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Corporate Research

Inderes

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## New strategy out ahead of CMD

**Inderes has announced a new strategy ahead its CMD tomorrow. Unsurprisingly, the focus is on international growth, with Sweden being the most important area. The market size estimate looks to be well in line with our assessment when we initiated coverage in May 2023. Also, the strengths and obstacles for strategy delivery is not big news to us. No acquisitions are needed for strategy implementation but a potential merger with HCA was flagged, which we find interesting.**

### Target market of 1,100 listed companies in Nordics

During the strategy period, Inderes has selected its primary target markets to be Sweden, Finland and Denmark. These markets have more than 1,100 listed companies for which Inderes' product offering can be targeted. The market potential of its main products in these markets is estimated to be over EUR 120m. The market potential is well in line with our previous market assessment, with the exception of Norway, which is not yet included in the target market. We have previously estimated that the Nordic total market potential amounts some EUR 138m (including Norway). Currently the more than 400 companies are connected to the Inderes platform through one or more product areas. The number of customers per each product line was also disclosed: Equity Research (current client base of over 140 listed companies), IR Events (over 300 listed companies), AGMs (current client base of over 100 listed companies), IR Software (Current client base of over 40 listed companies).

## **Key strengths and obstacles for strategy execution**

Inderes lists its key strengths and competitive edges to deliver its strategic growth plan:

- Inderes media: Inderes is a unique platform that enables the listed company to reach a wide range of target groups, from private investors to professionals.
- Comprehensive product offering: Inderes is the only service provider that can offer a listed company all the solutions needed to provide quality service to its shareholders.
- Investor-centricity: Inderes was created to serve investors and develops its activities in close cooperation with the investor community.
- Organization: Inderes has built an organization that attracts experts in the field, combining wholeness, agility, creativity, and disciplined execution.

Additionally the key challenges and obstacles are also identified:

- Low awareness of Inderes in markets outside Finland
- Building a product offering and sales models in Sweden
- Developing an international organization culture
- Building investor communities in markets outside Finland

In general we agree on Inderes strengths in the Finnish market. However, as the company has itself identified, taking the platform and the advantage to new country is not an easy task. To respond this Inderes has decided to initiate research coverage on selected interesting Swedish companies and pilot other products with free models. This must be seen as an investment, i.e. the Swedish operations profitability will be under pressure for some time.

## **Financial targets unchanged - M&A not necessary, but HCA merger in consideration**

Inderes keeps its financial target wording unchanged. Financial objective: to maintain a combined revenue growth rate and profitability (EBITA%) of 30-50% Payout policy: annually increasing absolute payout, including dividends and share buybacks.

In terms of acquisitions it seems the company is digesting the latest acquisitions as further acquisitions are not needed for strategy implementation. However, In Denmark, Inderes and HC Andersen Capital are evaluating a merger as a strategic option for the long term, provided that certain conditions are met. Inderes currently owns 20% of HCA.

<b>Key figures</b>				
<b>(EURm)</b>	<b>2022</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
Revenues (m)	14	20	22	24
Adj. EBIT	1	4	5	5
PTP (m)	1	3	4	5
EPS	0.23	1.24	1.66	2.07
EPS (adjusted)	0.23	1.24	1.66	2.07
DPS	0.82	0.85	0.90	1.00
Revenue growth (%)	14.3	48.0	9.7	7.2
EPS growth (%)	(71.4)	446.0	34.0	24.8
Operating margin (%)	6.0	14.0	16.6	19.4
ROCE (%)	15.5	36.0	40.5	34.1
Net Debt/EBITDA (x)	(1.2)	(0.8)	(0.4)	(0.6)
PER (adjusted)	112.3	22.5	16.8	13.5
Dividend yield (%)	3.2	3.0	3.2	3.6
Free Cash Flow Yield (%)	2.3	6.5	0.5	5.8
P/BV (x)	5.4	5.4	4.7	3.9
EV/EBIT (x)	31.4	11.0	9.2	9.0
EV/Sales (x)	3.04	2.17	2.04	1.85

Source: SEB

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