

Talenom

Company report

8/20/2024



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✓ Inderes corporate customer

This report is a summary translation of the report “Näemme epävarmuuden ostomahdollisuutena” published on 8/20/2024 at 7:35 am EEST

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We see uncertainty as a buying opportunity

We raise our recommendation for Talenom to Buy (previously Accumulate) and revise our target price to EUR 5.6 (previously EUR 6.0). Finland's economic recovery does not seem to be on the expected path, which is why we have lowered our growth and earnings forecasts for the coming years by around 5%. However, we expect the company to be able to achieve significant profitability improvements in the coming years, especially in Sweden, as the benefits of implementing its own software become apparent. The valuation has come down to an attractive level (2025e EV/EBIT 15x) in line with the stock, although the risks have increased along with the sluggish development of the business.

The share has fallen to attractive levels, although there are risks

Talenom's share price has continued to fall sharply, bringing the valuation down to attractive levels. Valuation multiples for 2024 (EV/EBIT 20x) are reasonable, although earnings are weak with Sweden and Spain in the red. The EV/EBIT for 2025 is only 15x, with no material international earnings contribution. Sweden and Spain receive slightly higher values than the book value in our sum-of-the-parts calculation, where we estimate it at around EUR 5.6 (previously EUR 6.0-6.2). The change is largely due to lower forecasts and a slight reduction in the acceptable valuation for Finland. In our view, the key driver in the coming years will be the progress in efficiency and profitability in Sweden, as the benefits of the proprietary software are reflected in the figures. If Talenom succeeds in Sweden, the current valuation will be very low. On the other hand, the company has major risks that must be avoided: the risk of a profit warning, financial risks posed by high debt leverage and uncertainty about international competitiveness. In a negative scenario, speed is still sought further down, but we nevertheless consider the current risk/reward ratio to be very attractive.

Sweden to set the direction for international business in the coming years

In recent years, Talenom has grown aggressively through acquisitions in Sweden and Spain. We forecast revenue in Sweden to be some 26 MEUR and in Spain (incl. Italy) around 16 MEUR in 2024, accounting for almost one third of the group's revenue. However, at the operating profit level, the contribution is negative this year and close to zero in the 2025 projections. The introduction of proprietary systems in Sweden is underway, and the benefits will be seen in the coming years. In three years' time, Sweden's profitability should theoretically be close to Finland's, with an EBITDA margin difference of around 35% in 2024. Our forecasts are much more moderate, but the improvements from current levels will be significant. In Spain, the strategy is different and the benefits should be more straightforward, but in both cases the company must succeed in organic growth. Although there is considerable uncertainty surrounding the international business, the company's earnings growth outlook for the next few years is excellent from the weak starting level. At the same time, Talenom's profitability and growth potential would recover to excellent levels.

Finland to achieve record results despite recession

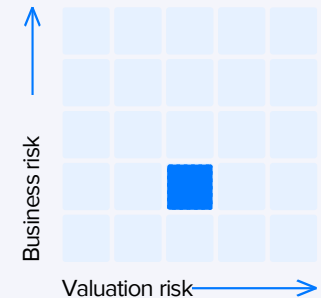
Talenom has a strong position in the fragmented Finnish accounting industry, where the company has a clear technological competitive edge thanks to the automated accounting production line. This is evidenced by Finland's manifold profitability compared to the sector (Finland 2024e almost 40%). Currently, Finland's organic growth is slow in the recession, but as market headwinds ease, we expect Finland's growth to return to 5-10% in the coming years. Although geographic expansion is difficult in Finland, there is significant growth potential in the small company sector and the continued development of automation still offers opportunities for the success story to continue. We now assume EV/EBIT multiples of 16x (2024e) and 13x (2025e) for Finland in the sum-of-the-parts calculation.

Recommendation

Buy
(was Accumulate)

EUR 5.60
(was EUR 6.00)

Share price:
4.38



Key figures

	2023	2024e	2025e	2026e
Revenue	122	130	142	159
growth-%	19%	7%	9%	12%
EBIT adj.	11.1	14.2	18.9	24.5
EBIT-% adj.	9.1 %	10.9 %	13.3 %	15.4 %
Net Income	3.4	7.6	11.3	15.7
EPS (adj.)	0.14	0.17	0.24	0.34
P/E (adj.)	43.2	26.3	17.9	12.9
P/B	5.0	3.7	3.6	3.2
Dividend yield-%	3.1 %	4.6 %	4.8 %	5.0 %
EV/EBIT (adj.)	32.1	19.7	15.1	11.5
EV/EBITDA	11.2	7.6	6.8	5.7
EV/S	2.9	2.2	2.0	1.8

Source: Inderes

Guidance

(Unchanged)

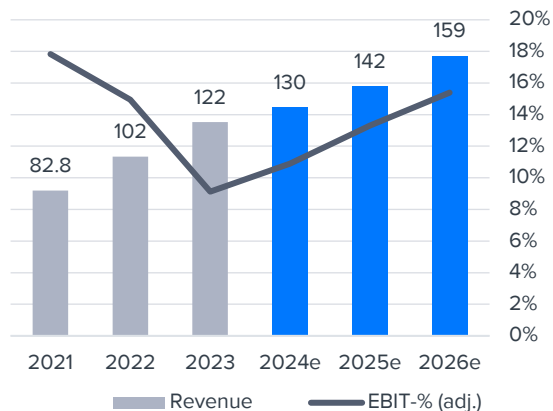
Talenom estimates that 2024 revenue will be about 130-140 MEUR, EBITDA 34-40 MEUR and EBIT 14-17 MEUR.

Share price



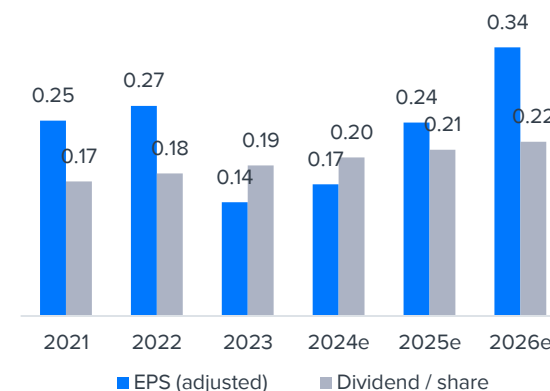
Source: Millstream Market Data AB

Revenue and EBIT-%



Source: Inderes

EPS and dividend



Source: Inderes



Value drivers

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



Risk factors

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

Valuation	2024e	2025e	2026e
Share price	4.38	4.38	4.38
Number of shares, millions	45.9	46.4	46.4
Market cap	201	203	203
EV	280	285	283
P/E (adj.)	26.3	17.9	12.9
P/E	26.3	17.9	12.9
P/B	3.7	3.6	3.2
P/S	1.5	1.4	1.3
EV/Sales	2.2	2.0	1.8
EV/EBITDA	7.6	6.8	5.7
EV/EBIT (adj.)	19.7	15.1	11.5
Payout ratio (%)	120%	86.0 %	64.9 %
Dividend yield-%	4.6 %	4.8 %	5.0 %

Source: Inderes

We lowered our estimates for the next few years

Finnish economic climate not reassuring

Economic growth in Finland has been expected to pick up in late 2024, but the signals are still very weak. The construction sector seems to be bottoming out (also according to Talenom's barometer) and market interest rates have already dropped significantly. However, a broader recovery is not in sight and, unfortunately, the decline in interest rates seems to be coming via a weakening of the real economy. If we do not see a pick-up in economic growth this year, we are unlikely to see a significant recovery in the market for accounting firms in early 2025, as there is usually a lag of around six months.

Our previous forecasts for organic growth in Finland seemed overly optimistic given the weakened macro picture, so we have moderately lowered them for the coming years. We now expect revenue in Finland to increase by around 6.2% in 2025 (previously 7.4%). At the same time, our earnings forecasts have also been lowered, as profitability will not be scalable. The cost structure remained largely unchanged in our forecasts.

The pace of acquisitions in Spain did not meet our previous forecasts

We also significantly cut our growth forecasts for Spain (incl. the small business in Italy) in the next few years. We now expect revenue growth of around 26% in 2025, of which around 10 percentage points will be generated organically. Previously, we forecast revenue growth in Spain of up to 36%, but that included significantly more acquisitions. There have been very few acquisitions this year, the most recent one being Assessoria del Bages (revenue 1.7 MEUR) at the very beginning of the year. Of course, the previous one (Bujan Y Asociados, revenue 0.5 MEUR) also took place right at the turn of the year.

However, in our projections, acquisitions would have raised around 4.3 MEUR during 2024, which obviously cannot be achieved at the current pace. Moreover, the company does not seem to be enthusiastic about new acquisitions at the moment, which we believe is due to the significantly tightened financial situation. Talenom's net gearing at the end of H1 was 160%, which is starting to be a painful level

even for a defensive company, and it needs to come down over the rest of the year. While we expect this to happen as cash flow improves, it underscores the pressure on the result and cash flow for the rest of the year. As a result, we expect new acquisitions to be put on hold until the financial situation improves. In our forecasts, we now expect one acquisition with a revenue of around 1.0 MEUR in Q4, when the visibility on the balance sheet development should have improved. Next year, we expect acquisitions to get back on track.

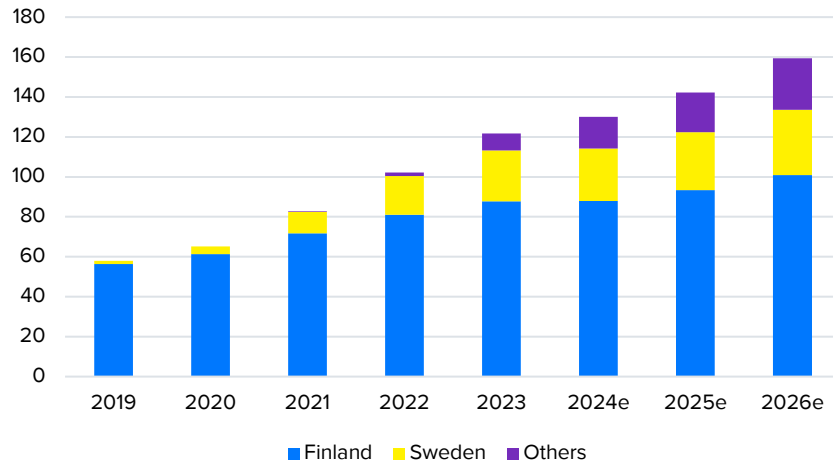
Profit warning risk largely unchanged

Talenom reaffirmed its guidance for 2024 with revenue of approximately 130-140 MEUR, EBITDA of 34-40 MEUR and EBIT of 14-17 MEUR. Our forecasts are at the lower end of the guidance range for revenue and operating profit, and it will take a good rest of the year for Talenom to reach its guidance. As a result, we see a clear risk of a profit warning for the company, which is probably one of the factors behind investor caution.

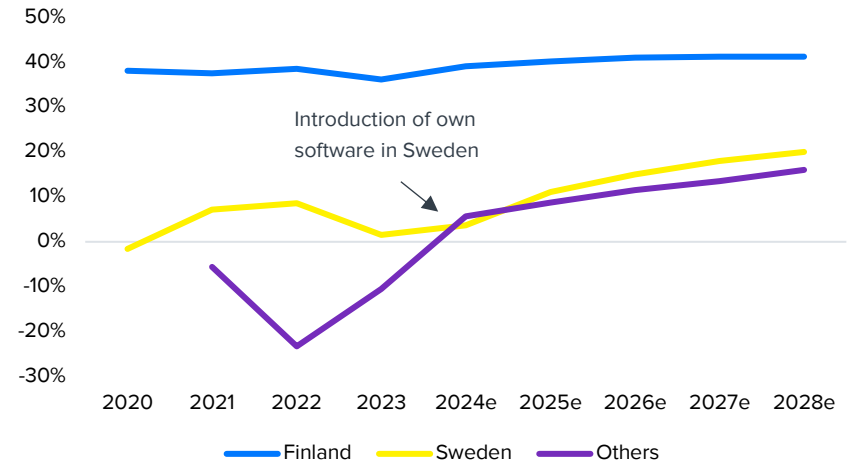
Estimate revisions MEUR / EUR	2024e	2024e	Change %	2025e	2025e	Change %	2026e	2026e	Change %
	Old	New		Old	New		Old	New	
Revenue	130	130	0%	145	142	-2%	165	159	-3%
EBITDA	37.0	37.0	0%	43.1	41.8	-3%	50.8	49.6	-2%
EBIT (exc. NRIs)	14.3	14.2	-1%	19.8	18.9	-4%	26.0	24.5	-6%
EBIT	14.3	14.2	-1%	19.8	18.9	-4%	26.0	24.5	-6%
PTP	10.1	9.9	-1%	15.6	14.9	-4%	21.8	20.5	-6%
EPS (excl. NRIs)	0.17	0.17	-1%	0.26	0.24	-4%	0.36	0.34	-6%
DPS	0.20	0.20	0%	0.21	0.21	0%	0.22	0.22	0%

Country-specific forecasts in graphs

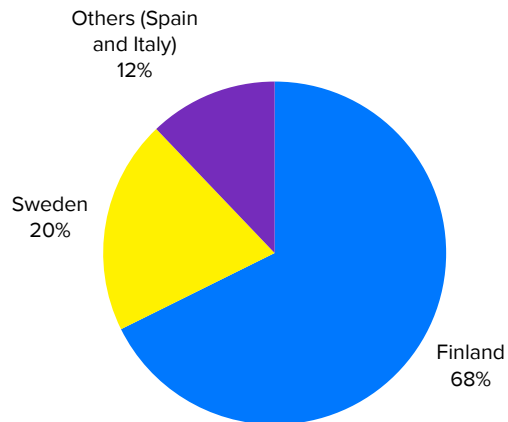
Revenue development in different countries (MEUR)



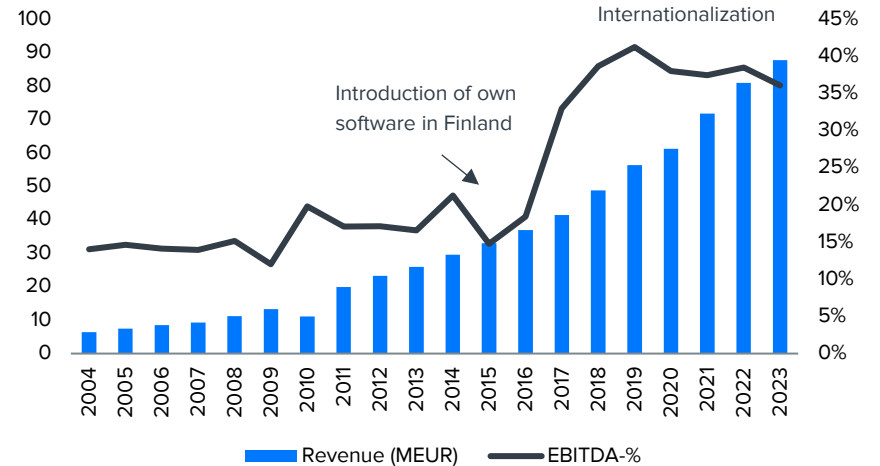
EBITDA margins by country (%)



Revenue breakdown (2024e)



Key figures for Finnish business



Valuation down to an attractive level

Valuation is low if earnings growth is achieved

Talenom's share price has fallen by almost 20% since our last update, making the valuation look attractive again. Despite the forecast changes, we believe the big picture remains unchanged. The company is returning to earnings growth this year, but profitability remains weak as the international business continues to drag. The 2024e P/E of the share is 26x and EV/EBIT 20x, which are already bearable even in absolute terms. Visibility to 2025 is limited, but with the projected performance, the multiples (P/E 18x and EV/EBIT 15x) are attractive. If Talenom succeeds in Sweden, the current valuation will be very low. On the other hand, the company has major risks that must be avoided: the risk of a profit warning, financial risks posed by high debt leverage and uncertainty about international competitiveness. In a negative scenario, speed is still sought further down, but we nevertheless consider the current risk/reward ratio to be very attractive.

Talenom's 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 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 potential for success in the European market is also there in the long term, and in the coming years we will know that the concept works in Sweden as the company rolls out its own software. However, the game is long and still largely unfinished.

Negative adjustments to SOTP

When Finland generates the Group's earnings and others destroy it, the image reflected by the valuation multiples does not give any value to the international business. This means that valuation multiples don't reflect the full potential of the international business in the coming years, which is what we believe in the medium term. Thus, we examine the valuation using the sum-of-the-parts calculation.

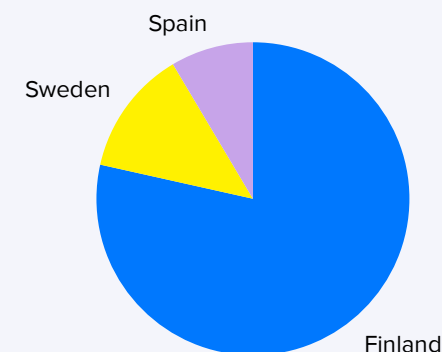
The SOTP now gives around EUR 5.6 per share (previously EUR 6.0-6.2/share). The forecast downgrades of the Finnish business reduced the value of the Finnish business, which we value at around 260 MEUR in the calculation (previously around 280 MEUR). We now assume EV/EBIT multiples of 16x (2024e) and 13x (2025e) for Finland in the sum-of-the-parts calculation, which we consider reasonable. Sweden is valued at around 43 MEUR and Spain (incl. Italy) at around 28 MEUR. Together, they amount to about EUR 1.5 per share, which is close to their book value, i.e., the investments made in them (mostly acquisitions). At the end of 2024, Talenom is estimated to have net interest-bearing debt of approximately 70 MEUR (excluding IFRS 16 liabilities), which is deducted from the enterprise value (EV). This brings the indicative market value of the sum of the parts to around 260 MEUR.

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

Valuation	2024e	2025e	2026e
Share price	4.38	4.38	4.38
Number of shares, millions	45.9	46.4	46.4
Market cap	201	203	203
EV	280	285	283
P/E (adj.)	26.3	17.9	12.9
P/E	26.3	17.9	12.9
P/B	3.7	3.6	3.2
P/S	1.5	1.4	1.3
EV/Sales	2.2	2.0	1.8
EV/EBITDA	7.6	6.8	5.7
EV/EBIT (adj.)	19.7	15.1	11.5
Payout ratio (%)	120%	86.0 %	64.9 %
Dividend yield-%	4.6 %	4.8 %	5.0 %

Source: Inderes

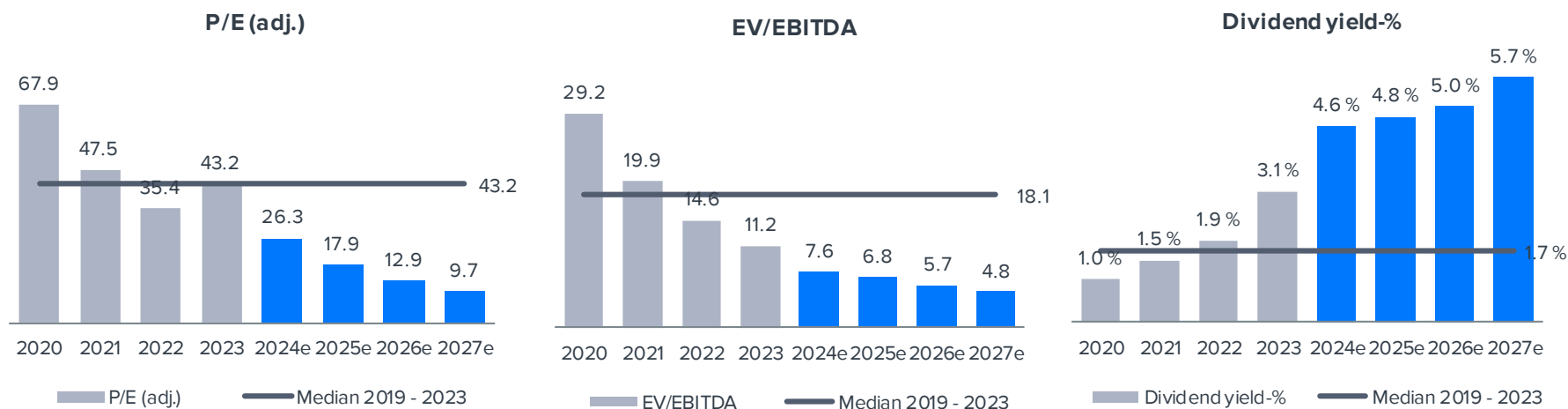
EV breakdown



Valuation table

Valuation	2019	2020	2021	2022	2023	2024e	2025e	2026e	2027e
Share price	7.50	15.1	11.7	9.39	6.20	4.38	4.38	4.38	4.38
Number of shares, millions	41.7	43.2	43.8	44.5	45.4	45.9	46.4	46.4	46.4
Market cap	313	650	512	420	282	201	203	203	203
EV	342	679	552	475	357	280	285	283	270
P/E (adj.)	41.1	67.9	47.5	35.4	43.2	26.3	17.9	12.9	9.7
P/E	41.1	67.9	47.5	35.4	83.7	26.3	17.9	12.9	9.7
P/B	13.3	20.2	11.5	7.5	5.0	3.7	3.6	3.2	2.8
P/S	5.4	10.0	6.2	4.1	2.3	1.5	1.4	1.3	1.1
EV/Sales	5.9	10.4	6.7	4.6	2.9	2.2	2.0	1.8	1.5
EV/EBITDA	18.1	29.2	19.9	14.6	11.2	7.6	6.8	5.7	4.8
EV/EBIT (adj.)	32.8	52.7	37.4	31.1	32.1	19.7	15.1	11.5	8.9
Payout ratio (%)	68.4 %	67.7 %	69.0 %	68.3 %	256.6 %	120.4 %	86.0 %	64.9 %	55.4 %
Dividend yield-%	1.7 %	1.0 %	1.5 %	1.9 %	3.1 %	4.6 %	4.8 %	5.0 %	5.7 %

Source: Inderes



Peer group valuation

Peer group valuation	Market cap	EV	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%	
Company	MEUR	MEUR	2024e	2025e	2024e	2025e	2024e	2025e	2024e	2025e	2024e	2025e
Aallon Group	34	34	10.6	9.3	6.7	6.2	1.0	0.9	13.1	12.4	2.6	2.8
Fortnox	2884	2860	37.7	28.7	30.7	23.7	15.8	12.7	48.2	36.7	0.4	0.6
Admicom	238	228	18.6	16.6	18.3	16.3	6.4	5.8	24.2	21.7	1.4	1.6
ECIT	283	390	17.8	14.1	8.5	7.4	1.2	1.2	19.3	15.8	0.6	1.1
Administer	38	49	16.4	19.7	7.6	6.6	0.7	0.6	25.0	21.0	2.7	3.4
Xero	12970	12970	107	69	49	38	13.9	11.4	145	88		
Enento	415	558	18.1	14.3	10.7	9.4	3.7	3.5	20.8	16.1	5.7	5.9
Fondia	24	21	9.5	6.7	7.6	5.5	0.8	0.7	13.5	10.4	4.7	6.3
Vincit	38	27	12.5	5.6	10.2	4.8	0.3	0.3	22.9	10.1	4.4	6.5
Gofore	342	318	12.1	11.2	10.5	9.7	1.7	1.5	16.2	15.2	2.3	2.7
Etteplan	313	384	11.4	9.2	8.1	6.4	1.0	0.9	14.0	11.4	2.5	3.7
Talenom (Inderes)	201	280	19.7	15.1	7.6	6.8	2.2	2.0	26.3	17.9	4.6	4.8
Average			24.7	18.6	15.3	12.2	4.2	3.6	32.9	23.5	2.7	3.4
Median			16.4	14.1	10.2	7.4	1.2	1.2	20.8	15.8	2.6	3.1
Diff-% to median			20%	7%	-26%	-7%	79%	63%	27%	14%	79%	55%

Source: Refinitiv / Inderes

Income statement

Income statement	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24	Q2'24	Q3'24e	Q4'24e	2024e	2025e	2026e	2027e
Revenue	102	31.3	32.4	28.3	29.7	122	34.1	33.9	30.4	31.7	130	142	159	179
Finland	81.0	23.4	23.3	20.3	20.8	87.8	23.4	22.5	20.7	21.4	88.0	93.5	101	109
Sweden	19.4	6.7	7.3	5.5	5.9	25.5	7.0	7.3	5.8	6.3	26.3	28.9	32.7	37.3
Other countries	1.7	1.2	1.8	2.5	3.0	8.5	3.7	4.2	3.9	4.0	15.8	19.9	25.9	32.3
EBITDA	32.4	8.4	8.9	7.6	7.0	31.9	9.5	10.3	8.4	8.8	37.0	41.8	49.6	55.9
Depreciation	-17.1	-4.9	-5.2	-8.4	-5.4	-23.9	-5.6	-5.8	-5.7	-5.7	-22.8	-22.9	-25.0	-25.7
EBIT (excl. NRI)	15.3	3.5	3.7	2.4	1.6	11.1	3.9	4.5	2.7	3.1	14.2	18.9	24.5	30.2
EBIT	15.3	3.5	3.7	-0.8	1.6	8.0	3.9	4.5	2.7	3.1	14.2	18.9	24.5	30.2
Finland	16.0	4.0	3.8	3.4	3.2	14.5	4.9	4.3	3.4	3.7	16.3	19.1	22.2	25.2
Sweden	-0.1	0.3	0.0	-0.7	-1.8	-2.2	-0.7	-0.3	-0.5	-0.4	-1.9	0.3	1.8	3.3
Other countries	-0.6	-0.5	-0.4	-0.4	-0.6	-1.9	-0.5	-0.1	-0.2	-0.2	-1.1	-0.5	0.5	1.6
Non-allocated	0.0	-0.3	0.2	-3.2	0.7	-2.5	0.3	0.6	0.0	0.0	0.9	0.0	0.0	0.0
Net financial items	-0.7	-0.7	-0.8	-1.1	-1.1	-3.7	-1.0	-1.2	-1.0	-1.0	-4.2	-4.0	-4.1	-3.3
PTP	14.6	2.7	2.9	-1.9	0.5	4.3	2.8	3.3	1.7	2.1	9.9	14.9	20.5	26.8
Taxes	-2.8	-0.7	-0.7	0.2	0.3	-0.9	-0.8	-0.6	-0.4	-0.5	-2.3	-3.6	-4.7	-5.9
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net earnings	11.8	2.1	2.2	-1.7	0.8	3.4	2.0	2.7	1.3	1.6	7.6	11.3	15.7	20.9
EPS (adj.)	0.27	0.05	0.05	0.03	0.02	0.14	0.04	0.06	0.03	0.03	0.17	0.24	0.34	0.45
EPS (rep.)	0.27	0.05	0.05	-0.04	0.02	0.07	0.04	0.06	0.03	0.03	0.17	0.24	0.34	0.45

Key figures	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24	Q2'24	Q3'24e	Q4'24e	2024e	2025e	2026e	2027e
Revenue growth-%	23.3 %	24.2 %	20.1 %	20.0 %	12.8 %	19.2 %	8.8 %	4.5 %	7.3 %	6.7 %	6.8 %	9.4 %	12.1 %	12.0 %
Adjusted EBIT growth-%	3.4 %	-28.9 %	-28.6 %	-22.3 %	-27.4 %	-27.2 %	11.5 %	22.8 %	14.3 %	93.2 %	27.6 %	33.6 %	29.6 %	23.0 %
EBITDA-%	31.7 %	26.7 %	27.3 %	27.0 %	23.7 %	26.2 %	27.9 %	30.3 %	27.8 %	27.7 %	28.4 %	29.4 %	31.1 %	31.3 %
Adjusted EBIT-%	15.0 %	11.0 %	11.3 %	8.4 %	5.4 %	9.1 %	11.3 %	13.3 %	9.0 %	9.7 %	10.9 %	13.3 %	15.4 %	16.9 %
Net earnings-%	11.6 %	6.6 %	6.7 %	-6.0 %	2.8 %	2.8 %	6.0 %	7.8 %	4.4 %	5.1 %	5.9 %	8.0 %	9.9 %	11.7 %

Source: Inderes

Balance sheet

Assets	2022	2023	2024e	2025e	2026e
Non-current assets	123	145	151	159	165
Goodwill	55.0	66.6	68.6	71.6	73.6
Intangible assets	54.2	62.7	67.1	70.8	74.2
Tangible assets	2.8	4.7	4.0	4.6	5.0
Associated companies	0.0	0.0	0.0	0.0	0.0
Other investments	0.3	0.2	0.2	0.2	0.2
Other non-current assets	9.9	9.4	9.6	9.8	10.0
Deferred tax assets	0.4	1.5	1.6	1.6	1.6
Current assets	30.5	29.2	31.2	34.2	38.3
Inventories	0.0	0.0	0.0	0.0	0.0
Other current assets	0.0	0.0	0.0	0.0	0.0
Receivables	14.5	19.0	20.3	22.2	24.9
Cash and equivalents	16.0	10.3	11.0	12.0	13.4
Balance sheet total	156	176	182	192	201

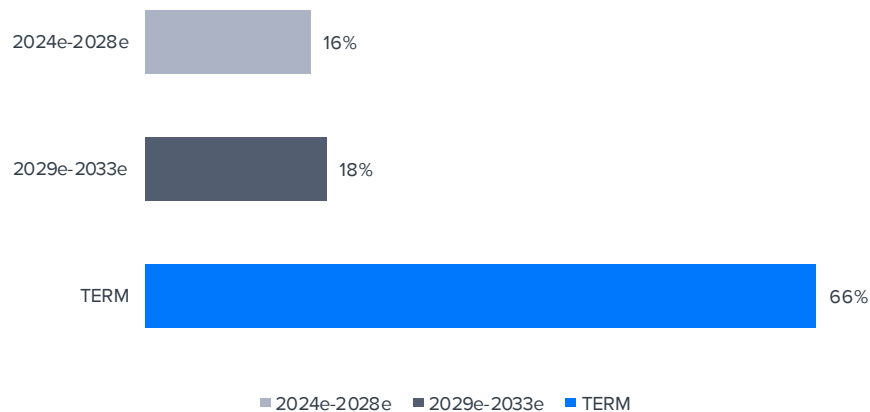
Source: Inderes

Liabilities & equity	2022	2023	2024e	2025e	2026e
Equity	56.0	55.8	54.9	57.0	63.0
Share capital	0.1	0.1	0.1	0.1	0.1
Retained earnings	29.1	24.9	23.9	26.0	32.0
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	0.0	0.0	0.0	0.0	0.0
Other equity	26.9	30.9	30.9	30.9	30.9
Minorities	0.0	0.0	0.0	0.0	0.0
Non-current liabilities	62.3	81.4	80.6	88.2	87.3
Deferred tax liabilities	3.0	4.3	4.5	4.5	4.5
Provisions	0.0	0.0	0.0	0.0	0.0
Interest bearing debt	56.4	76.4	74.1	81.7	80.8
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	2.8	0.6	2.0	2.0	2.0
Current liabilities	38.0	38.5	47.0	46.8	50.8
Interest bearing debt	13.7	9.0	15.5	12.4	12.2
Payables	24.3	29.4	31.4	34.4	38.6
Other current liabilities	0.0	0.0	0.0	0.0	0.0
Balance sheet total	156	176	182	192	201

DCF calculation

DCF model	2023	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	TERM
Revenue growth-%	19.2 %	6.8 %	9.4 %	12.1 %	12.0 %	10.0 %	7.0 %	5.0 %	5.0 %	5.0 %	3.0 %	3.0 %
EBIT-%	6.5 %	10.9 %	13.3 %	15.4 %	16.9 %	17.0 %	16.0 %	15.5 %	15.0 %	15.0 %	15.0 %	15.0 %
EBIT (operating profit)	8.0	14.2	18.9	24.5	30.2	33.4	33.6	34.2	34.8	36.5	37.6	
+ Depreciation	23.9	22.8	22.9	25.0	25.7	27.1	28.1	29.6	30.9	31.8	32.8	
- Paid taxes	-0.7	-2.2	-3.6	-4.7	-5.9	-6.7	-6.8	-7.0	-7.1	-7.5	-7.8	
- Tax, financial expenses	-0.8	-1.0	-1.0	-1.0	-0.8	-0.7	-0.6	-0.6	-0.6	-0.5	-0.5	
+ Tax, financial income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Change in working capital	0.6	0.7	1.1	1.5	1.6	1.5	1.2	0.9	0.9	1.0	0.6	
Operating cash flow	31.1	34.4	38.3	45.4	50.9	54.7	55.5	57.2	58.9	61.3	62.7	
+ Change in other long-term liabilities	-2.2	1.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-43.5	-27.5	-29.5	-30.0	-24.9	-34.0	-32.7	-32.9	-34.5	-35.6	-35.4	
Free operating cash flow	-14.6	8.3	8.8	15.4	26.0	20.7	22.8	24.3	24.5	25.7	27.3	
+/- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	-14.6	8.3	8.8	15.4	26.0	20.7	22.8	24.3	24.5	25.7	27.3	537
Discounted FCFF		8.1	7.9	12.8	19.9	14.7	14.9	14.7	13.7	13.2	13.0	256
Sum of FCFF present value		389	381	373	360	340	325	310	296	282	269	256
Enterprise value DCF		389										
- Interest bearing debt		-85.5										
+ Cash and cash equivalents		10.3										
-Minorities		0.0										
-Dividend/capital return		-8.6										
Equity value DCF		305										
Equity value DCF per share		6.6										

Cash flow distribution

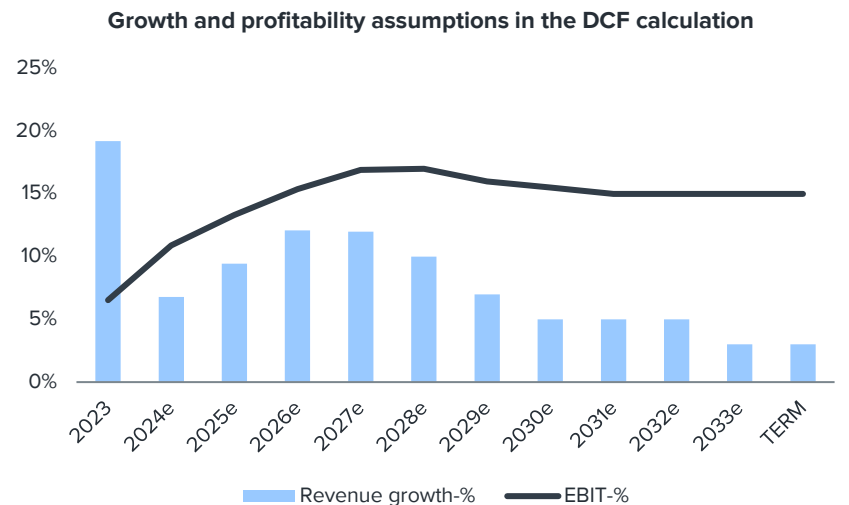
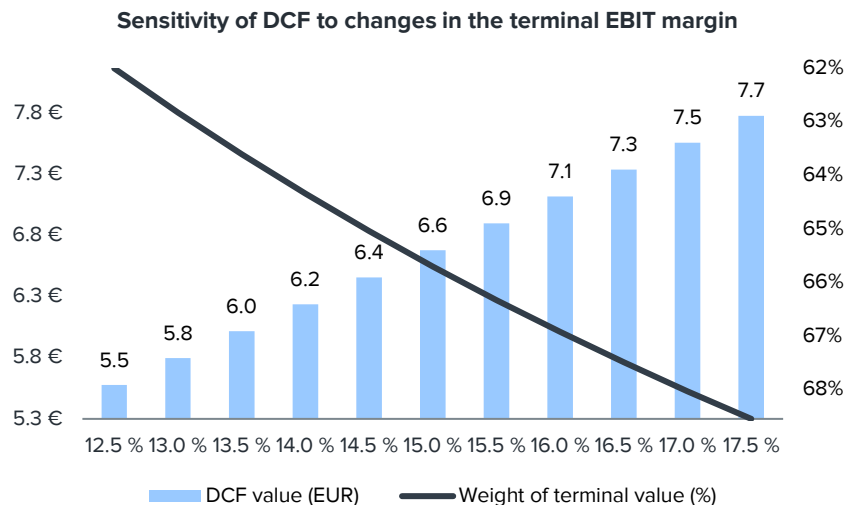
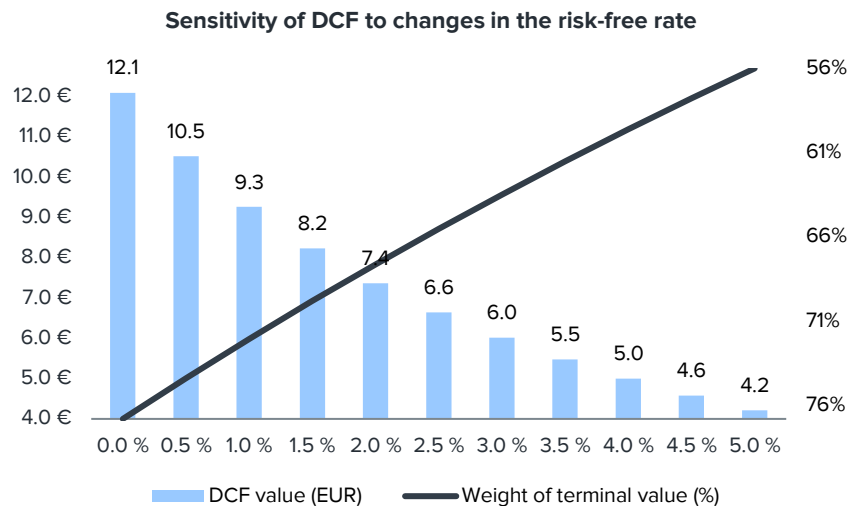
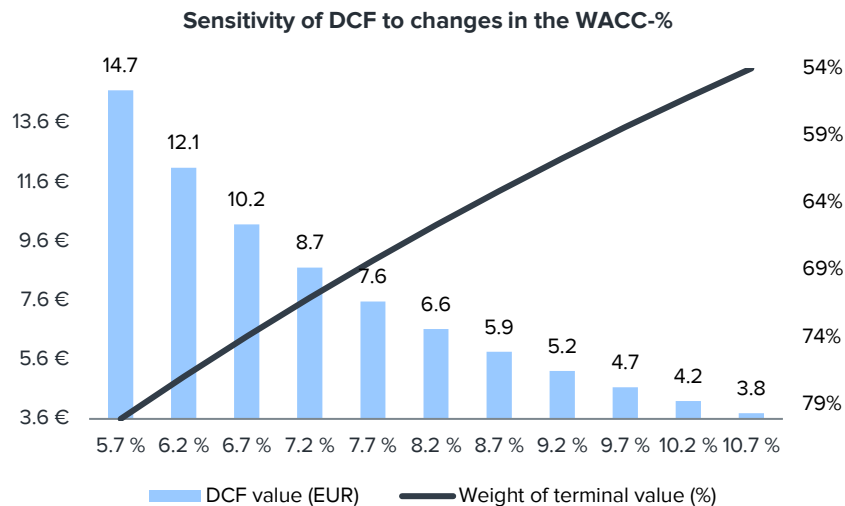


WACC

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

Source: Inderes

DCF sensitivity calculations and key assumptions in graphs



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

Summary

Income statement	2021	2022	2023	2024e	2025e	Per share data	2021	2022	2023	2024e	2025e
Revenue	82.8	102.1	121.7	130.0	142.3	EPS (reported)	0.25	0.27	0.07	0.17	0.24
EBITDA	27.7	32.4	31.9	37.0	41.8	EPS (adj.)	0.25	0.27	0.14	0.17	0.24
EBIT	14.8	15.3	8.0	14.2	18.9	OCF / share	0.66	0.68	0.68	0.75	0.83
PTP	14.0	14.6	4.3	9.9	14.9	FCF / share	-0.26	-0.31	-0.32	0.18	0.19
Net Income	10.8	11.8	3.4	7.6	11.3	Book value / share	1.02	1.26	1.23	1.19	1.23
Extraordinary items	0.0	0.0	-3.2	0.0	0.0	Dividend / share	0.17	0.18	0.19	0.20	0.21
Balance sheet	2021	2022	2023	2024e	2025e	Growth and profitability	2021	2022	2023	2024e	2025e
Balance sheet total	117.7	156.3	175.7	182.5	192.0	Revenue growth-%	27%	23%	19%	7%	9%
Equity capital	44.7	56.0	55.8	54.9	57.0	EBITDA growth-%	19%	17%	-2%	16%	13%
Goodwill	37.3	55.0	66.6	68.6	71.6	EBIT (adj.) growth-%	15%	3%	-27%	28%	34%
Net debt	39.2	54.1	75.2	78.7	82.1	EPS (adj.) growth-%	11%	8%	-46%	16%	47%
Cash flow	2021	2022	2023	2024e	2025e	EBITDA-%	33.4 %	31.7 %	26.2 %	28.4 %	29.4 %
EBITDA	27.7	32.4	31.9	37.0	41.8	EBIT (adj.)-%	17.8 %	15.0 %	9.1 %	10.9 %	13.3 %
Change in working capital	3.3	0.2	0.6	0.7	1.1	EBIT-%	17.8 %	15.0 %	6.5 %	10.9 %	13.3 %
Operating cash flow	28.9	30.4	31.1	34.4	38.3	ROE-%	28.1 %	23.4 %	6.0 %	13.8 %	20.3 %
CAPEX	-41.9	-44.9	-43.5	-27.5	-29.5	ROI-%	18.0 %	13.9 %	6.1 %	10.0 %	12.9 %
Free cash flow	-11.3	-13.8	-14.6	8.3	8.8	Equity ratio	38.2 %	35.9 %	31.8 %	30.1 %	29.7 %
						Gearing	87.7 %	96.6 %	134.7 %	143.4 %	144.0 %
Valuation multiples	2021	2022	2023	2024e	2025e						
EV/S	6.7	4.6	2.9	2.2	2.0						
EV/EBITDA	19.9	14.6	11.2	7.6	6.8						
EV/EBIT (adj.)	37.4	31.1	32.1	19.7	15.1						
P/E (adj.)	47.5	35.4	43.2	26.3	17.9						
P/B	11.5	7.5	5.0	3.7	3.6						
Dividend-%	1.5 %	1.9 %	3.1 %	4.6 %	4.8 %						

Source: Inderes

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

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Recommendation history (>12 mo)

Talenom made a 1/5 split on 2/25/2020, prices and targets adjusted

Date	Recommendation	Target	Share price
7/24/2019	Accumulate	6.00 €	5.68 €
7/30/2019	Accumulate	6.33 €	6.02 €
10/22/2019	Accumulate	6.33 €	5.67 €
1/8/2020	Reduce	7.33 €	7.42 €
2/4/2020	Reduce	7.00 €	6.97 €
2/26/2020	Accumulate	6.80 €	6.40 €
4/1/2020	Reduce	6.00 €	5.88 €
4/28/2020	Accumulate	7.50 €	7.14 €
6/15/2020	Reduce	8.20 €	8.20 €
8/4/2020	Reduce	9.00 €	9.32 €
10/27/2020	Reduce	10.00 €	10.20 €
11/19/2020	Reduce	12.00 €	12.20 €
2/9/2021	Reduce	12.00 €	12.50 €
3/2/2021	Accumulate	12.00 €	11.15 €
4/27/2021	Reduce	14.00 €	14.12 €
8/3/2021	Reduce	16.00 €	16.72 €
10/1/2021	Accumulate	15.00 €	13.98 €
11/2/2021	Accumulate	15.50 €	14.50 €
12/17/2021	Accumulate	13.50 €	11.92 €
2/9/2022	Buy	12.00 €	9.84 €
4/13/2022	Buy	12.00 €	9.99 €
4/27/2022	Buy	12.00 €	10.00 €
8/3/2022	Reduce	12.50 €	12.30 €
10/26/2022	Reduce	9.50 €	9.39 €
2/1/2023	Reduce	9.00 €	9.09 €
3/27/2023	Accumulate	9.00 €	7.69 €
4/21/2023	Accumulate	8.80 €	7.88 €
7/24/2023	Accumulate	8.00 €	6.96 €
10/13/2023	Buy	6.00 €	4.65 €
10/23/2023	Buy	6.00 €	4.70 €
12/28/2023	Accumulate	6.50 €	6.03 €
2/2/2024	Reduce	6.30 €	6.20 €
3/19/2024	Buy	6.30 €	5.18 €
4/19/2024	Accumulate	6.30 €	5.60 €
7/22/2024	Accumulate	6.00 €	5.28 €
8/20/2024	Buy	5.60 €	4.38 €



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