

Talenom

Company report

10/23/2023 07:45



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✓ Inderes corporate customer

This report is a summary translation of the report "Q3-tulos ei sisältänyt yllätyksiä" published on 10/23/2023 at 7:47 am EEST

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Q3 result contained no surprises

We reiterate our Buy recommendation and EUR 6.0 target price for Talenom. The company's Q3 report contained no significant surprises after the profit warning. The soft savings measures worked and the company's profitability will recover next year despite significant internationalization efforts. At the same time, the earnings growth driver returns to the company's side, after which the valuation (2024e P/E 21x and EV/EBITDA 9x) is attractive especially for long-term investors.

Q3 result operationally exceeded our estimates slightly

Talenom's net sales in Q3 grew by 20.0% to EUR 28.3 million exceeding our estimate slightly. Some two-thirds of the growth came from acquisitions in Sweden (+28%) and Spain (+462%) and one-third organically mainly from Finland (+7.7%). Q3 EBITDA was 7.6 MEUR in line with our expectations, which means a 27.0% EBITDA margin (Q3'22: 30.8%). In Finland, the EBITDA margin turned upward (38.3%, +1 percentage point) as soft profitability measures started to bite and losses in Spain reduced, but the Swedish figures did not convince. In Sweden, the implementation of own systems has accelerated, which depresses profitability for the time being. Comparable EBIT (excluding software investment write-downs) was EUR 2.4 million (estimate 2.2 MEUR). The adjusted EBIT margin clearly decreased further (8.4% vs. Q3'22: 13.0%). Naturally there is nothing to write home about in Talenom's Q3 result, but after the profit warning, Group figures delivered no surprises.

Estimate changes were minor

We made no significant changes to our estimates for the next few years in this update. The new guidance for 2023 naturally remained unchanged, and the key changes were related to still increasing financial costs. 2023 has been lost in earnings terms a long time ago and eyes are turned to next year. Talenom's cost structure has decreased roughly as expected thanks to soft savings measures and Finland's profitability will recover next year as the number of employees decreases. In Sweden, a clear improvement is challenging as the implementation of own systems continues, but in the longer term this enables a strong efficiency and thus profitability improvement. In Spain, the growth in scale (acquisitions) should cover the high fixed costs of the country's platform next year. The growth outlook remains roughly unchanged and we expect Talenom's net sales to grow by some 15% next year and the EBIT margin to rise to around 12% (2023e: 9.4%, 2022: 15.0%). This would imply a sharp increase in EPS (2024e EUR 0.22, 2023e: EUR 0.14). In the medium term, the earnings growth outlook is excellent if the profitability improvements in Sweden and Spain succeed even close to the company's plans. Patience is, however, required.

The share is be cheap once the earnings growth machine starts up again

As far as valuation is concerned, the situation has not changed substantially, and we reiterate our previous view. In the short term, Talenom's share has little support levels, as the earnings for the rest of the year are weak and the sentiment sour. Next year, however, the result will recover and the company again gets a strong growth driver, which makes 2024e P/E 21x and EV/EBITDA 8x attractive. We believe that Talenom's EBIT margin will reach at least 15% (2020: 19.8%), as the fruits of acquisition-driven growth in recent years begin to ripen. At this stage, the valuation multiples and share price will be significantly higher than at present, but at times one has to bear the risk that internationalization turns into a flop. We still consider the share's current risk/return ratio very attractive.

Recommendation

Buy
(previous Buy)

EUR 6.00
(previous EUR 6.00)

Share price:
4.70



Key figures

	2022	2023e	2024e	2025e
Revenue	102	123	141	164
growth-%	23%	20%	15%	17%
EBIT adj.	15.3	11.6	17.0	23.8
EBIT-% adj.	15.0 %	9.4 %	12.1 %	14.5 %
Net Income	11.8	3.4	10.3	15.6
EPS (adj.)	0.27	0.14	0.22	0.33

P/E (adj.)	35.4	32.9	21.2	14.1
P/B	7.5	4.0	3.9	3.5
Dividend yield-%	1.9 %	3.8 %	4.0 %	4.3 %
EV/EBIT (adj.)	31.1	24.8	17.4	12.6
EV/EBITDA	14.8	8.9	7.6	6.8
EV/S	4.6	2.3	2.1	1.8

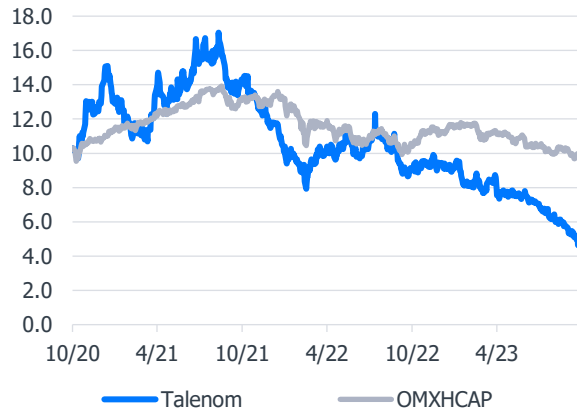
Source: Inderes

Guidance

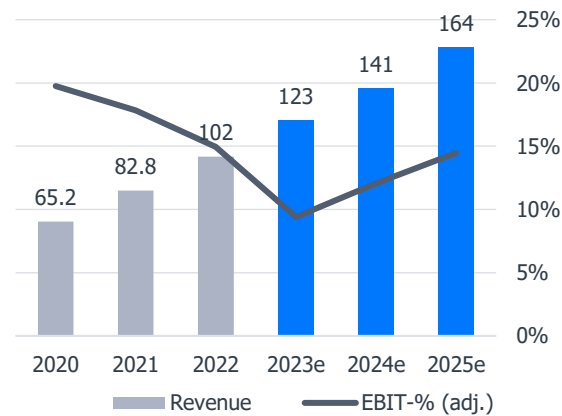
(Unchanged)

Talenom estimates that 2023 net sales will be around EUR 120–125 million, EBITDA around EUR 30–34 million, comparable operating profit excluding software-related write-downs around EUR 10–13 million and operating profit around EUR 7–10 million.

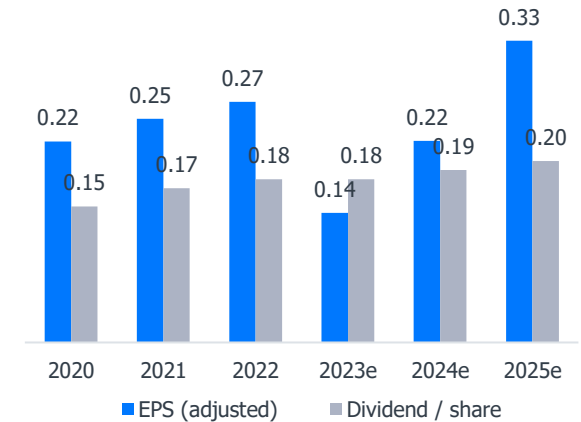
Share price



Revenue and EBIT-%



EPS and dividend



Value drivers

- Strong earnings growth after the acquisition-driven growth phase
- Clear competitive advantages will continue to contribute to increasing market share
- Strengthening market position in Sweden and profitability improvement
- Fragmented market is transforming, which opens new opportunities
- Business model that utilizes economies of scale strengthens with growth
- Expansion in Spain and elsewhere in Europe



Risk factors

- Failure in improving Sweden's profitability
- Failure in internationalization
- Development of the interest environment and drop of acceptable valuation multiples
- Competitive advantage relies on technology, whose development tends to be fast
- Potential drop in customer retention
- Potential tightening competition in digital financial management
- Transformation can bring new challengers to the industry

Valuation	2023e	2024e	2025e
Share price	4.70	4.70	4.70
Number of shares, million:	45.8	46.3	46.8
Market cap	215	217	220
EV	287	296	301
P/E (adj.)	32.9	21.2	14.1
P/E	63.8	21.2	14.1
P/FCF	neg.	44.9	23.4
P/B	4.0	3.9	3.5
P/S	1.8	1.5	1.3
EV/Sales	2.3	2.1	1.8
EV/EBITDA	8.9	7.6	6.8
EV/EBIT (adj.)	24.8	17.4	12.6
Payout ratio (%)	244%	85.5 %	60.1 %
Dividend yield-%	3.8 %	4.0 %	4.3 %

Source: Inderes

The Q3 result exceeded our estimates slightly operationally

Q3 result contained no major surprises after the profit warning

Talenom's net sales increased by 20% to EUR 28.3 million in Q3 and was slightly above our estimate (27.8 MEUR). About two-thirds of the net sales growth came from acquisitions, especially in Sweden and Spain, and one-third organically through active sales and sales of value-added services mainly in Finland.

Q3 EBITDA was in line with our expectations at EUR 7.6 million, which translates to an EBITDA margin of 27.0% (Q3'22: 30.8%). Depreciation was slightly lower than expected, and comparable EBIT (excluding software investment write-downs) of EUR 2.4 million slightly exceeded our forecast (2.2 MEUR). EBIT continued to decline clearly from the comparison period (Q3'22: 3.1 MEUR) as relative profitability declined clearly (EBIT margin 8.4% vs. Q3'22: 13.0%).

Considering the EUR 3.2 million non-recurring software write-down explained in the profit warning, EBIT was EUR -0.8 million and EPS EUR -0.04. Naturally, there is nothing to write home about in Talenom's Q3 result, but Group figures delivered no surprises.

Profitability turnaround has started in Finland

In Finland, Talenom's net sales grew by 7.7% in Q3 to EUR 20.3 million, which we believe was in practice organic growth. The growth was still below company expectations as a general slowdown in the economy resulted in a reduction in volume-based invoicing per customer as customers' business activity declined, and also in increased business closures. Talenom's price increases decreased considerably due to this, which naturally put pressure on profitability.

Despite this, Finland's EBITDA (7.8 MEUR) increased from the comparison period thanks to profitability improvement measures (Q3'22: 7.0 MEUR), and the company expects profitability to continue to improve as soft measures (especially a decrease in the number of employees) progress. The EBITDA margin was 38.3% in Q3 and increased by one percentage point from the comparison period. Adjusted EBIT also improved slightly, although the margin remained unchanged (17.2% vs. Q3'22: 17.4%). These were critical signals that profitability measures are working, even if the pace could be faster.

Swedish figures were weak

In Sweden, net sales grew by 28.1%, mainly due to acquisitions in the early part of the year, to EUR 5.5 million. Growth was slowed down by the slowdown in economic growth and further weakening of the SEK exchange rate. At the same time, relative profitability decreased and the EBITDA margin dropped to negative (-0.9% vs. Q3'22: 5.6%). In addition to seasonal weakness, Sweden's profitability was depressed by the accelerating implementation of own systems and integration work, which requires significant resources. In addition, credit loss provisions increased slightly (0.1 MEUR).

Sweden's figures were weaker than we expected, but now the costs related to the introduction of own systems should be fully included in the result. The measure first entails costs, but later allows for significant efficiency and hence profitability improvement. Talenom reiterated its assessment that it will take about three years from the introduction of own systems until operational profitability reaches the general level of the Group (cf. Finland).

Estimates MEUR / EUR	Q3'22	Q3'23	Q3'23e	Q3'23e	Consensus		Difference (%)	2023e
	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. inderes	Inderes
Revenue	23.6	28.3	27.8				2%	123
EBITDA	7.3	7.6	7.6				0%	32.3
EBIT (adj.)	3.1	2.4	2.2				9%	11.6
EBIT	3.1	-0.8	-1.0				23%	8.4
EPS (adj.)	0.05	0.03	0.04				-18%	0.14
Revenue growth-%	21.7 %	20.0 %	18.0 %				2 pp	20.3 %
EBIT-% (adj.)	13.0 %	8.4 %	7.9 %				0.5 pp	6.8 %

Source: Inderes

Estimate changes were minor

Profitability improved quickly in Spain

Net sales in other countries grew to EUR 2.5 million in Q3 (+462%) as acquisitions continued in Spain. In addition, the Other category includes a very small business in Italy. The business was still loss-making (EBITDA -3.6%), but the growing scale of profitable accounting firms is gradually starting to cover the high fixed operating costs in Spain. Spanish earnings are depressed by the relative share of support functions and, in particular, the platform business acquired in Spain. Even though the absolute profitability level is still dismal, the profitability trend is right and EBITDA break-even is achievable already in Q4'23 despite the seasonally weak period.

Estimate changes were minor

We made no significant changes to our earnings estimates in the Q3 report, and we recommend examining the basis of the forecasts in more detail from our previous report. In some cases, 2023 forecasts decreased by a large

percentage, especially due to further increases in financing costs, but in absolute terms (MEUR) the changes were rather small.

We made no substantial changes to the forecasts for the next few years, but raised our financing costs slightly for these years as well. Interest rates have continued to rise and Talenom has significant interest-bearing debt. Interest-bearing net debt at the end of Q3 stood at EUR 71 million. Although the sum is significant and Talenom's performance has deteriorated, net debt/EBITDA, for example, remains at a relatively moderate 2.25x level (calculated with last 12 months' EBITDA), considering the defensive profile of the business. Financial covenants are not at risk at the moment either.

Critical reference point ahead

A critical reference point for the forecasts of the next few years will be the financial statements when Talenom will give its guidance for 2024. This will tell us a lot about how

quickly the profitability development can be corrected and, on the other hand, what kind of growth the company pursues in the presumably continued challenging market environment. In Finland and Sweden, profitability is in focus when entering 2024, while acquisitions continue in Spain. Exceptionally, this also supports profitability in Spain, as high fixed costs can be hidden under profitable accounting firms and no heavy integration into own systems similar to Sweden is currently underway.

Estimate revisions	2023e	2023e	Change	2024e	2024e	Change	2025e	2025e	Change
MEUR / EUR	Old	New	%	Old	New	%	Old	New	%
Revenue	122	123	0%	141	141	0%	165	164	0%
EBITDA	32.9	32.3	-2%	38.3	38.8	1%	44.1	44.3	0%
EBIT (exc. NRIs)	12.0	11.6	-3%	16.9	17.0	0%	23.7	23.8	1%
EBIT	8.8	8.4	-4%	16.9	17.0	0%	23.7	23.8	1%
PTP	5.7	4.8	-17%	13.3	13.0	-2%	20.1	19.7	-2%
EPS (excl. NRIs)	0.16	0.14	-13%	0.23	0.22	-2%	0.34	0.33	-2%
DPS	0.18	0.18	0%	0.19	0.19	0%	0.20	0.20	0%

Source: Inderes

Valuation continues to attract

Purchase program continues

In terms of the valuation, Talenom's situation has not changed substantially since our previous update, and we repeat our views. In the short term, Talenom's share has little support levels, as the results for the rest of the year are weak and the sentiment is sour. The P/E ratio adjusted for the poor 2023e result is about 33x and the adjusted EV/EBIT is 25x, so the valuation still requires confidence in the realization of the company's profitability turn. The expected Q3 gave a positive signal in this regard, especially in Finland, but the development in Sweden was not exactly convincing. In terms of timing, the situation remains problematic, which is why temporal decentralization is called for.

However, we are still confident that the result will recover next year and the company will again have a strong earnings growth driver. Then the valuation multiples will also look significantly better: 2024e P/E ratio 21x and EV/EBIT ratio 17x. If we look forward one year from now (as you should with a 12-month target price), we are looking at 2025 multiples. By then, the earnings-growth engine would be running and the multiples for the following year would be very attractive (2025e P/E 14x). Although visibility to 2025 is extremely low at this stage, we believe that Talenom's EBIT margin will reach at least 15% (2020: 19.8%), as the fruits of acquisition-driven growth in recent years begin to ripen.

Although the company does not generate free cash flow when investing heavily in growth, next year we expect operating cash flow to be about EUR 37 million. Relative to this, the current EV of approximately EUR 287 million sounds reasonable. This is also indicated by the EV/EBITDA ratio that is under 8x next year. EBITDA is also a relatively good indicator of the company's operating cash flow, which the company still generates abundantly.

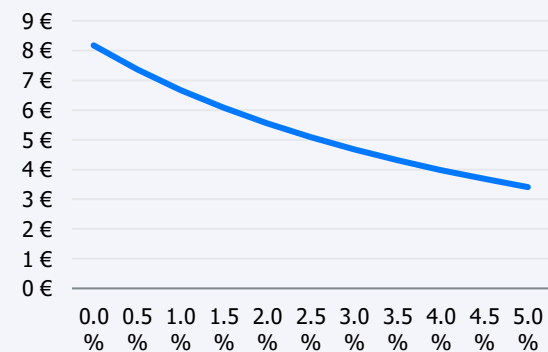
Still among the most interesting equity stories in Finland

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

Valuation	2023e	2024e	2025e
Share price	4.70	4.70	4.70
Number of shares, million	45.8	46.3	46.8
Market cap	215	217	220
EV	287	296	301
P/E (adj.)	32.9	21.2	14.1
P/E	63.8	21.2	14.1
P/FCF	neg.	44.9	23.4
P/B	4.0	3.9	3.5
P/S	1.8	1.5	1.3
EV/Sales	2.3	2.1	1.8
EV/EBITDA	8.9	7.6	6.8
EV/EBIT (adj.)	24.8	17.4	12.6
Payout ratio (%)	244%	85.5 %	60.1 %
Dividend yield-%	3.8 %	4.0 %	4.3 %

Source: Inderes

Sensitivity of the DCF value to changes in the risk-free interest rate

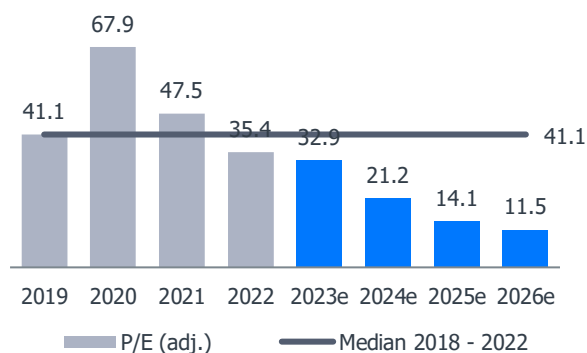


Valuation table

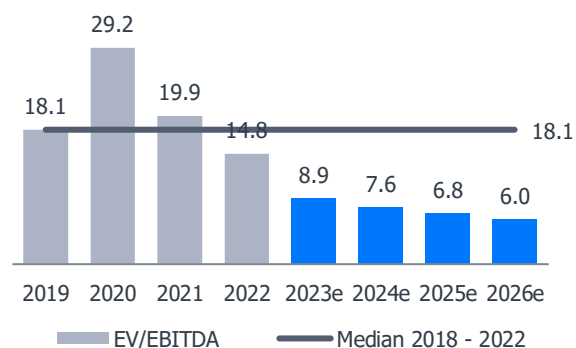
Valuation	2018	2019	2020	2021	2022	2023e	2024e	2025e	2026e
Share price	3.18	7.50	15.1	11.7	9.39	4.70	4.70	4.70	4.70
Number of shares, millions	41.2	41.7	43.2	43.8	44.5	45.8	46.3	46.8	46.8
Market cap	131	313	650	512	420	215	217	220	220
EV	149	342	679	552	475	287	296	301	295
P/E (adj.)	20.6	41.1	67.9	47.5	35.4	32.9	21.2	14.1	11.5
P/E	20.6	41.1	67.9	47.5	35.4	63.8	21.2	14.1	11.5
P/FCF	90.2	neg.	>100	neg.	neg.	neg.	44.9	23.4	11.8
P/B	7.0	13.3	20.2	11.5	7.5	4.0	3.9	3.5	3.0
P/S	2.7	5.4	10.0	6.2	4.1	1.8	1.5	1.3	1.2
EV/Sales	3.1	5.9	10.4	6.7	4.6	2.3	2.1	1.8	1.6
EV/EBITDA	10.9	18.1	29.2	19.9	14.8	8.9	7.6	6.8	6.0
EV/EBIT (adj.)	17.5	32.8	52.7	37.4	31.1	24.8	17.4	12.6	10.4
Payout ratio (%)	59.4 %	68.4 %	67.7 %	69.0 %	68.3 %	244.2 %	85.5 %	60.1 %	53.7 %
Dividend yield-%	2.9 %	1.7 %	1.0 %	1.5 %	1.9 %	3.8 %	4.0 %	4.3 %	4.7 %

Source: Inderes

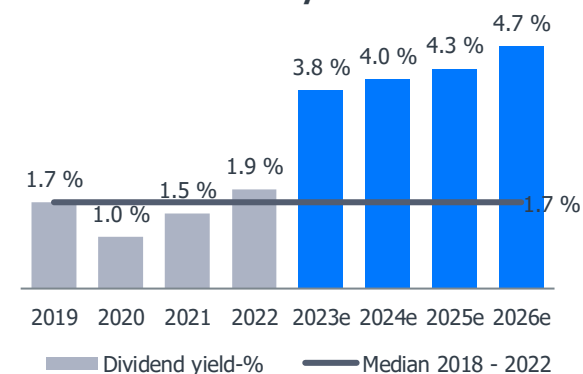
P/E (adj.)



EV/EBITDA



Dividend yield-%



Peer group valuation

Peer group valuation Company	Market cap MEUR	EV MEUR	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%	
			2023e	2024e	2023e	2024e	2023e	2024e	2023e	2024e	2023e	2024e
Aallon Group	39	43	11.4	10.1	7.7	6.9	1.3	1.2	13.6	12.3	2.2	2.3
Fortnox	2550	2529	44.3	31.9	35.5	26.2	17.6	13.6	58.2	41.9	0.3	0.4
Admicom	188	182	13.7	13.7	13.6	13.5	5.3	5.1	18.0	18.2	2.7	2.7
ECIT	229	310	11.2	8.5	6.9	5.4	1.0	0.9	22.9	15.6	1.3	1.3
Administer	39	51		20.5	10.3	6.4	0.7	0.6	275.0	13.4	1.6	3.8
Xero	9905	9905	262	80	66	39	12.8	10.6	594	115		
Enento	424	572	15.5	13.2	10.5	9.3	3.7	3.5	19.2	15.0	5.7	5.9
Fondia	25	21	9.9	7.9	7.7	6.2	0.8	0.7	15.7	13.2	4.6	4.6
Vincit	47	38	9.2	5.9	8.1	5.5	0.4	0.4	15.7	9.6	5.9	7.0
Gofore	335	312	12.3	10.8	11.2	9.9	1.6	1.4	16.6	15.4	2.4	2.7
Etteplan	353	419	12.5	11.6	8.9	7.9	1.2	1.1	15.0	14.2	2.6	2.9
Talenom (Inderes)	215	287	24.8	17.4	8.9	7.6	2.3	2.1	32.9	21.2	3.8	4.0
Average			40.2	19.5	16.9	12.4	4.2	3.5	96.7	25.8	2.9	3.4
Median			12.4	11.6	10.3	7.9	1.3	1.2	18.0	15.0	2.5	2.8
Diff-% to median			100%	50%	-13%	-4%	78%	75%	83%	41%	55%	43%

Source: Refinitiv / Inderes

Income statement

Income statement	2021	Q1'22	Q2'22	Q3'22	Q4'22	2022	Q1'23	Q2'23	Q3'23	Q4'23e	2023e	2024e	2025e	2026e
Revenue	82.8	25.2	27.0	23.6	26.3	102	31.3	32.4	28.3	30.8	123	141	164	189
EBITDA	27.7	8.9	9.3	7.3	6.6	32.0	8.4	8.9	7.6	7.5	32.3	38.8	44.3	49.3
Depreciation	-12.9	-4.0	-4.2	-4.2	-4.4	-16.8	-4.9	-5.2	-8.4	-5.4	-23.9	-21.8	-20.4	-20.9
EBIT (excl. NRI)	14.8	4.9	5.1	3.1	2.2	15.3	3.5	3.7	2.4	2.1	11.6	17.0	23.8	28.4
EBIT	14.8	4.9	5.1	3.1	2.2	15.3	3.5	3.7	-0.8	2.1	8.4	17.0	23.8	28.4
Net financial items	-0.8	-0.1	-0.1	-0.3	-0.2	-0.7	-0.7	-0.8	-1.1	-1.0	-3.6	-4.0	-4.1	-4.1
PTP	14.0	4.7	5.1	2.8	2.0	14.6	2.7	2.9	-1.9	1.1	4.8	13.0	19.7	24.2
Taxes	-3.2	-1.0	-1.0	-0.6	-0.1	-2.8	-0.7	-0.7	0.2	-0.2	-1.4	-2.7	-4.1	-5.1
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net earnings	10.8	3.7	4.1	2.2	1.8	11.8	2.1	2.2	-1.7	0.8	3.4	10.3	15.6	19.2
EPS (adj.)	0.25	0.09	0.09	0.05	0.04	0.27	0.05	0.05	0.03	0.02	0.14	0.22	0.33	0.41
EPS (rep.)	0.25	0.09	0.09	0.05	0.04	0.27	0.05	0.05	-0.04	0.02	0.07	0.22	0.33	0.41

Key figures	2021	Q1'22	Q2'22	Q3'22	Q4'22	2022	Q1'23	Q2'23	Q3'23	Q4'23e	2023e	2024e	2025e	2026e
Revenue growth-%	27.1 %	24.1 %	26.2 %	21.7 %	21.1 %	23.3 %	24.2 %	20.1 %	20.0 %	17.0 %	20.3 %	14.7 %	16.7 %	15.0 %
Adjusted EBIT growth-%	14.6 %	10.2 %	24.0 %	-10.8 %	-20.5 %	3.4 %	-28.9 %	-28.6 %	-22.4 %	-6.6 %	-24.3 %	47.1 %	40.0 %	19.2 %
EBITDA-%	33.4 %	35.2 %	34.4 %	30.8 %	25.0 %	31.4 %	26.7 %	27.3 %	27.0 %	24.2 %	26.3 %	27.5 %	26.9 %	26.0 %
Adjusted EBIT-%	17.8 %	19.3 %	19.0 %	13.0 %	8.3 %	15.0 %	11.0 %	11.3 %	8.4 %	6.7 %	9.4 %	12.1 %	14.5 %	15.0 %
Net earnings-%	13.0 %	14.9 %	15.0 %	9.2 %	7.0 %	11.6 %	6.6 %	6.7 %	-6.0 %	2.7 %	2.7 %	7.3 %	9.5 %	10.1 %

Source: Inderes

Balance sheet

Assets	2021	2022	2023e	2024e	2025e
Non-current assets	94.3	124	145	157	169
Goodwill	37.3	55.0	69.0	77.0	85.0
Intangible assets	44.7	55.9	62.4	66.2	69.1
Tangible assets	2.8	2.8	3.0	3.0	3.2
Associated companies	0.0	0.0	0.0	0.0	0.0
Other investments	0.9	0.3	0.3	0.3	0.3
Other non-current assets	8.6	9.9	10.1	10.3	10.5
Deferred tax assets	0.1	0.4	0.4	0.4	0.4
Current assets	20.0	30.5	28.3	32.4	37.8
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	9.8	14.5	16.0	18.3	21.4
Cash and equivalents	10.1	16.0	12.3	14.1	16.4
Balance sheet total	118	156	174	188	205

Source: Inderes

Liabilities & equity	2021	2022	2023e	2024e	2025e
Equity	44.7	56.0	54.4	56.4	63.2
Share capital	0.1	0.1	0.1	0.1	0.1
Retained earnings	23.1	29.1	24.4	26.4	33.2
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	21.6	26.9	29.9	29.9	29.9
Minorities	0.0	0.0	0.0	0.0	0.0
Non-current liabilities	50.4	62.3	80.6	83.2	91.2
Deferred tax liabilities	2.0	3.0	4.1	4.1	4.1
Provisions	0.0	0.0	0.0	0.0	0.0
Interest bearing debt	46.2	56.4	73.6	76.3	84.3
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	2.2	2.8	2.8	2.8	2.8
Current liabilities	22.6	38.0	38.7	48.5	50.9
Interest bearing debt	3.2	13.7	10.4	16.1	13.1
Payables	16.6	24.3	28.3	32.4	37.8
Other current liabilities	2.9	0.0	0.0	0.0	0.0
Balance sheet total	118	156	174	188	205

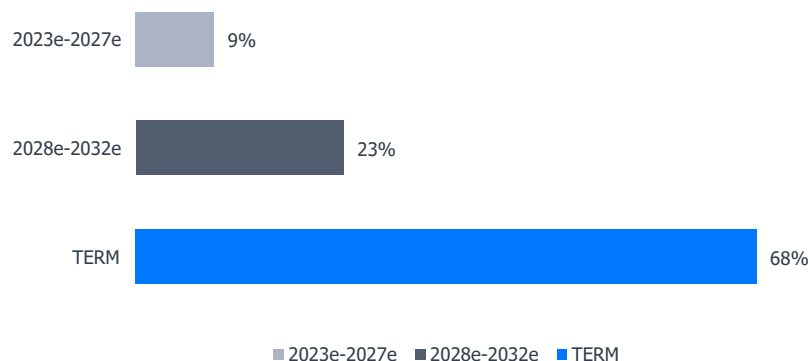
DCF calculation

DCF model	2022	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	TERM
Revenue growth-%	23.3 %	20.3 %	14.7 %	16.7 %	15.0 %	12.0 %	8.0 %	6.0 %	5.0 %	5.0 %	3.0 %	3.0 %
EBIT-%	15.0 %	6.8 %	12.1 %	14.5 %	15.0 %	15.5 %	16.0 %	16.0 %	15.0 %	15.0 %	15.0 %	15.0 %
EBIT (operating profit)	15.3	8.4	17.0	23.8	28.4	32.8	36.6	38.8	38.2	40.1	41.3	
+ Depreciation	16.8	23.9	21.8	20.4	20.9	20.3	21.5	22.4	22.1	21.6	21.0	
- Paid taxes	-2.1	-0.3	-2.7	-4.1	-5.1	-6.2	-7.1	-7.6	-7.6	-8.1	-8.4	
- Tax, financial expenses	-0.1	-1.1	-0.9	-0.9	-0.9	-0.8	-0.7	-0.6	-0.5	-0.4	-0.4	
+ Tax, financial income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.1	
- Change in working capital	0.2	2.5	1.8	2.4	2.5	2.3	1.7	1.4	1.2	1.3	0.8	
Operating cash flow	30.0	33.3	37.0	41.6	45.8	48.5	52.2	54.4	53.5	54.6	54.5	
+ Change in other long-term liabilities	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-44.5	-43.4	-32.2	-32.2	-27.1	-24.2	-27.4	-19.8	-18.3	-17.2	-23.1	
Free operating cash flow	-13.8	-10.1	4.8	9.4	18.7	24.2	24.8	34.6	35.2	37.4	31.3	
+/- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	-13.8	-10.1	4.8	9.4	18.7	24.2	24.8	34.6	35.2	37.4	31.3	574
Discounted FCFF		-9.9	4.4	7.8	14.3	17.1	16.1	20.7	19.4	19.0	14.6	268
Sum of FCFF present value		392	402	397	390	375	358	342	321	302	283	268
Enterprise value DCF		392										
- Interest bearing debt		-70.1										
+ Cash and cash equivalents		16.0										
-Minorities		0.0										
-Dividend/capital return		-8.1										
Equity value DCF		330										
Equity value DCF per share		7.2										

WACC	
Tax-% (WACC)	20.0 %
Target debt ratio (D/(D+E))	15.0 %
Cost of debt	4.5 %
Equity Beta	1.35
Market risk premium	4.75%
Liquidity premium	0.60%
Risk free interest rate	2.5 %
Cost of equity	9.5 %
Weighted average cost of capital (WACC)	8.6 %

Source: Inderes

Cash flow distribution



Summary

Income statement	2020	2021	2022	2023e	2024e	Per share data	2020	2021	2022	2023e	2024e
Revenue	65.2	82.8	102.1	122.8	140.9	EPS (reported)	0.22	0.25	0.27	0.07	0.22
EBITDA	23.3	27.7	32.0	32.3	38.8	EPS (adj.)	0.22	0.25	0.27	0.14	0.22
EBIT	12.9	14.8	15.3	8.4	17.0	OCF / share	0.54	0.66	0.68	0.73	0.80
PTP	12.0	14.0	14.6	4.8	13.0	FCF / share	0.04	-0.26	-0.31	-0.22	0.10
Net Income	9.6	10.8	11.8	3.4	10.3	Book value / share	0.74	1.02	1.26	1.19	1.22
Extraordinary items	0.0	0.0	0.0	-3.2	0.0	Dividend / share	0.15	0.17	0.18	0.18	0.19
Balance sheet	2020	2021	2022	2023e	2024e	Growth and profitability	2020	2021	2022	2023e	2024e
Balance sheet total	84.9	117.7	156.3	173.6	188.2	Revenue growth-%	12%	27%	23%	20%	15%
Equity capital	32.2	44.7	56.0	54.4	56.4	EBITDA growth-%	23%	19%	16%	1%	20%
Goodwill	24.0	37.3	55.0	69.0	77.0	EBIT (adj.) growth-%	24%	15%	3%	-24%	47%
Net debt	29.0	39.2	54.1	71.7	78.3	EPS (adj.) growth-%	21%	11%	8%	-46%	56%
Cash flow	2020	2021	2022	2023e	2024e	EBITDA-%	35.7 %	33.4 %	31.4 %	26.3 %	27.5 %
EBITDA	23.3	27.7	32.0	32.3	38.8	EBIT (adj.)-%	19.8 %	17.8 %	15.0 %	9.4 %	12.1 %
Change in working capital	2.4	3.3	0.2	2.5	1.8	EBIT-%	19.8 %	17.8 %	15.0 %	6.8 %	12.1 %
Operating cash flow	23.5	28.9	30.0	33.3	37.0	ROE-%	34.4 %	28.1 %	23.4 %	6.1 %	18.5 %
CAPEX	-22.2	-41.9	-44.5	-43.4	-32.2	ROI-%	19.8 %	18.0 %	13.9 %	6.5 %	11.9 %
Free cash flow	1.8	-11.3	-13.8	-10.1	4.8	Equity ratio	38.1 %	38.2 %	35.9 %	31.4 %	30.0 %
						Gearing	90.3 %	87.7 %	96.6 %	131.9 %	138.8 %
Valuation multiples	2020	2021	2022	2023e	2024e						
EV/S	10.4	6.7	4.6	2.3	2.1						
EV/EBITDA (adj.)	29.2	19.9	14.8	8.9	7.6						
EV/EBIT (adj.)	52.7	37.4	31.1	24.8	17.4						
P/E (adj.)	67.9	47.5	35.4	32.9	21.2						
P/B	20.2	11.5	7.5	4.0	3.9						
Dividend-%	1.0 %	1.5 %	1.9 %	3.8 %	4.0 %						

Source: Inderes

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Recommendation history (>12 mo)

The company made a 1/5 split on 2/25/2020, share and target prices adjusted

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



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