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Corporate Research

Inderes

The SEB logo consists of the letters 'SEB' in white, bold, sans-serif font, centered within a solid green square.

Q4: Clear miss driven by weak project business

Inderes's Q4 sales were surprisingly well below our estimate, given that the delta owes purely to December. Due to fixed costs driven cost base the absolute miss in EBITA was almost equal to the top-line miss and was clearly below our estimate. The number of commissioned research agreements continued to rise, which we find to be the positive spot of the report. In its guidance the company sees 2024 sales to grow and EBITA margin to improve vs. 2023.

Outcome: Q4 Sales miss of 7.5% results in hefty 50% miss in EBITA

Inderes reported Q4 sales of EUR 4.2m, below (-7.5%) our estimate of EUR 4.5m. Noteworthy that the deviation came from December sales as Nov-Dec sales reports were already released. In Q4 the sales increased 8% y/y which was still driven by the Swedish acquisitions. Excluding the acquisitions, the sales were down 6% y/y. Compared to our estimates the sales delta came from project revenue which was just EUR 1.5m (vs. SEB est. of EUR 1.8m).

The recurring revenue of EUR 2.7m came in line with our assumption. Swedish operation sales were some EUR 1.0m, marginally above our estimate. Our positive note goes to continued increase in the number of commissioned research agreements, which increased to 145 (SEB est. 143 agreements), up 6% y/y and two agreements vs. Q3. Consequently, the conclusion is that the weak momentum in project business continued to weaken in Q4 while we had expected roughly flat y/y performance. Due to fixed costs driven cost base the Q4 EBITA miss was in line with the top-line miss, i.e. the EBITA of EUR 0.2m missed our forecast to EUR 0.25m (top-line miss EUR 0.3m). The full year reported EPS came in at EUR 0.05 (SEB est. EUR 0.21). Inderes however sticks to its dividend policy and suggest DPS of EUR 0.85, slightly above our estimate of EUR 0.83. We note that due to high goodwill amortisation under FAS the adjusted EPS (closer to cash flow) for 2023 came in at EUR 0.80, missing slightly our estimate of EUR 0.83.

Inderes Q4/23 deviation vs. SEB est.

EURm	Q4/23		Deviation SEB		Q4/22		Q3/23	
	Actual	SEB	Abs	Rel (%)	Actual	y/y (%)	Actual	q/q (%)
Net sales	4.2	4.5	-0.3	-7.5	3.9	8.1	3.7	12.2
Materials and services	-0.5	-0.7	0.1	21.6	-0.6	12.0	-0.6	15.8
Gross profit	3.7	3.9	-0.2	-5.1	3.3	11.8	3.1	17.8
Personnel expenses	-2.6	-2.6	0.0	-1.1	-2.3	-14.0	-1.7	-49.9
Other operating costs	-0.8	-0.7	0.0	-2.7	-0.7	-2.7	-0.6	-21.5
EBITA	0.2	0.5	-0.2	-50.9	0.2	16.5	0.7	-65.2
EBITA adjusted	0.2	0.5	-0.2	-50.9	0.2	16.5	0.7	-65.2
EBIT reported	0.0	0.2	-0.2	-108.3	0.0	-575.0	0.4	-104.4
Adj. EBITA margin	5.7%	10.8%		-5.1pp	5.3%	0.4pp	18.4%	-12.7pp
No. of commissioned research companies	145	143	2.0	1.4	119.0	21.8	143.0	1.4

Source: SEB

Outlook: Expecting growth and improving margin in 2024

In its guidance for 2024 Inderes sees its sales to grow from 2023 (EUR 17.2m) and EBITA margin to improve from 2023 (10.6%). We have expected sales of EUR 18.5m (7% growth vs. 2023) and EBITA margin of 13%. At first glance we find that the miss in Q4 set pressure for the estimates. However, the continued growth of commissioned research agreements and lower headcount in the year end (actual 117 employees vs. SEB est 120 employees) offset the estimate revisions. The company expects the growth to be driven by new products and markets (Sweden) while the Finnish markets for core products are not expected to grow. In our preview note we flagged the risk that the number of Finnish listed companies could even decrease in 2024.

Conference call details: Starts at 9:30 am

Conference call starts at 9:30 Finnish time and can be followed at <https://inderes.videosync.fi/inderes-q4>.

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