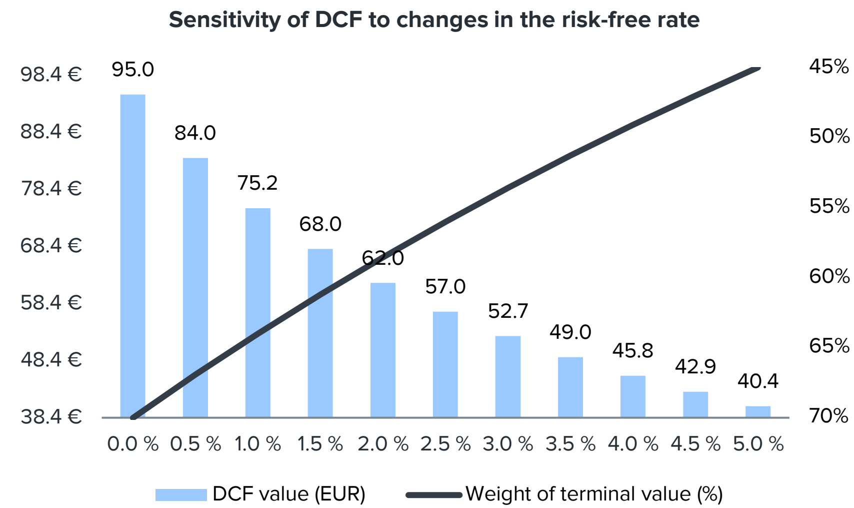
WACC	
Tax-% (WACC)	20.0 %
Target debt ratio (D/(D+E)	10.0 %
Cost of debt	5.0 %
Equity Beta	1.00
Market risk premium	4.75%
Liquidity premium	1.70%
Risk free interest rate	2.5 %
Cost of equity	**9.0 %**
Weighted average cost of capital (WACC)	**8.5 %**

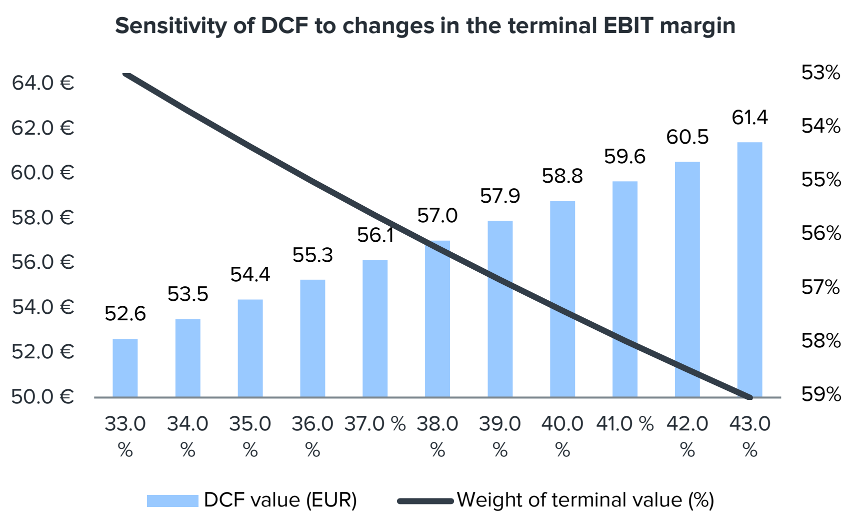
Source: Inderes

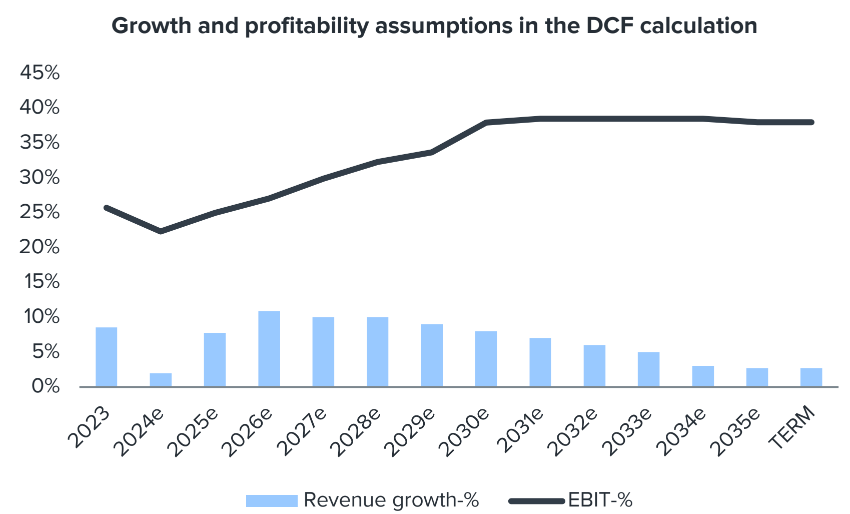


DCF sensitivity calculations and key assumptions in graphs









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

Balance sheet

Assets	2022	2023	2024e	2025e	2026e
Non-current assets	**31.0**	**27.4**	**25.0**	**21.7**	**18.2**
Goodwill	0.0	0.0	0.0	0.0	0.0
Intangible assets	30.8	27.3	24.9	21.6	18.1
Tangible assets	0.2	0.1	0.1	0.1	0.1
Associated companies	0.0	0.0	0.0	0.0	0.0
Other investments	0.0	0.0	0.0	0.0	0.0
Other non-current assets	0.0	0.0	0.0	0.0	0.0
Deferred tax assets	0.0	0.0	0.0	0.0	0.0
Current assets	**18.6**	**13.2**	**17.7**	**21.0**	**30.1**
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	3.0	3.2	3.5	3.8	4.2
Cash and equivalents	15.5	9.9	14.2	17.2	25.9
Balance sheet total	**49.6**	**40.6**	**42.8**	**42.7**	**48.3**

Source: Inderes

Liabilities & equity	2022	2023	2024e	2025e	2026e
Equity	**29.5**	**29.3**	**31.5**	**35.3**	**40.2**
Share capital	0.1	0.1	0.1	0.1	0.1
Retained earnings	14.0	13.8	16.0	19.8	24.7
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	15.3	15.3	15.3	15.3	15.3
Minorities	0.1	0.1	0.1	0.1	0.1
Non-current liabilities	**13.6**	**4.6**	**4.5**	**0.0**	**0.0**
Deferred tax liabilities	0.0	0.0	0.0	0.0	0.0
Provisions	0.0	0.0	0.0	0.0	0.0
Interest bearing debt	13.1	4.1	4.0	0.0	0.0
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	0.5	0.5	0.5	0.0	0.0
Current liabilities	**6.5**	**6.7**	**6.8**	**7.4**	**8.2**
Interest bearing debt	0.0	0.0	0.0	0.0	0.0
Payables	6.5	6.7	6.8	7.4	8.2
Other current liabilities	0.0	0.0	0.0	0.0	0.0
Balance sheet total	**49.6**	**40.6**	**42.8**	**42.7**	**48.3**

Summary

Income statement	2021	2022	2023	2024e	2025e
Revenue	24.9	31.6	34.3	**35.0**	**37.7**
EBITDA	11.9	14.1	12.8	**11.6**	**13.3**
EBIT	10.4	10.8	8.8	**7.8**	**9.4**
PTP	10.3	10.6	8.6	**7.6**	**9.3**
Net Income	8.1	8.0	6.3	**5.6**	**7.1**
Extraordinary items	-1.1	-2.9	-3.9	**-3.6**	**-3.6**

Per share data	2021	2022	2023	2024e	2025e
EPS (reported)	1.63	1.60	1.27	**1.13**	**1.42**
EPS (adj.)	1.86	2.19	2.04	**1.86**	**2.15**
OCF / share	2.36	2.27	2.11	**1.90**	**2.26**
FCF / share	0.68	-1.10	2.03	**1.61**	**2.07**
Book value / share	6.37	5.90	5.86	**6.29**	**7.07**
Dividend / share	2.00	1.30	0.70	**0.65**	**0.75**

Balance sheet	2021	2022	2023	2024e	2025e
Balance sheet total	37.9	49.6	40.6	**42.8**	**42.7**
Equity capital	31.5	29.5	29.3	**31.5**	**35.3**
Goodwill	0.0	0.0	0.0	**0.0**	**0.0**
Net debt	-18.1	-2.4	-5.8	**-10.2**	**-17.2**

Growth and profitability	2021	2022	2023	2024e	2025e
Revenue growth-%	13%	27%	9%	**2%**	**8%**
EBITDA growth-%	19%	19%	-9%	**-9%**	**14%**
EBIT (adj.) growth-%	20%	20%	-8%	**-10%**	**14%**
EPS (adj.) growth-%	20%	18%	-7%	**-9%**	**16%**
EBITDA-%	47.7 %	44.6 %	37.3 %	**33.2 %**	**35.2 %**
EBIT (adj.)-%	46.1 %	43.4 %	36.9 %	**32.7 %**	**34.6 %**
EBIT-%	41.7 %	34.2 %	25.7 %	**22.3 %**	**25.0 %**
ROE-%	29.9 %	26.2 %	21.5 %	**18.6 %**	**21.3 %**
ROI-%	38.4 %	29.2 %	23.2 %	**22.7 %**	**26.6 %**
Equity ratio	83.1 %	59.9 %	72.7 %	**74.0 %**	**83.3 %**
Gearing	-57.3 %	-8.3 %	-19.9 %	**-32.6 %**	**-48.8 %**

Cash flow	2021	2022	2023	2024e	2025e
EBITDA	11.9	14.1	12.8	**11.6**	**13.3**
Change in working capital	2.0	-0.2	0.0	**-0.1**	**0.3**
Operating cash flow	11.6	11.3	10.5	**9.5**	**11.3**
CAPEX	-8.3	-17.3	-0.4	**-1.4**	**-0.5**
Free cash flow	3.3	-5.5	10.1	**8.0**	**10.3**

Valuation multiples	2021	2022	2023	2024e	2025e
EV/S	16.1	7.3	6.1	**6.4**	**5.7**
EV/EBITDA	33.7	16.3	16.4	**19.1**	**16.2**
EV/EBIT (adj.)	34.8	16.7	16.6	**19.4**	**16.5**
P/E (adj.)	45.5	21.3	21.2	**25.1**	**21.7**
P/B	13.3	7.9	7.4	**7.4**	**6.6**
Dividend-%	2.4 %	2.8 %	1.6 %	**1.4 %**	**1.6 %**

Source: Inderes

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

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Recommendation history (>12 mo)

Date	Recommendation	Target	Share price
7/2/2020	Reduce	83.00 €	85.20 €
9/10/2020	Reduce	82.00 €	79.00 €
10/5/2020	Accumulate	100.00 €	91.40 €
11/23/2020	Reduce	120.00 €	126.00 €
1/18/2021	Reduce	110.00 €	118.50 €
3/22/2021	Accumulate	100.00 €	91.00 €
4/6/2021	Reduce	95.00 €	97.00 €
7/5/2021	Reduce	95.00 €	92.50 €
8/4/2021	Reduce	95.00 €	92.80 €
10/5/2021	Reduce	95.00 €	95.40 €
12/1/2021	Accumulate	87.00 €	78.50 €
1/24/2022	Accumulate	80.00 €	70.90 €
4/5/2022	Accumulate	77.00 €	65.20 €
6/22/2022	Buy	63.00 €	49.70 €
7/7/2022	Buy	65.00 €	53.90 €
9/5/2022	Accumulate	65.00 €	58.60 €
10/4/2022	Accumulate	55.00 €	47.00 €
1/16/2023	Accumulate	52.00 €	46.60 €
1/31/2023	Buy	52.00 €	43.10 €
3/17/2023	Buy	52.00 €	42.35 €
4/6/2023	Buy	52.00 €	40.25 €
7/6/2023	Buy	52.00 €	40.05 €
9/28/2023	Buy	45.00 €	33.00 €
10/6/2023	Buy	45.00 €	33.40 €
12/14/2023	Accumulate	48.00 €	43.65 €
1/22/2024	Accumulate	45.00 €	39.80 €
4/11/2024	Accumulate	48.00 €	43.05 €
6/4/2024	Accumulate	52.00 €	47.00 €
6/18/2024	Accumulate	52.00 €	46.65 €

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