Admicom

Company report

March 22, 2019

Inderes Corporate customer

inderes.

Admicom company update (estimates, recommendation and target price) 22/3/2019, translation published 23/5/2019 15:30

In a phase of strong value creation

We reiterate Admicom's reduce recommendation and revise the target price to EUR 35.0 (previously EUR 25.0). Admicom is continuing strong value creation, supported by strong continued growth with an extremely profitable business model as well as strong competitive advantages and market trends. We expect the company's annual profit growth to reach over 30% in the next couple of years, wherein previous evidence of growth and the business model based on continuing revenue provide visibility. We are now more positive about the company's market potential and sustainable level of profitability and liquidity, which increases the acceptable valuation level of the share. Even though the current high valuation factors can be justified by strong profit growth, the strong stretching of the valuation has consumed the upside potential of the share over the short-term.

Admicom is a forerunner in the strongly developing SaaS ERP for SMEs market

Admicom is a provider of an ERP system for SMEs. The core idea behind the company's solution provided as SaaS software and scaled based on customer needs is based on a high level of automation and a turnkey solution that takes the industry-specific special characteristics of the Finnish market. A building system, construction or industrial SME can obtain all of the applications it needs for business operations from a single software suite. The software provides the management of an SME with real-time visibility to the business and significant efficiency to reduce the need for administration significantly and increase efficiency. Specializing in the SME segment makes the product highly replicable and scalable and its sales fast and simple for ERP software.

Good growth drivers in the market and Admicom's exceptionally strong competitive advantages

Admicom's market growth and potential are guided by the low degree of digitalization and increasing need for productivity-enhancing solutions in the company's target segments. At the same time, Admicom's growth is supported by the accelerating transition of enterprise software from old-generation software to SaaS, where the company faces limited competition. The company is, therefore, well positioned for taking over its target market as customers migrate to SaaS solutions. To our minds, the company's competitive advantages are exceptionally strong due to the strong industry focus and the high degree of automation and scalability of the solution.

Strong growth and profitability

With its scalable business model, Admicom is already highly profitable (EBITDA >40%), even though the company is still in a phase of strong growth with over 30 % annual revenue growth. Our view is that the company will be able to maintain the strong growth for years by taking over the current target markets, the size of which (approx. EUR 100 million) is turning out to be larger than we previously estimated. In the long term, the company will need to find growth sources from new segments or countries through acquisitions or product development to continue the strong growth.

Strong value creation has attracted investors to stretch the valuation to a very demanding level

Admicom's investment profile combines strong growth and profitability, high scalability, increasing dividend flow and good continuity of the business model in an exceptional way. We estimate that the company's annual profit growth will exceed 30% in the next couple of years, which, combined with the other positive value drivers (including increased liquidity) and neutral relative valuation is still enough to justify the current very demanding valuation level (P/E forecast for 2019 36x, EV/EBITDA 24x and PEG approx. 1.1x), but the level does not give any room with regard to risks.

Analysts

Petri Aho
+358 50 340 2986
petri.aho@inderes.fi

Recommendation and target price

Reduce

(previously Reduce)

EUR 35.0

(previously EUR 25.0)

Share price: EUR 36.96

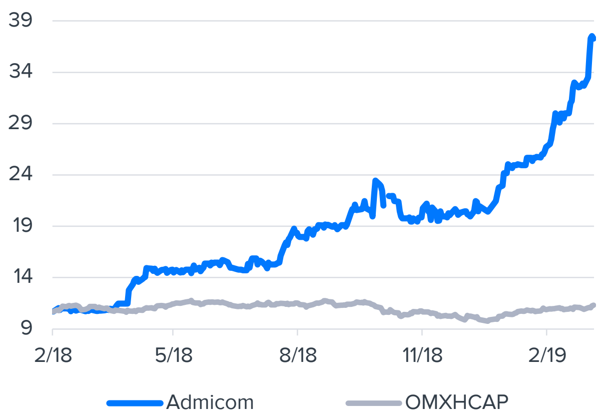
Potential: -5%

Key figures

	2018	2019e	2020e	2021e
Revenue	11,5	15,6	20,3	24,7
growth-%	42 %	36 %	30 %	21 %
EBIT adj.	4,3	6,2	7,9	10,1
EBIT-% adj.	37,5 %	39,8 %	38,9 %	41,0 %
Net Income	3,3	5,0	6,3	8,1
EPS (adj.)	0,76	1,03	1,31	1,68
P/E (adj.)	27,1	36,0	28,3	22,1
P/B	8,8	12,9	10,6	8,7
Dividend yield-%	2,3 %	1,9 %	2,4 %	3,0 %
EV/EBIT (adj.)	20,7	26,5	20,4	15,5
EV/EBITDA	18,5	24,5	19,1	14,6
EV/S	7,8	10,6	7,9	6,3

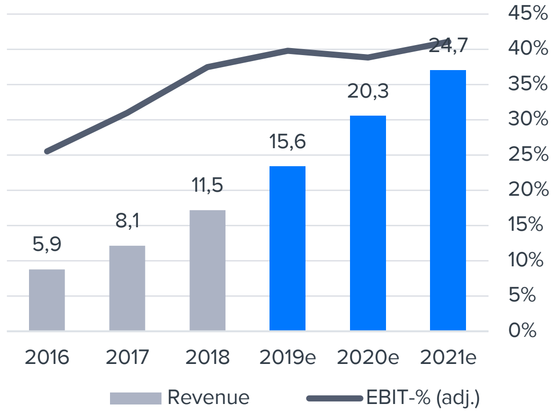
Source: Inderes

Share price



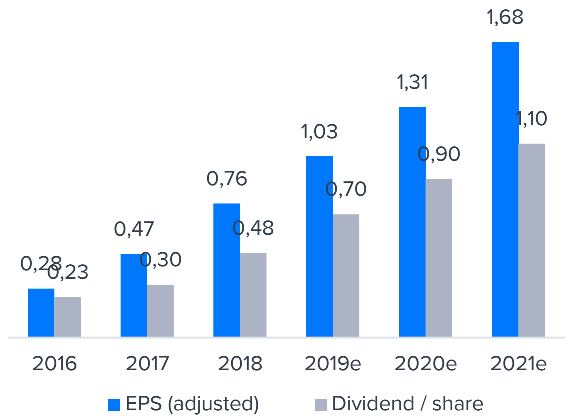
Source: Thomson Reuters

Revenue and EBIT-%



Source: Inderes

EPS and dividend



Source: Inderes

MCAP
177
MEUR

EV
162
MEUR

EV/EBITDA
24
2019e

P/E (adj.)
36
2019e

Value drivers

- Strong and clearly visible competitive advantages
- Highly scalable and recurring revenue creating business model
- Low churn (critical service to clients)
- Growing demand for SaaS in general
- Excellent track-record of profitable growth

Risk Factors

- Clients' businesses are typically highly cyclical, which can weaken Admicom's growth potential at the turn of the cycle
- Potential threat of a larger player entering the market
- Failure to execute growth strategy in new verticals and countries
- Risks related to potential M&A

Valuation

- Valuation very demanding, but justifiable by the high profit growth
- SaaS-peers valuation support current multiples
- Good visibility to the revenue and profitability
- Strong and growing dividend yield
- Liquidity of the share is still relatively weak and increase the WACC

Contents

Admicom in short

Admicom is a Finnish SaaS-company (Software-as-a-service) focused on SME's building services, construction and industry verticals' ERP-solutions.

2004
Established

2018
IPO

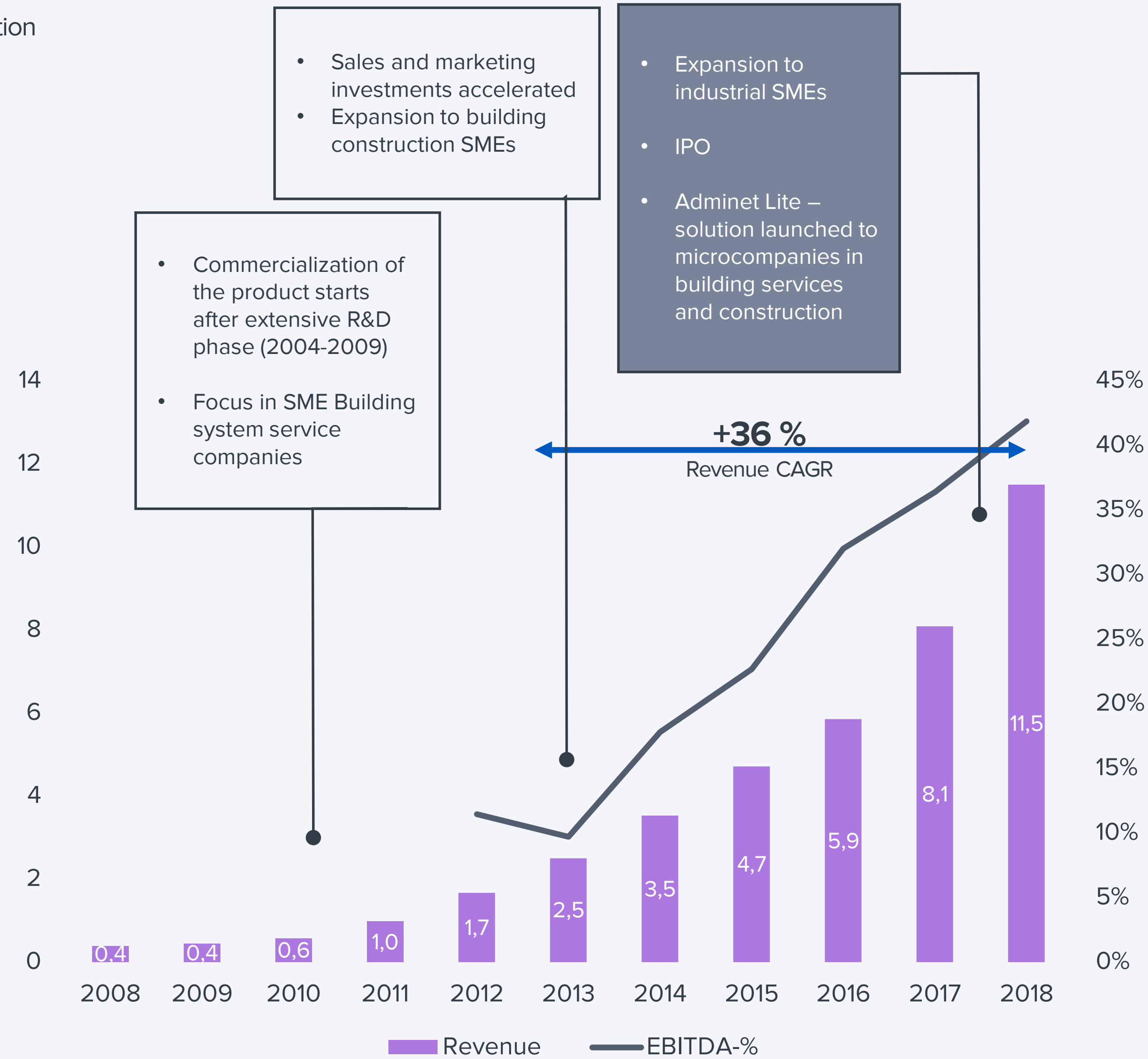
11,5 MEUR (+42 % vs. 2017)
Revenue 2018

+36 % 2013-2018
Revenue growth

4,8 MEUR (42 % of revenue)
EBITDA, 2018

113
Number of employees at the end of 2018

87 %
Share of recurring revenues of revenues



Source: Admicom / Inderes

Integrations

Bank connections

E-invoicing

Product- and price information from suppliers

Connections to tax and other authorities

Web service -connections

Functions

R&D
(n. 15 % *)

Services and support
(n. 62 % *)

Sales
(n. 20 % *)

Administration
(n. 3 % *)

* Share of personnel 12/2018

Solutions

Adminet software suite

Accounting services

Support and training services

Business model

Admicom seamlessly automates the processes and routines of construction site, production facility and company administration.

admicom

- Comprehensive SaaS-solution
- Automation of manual processes
- All applications and functionalities integrated into one solution
- Real time visibility to P&L, cash flows, and project POC and P&L

Sales channels

New customer acquisition with own sales force

Expansion sales to existing customers

Competition

General ERP-providers

Visma Nova ja L7

VISMA

CGI
C9000

oscar software

ecom

Vertical solution competitors

Pajadata

JYDACOM

Miscellaneous software solutions

lemonsoft

Customer segments

SMEs (core client group 1-5 MEUR revenue companies)

Building systems
n. 52 % *

Construction
40 % *

Industry 3 %
(and others 5 %) *

Cost structure

113 persons (12/2018)
-7,2 m€ (2018)

Personnel costs
(66 %)

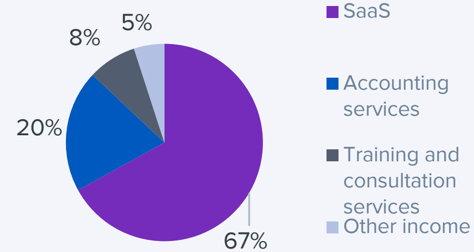
Materials and services
(6 %)

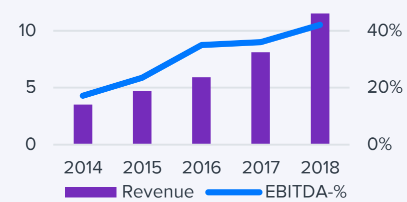
Other costs
(21 %)

Depreciation
(7 %)

Income streams

Revenue 11,5 m€
EBITDA 4,8 m€ (2018)





Source: Inderes, Admicom, * share of revenues of core client group's net sales

Company description and business model 1/5

Company description

Background and history of Admicom

Admicom, established in 2004, is a provider of SaaS-based industry-specific enterprise resource planning (ERP) solutions for small and medium-sized enterprises, focusing on the Finnish market. The developer team of the product built an earlier-generation ERP software product (Liinos), which was sold to Visma in 2002. In 2004, the team set off to build a next-generation solution that was built to be a scalable cloud-based service from the beginning. This was a decisive strategic choice, as cloud-based software has strongly made it now, over a decade later. The company's success factors also include strong industry expertise and a strong focus on a high degree of automation.

The company's R&D phase took as long as 6 years with a team of approximately 10 people. Admicom did not rush to commercialize the product, but first developed it patiently with a few customer accounts to a sufficiently mature phase that facilitates strong scalability. In 2010, the company's focus shifted from development to commercialization, starting with a solution aimed at the special needs of building services SMEs, where the company quickly began to take over the market from previous-generation software and solutions comprised of miscellaneous software products. Thanks to its operating logic, Admicom's core product can be expanded with relatively low R&D investments to several parallel industries to building services. In 2013, the company expanded from the building services segment into the construction segment, and in 2017 into industrial solutions.

Admicom today

Admicom's migration to the commercialization phase has succeeded excellently. The company's revenue has seen organic annual growth of an average of 36% over the last 6 years. At the same time, Admicom has reached a strong scale-up phase, thanks to which the company's profitability has risen to an excellent level. In 2018, the company's revenue increased by 42% to EUR 11.5 million and EBITDA was EUR 4.8 million or 42% of revenue.

Admicom's core target group is comprised of companies in the building services engineering, construction and manufacturing segments with revenue in the category of 1-5 million euros. The companies in this category already have an obvious need for ERP solutions, but the software is not required to be highly customizable. This way, it is possible to provide the target group with a scalable, modular, highly standardized, and automated software solution.

With its strong growth, Admicom has already reached a strong market position in its building services engineering core target group and also achieved a strong market position in the construction industry. Moreover, Admicom has successfully expanded into the manufacturing segment and developed a solution for the needs of small building services engineering and construction companies, creating a new cornerstone for the company's future growth.

Admicom's personnel count has increased strongly in recent years, and at the end of 2018, the company had 110 employees. The growth in personnel expenses has, however, been clearly slower than the growth in revenue, which is good evidence of the scalability of the company's business model. The company has offices in Jyväskylä, Vantaa, Oulu, and Tampere.

Product and business idea

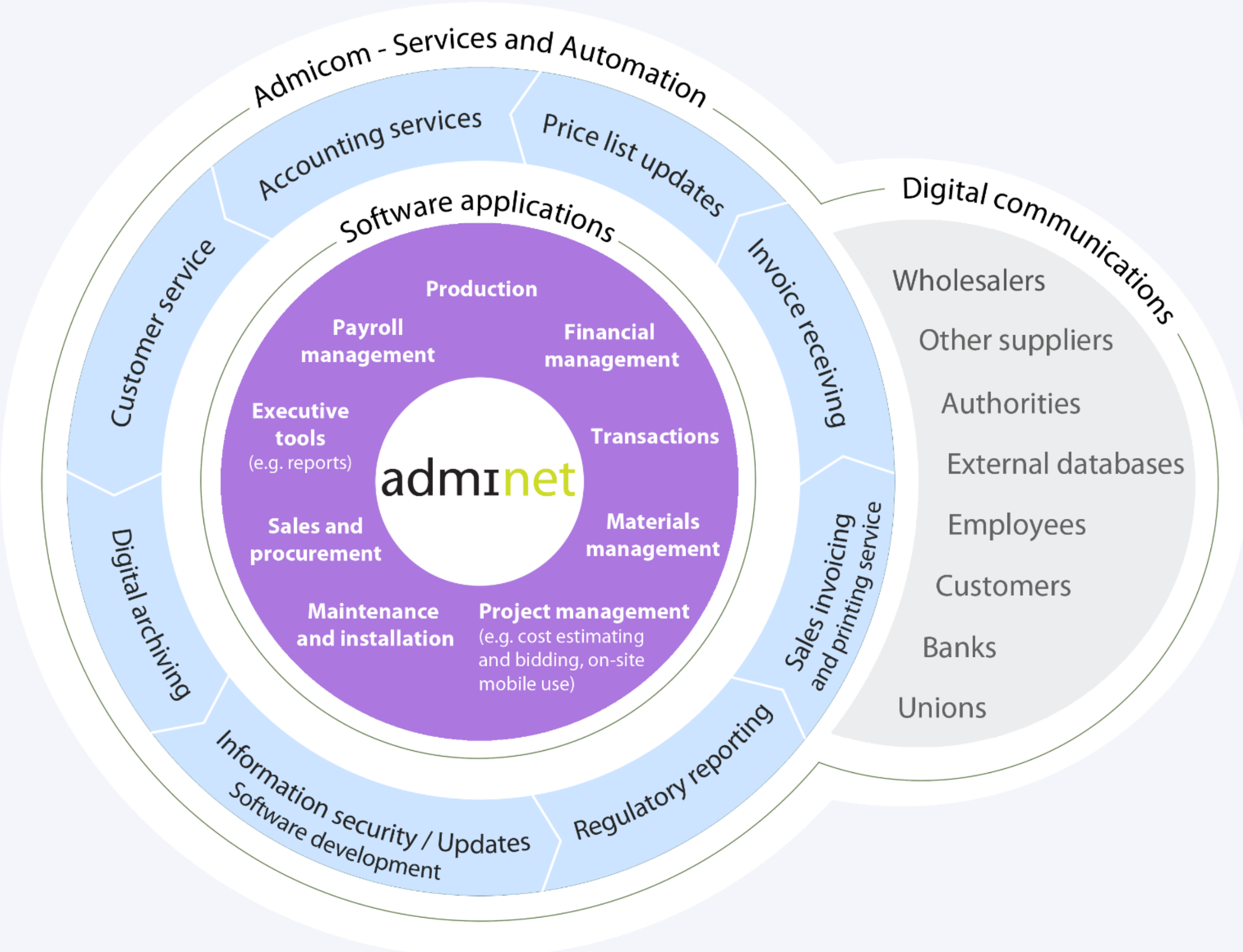
The core idea of Admicom's software solution, Adminet, is based on 1) scalable, up-to-date and location-independent SaaS software, 2) high degree of automation of routine tasks, 3) modular overall solution, and 4) real-time business data and reporting.

Adminet is a thoroughbred cloud service that facilitates faster and more cost-efficient deployment and maintenance than conventional desktop software, continuously up-to-date software and verified data as well as hardware- and location-independence though browser-based use. This provides Adminet with a significant competitive advantage over conventional solutions used via a remote connection or desktop solutions, which are poorly scalable according to use volumes.

Adminet is an overall solution that provides an SME with all of the applications requires for ERP without needing to integrate several systems or migrating data between systems. According to Admicom, it can substitute up to ten standalone systems.

The system is also based on fully paperless administration, accounting and reporting. These factors provide the operations of an SME with significant efficiency, which can actually completely eliminate the need for an office employees running administration, and the administrative workload of the management is significantly reduced. According to the company, the impact of its software on efficiency has translated into several FTEs for many customers.

Admicom's solution



Adminet's key features

- All functionalities that SME needs are integrated into one solution
- Automation of routine tasks
- Operative and financial reporting are always up to date and matching
- Realtime and accurate information flows
- Enables 100 % paperless administration

Source: Admicom, Inderes

Company description and business model 2/5

The fourth benefit of Adminet is continuous real-time visibility to the company's operations, which increases the efficiency of management and operations, and makes the fulfillment of the requirements of the authorities faster. Thanks to automated accounting in a single system, operational accounting and accounts are continuously aligned and the number of errors decreases.

Functionalities included in Adminet include quote calculation, production control, project management, access control, reporting, product data management, accounting, invoicing, project calculation, document management, and payroll administration. The software also features standard integrations into banking connections, reports to the authorities, e-invoicing operator, and construction supply price data interfaces.

Auxiliary services

In terms of its foundation, Admicom is purely a software/product company, but the solution is associated with certain absolutely necessary services that provide the customer with added value. For example, the company offers the software deployment project and training as a service, as successful deployment is paramount to achieving the benefits of the software. Training and consulting services accounted for approximately 8% of revenue in 2018. The company provides normal customer support as part of the monthly SaaS fees for the software.

Admicom also provides its customers with accounting services (share of revenue approximately 20% in 2019). The role of accounting services is to support the product development of the software, especially in process automation, and sales of software services when the customers want a comprehensive service package. With accounting services provided under the same roof, Admicom's product development has continuous visibility to which manual work phases in the processes should next be automated. The company's product development is strongly based on automation, for which the in-house accounting firm provides a sort of a development laboratory.

The customer can use Admicom software themselves, using their own accounting firm or Admicom's accounting services. Admicom, therefore, does not aim to directly compete in accounting services but to offer the Adminet software as a tool for the accounting firm and corporate customer as part of the overall package. The ability to offer software and accounting services together is, however, a competitive factor for the company. Slightly over one-third of Admicom's customers also use the company's accounting services.

Target groups

With its services, Admicom focuses on a customer size category in which the product can be standardized and automated as much as possible. In practice, this most commonly means companies with an annual revenue of under EUR 5 million. Admicom takes customer-specific customization needs into consideration only if the new features can be replicated in order to extensively benefit Adminet's customer base. However, all customers always have their own business focus areas and processes to some extent. Therefore, it is important for the software functions to be extensive when aiming to reach a position in which the customer only needs a single software product.

Large companies (revenue exceeding EUR 50 million) are not Admicom's focus because there are rather few of them, they have often developed their own company-specific operating models, and they frequently require significant customization of their software solutions. Nevertheless, the company does have some customers in the EUR 25–75 million category.

Admicom does not provide a universal software product; its strategy is to implement software customized for a single industry that can be expanded to industries with a parallel operating model through product development.

In the building services engineering segment, for example, the software takes into account the special features of HVAC, electrical engineering, and other types of building services engineering. The construction-industry software takes into consideration the special features of the industry, such as project calculation and recognition of revenue based on degree of completion, cost calculation and the obligation to disclose information. Data is transmitted in real time between the site and office with a mobile solution. The software also features integrated price lists, in which suppliers of building services and construction products and up-to-date prices can be found through product search and purchase orders made. Manufacturing-segment solutions take into account work queue management, production control, management, and follow-up of work phases, and document management, among other things. In addition, the company has developed a lightweight solution aimed at companies with annual revenues of under EUR 1 million (Adminet Lite).

Admicom currently only focuses on select segments in the Finnish market, as one of the strengths of the software is that it is a comprehensive package that takes on the special characteristics of certain industries in the home market. However, there are English and Swedish language versions of the software available.

Company description and business model 3/5

Business model

Sales organization and process

Admicom's product is well standardized for its target groups and quick to deploy and, therefore, the sales process is quite short for an ERP system and selling the product does not require high-salary experts of consulting to support it. The sales cycle of the product is a few months on average. The buyer of the product is typically the CEO and management of the target company. The company's target groups in Finland are clear and clearly defined, which makes sales easier. Of the company's personnel, 20% work in sales and marketing.

Selling an ERP system is highly consultative sales work and, therefore, Admicom only carries out sales work using its own organization. Once an agreement has been concluded, Admicom's own project team begins to implement the customer's deployment project, which includes training and setting specifications. Admicom mainly charges for the deployment project at costs, with the values of the projects being some thousands of euros, and it does not seek high profits from deployment-related phases. A customer can typically begin production use within a few months. Once the customer has started production use, the recognition of SaaS revenue begins. After the entry into production use, the customer is still supported by the project team for a few months, after which it is transferred to the scope of normal customer support.

Product development

The foundation of Admicom's product is in a mature phase, and the current role of product development mainly involves automating manual processes, updating the software based on the amendments required by the authorities, improving the availability of the service and its mobile features, and developing completely new applications, for example. Investing in automation and availability maintains the competitive advantage, and with new applications, the company aims to expand into new customer target groups and segments. Of the company's personnel, approximately 15% work in product development.

SaaS revenue and pricing model

Of Admicom's revenue, 67% (2018) is based on continuous SaaS revenue. The SaaS revenue is based on agreements valid until further notice, invoiced monthly. According to our estimate, the average customer generates approximately EUR 1,000–2,000 of SaaS revenue per month, which is a rather high sum compared to pure accounting software, for example. The price of the Adminet Lite solution launched in 2018, on the other hand, is approximately EUR 300–500 per month. The value received by the customer in exchange for the cost can be compared to the fact that with the software, the average customer saves one FTE labor input in administrative work, which would cost many times the price each year.

Admicom does not have multi-year agreements, but customer turnover is restricted by ERP being a business-critical system. Admicom is strongly integrated into the customer's processes, and replacing the system would be a laborious project for the customer. Therefore, customer attrition is mainly caused by bankruptcies and mergers and acquisitions, which are typical of the construction industry, at an annual rate of some 5% according to our estimates.

Unlike many financial administration software products, Admicom does not use transaction-based pricing. The company aims for the pricing to be as clear as possible to the customers, based on a single monthly fee. The starting point in pricing is flexibility towards the customer. The monthly price for the software is adjusted each month to match the customer's user volume and annually to match the customer's revenue. The adjustment invoice can therefore be upwards in a growth company and downwards in a declining company, based on the customer's annual agreement. The package is sold in a customer-oriented way, meaning that a separate software package is built for each customer using readymade modules.

Service revenue

Admicom's service revenue is based on training and project consulting as well as accounting services. According to our estimate, the company's accounting services are a very profitable business due to the high degree of automation, while the company does not seek high profit margins from project sales. Accounting services are primarily recurring revenue. Of the company's personnel, 62% work in services.

Company description and business model 4/5

Scalability and predictability

Admicom's business model has been built with an eye to strong scalability and continuity from day one. Recurring revenue accounts for approximately 90% of the company's revenue, while strongly scalable SaaS revenue accounts for almost 70% of revenue. Due to the strong scalability of the business model, Admicom's profitability has already increased to a very good level (EBITDA >40%) both absolutely and, in particular, compared to rapidly growing SaaS companies of a similar size.

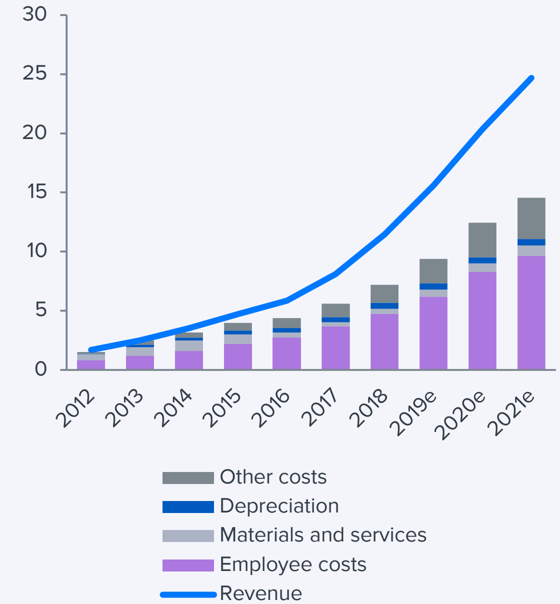
The first factor supporting the strong scalability of Admicom's business is the fact that Adminet's pricing model is tied to the extent of the customer's business operations in many respects. As the customer's revenue and/or personnel count increase or the customer adopts the features of the product more extensively, the Adminet use fees also increase. The customer's revenue and use data is directly obtained from Admicom's system, and the adjustment billing is automated. Adjustment billing and expanding use by customers have provided a significant addition to Admicom's revenue in recent years, with the company's customer segments seeing strong growth and the revenue of Admicom's customers increasing faster than the average.

Admicom's materials and services cost item has been very low in recent years, at approximately 4% of (gross profit of 96%), so we do not see any significant potential for further scaling-up in this respect for the company.

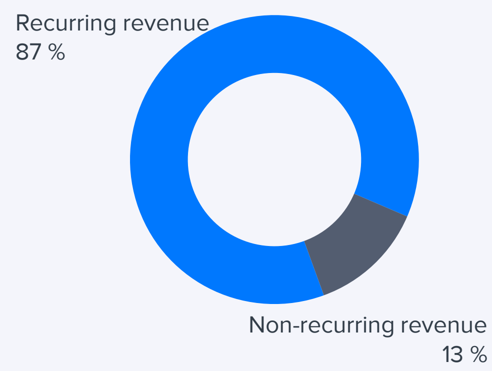
As is typical of software companies, the company's most significant cost item is personnel expenses (approximately 40% of revenue), which can be roughly divided into four parts: 1) R&D costs, 2) sales and marketing costs, 3) support and service costs, and 4) administrative costs. Admicom's head count has grown in recent years at a clearly slower rate than the growth in revenue, and the company's personnel expenses per employees have remained at a very moderate level. Our view is that the strong scaling of personnel expenses can be attributed to 1) the company's product on the whole being in quite a mature phase of development without the need for strongly increasing the number of R&D personnel, 2) the company's sales process being highly standardized and productized, so new sales personnel can be brought along quickly and the availability of personnel has been good, 3) the ability of continuously being able to increase the efficiency of service production through automation, 4) the company's governance structure and systems being very efficient, and 5) the personnel having been committed successfully to the company through shareholding. In addition, the growth in the number of personnel has in part decreased the seasonal fluctuation of Admicom's new sales, as the company has had capacity for customer work and deployment projects during holiday seasons as well. We estimate that there is still slight scale-up potential in personnel expenses at the current revenue growth rate.

Admicom's other operating expenses (rents on premises, audit, administration) are quite stable in proportion to revenue (approximately 14%), and we do not see significant scale-up potential from the current level with regard to them. The company's personnel and offices are mainly located outside the Helsinki region, which explains their moderate cost level.

Cost structure and scalability



Recurring revenue

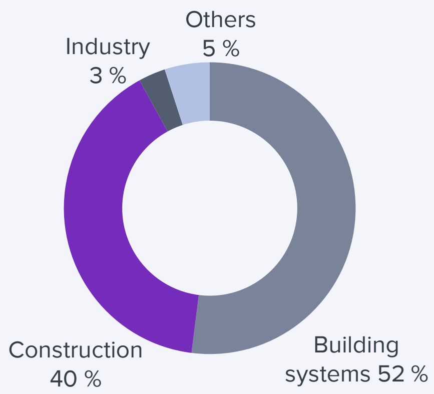


Admicom's business model

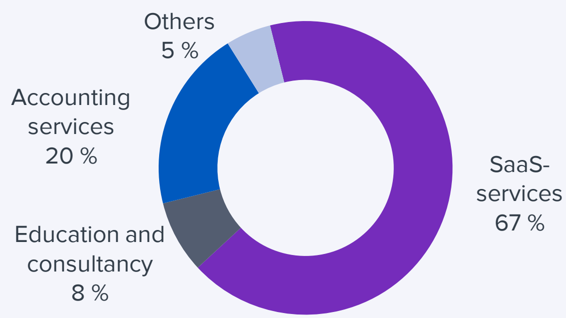
Revenue
(2018)

11,5 MEUR
(+42 % y/y)

Segment



Income item



Income items

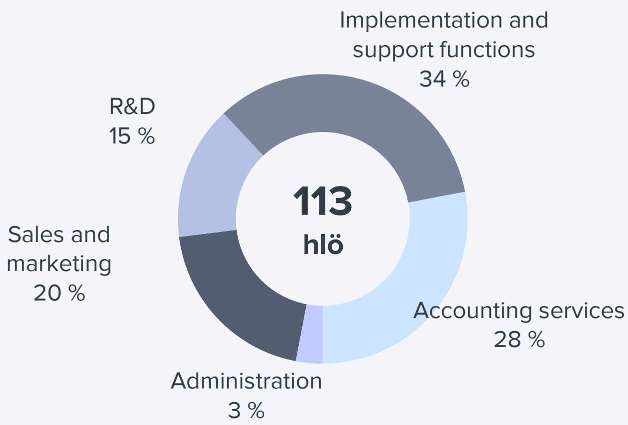
SaaS-services
Recurring software service (SaaS) income

Education and consultancy
Revenue from software implementation, education and consultancy services

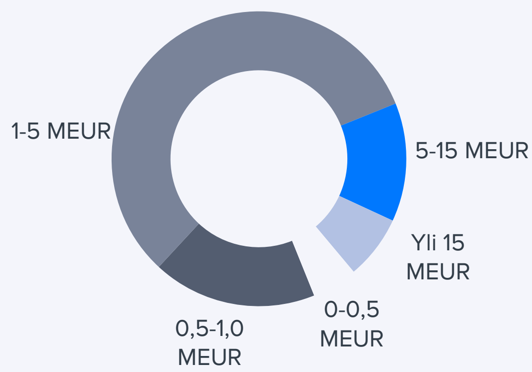
Accounting services
Mostly recurring renevue from accounting services to core products

Other
Equipment sales and installation

Personnel distribution (2018)



Customer size (2017)



Source: Inderes, Admicom

Company description and business model 5/5

SaaS model

Admicom is a pure SaaS company

The transition to the cloud era has caused a new deal in several areas of the software industry, and Admicom's segment is no exception.

Admicom is a "cloud-native" company that does not suffer from the burden of on-site technology, which is an important asset. The transition to the SaaS model is painful to a software company due to requiring changes in the culture, customer, and software provider processes, technology and revenue recognition, among other things.

The SaaS model differs significantly from the conventional single license model in software sales through the 1) business model (e.g. recurring vs. one-off revenue), 2) software delivery and hosting model (cloud vs. local infrastructure), and 3) the company's operational model (e.g. scalability). SaaS companies thereby differ from conventional software companies in terms of their profit, cash flow, and risk profile.

Due to the growth prospects and other benefits of the SaaS model, SaaS companies are typically priced, depending on the development phase, using very different valuation factors compared to conventional software vendors whose business is commonly in a "maintenance mode" generating a strong cash flow.

Popularity of the SaaS model is growing strongly

The share of SaaS-based software solutions has grown strongly in all software segments in recent years. Gartner, for example, estimates that the SaaS software market will grow globally by an average of 18% per year by 2020 and exceed the market growth of conventional single license software solutions, which is estimated to be only a few percent. The growth of the SaaS market is driven by the easier deployment of cloud services, increase in the supply and the benefits offered by the SaaS model to the customer and software provider.

Benefits of the SaaS model from the customer's point of view

- Compared to conventional software solutions, typically lower threshold and cost of deployment, as the software can be deployed using a browser without major start-up investments and integration projects.
- More stable, foreseeable costs of using the software, flexible based on business volume.
- Continuous development and maintenance: SaaS software is maintained and updated centrally by the software provider, which decreases the customer's costs relating to system maintenance and support. The software is always up to date and updated.

Benefits of the SaaS model to the software provider

- The higher share of the value chain of the software solution and auxiliary services typically increases the life cycle value of the customer account higher than with a conventional software solution.
- Monthly fees provide continuity and predictability to revenue and cash flow.
- The cost structure is scaled with the increase in the value of customer accounts and number of customers.
- Possibility to sell new functionalities to the existing customer base cost-efficiently.
- Product development cycles and software production are accelerated, decreasing the risk of customer attrition, as a change in the software generation does not result in a point of discontinuity in the customer account.

SaaS model from the investor's point of view

- High growth potential arising from the transformation of the software market to the SaaS model and expansion of customer accounts.
- The profitability potential of SaaS companies is high in the long term due to their scalability.
- High profit continuity and good predictability lower the risk profile of cash flows.
- Front-loaded costs compared to revenue accumulated steadily over time impair the profitability and cash flow of SaaS companies in the phase of strong growth.

Drivers of the SaaS model's popularity

Investor

- High growth potential when software is transferred to the cloud
- Constant and predictable cash flows
- Scalability enables high profitability
- Weak profitability and cash flow compared to profits in the growth stage due to front-end-weighted costs

➢ **Higher valuation levels**

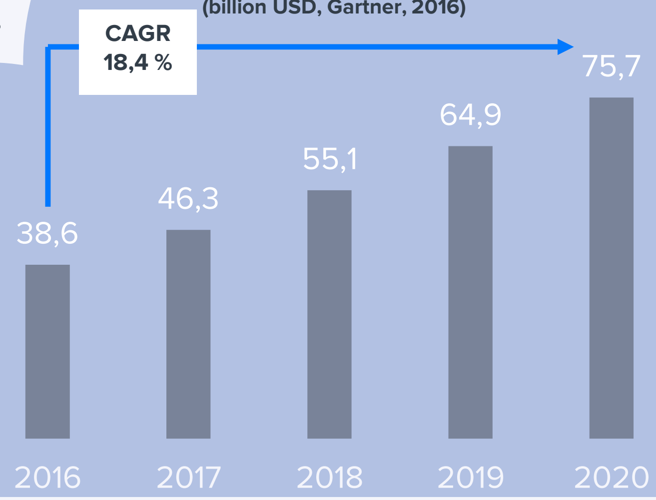
Customer

- Fast and more cost-efficient deployment
- Steadily and predictably accrued costs
- Solution scaled according to need
- No separate system administration and update costs
- Constantly up-to-date software

➢ **Software's low total cost of ownership (TCO)**

Global SaaS enterprise software market

(billion USD, Gartner, 2016)



Software supplier

- Recurring and predictable profits and cash flow
- Low purchase threshold and faster sales cycles
- Deeper, longer and more valuable customer relationships
- More cost-efficient operative model
- Scalable cost structure
- Cost-efficient and fast product development and update cycle

➢ **High customer relationship lifespan value and scalability**

Source: Inderes, Gartner

Markets

ERP software of SMEs as the target market

The target market of Admicom's software and services comprises the enterprise resource planning (ERP) systems of Finnish building services engineering, construction, and manufacturing companies and the services supporting them.

There is no exact data available on the size of the target market, but according to our rough estimate, the market size of the company's core target group (approximately 2,500 companies) is approximately EUR 25–35 million. If the target market is also considered to include the smaller companies targeted with Adminet Lite (approximately 5,000 companies) and companies with annual revenues of approximately EUR 5–50 million (an estimated 1,500 companies), we estimate its value to increase to some EUR 100 million. Roughly over 40% of Admicom's revenue is currently generated outside the core target group (companies with revenues of EUR 1–5 million).

Industry's growth outlook and drivers

Based on research, the development of the revenue of the segment and target market companies and market drivers, we estimate that the target market of Admicom's product is currently seeing obvious growth.

Our view is that one of the most important growth drivers of the industry is the fact that the profitability development of the construction sector has been historically weak while construction companies are suffering from a shortage of resources. With the needs for increasing efficiency and digitalization, interest in the deployment of new software, automation, and digital services is clearly growing.

For example, the digital survey of the Finnish construction industry conducted in 2016 shows that the atmosphere regarding the development of digitalization has become more favorable and 71% of companies in the industry estimate that they will invest more in developing their operations using digital means.

In addition, we estimate that the growth outlook of the target market is positively influenced by the fact that the level of digitalization in the real estate, construction, metal and engineering industry is still clearly lower than other industries on the whole. For example, of construction and real estate companies, only 41% reported using an ERP system a lot or to some extent in 2016, while 42% did not have one in use in the first place.

The migration to cloud services is in its infancy in the target market, which benefits Admicom

Construction and manufacturing companies still to a significant extent use earlier-generation (Windows-based) software, and the transition to cloud services that is generally strongly shaping the software industry is still in its infancy in Admicom's target market. In Finland, only 35% of manufacturing and 55% of construction companies use accounting software provided as a cloud service, for example. The willingness and readiness to deploy cloud-based services is, however, high in Finland, and the main obstacle to the deployment of cloud-based services is the lack of knowledge, studies show.

We estimate that similarly to other software markets, the migration to cloud-based services (SaaS) that enhance flexibility, cost-efficiency, and scalability will continue strongly in Admicom's target segments. Admicom has a product purely developed and offered as a cloud service and we, therefore, assess that the market transition to cloud-based services will improve the company's growth potential compared to the growth in the segment.

Cyclic outlook of the customer segments

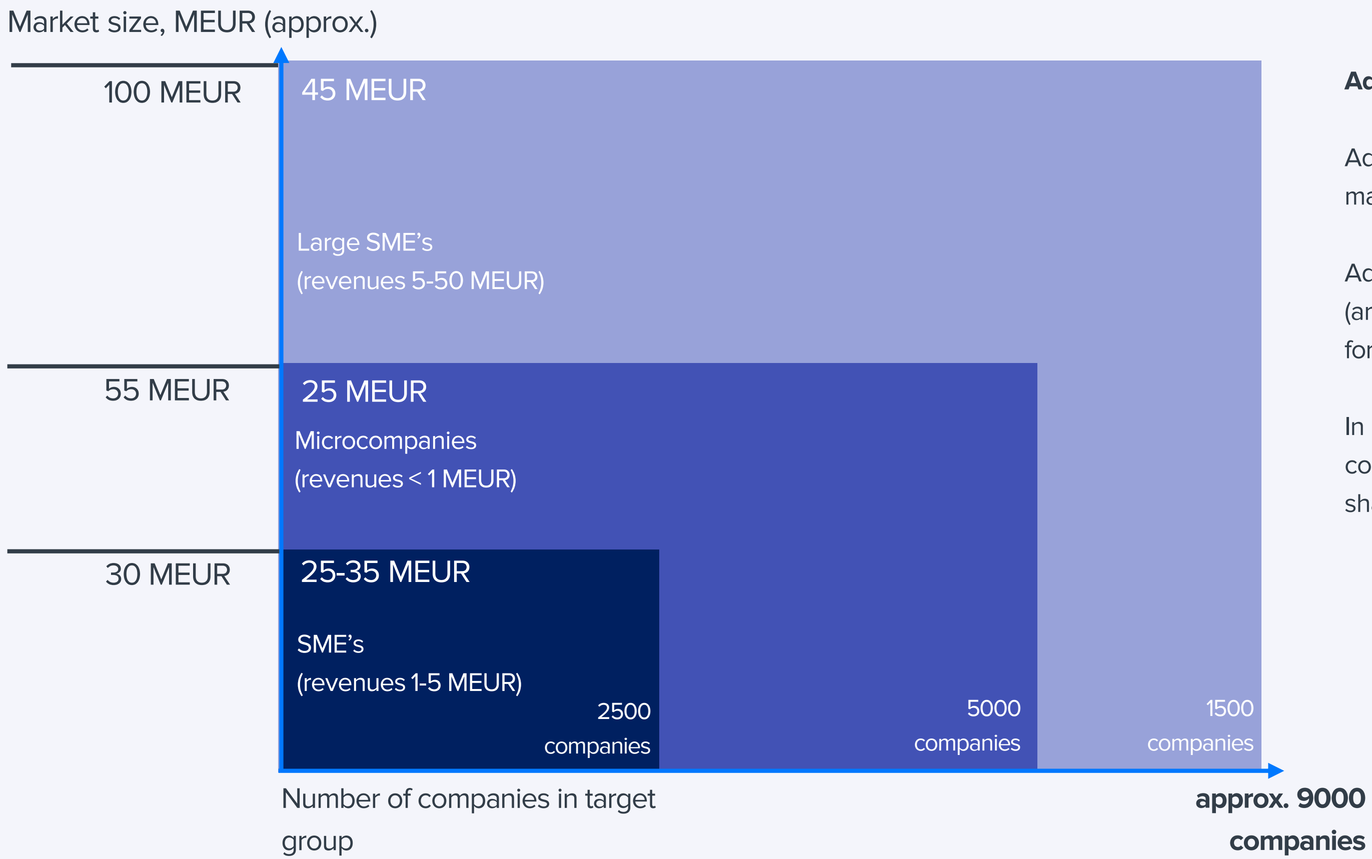
Admicom's customer segments, building services engineering, construction and manufacturing, are considerably more sensitive to economic cycles than the average, which we estimate to potentially have significant impacts on the short-term growth outlook of Admicom's target market and thereby the company.

The outlook of the company's customer segments, ding services engineering, construction and manufacturing, continues to be reasonably positive in Finland for 2019. For example, the scores of the manufacturing and construction trust indicators provided by the Confederation of Finnish Industries (EK) is above the long-term averages for the time being. We expect that the positive trend will be reflected as strong revenue growth among Admicom's target companies.

However, the volume of construction is expected to turn to a clear decline from its peak levels, and the growth in Finland's overall production (GDP) is also estimated to slow down clearly compared to its current level, which may also have a negative effect on the demand outlook for ERP software and increase attrition among construction companies (bankruptcies, mergers, and acquisitions).

Admicom's market potential

Inderes' estimate on Admicom's addressable market size



Admicom's market position

Admicom's share of the total addressable market was around 10 % in 2018

Admicom has the highest market share (around 15 %) in SME customer cohort, that forms around 55 % of the company revenue.

In microcompany and large SME customer cohorts we estimate that Admicom's market share is currently below 10 %.

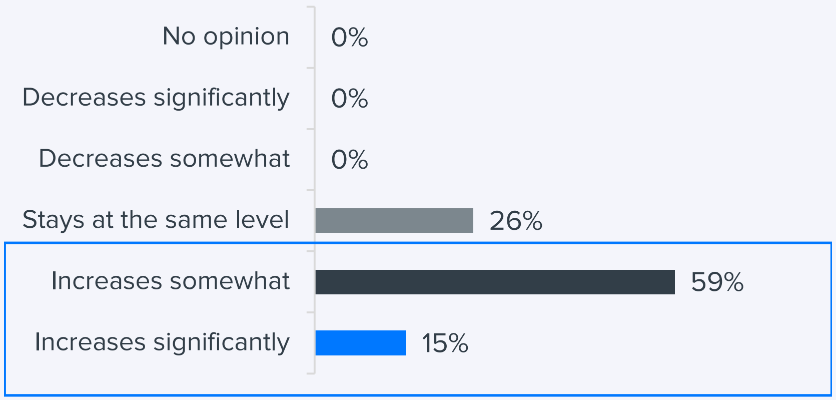
Assumptions:
Average SME's account value per year 12 000 EUR
Average microcompany's account value per year 5 000 EUR
Average Large SME's account value per year 30 000 EUR

Source: Inderes

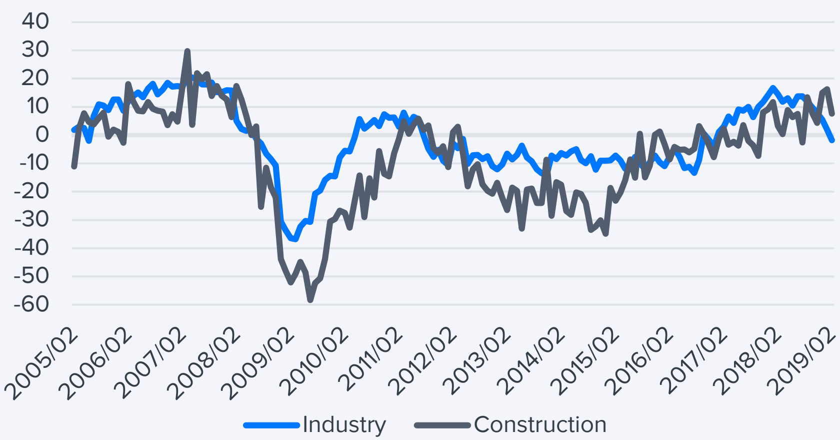
Market drivers

Market's growth drivers

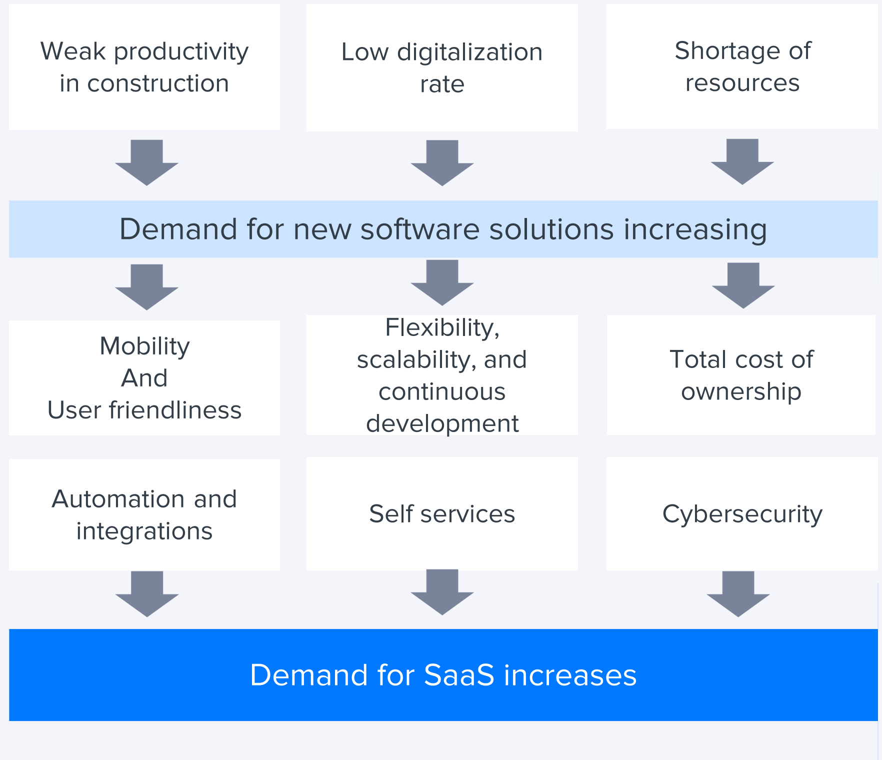
Construction companies digitalization investments next 3 years



Construction and industrial company confidence



Market trends



Source: 1 Digitaalisuuden nykytila ja kehityssuunnat kiinteistö- ja rakennusalalla (2016), EK, Inderes

Competition

Competitive factors in the market

The target groups of the ERP software market can be roughly divided into three segments, based on the scope required from the systems and thereby customer size. The biggest companies often need solutions customized to their own operating methods. The basic functionalities offered by general software (e.g. Office, accounting software) are usually adequate for smaller micro-enterprises. Admicom is positioned between these in the SME segment, in which customers need a comprehensive system but the software can be provided as highly replicable (no customization).

Our estimate that system deliveries to large customers represent the highest market segment in terms of value in the ERP software market. However, this market is primarily not very interesting from the point of view of medium-sized and specialized software companies like Admicom, as the customers in this segment typically already use an ERP system customized to customer-specific operating models and processes as well as other solutions customized based on their needs.

In terms of the number of customers, the biggest volume from the point of view of Admicom and its competitors is in the middle sections of the market, comprising small and medium-sized enterprises in the category of EUR 1–25 million of annual revenue. Their customer needs are often quite extensive and critical to their operations, but the resources and ability to invest in business development and systems is limited. In this target group, the need for increasing the efficiency of operations and automate increases continuously with growth and digitalization, but the customers' needs can well be covered with standardized software that offers an extensive range of diverse functionalities.

With regard to micro-enterprises (EUR <1 million), the need for ERP systems or their components does also exist, but they are not usually the primary target group from the point of view of companies offering extensive software solutions, such as Admicom. To this group, it is often essential to do ERP-related things as simply as possible with the minimum costs, which can be done either using common "off-the-shelf" software, such as spreadsheet software, and using general accounting and administrative services, or using ERP software solutions with considerably lightened functionalities.

Main competitors

The arena of competition of Admicomcomprises, depending on the customer segment, 1) small software companies specializing in the industry, 2) companies providing universal ERP software suitable for several industries, and 3) small and medium-sized software companies offering customized solutions.

According to Admicom, the financial administration services offered by accounting firms are not direct competitors because they always need some industry-specific software alongside. Companies offering partial solutions are also not strong competitors, as they need a financial administration system alongside them. In practice, Admicom's only main competitors are ERPs with integrated solutions that cover the special needs of the industry and contain partial or full financial administration functions.

According to Admicom, the company's arena of competition is quite established, and small new players have not succeeded in gaining a significant position.

The biggest competitors are found in companies focusing on the same target groups with Admicom, offering industry-specific software suites. The most significant competitors are Pajadata in the HVAC segment, Ecom in the electrical engineering segment, and EVRY Jydacom in construction. In manufacturing, the strongest competitors include Oscar Software and CGI, whose traditional system is used by many manufacturing companies.

Admicom's market position

Admicom is the market leader in its building services engineering core target group (revenue of customer companies EUR 1–5 million), in which the company has been operating the longest. The company also holds a strong market position in construction, into which it began expanding in 2013. In manufacturing, Admicom's market share is still small, as expansion into this segment was not launched until 2017.

According to the company's management, Admicom is the only company in the Finnish market to provide extensive cloud-based (SaaS) software solution for the building services engineering and construction industries. According to Admicom, the products and services of established competitors are mainly based on conventional software solutions with limited remote use possibilities, degree of automation, and flexibility. Many of the software products competing with Admicom are also approaching the end of their life cycles, and there are no significant investments made in their development or growth.

Competition

Pure SaaS model, high degree of automation and specialization as main competitive advantages

According to our estimate, Admicom's key competitive advantages are 1) extensive software solution based on the SaaS model, 2) high degree of automation in the system, 3) highly integrated industry-specific special features, 4) strong market position, and 5) in-house financial administration services.

Due to the turmoil of the industry, most suppliers of previous-generation products have not been able to successfully transform into the SaaS model, which has created a significant competitive edge for a SaaS company such as Admicom. According to Admicom, this advantage can be seen in that the providers of earlier-generation products are not able to offer remote use, data management, real-time, development and flexibility features similar to SaaS software.

According to Admicom, automation has been taken considerable farther in the company's software solution that in competitors' systems. This allows the customer companies to save significant amounts of time and resources, with data transmitted seamlessly within a single system from one phase to another. Admicom's system also extensively automates reporting to third parties, such as the reporting to the tax authority pursuant to the construction industry obligation to provide information.

In its product development, Admicom has invested a lot in taking into account the special features of the building services engineering and construction industries and modular structure, which provides it with a significant competitive advantage over companies providing non-industry-specific universal software and special software. According to the company, this clearly lowers the threshold of deploying Admicom's services and provides the customer's business with benefits that most other competitors cannot offer. For example, Admicom's software can replace several standalone software solutions at once.

Our view is that one of Admicom's significant competitive advantages is the company's significant inherent advantage in its target market. Bringing in a new software product that meets the industries' needs and is equally comprehensive to the arena of competition would, according to the company, require long development work, which raises the bar of entering the segment. The bar is also set high for new foreign competitors, as in addition to a strong product, the Finnish industry-specific ERP market requires a lot of localization and the market is relatively small on the global scale. A strong market position is also important because customers' threshold for changing SaaS software is typically high, and thereby the company that first succeeds in creating a customer relationship often obtains long-term benefits in terms of market share.

Admicom's in-house training and support services and accounting services are a competitive advantage for the company, as they increase the benefit of the service to the customer and the customer's commitment to using the service, and they act as an important source of product development ideas and growth in automation degree.

Specialization narrows down the market potential

We estimate that the increasing demand for cloud services, new customer segments and Admicom's strong competitive position guarantee rapid growth and high profitability for the company for the next couple of years, but the strict focus also places restrictions on long-term growth.

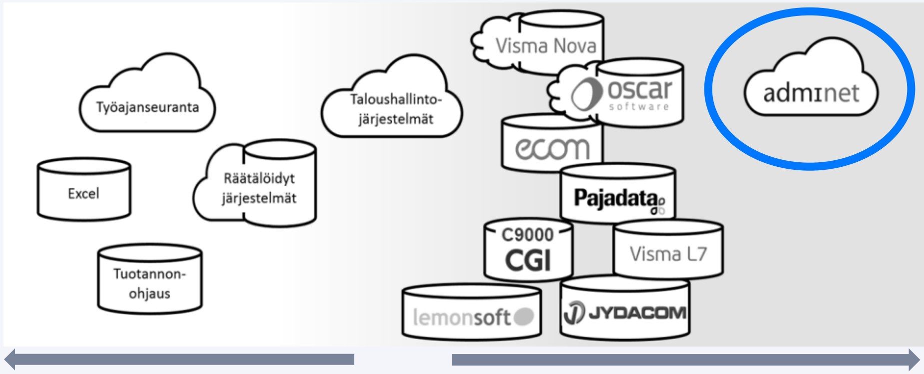
According to our estimate, strict specialization also excludes the biggest and multi-national companies from the customer base in practice. In addition, the tiniest companies may not necessarily receive adequate added value from Admicom's products. Moreover, Admicom's product and service are customized and localized highly to the needs of the Finnish market. Our view is that international expansion could require significant investments in localizing the product and recruiting new personnel resources. The same challenge also applies to expansion into new segments within Finland to some extent, as different industries typically require slightly different functionalities. The company manages this challenge regarding its growth potential by continuously surveying and researching new industries providing synergy benefits with the core software.

According to our estimate, the user experience and user interface of Admicom's software are not fully aligned with the "consumer-like" user experience nowadays expected of modern enterprise software. This is very typical to enterprise software, but our estimate is that user experience will be highlighted significantly in the sales situation as a competitive advantage, especially when such software is not being purchased by an IT professional. Therefore, we find it possible that a competitor investing significantly in the user experience could challenge Admicom from this point of view, even if its underlying core technology was not as competitive as that of Admicom.

Competition and competitive factors

Admicom's market position

Coverage and delivery model of the solution



Partial solutions and standalone software — Industry-specific comprehensive systems

* In the figure, building services engineering systems include Ecom, Pajadata, and Visma L7, in construction Jydacom and Lemonsoft and in manufacturing Oscar Software, Visma Nova, and CGI's C9000.
** The cloud in the figure is 100% cloud service software and the cylinder represents conventional license software. Some are offered partially as a remote/cloud service in addition to license software.

Admicom's competitive factors

+ Only SaaS-based ERP for construction-industry SMEs in the market
+ In-depth industry expertise and software that extensively takes the special features of the target segments into account
+ Highly automated processes
+ In-house consulting and accounting services
+ Strong market position and competitiveness
– Not suitable for customers requiring customization (large companies) or lacking the preparedness for automated processes
– Expanding software sales into outside Finland would require significant investments in localization
– "Consumer-like" software user experience as a competitive advantage to stand out with is missing

Source: Admicom, Inderes

Strategy

Strong industry focus at the core of the strategy

Specialization in select industries (currently building services engineering, construction, and manufacturing) is emphasized in Admicom's strategy. The product has been developed to meet the special needs of the select segment, which makes Admicom stand out from providers of universal ERP software.

The company's aim is to become the clear market leader in each segment. The aim is to rise to this position as quickly as possible to decrease the attractiveness of the market from competitors' point of view. In the SaaS-based business model, individual markets are often "winner takes it all" markets, as the customers are continuously covered by up-to-date software and the threshold of replacing a continuously evolving software integrated into their own processes is high. Therefore, the company has a deep moat against new competition once a strong position (50% share) has been reached in an individual market. The competitive advantage is strengthened if benefits of scale are utilized for product development and increasing automation, which gives more advantage against competitors. Once the market is sufficiently strongly established, it is no longer interesting for an international competitor or developer of universal software to start investing in a product customized for a small individual segment in the small Finnish market.

In the old license-based model, customers typically consider software alternatives as locally installed software versions reach the end of their life cycle, which results in a point of discontinuity in the market and opens it up for competition. This is not an issue with Admicom's SaaS model because the software is always up to date. In fact, Admicom is now particularly conquering customers transitioning to a cloud-based solution from a Windows-installed solution that has reached the end of its life cycle.

Future growth options

According to our view, Admicom is well positioned for continuing its growth rate of more than 30% according to the target level specified in the strategy in 2019–2020 by taking over market share in building services engineering and, in particular, construction and manufacturing. The manufacturing segment is a very much virgin market for the company, and expansion into it did not properly begin until 2018.

In the long term (2021–), however, the company will need to find new sources of growth to extend the growth target of more than 30%. The current business operations that are very profitable and generate a strong cash flow and successful listing will, however, provide the company with excellent resources for this.

According our view, the company's strategic expansion options are as follows:

Vertical expansion upwards into larger customers in the current industries. However, this is not a relevant option in the company's strategy, as the replicability of the product weakens in large companies. Growth into the large companies segment will, therefore, mainly take place with the growth of existing customers.

Vertical expansion downwards into micro-enterprises in the current industries. Admicom's basic solution is too comprehensive for the smallest companies, so Admicom developed the Adminet Lite product developed for their needs and launched it in 2018. The small-company segment product is highly replicable, which suits Admicom's operating philosophy.

Horizontal expansion into new industries. Our view is that this is the most probable and interesting growth option for the company, as it can be done by scaling up the company's current core product through the product development of new applications. Potential interesting industries include the security, locking and real estate service sectors.

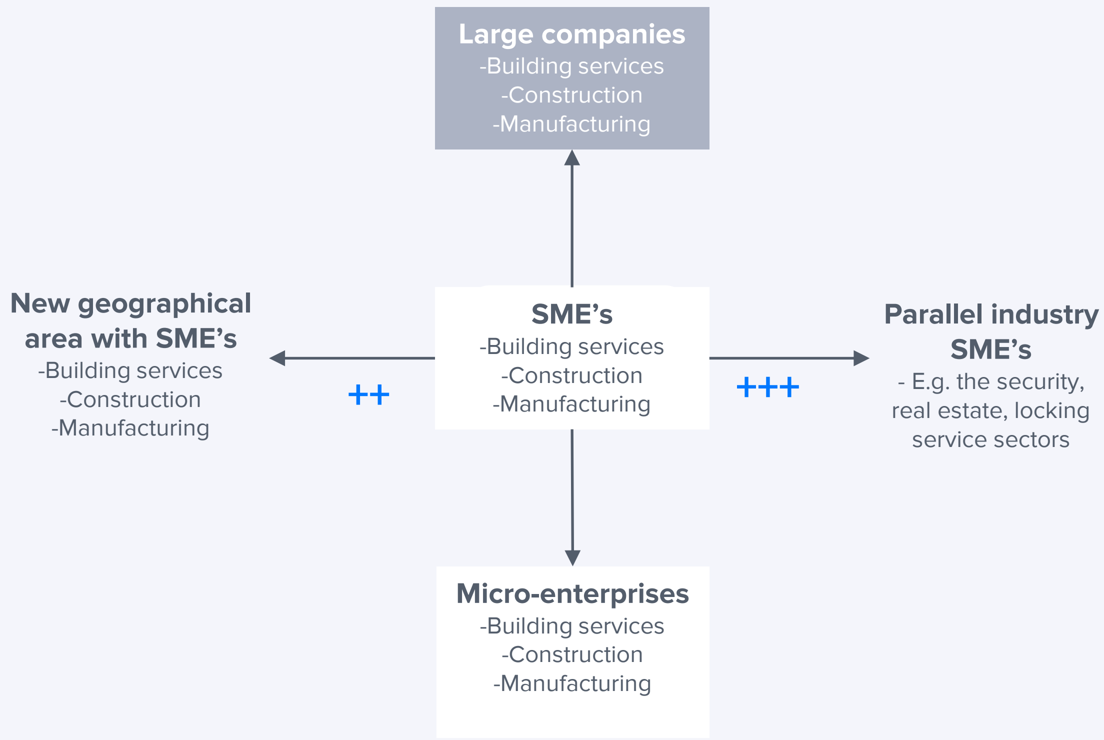
Horizontal expansion into new countries in the current industries. According to our view, this could also be an interesting option, as it could be realized by scaling Admicom's core product. This, however, would require significant country-specific localization in product development and country-specific industry expertise. One option could be an acquisition, providing Admicom with existing country-specific expertise and customer base. Our view is that with regard to individual markets, Sweden would be the most natural target for expansion.

Aiming to continue strong growth

Admicom's strategic objective is to continue to grow by more than 30% per year on average in the next couple of years (2019–2020) while maintaining good profitability and EBITDA being approximately 35–45% in 2019. Admicom is already very profitable, but we estimate that the company is positioned for even better profitability after its strong growth phase. The company aims to distribute more than one-half of its profit as dividend to shareholders so that any payouts will not compromise the growth objective set in the strategy or other financial objectives.

Strategic positioning

Options for the company’s long-term strategic growth paths



- (white) Admicom’s current market, growth within industries.
- (grey) Not interesting (requires customer customization), growth only with existing customers.
- + Possible in the long-term, requires a product development or acquisition that fits the new industry.
- ++ Interesting, requires local customization (product development) and strong local knowledge and knowhow (e.g. acquisition).
- +++ Attractive, requires industry specific software customization from product development or acquisition.

Source: Inderes

Admicom's strategy

2004 - 2011

Product development phase

- Focus on developing scalable browser-based software (SaaS)
- Long-term product development phase prior to commercialization, with the focus on high degree of automation and comprehensive solution that extensively caters to the needs of the industry
- Strong core team with experience in the industry and development of similar software

2012 - 2016

Commercialization and expansion into parallel industries

- Strong growth in the building services engineering segment
- Core product in building services engineering, applications can be expanded through development for other industries
- Product development and expansion into the construction segment
- Growth in the construction segment
- Expansion through product development and small acquisition into the manufacturing segment at the end of 2016

2017–

Listing and acceleration of profitable growth

- Strong growth in the current industries continues, focus of growth on construction
- Investments in commercializing new areas (Manufacturing, Adminet Lite) to maintain the 30% growth
- Listing to fund any acquisitions and commit employees

Main objectives of the strategy

Realized

- Excellent success in commercializing the product
- Successful expansion into new industries
- Profitability increased to an excellent level
- Listing
- 36% average growth in revenue in 2013–2018

Near future 1–2 years

- Strengthening the market position further in the building services engineering and construction industries
- Accelerating the growth of the Manufacturing and Adminet Lite product
- Surveying new growth opportunities and possible acquisitions
- Growing the organization to support the objectives
- Annual revenue growth exceeding 30%

Following 5 years

- Reinforcing the market position in the current industries
- New industries and countries as growth drivers
- Maintaining strong profitability

Source: Inderes

Historical development

Performance 2012–2018

Admicom's revenue has been growing strongly after the company got its product into the commercialization phase in the early 2010s after a long development phase. The company's revenue increased from EUR 1.7 million in 2012 to EUR 8.1 million in 2017, and average growth in revenue for 2013–2018 was approximately 38%. The growth was particularly driven by strong growth in new SaaS sales in the building services engineering and manufacturing industries, but service growth has also been strong, and adjustment billing based on the growth in customers' revenue has been clearly positive. In practice, the growth has been completely organic, as hardly any revenue was obtained in the small acquisition made in early 2017 (Necom). Geographically, Admicom's growth has been generated 100% in Finland.

With scalability, the company's profit and profitability has been increasing strongly in 2012–2018. The company's operating profit increased from EUR 0.2 million in 2012 to EUR 4.3 million (EBIT 38%) in 2018, and EBITDA from EUR 0.2 million (EBITDA 11% of revenue) to EUR 4.8 million (EBITDA 42% of revenue). Admicom's sales margins have also been on the rise, increasing to 96% of revenue in 2018 (2012: 70%). The operating profit is still burdened by the capitalization of product development expenses made by 2012, which will be amortized until 2022.

Cost structure

Admicom sells and provides its services using in-house personnel, so the company's materials and services cost item has been quite low in recent years, at about 4% of revenue.

As is typical of software and service companies, Admicom's cost structure is primarily comprised of personnel expenses. Personnel expenses amounted to EUR 4.7 million in 2018 (2017: EUR 3.7 million), representing approximately 45% of revenue (2017: 41%). Of Admicom's employees, approximately 30% work in deployment and support functions, 28% in accounting services, and the rest are split half between product development and sales & marketing (4 employees in administration). In 2018, the number of personnel increased to 113 employees (Q4/17: 93) and employee benefit expenses increased by 37%. Historically, personnel expenses have increased approximately in line with the growth in revenue due to the recruitment of sales and service personnel. However, the growth in personnel expenses has been slower than the growth in revenue in terms of product development and administration in recent years. Admicom's product is mainly commercially complete and technically mature, so there has been no need for a significant acceleration of investments in recent years. Also other personnel expenses (support services) are quite scalable, as the maintenance and hosting of SaaS services and customer account management require relatively little labor from the company.

Other operating expenses are Admicom's second-biggest cost item. Other operating expenses have moved steadily between 10% and 15% of revenue in recent years. These costs are largely tied to the growth in the number of personnel and revenue. However, we expect that other operating expenses will scale to some extent as the volume of business grows further.

Admicom's depreciation and amortization is primarily comprised of the amortization of product development costs capitalized in previous years and amortization of goodwill from acquisition. Depreciation and amortization amounted to approximately EUR 0.4 million in 2017. Even though no more capitalization has been carried out in recent years, depreciation and amortization have been increased by goodwill from acquisition.

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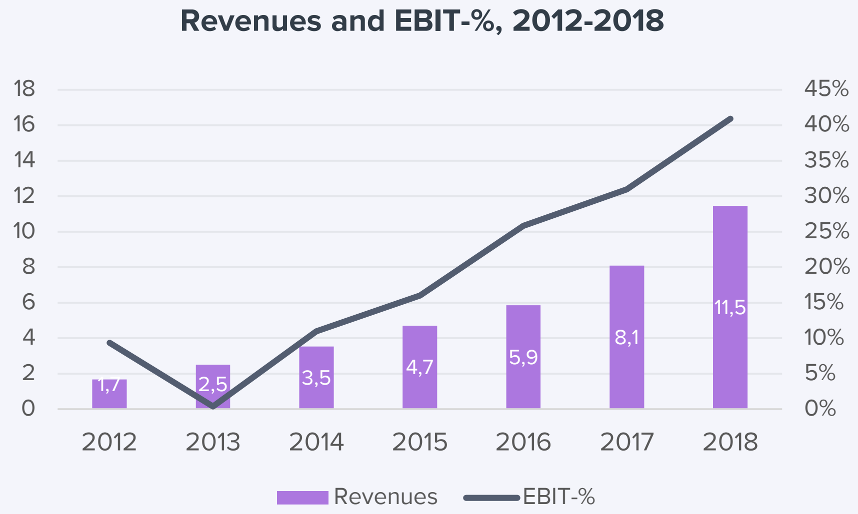
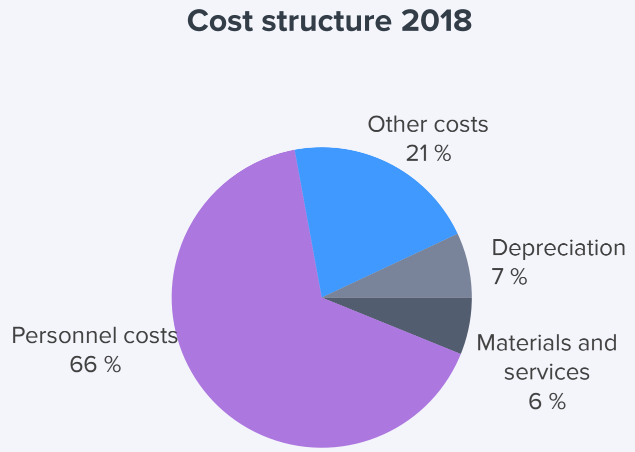
Balance sheet and financial position

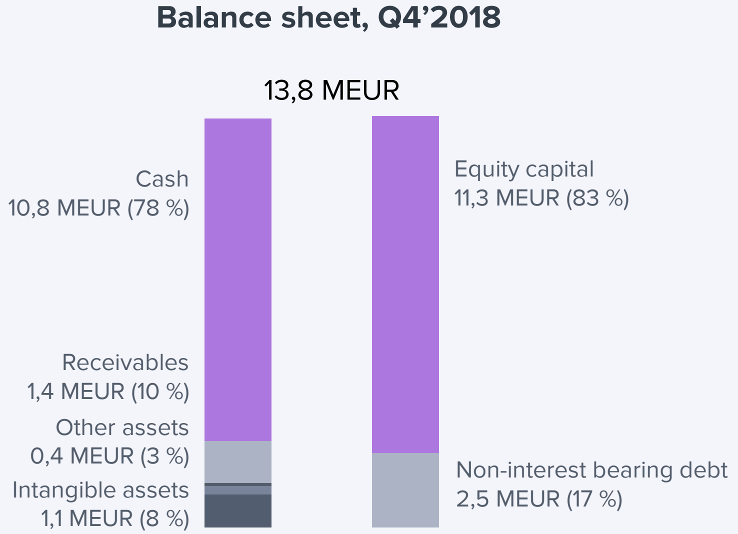
Admicom's balance sheet structure is very simple and lightweight. At the end of Q4/17, the balance sheet total was approximately EUR 4.2 million. The assets on the balance sheet were mainly comprised of receivables (EUR 0.4 million), cash and cash equivalents (EUR 1.9 million) and intangible assets, mainly from capitalized product development expenses, of EUR 1.5 million as well as EUR 0.36 million of goodwill. With regard to liabilities, the company's shareholders' equity is primarily comprised of retained losses and the invested unrestricted equity fund. As their sum, the company's shareholders' equity was EUR 3.1 million in Q4/17. At the end of Q4/17, the company did not have any financial debt, but the company's interest-bearing liabilities stood at approximately EUR 1.1 million due to trade and other payables.

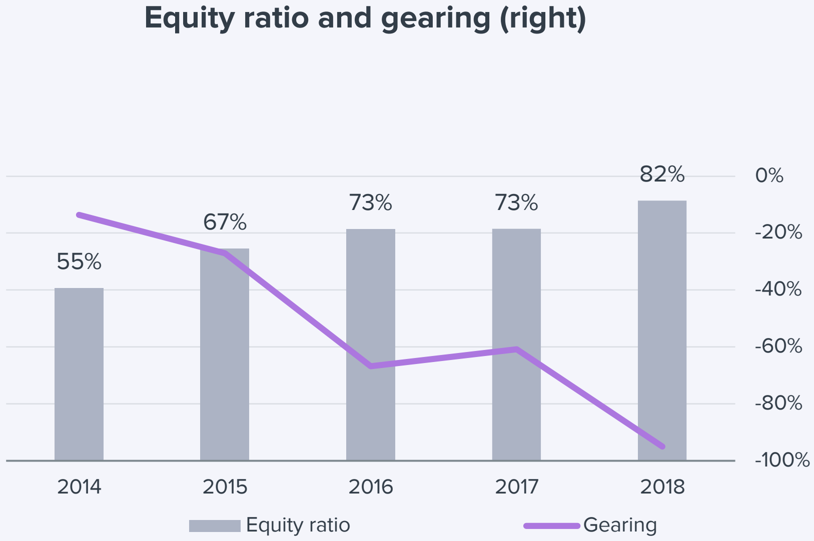
The company's equity ratio was 73% at the end of Q4/17 and net gearing was -61%. At the end of the year, the company had approximately EUR 1.9 million in net cash. We estimate that Admicom has the capability to grow strongly purely with internal finance and current cash flows in the next couple of years, but with the gross assets of approximately EUR 5.0 million generated by the listing, the company will increase its strategic flexibility with regard to potential acquisitions and new markets.

Historical development









Estimates 1/2

Estimates

Starting points of the forecast model

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

- SaaS services
- Accounting services
- Training and consulting services

Of these, the development of SaaS services sales is a key revenue item in terms of both the value creation and business model of the company, as the company will not sell accounting, training or consulting services to its customers without a software service agreement. On the other hand, not all customers adopt Admicom's accounting services.

We primarily forecast the development of SaaS revenue through the following parameters:

1. Growth in the group's number of personnel, which predicts the development of new sales and revenue.
2. Average revenue per employee, which specifies the efficiency with which growth investments are converted into revenue.
3. Estimated net growth in existing agreement base (expansions, price increases, customer attrition).

In our forecast model, we assume that growth in the number of sales personnel is, due to the need for inducting new employees and sales cycles typically lasting a few months, reflected in the development of revenue from training and consulting services with a delay of approximately one quarter and further in the growth in the sales of continuous licenses with a delay of slightly over a quarter. We also assume that not all new customers adopt accounting services.

In practice, the profitability of Admicom is determined by EBITDA as a percentage of the revenue and level of fixed expenses (OPEX %). In our model, we predict that Admicom will be able to retain the sales margin with the current business model at approximately 96% in the future as well. Even though Admicom will strongly invest in growth in the next couple of years as well, we estimate that the growth investments will not impair profitability in the company's current development phase and that the ratio of fixed expenses to revenue will remain relatively stable. Therefore, we estimate that the company will be able to retain its approximately 40% EBITDA margin in the next couple of years and over the medium term.

Visibility to the development of Admicom's revenue and profitability is very good in the short and medium term, as approximately 90% of revenue is based on recurring SaaS service revenues and related accounting services. Successes in recruitment, running-in of new sales personnel and market takeover will, however, largely determine the growth rate of the next couple of years. The long-term forecasts are impaired by visibility to the number of future agreements, as Admicom is still in its infancy, especially with regard to growth in manufacturing ERP software. Visibility is also to some extent impaired by major cyclic fluctuations typical of the customer industry, which may have impacts on the growth rate of Admicom's new sales and customer attrition.

Key forecasting parameters

- Number of employees
- Sales per employee
- Growth in existing customer base
- EBITDA margin
- Growth in fixed expenses per employee

Source: Inderes

Estimates 2/2

The year 2019

Admicom has estimated that its revenue for 2019 will increase by more than 30% on 2018 to more than EUR 15 million (2018: EUR 11.5 million). The company estimates EBITDA to be approximately 35–45% of revenue (2018: 42%).

Due to the high visibility based on the strong growth history, increase in the number of employees and high share of recurring revenue, we consider the company's guidance to be reliable and predict that Admicom's revenue for 2019 will increase in accordance with the guidance by 36% to EUR 15.6 million and EBITDA to be EUR 6.7 million (43% of revenue). The growth in net sales is supported by increasing investments in sales, strengthening sales of industrial software and expansion of old agreements, which will be reflected as predicted +39% growth in SaaS services in our model. We also expect the accounting services and training and deployment services to grow at a strong rate (22% and 45%, respectively).

We estimate that earnings per share will increase by 35% in 2019 to EUR 1.03 per share and dividend by 46% to EUR 0.70 per share.

The year 2020

With regard to 2019–2020, Admicom aims to continue growth of more than 30%.

Our estimates for this period are at the lower limit of the company's target level with regard to growth, as the slowing down of growth in the construction market we expect will decrease the slope of Admicom's sales growth and result in increasing natural customer attrition towards the end of the period. With the manufacturing industry software solution sales commenced in summer 2017, we expect the growth to focus particularly on manufacturing industry customers.

We expect the company to continue to increase its number of personnel during the period, which will result in a slight decrease in profitability.

We foresee that the revenue for 2020 will increase by 30% to EUR 20.3 million and EBITDA to EUR 8.4 million (41.5% of revenue).

We estimate that earnings per share will increase by 27% in 2020 to EUR 1.31 per share and dividend by 29% to EUR 0.90 per share.

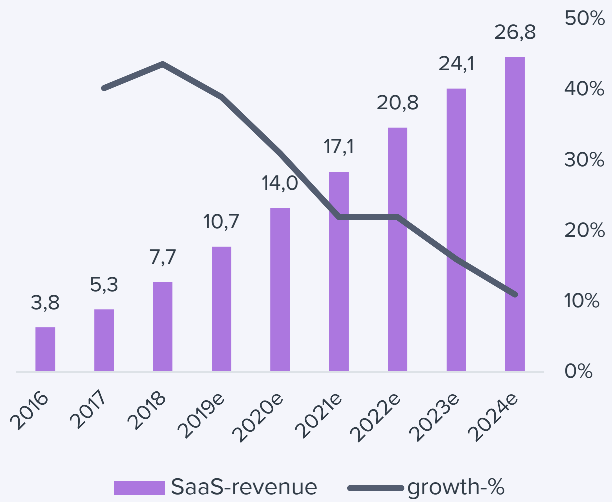
Long-term estimates

In our forecast model, growth in revenue will slow down gradually after 2020, first in 2021–2023 to approximately 20% per year and thereafter to approximately 10% per year, with perpetual growth amounting to 3% per year starting from 2030. In our forecast, growth is slowed down by the slowing down of new sales with the saturation of the current main industries (building services engineering, construction), increasing natural customer attrition and slowing down of the expansion of existing customer accounts.

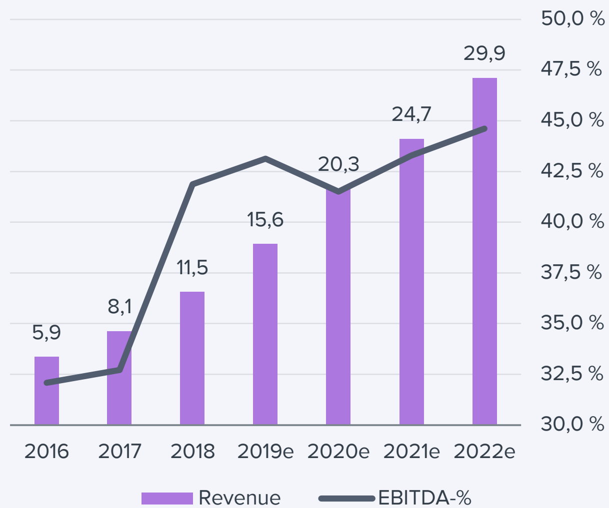
Due to the very scalable business model and lower need for growth investments, we expect the company to be able to maintain its EBITDA margin at roughly the current level, 43–45%.

Our long-term forecasts do not include an assumption of acquisitions or new industries, we we nevertheless consider it probable that the company will aim to strengthen its growth through them as well in the future.

SaaS revenue and growth %



Revenue and EBITDA margin



P&L estimates

Income statement	2017	Q1'18	Q2'18	Q3'18	Q4'18	2018	Q1'19e	Q2'19e	Q3'19e	Q4'19e	2019e	2020e	2021e	2022e
Revenue	**8,1**	**2,4**	**3,1**	**2,9**	**3,1**	**11,5**	**3,4**	**4,2**	**3,9**	**4,1**	**15,6**	**20,3**	**24,7**	**29,9**
EBITDA	**2,6**	**0,9**	**1,4**	**1,4**	**1,1**	**4,8**	**1,3**	**2,0**	**2,0**	**1,5**	**6,7**	**8,4**	**10,7**	**13,4**
Depreciation	-0,1	-0,1	-0,1	-0,1	-0,1	-0,5	-0,1	-0,1	-0,1	-0,1	-0,5	-0,5	-0,6	-0,3
EBIT (excl. NRI)	**2,5**	**0,7**	**1,2**	**1,3**	**1,0**	**4,3**	**1,2**	**1,9**	**1,8**	**1,3**	**6,2**	**7,9**	**10,1**	**13,0**
EBIT	**2,5**	**0,7**	**1,2**	**1,3**	**1,0**	**4,3**	**1,2**	**1,9**	**1,8**	**1,3**	**6,2**	**7,9**	**10,1**	**13,0**
Net financial items	-0,1	-0,2	0,0	0,0	0,0	-0,2	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
PTP	**2,4**	**0,5**	**1,2**	**1,3**	**1,0**	**4,1**	**1,2**	**1,9**	**1,8**	**1,3**	**6,2**	**7,9**	**10,1**	**13,0**
Taxes	-0,5	-0,1	-0,3	-0,2	-0,2	-0,8	-0,2	-0,4	-0,4	-0,3	-1,2	-1,6	-2,0	-2,6
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	**1,9**	**0,4**	**1,0**	**1,0**	**0,8**	**3,3**	**0,9**	**1,5**	**1,5**	**1,1**	**5,0**	**6,3**	**8,1**	**10,4**
EPS (adj.)	**0,47**	**0,15**	**0,23**	**0,23**	**0,18**	**0,76**	**0,20**	**0,31**	**0,30**	**0,22**	**1,03**	**1,31**	**1,68**	**2,16**
EPS (rep.)	**0,45**	**0,10**	**0,23**	**0,23**	**0,18**	**0,71**	**0,20**	**0,31**	**0,30**	**0,22**	**1,03**	**1,31**	**1,68**	**2,16**

Key figures	2017	Q1'18	Q2'18	Q3'18	Q4'18	2018	Q1'19e	Q2'19e	Q3'19e	Q4'19e	2019e	2020e	2021e	2022e
Revenue growth-%	38,2 %	38,7 %	48,3 %	40,4 %	38,6 %	41,5 %	38,3 %	37,7 %	35,3 %	33,7 %	36,1 %	30,5 %	21,3 %	21,4 %
Adjusted EBIT growth-%	67,8 %	70,6 %	86,4 %	59,2 %	70,8 %	71,2 %	59,1 %	49,1 %	41,6 %	32,6 %	44,7 %	27,4 %	28,1 %	28,8 %
EBITDA-%	32,7 %	35,9 %	45,1 %	49,0 %	36,7 %	41,9 %	39,2 %	47,3 %	50,0 %	35,6 %	43,1 %	41,5 %	43,3 %	44,6 %
Adjusted EBIT-%	31,0 %	30,7 %	40,8 %	44,6 %	32,8 %	37,5 %	35,3 %	44,2 %	46,7 %	32,5 %	39,8 %	38,9 %	41,0 %	43,6 %
Net earnings-%	23,8 %	17,0 %	32,4 %	36,0 %	26,3 %	28,4 %	28,3 %	35,4 %	37,3 %	26,0 %	31,8 %	31,1 %	32,8 %	34,9 %

Source: Inderes

Investment profile 1/2

Investor profile

Strong growth with high profitability

Admicom is a comprehensive solution from an investor's point of view as well, as the company combines strong profitability and cash flow, strong growth, high scalability, good and increasing dividends, and good continuity and predictability of the business model. Shareholders need not carry material risks relating to the success of product development investments or aggressive sales investments, as the product has already proven its competitiveness, and thanks to the company's replicable product and customer base focused on SMEs, the sales cycle is relatively fast. Therefore, maintaining the current growth rate does not require as aggressive front-loaded investments in sales and marketing as many other technology companies.

Admicom is still well positioned for continuing strong growth by reinforcing the current markets, creating an even higher threshold for competitors to enter them. The extremely profitable business operations and listing correspondingly provide the prerequisites for investing in new growth areas (new segments or countries) without compromising the current good profitability. With the listing, the company will also be able to use its shares for financing any acquisitions.

With regard to the company's value creation, the other side of the strong competitive advantages is the limited market potential, which will, however, not become a problem in the company's current scale. Admicom is very competitive in its segments in the Finnish market, but the product cannot be easily scaled up to new countries or large companies, for example, and the company has no experience in international expansion. Therefore, the company's market potential is relatively limited in the big picture and over the long term (5–10 years), while the competitive advantage provided by specialization is even stronger.

To our minds, Admicom is also a potential acquisition in the long term for a larger company willing to access Admicom's expertise and target markets. In this case, the competitor must assess whether to enter the market through uncertain product development and commercialization investments taking years or through a direct acquisition.

Positive drivers:

According to our view, the key positive drivers of Admicom's value creation are as follows:

- **Takeover of current industries and expansion into new segments:** Admicom still has significant growth potential in current segments with customers migrating to next-generation digital solutions in administration. In addition to the digitalization of administration, growth is driven by the transition to cloud-based SaaS solutions from old Windows-based software.
- **Mature product and no direct SaaS competitor:** According to our view, Admicom is the only provider of an extensive browser-based SaaS software product in its areas of specialization, which provides the company with a significant competitive advantage. The company also is the only one to feature automated revenue recognition based on degree of completion, for example, which is an important competitive advantage in the construction industry.
- **High threshold for competitors:** Developing a corresponding software product would take years of development work. Admicom's areas of specialization do not feature sufficient market potential to necessarily enter them by significant development investments.
- **Scalability and automation:** Admicom's SaaS-based business is highly scalable. The company continuously invests in automation supported by its in-house accounting services, which makes it possible to transfer value generation from labor to software, which reinforces the value of the software to the customer.
- **Continuity and customer retention:** The threshold of replacing the ERP system is quite high for customers, as the software is such an important part of the customer's processes. Recurring SaaS revenue also provides business with predictability.
- **Strong cash flow and profitability:** The company's current business operations secure good dividend flows and the ability to invest in increasing the competitive advantage and new growth.

Investment profile 1/2

Risks:

According to our view, the negative risks affecting Admicom's value creation are as follows:

- **Emergence of a new SaaS competitor:** We consider Admicom to have strong competitive advantages, but it is possible that a competitor already has a corresponding SaaS product under development.
- **Technology and information security risks:** Admicom currently benefits from several strong IT market drivers (transition to the cloud, automation), but the accelerating rate of technological development can change the arena of competition. The data of the company's customers is centrally stored in Admicom's cloud service, so the realization of information security risks or faults in technology may, in the worst case scenario, affect all customers.
- **Key employee risks:** According to our view, Admicom is relatively dependent on the core software developer team.
- **Acquisitions and internationalization:** The company's expansion into new markets or regions through acquisitions could increase the risk profile compared to the company's current relatively moderate risk profile.
- **Sensitivity of the target industries to economic cycles:** Admicom's target industries are highly cyclical. The SaaS model protects the company against decrease in revenue in case of an economic downturn, but the partially revenue-based pricing of the software may result in pressure on revenue in this case. In addition, the company's target markets would be likely to suffer from customer attrition and credit losses due to bankruptcies in a recession. Recession would also probably materially slow down the company's sales to new customers.
- **Weak liquidity of the share:** Admicom's ownership structure is very centralized and, therefore, the number of freely traded shares in the market is still reasonably low. The increase in the company's market capitalization and sales by employee shareholders have, however, continuously increased the liquidity of the share.

Investment profile

1. Strong organic growth potential through growth in new salesand expansion into new industries

2. Scalable and continuous business model

3. Moderate operational level of risk: strong specialization, product in a mature development phase and very competitive

4. Listing has increased flexibility with regard to acquisitions and organic growth

5. Relatively low liquidity of the share, no track record of acquisitions, and the valuation is sensitive to changes in growth expectations

Potential

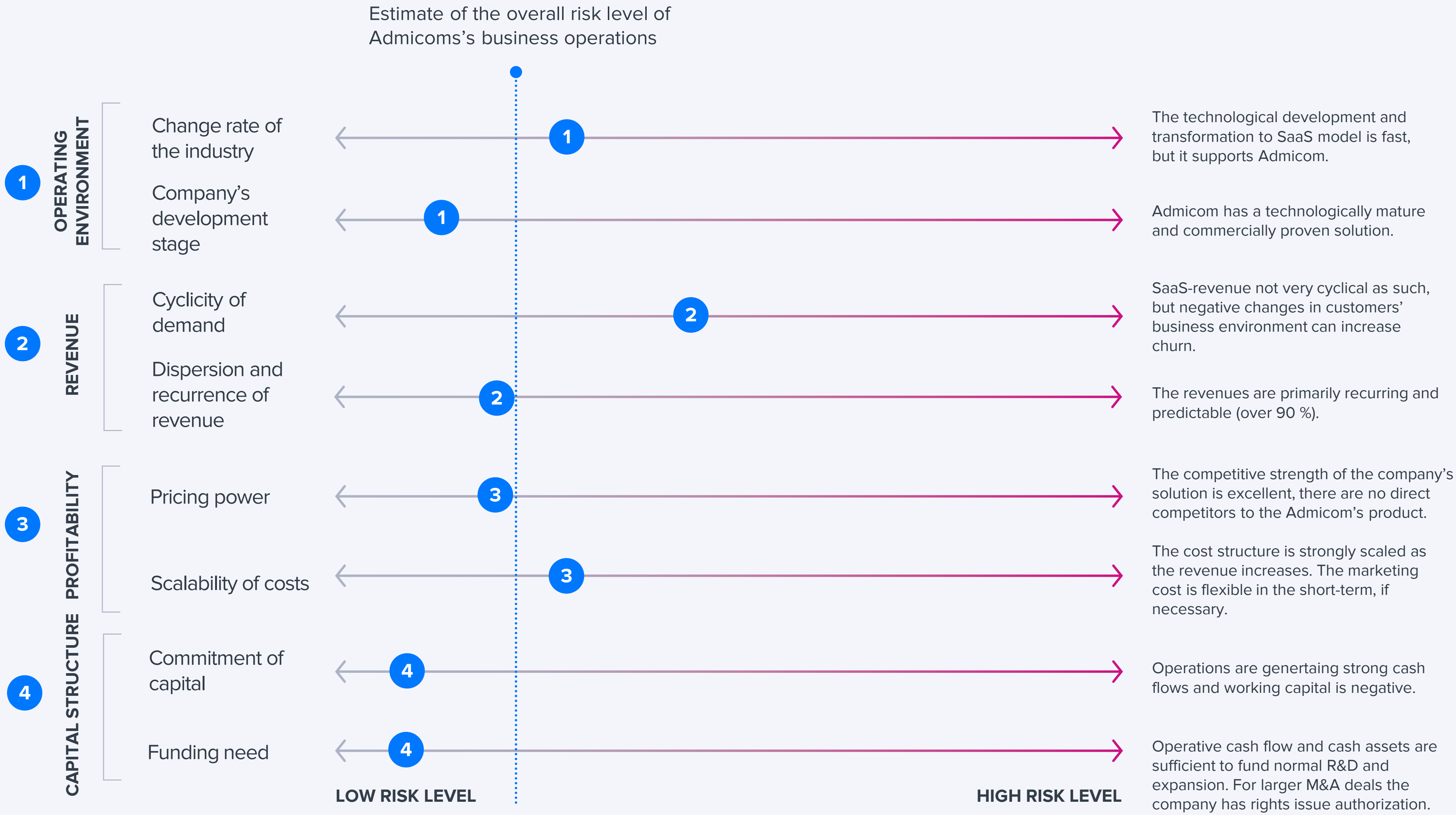
- Takeover of current industries
- Expansion into new industries and countries
- No direct SaaS competitor
- Strong market position and high threshold of market entry decreases the risk of competition
- Increasing the degree of automation

Risks

- Emergence of a new SaaS competitor
- Technology and information security risks
- Key employee risks
- Possible acquisitions and internationalization
- Highly cyclic nature of the target industries
- Relatively low liquidity of the share

Source: Inderes

Risk profile of the business model



Source: Inderes

Valuation 1/3

In a phase of strong value creation

Admicom is currently in a phase of very strong value creation, as its revenue is growing strongly, driven by positive market trends and the company's strong competitiveness, and the company's profitability has risen to a very good level with the high benefits of scale provided by the business model.

In spite of the strong specialization, we consider Admicom to have considerable room for growth in the company's current markets and, therefore, we have confidence in the company's ability to continue to grow by more than 30% in the next couple of years and by approximately 20% in the medium term. The company has proven that it can improve profitability strongly with the growth in the scale of business operations, so we assume that the company will be able to maintain its current EBITDA margin of more than 40% in the future as well. Moreover, the company's growth does not tie up capital, so growth in the dividend payout will also be strong in the future.

In spite of the company's phase of strong growth, we consider the risk profile of the share to be moderate on the whole, as approximately 90% of the company's business is continuous, the company's solutions are critical to the customer and the company has very strong competitive advantages in its area of specialization. In addition, the weak liquidity of the share is no longer such a significant problem, as trading with the share is already relatively active, and the number of freely traded shares has increased. Our view is that the company's key risks are associated with the effects of the cyclic nature of the customer industries on growth rate and unexpected changes in the competitive situation. Even though the company has proven its ability to grow strongly in new parallel industries, expansion into new markets, and potential acquisitions in particular, always involve risk-increasing element, which may have effects on the company's value. However, to our minds, the biggest risk to the share by far is the current relatively high valuation factors and hard profit growth expectations long into the future. Any profit disappointments could thereby cause pressure on both forecasts and factors.

Acceptable valuation level has increased clearly

Due to the steep increase in share price, Admicom's valuation level has increased significantly during the past year. In addition to the strong actual and forecast profit growth and above-mentioned factors improving the liquidity of the share, the strong increase in value can be partly attributed to the expansion of the company's shareholder base to Sweden, where considerably higher factors have been accepted for strongly and profitably growing SaaS companies (e.g. Fortnox) than for Finnish companies for a long time.

Our own view of Admicom's acceptable valuation level has also increased in conjunction with the update, as we are more positive regarding the company's long-term growth outlook and profitability (our estimate of Admicom's market potential has increased), and we have also lowered the required liquidity premium of the share as share turnover has improved.

Factors influencing Admicom's valuation

- Thanks to its highly competitive business model based on strong specialization and scalable SaaS model, Admicom is experiencing strong growth. Our estimate is that annual revenue growth will exceed 30% in the next couple of years.
- Admicom's profitability is strongly scalable, as routine tasks have been highly automated and the company's efficiency is high. Because of this, we expect the company's profit growth will be at least equal to the growth in revenue in the next couple of years, which will provide the share with an excellent profit driver.
- The continuity of revenue is approximately 90%, and the company provides services that are critical from the customers' point of view. Therefore, the visibility is also very good and there is less uncertainty associated with forecasts than normal.
- However, the risks of Admicom's share are increased by the significantly increased valuation factors and possible impacts of the looming recession of the construction industry in 2020 on the company's growth rate.
- We are more positive regarding the company's long-term growth outlook and profitability (our estimate of Admicom's market potential has increased), and we have also lowered the required liquidity premium of the share as tradability of share has improved.

Valuation 2/3

To our minds, Admicom's continued strong growth (+42% in 2018), retained strong competitive advantage (SaaS model and highly automated solution), excellent and strongly scaled-up profitability are good grounds for the valuation level increasing to the current level. We expect the profit growth (EPS) for the next couple of years to be approximately 27–30%, which, combined with a dividend yield of approximately 2%, means strong value creation for shareholders.

Due to very strong profit growth, 2019e P/E 36x would provide the share with a PEG of 1.1x with the earnings per share growth for the next 3 years (CAGR PES, 2018–2021 33%), which, to our minds, can be well justified for the company. In the longer term (2021–), profit growth can, however, be expected to stabilize at under 30%, and we consider a more sustainable P/E factor level to be in that case around 20–25x (2021e P/E 22X), which even in that scenario provides the shareholders with a reasonably good revenue potential.

We now accept a P/E ratio of approximately 34x and EV/EBITDA ratio of 23x with the 2019 forecasts, in which we have strong confidence, for Admicom. The 2020e P/E is 28x and EV/EBITDA 19x, but visibility to the growth in 2020 is clearly weaker than for the current year, as the looming recession of the construction market may impair the realization of Admicom's growth objectives. However, we are clearly more moderate compared to historical development in our profit growth estimates for 2020, which reduces the risk associated with the 2020 factors.

The company has announced that it is already actively examining options for maintaining strong growth after the current objective period (2021–), which may include acquisitions or expansion into new parallel industries through product development. This potential is not yet included in our estimates.

Benchmark analysis

The valuation levels of an extensive group of peers comprised of international SaaS companies is, to our minds, currently the best benchmark of Admicom's valuation.

However, we emphasize that we consider that Admicom's valuation cannot be directly compared to the valuations of global SaaS companies, as 1) the scale and potential market of Admicom's business are considerably smaller than those of the benchmarks, 2) the development phase of the benchmark companies differs considerably from Admicom, and 3) the risk level of Admicom's share (e.g. liquidity) is considerably higher than that of the biggest benchmark companies. In order to take the difference in scale and risks into consideration, we apply a 20% discount to the average valuation factors of Admicom's SaaS benchmarks in the valuation.

In the SaaS benchmark analysis, the key valuation factor is revenue-based EV/S ratio, as most listed SaaS companies are still in a phase of strong growth, and their profitability has not yet scaled up to its potential level, or they are loss-making.

Valuation	2019e	2020e	2021e
Share price	37,0	37,0	37,0
Number of shares, millions	4,84	4,84	4,84
Market cap	179	179	179
EV	165	161	156
P/E (adj.)	36,0	28,3	22,1
P/E	36,0	28,3	22,1
P/FCF	31,3	25,2	20,2
P/B	12,9	10,6	8,7
P/S	11,5	8,8	7,2
EV/Sales	10,6	7,9	6,3
EV/EBITDA	24,5	19,1	14,6
EV/EBIT (adj.)	26,5	20,4	15,5
Payout ratio (%)	68,2 %	68,8 %	65,6 %
Dividend yield-%	1,9 %	2,4 %	3,0 %

Source: Inderes

Target valuation	Now	Old	Chg.
P/E (adj.)	36,0	24,7	46 %
P/B	12,9	8,8	47 %
EV/S	10,6	6,9	53 %
EV/EBITDA (adj.)	24,5	16,1	52 %
EV/EBIT (adj.)	26,5	17,5	52 %
DCF	44,2	25,8	71 %

Source: Inderes

Valuation 3/3

In the valuation, we use a valuation based on the correlation of the combination of predicted growth and operational profitability of the benchmark group (2019e revenue growth % + 2019e EBITDA margin) and forward-looking EV/S ratio. In the valuation of the SaaS benchmark group, we emphasize a valuation method combining growth and profitability, as we consider it to take the differences in the scalability and efficiency of the companies into account better than a purely revenue growth-based comparison.

In the calculation, we have assumed Admicom's growth parameter to be the estimated revenue growth rate in 2019 (2019e +36%) and the company's EBITDA margin (2019e: +43%).

Based on the average valuation of the SaaS benchmarks, an EV/S ratio of approximately 12.5x could be accepted for Admicom with our estimates, which, calculated with a discount of 20%, results in an acceptable EV/S ratio of 10x for Admicom, enterprise value (EV) of approximately EUR 156 million and, considering the net cash of EUR 11 million, market value of approximately EUR 35 per share.

Individual benchmark companies

We consider the Swedish company Fortnox to be the closest benchmark, considering Admicom's SaaS business model, target group (SME segment) and growth and profitability profile. Previously, Fortnox's valuation factors have been significantly higher than Admicom's, but the difference has narrowed down strongly after Admicom's shareholder base expanded into Sweden. The EV/S ratio of Fortnox is approximately 10.3x, and the forecast 2019 EV/EBITDA is approximately 29x, P/E 44x. The company's revenue is estimated to increase by approximately 31% in 2019 with EBITDA amounting to approximately 36% of revenue, which is roughly on a par with Admicom. However, Fortnox is a clearly bigger company than Admicom in terms of scale and market capitalization.

In the Helsinki Stock Exchange, we consider the best benchmarks to be the technology-focused accounting firm Talenom, which features some of the same elements (such as strong growth, defensive business, scalability and customer base focusing on the SME sector), and SaaS company LeadDesk, which, however, is in a slightly different development phase than Admicom. We have included these companies in the benchmark table of Nordic benchmark companies on the following pages.

DCF calculation

Our discounted cash flow calculation (DCF) indicates a share value of approximately EUR 44, using assumptions we consider justified. The fair value indicated by our cash flow calculation has increased clearly from the previous extensive update, as our estimates of Admicom's long-term growth and sustainable level of profitability have increased. The changes increased the weight of the terminal period, which is, however, still at 55%, a level moderate for a growth company. We have set the terminal-period growth expectation to 3% and operating profit margin to 43%. In the calculation, we have also used a slightly lower requirement for equity cost and average cost of capital (WACC) (9.8%, previously 10.8%), as the improvement in liquidity has decreased the liquidity premium we apply. Our full discounted cash flow calculation is presented in the notes.

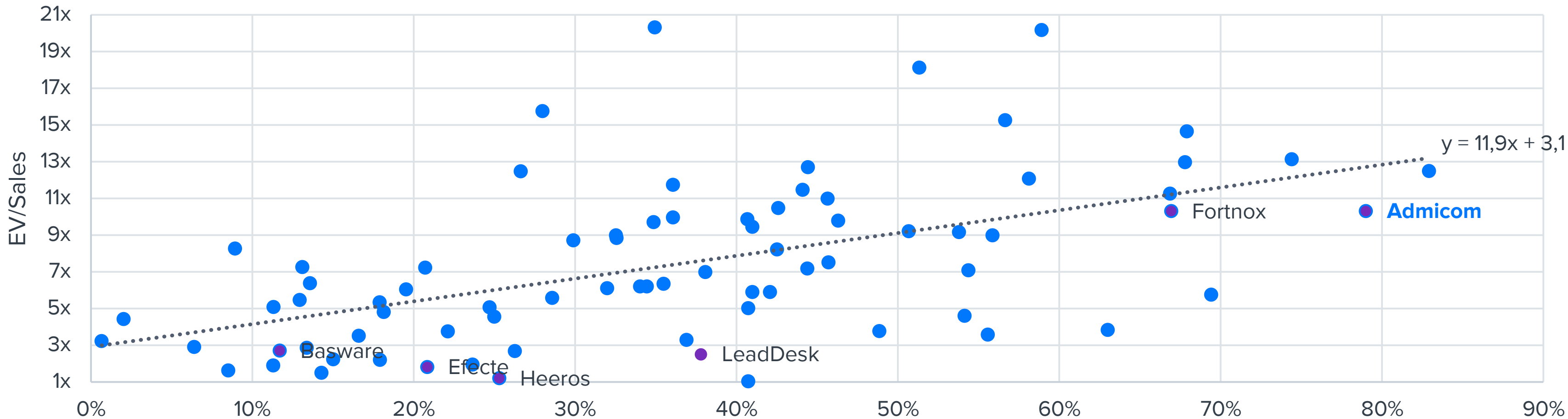
Summary of valuation

Admicom's investment profile combines exceptionally strong growth and profitability, high scalability, increasing dividend flow and good continuity of the business model. We estimate that the company's annual profit growth will exceed 30% in the next couple of years, driven by increasing investments in sales and high profitability because of which the current valuation level (P/E 2019e 36x and PEG approx. 1.1x), combined with the increased market potential and improved liquidity, can be justified. In addition, the current valuation level is neutral compared to the valuation of an extensive group of SaaS benchmarks and individual benchmarks. However, we do not see any room for further stretching of the valuation factors in the short-term without a clear increase in the forecasts.

We repeat the reduce recommendation and revise the target price to EUR 35 (previously EUR 25).

SaaS peer group valuation

EV/S-multiple compared to combined sales growth and EBITDA-% measure



FW EV/S valuation of SaaS companies

Nordic software companies peer group

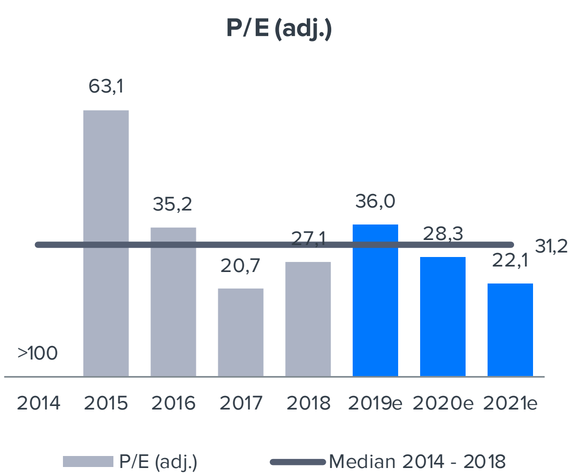
Peer group valuation	Share price	Market cap	EV	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%		P/B
Company		**MEUR**	**MEUR**	**2019e**	**2020e**	**2019e**	**2020e**	**2019e**	**2020e**	**2019e**	**2020e**	**2019e**	**2020e**	**2019e**
Basware	24,0	347	362			263,3	116,6	2,6	2,5					3,6
Efecte	4,8	28	24					1,7	1,4					14,1
Fortnox	92,6	532	514	31,2	22,5	26,7	19,8	9,4	7,4	48,3	35,8	0,6	0,8	19,3
FormPipe Software	24,5	125	112	18,0	16,5	10,5	9,7	2,7	2,5	27,4	24,4	2,7	2,9	3,1
F-Secure	2,5	396	404	74,1	25,2	25,6	13,5	1,8	1,6	124,9	31,1	0,6	1,4	5,5
Heeros	2,1	9	8		32,6	9,8	7,3	1,2	1,1		42,0			5,1
LeadDesk	8,1	37	38	29,7	17,4	15,3	11,0	2,5	2,0	38,6	22,4			16,2
QT Group	10,0	239	229		19,2	201,5	17,5	3,7	2,7		28,6			11,9
Talenom	26,9	185	202	16,0	14,0	9,8	8,3	3,0	2,6	23,2	19,3	2,6	3,1	8,1
Vitec Software	90,4	252	277	17,0	15,5	8,7	8,1	2,5	2,4	24,2	22,5	1,4	1,5	3,7
Zutec Holding	11,8	8	4					3,5	2,6					2,2
Admicom (Inderes)	**36,96**	**179**	**165**	**26,5**	**20,4**	**24,5**	**19,1**	**10,6**	**7,9**	**36,0**	**28,3**	**1,9**	**2,4**	**12,9**
Average				**31,0**	**20,4**	**63,5**	**23,5**	**3,1**	**2,6**	**47,8**	**28,3**	**1,6**	**1,9**	**8,4**
Median				**23,9**	**18,3**	**15,3**	**11,0**	**2,6**	**2,5**	**33,0**	**26,5**	**1,4**	**1,5**	**5,5**
Diff-% to median				***11 %***	***11 %***	***60 %***	***73 %***	***303 %***	***220 %***	***9 %***	***7 %***	***32 %***	***57 %***	***135 %***

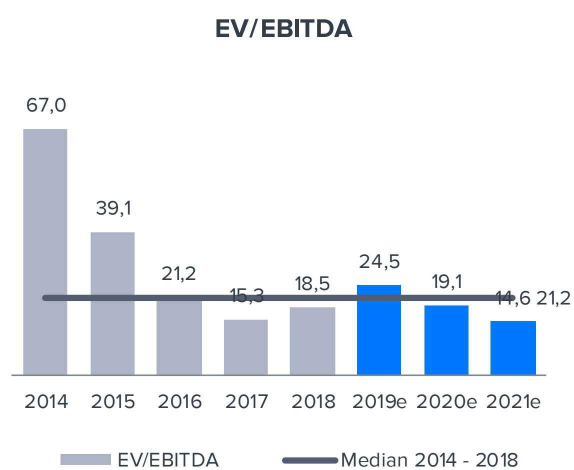
Source: Thomson Reuters / Inderes

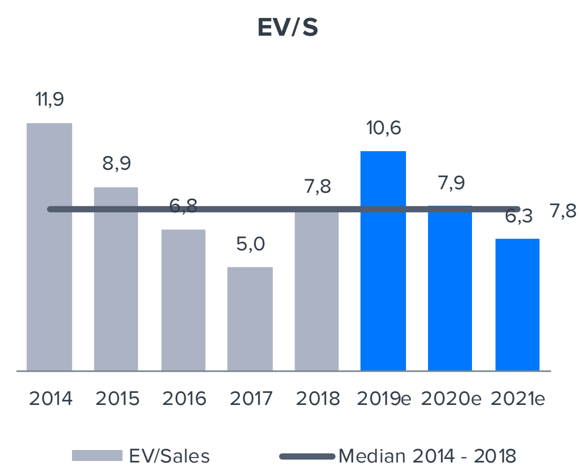
Valuation

Valuation	2014	2015	2016	2017	2018	2019e	2020e	2021e	2022e
Share price	9,80	9,80	9,80	9,80	20,6	**37,0**	**37,0**	**37,0**	**37,0**
Number of shares, millions	4,32	4,32	4,32	4,32	4,58	**4,84**	**4,84**	**4,84**	**4,84**
Market cap	42	42	42	42	100	**179**	**179**	**179**	**179**
EV	42	42	40	40	89	**165**	**161**	**156**	**151**
P/E (adj.)	>100	63,1	35,2	20,7	27,1	**36,0**	**28,3**	**22,1**	**17,1**
P/E	>100	63,1	35,2	22,0	29,0	**36,0**	**28,3**	**22,1**	**17,1**
P/FCF	neg.	>100	25,8	21,3	11,0	**31,3**	**25,2**	**20,2**	**16,2**
P/B	28,0	18,7	11,7	13,6	8,8	**12,9**	**10,6**	**8,7**	**7,0**
P/S	12,0	9,0	7,2	5,2	8,7	**11,5**	**8,8**	**7,2**	**6,0**
EV/Sales	11,9	8,9	6,8	5,0	7,8	**10,6**	**7,9**	**6,3**	**5,0**
EV/EBITDA	67,0	39,1	21,2	15,3	18,5	**24,5**	**19,1**	**14,6**	**11,3**
EV/EBIT (adj.)	>100	55,3	26,7	16,1	20,7	**26,5**	**20,4**	**15,5**	**11,6**
Payout ratio (%)	102,3 %	97,5 %	82,7 %	67,2 %	71,4 %	**68,2 %**	**68,8 %**	**65,6 %**	**60,2 %**
Dividend yield-%	0,9 %	1,5 %	2,3 %	3,1 %	2,3 %	**1,9 %**	**2,4 %**	**3,0 %**	**3,5 %**

Source: Inderes







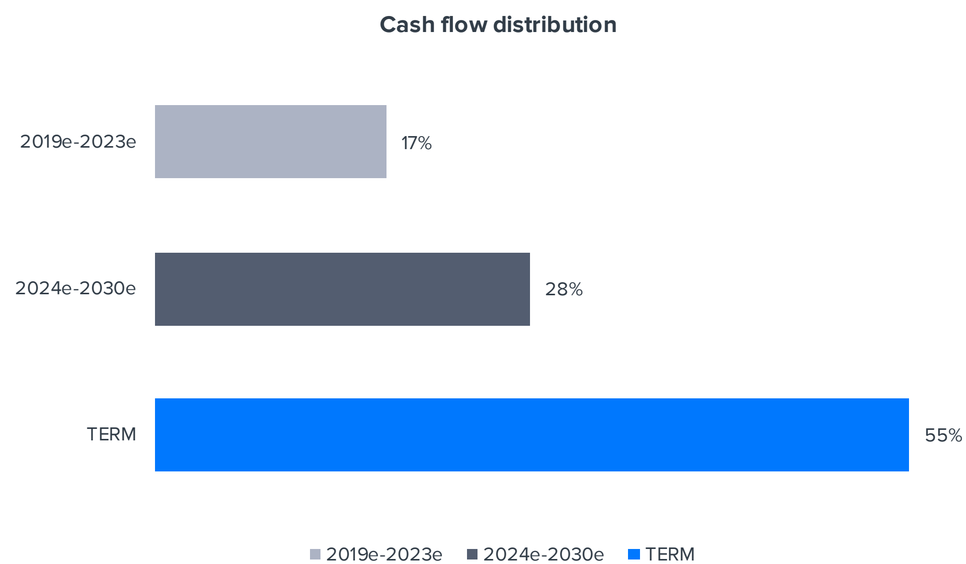
Source: Inderes

DCF

DCF model	2018	2019e	2020e	2021e	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	TERM
EBIT (operating profit)	**4,3**	**6,2**	**7,9**	**10,1**	**13,0**	**15,3**	**16,7**	**18,5**	**20,2**	**22,1**	**23,9**	**26,2**	**27,0**	
+ Depreciation	0,5	0,5	0,5	0,6	0,3	0,2	0,3	0,3	0,2	0,2	0,2	0,2	0,2	
- Paid taxes	-0,8	-1,2	-1,6	-2,0	-2,6	-3,1	-3,3	-3,7	-4,0	-4,4	-4,8	-5,2	-5,4	
- Tax, financial expenses	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	
+ 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	0,3	0,4	0,4	0,4	0,5	0,4	0,3	0,4	0,4	0,4	0,4	0,5	0,2	
Operating cash flow	**4,2**	**5,9**	**7,3**	**9,0**	**11,2**	**12,9**	**13,9**	**15,4**	**16,7**	**18,3**	**19,8**	**21,7**	**22,0**	
+ Change in other long-term liabilities	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	
- Gross CAPEX	-0,1	-0,2	-0,2	-0,2	-0,2	-0,2	-0,2	-0,2	-0,2	-0,3	-0,2	-0,2	-0,3	
Free operating cash flow	**4,1**	**5,7**	**7,1**	**8,8**	**11,0**	**12,7**	**13,7**	**15,2**	**16,5**	**18,0**	**19,6**	**21,4**	**21,7**	
+/- Other	5,0	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	9,1	5,7	7,1	8,8	11,0	12,7	13,7	15,2	16,5	18,0	19,6	21,4	21,7	
Discounted FCFF		**5,4**	**6,1**	**6,9**	**7,9**	**8,2**	**8,1**	**8,2**	**8,1**	**8,1**	**8,0**	**8,0**	**7,4**	**112**
Sum of FCFF present value		203	197	191	184	176	168	160	152	144	136	128	120	112
Enterprise value DCF		**203**												
- Interesting bearing debt		0,0												
+ Cash and cash equivalents		10,8												
-Minorities		0,0												
-Dividend/capital return		0,0												
Equity value DCF		**213**												
Equity value DCF per share		**44,2**												

Wacc	
Tax-% (WACC)	20,0 %
Target debt ratio (D/(D+E)	0,0 %
Cost of debt	4,0 %
Equity Beta	1,00
Market risk premium	4,75 %
Liquidity premium	2,00 %
Risk free interest rate	3,0 %
Cost of equity	**9,8 %**
Weighted average cost of capital (WACC)	**9,8 %**

Source: Inderes



Summary

Income statement	2016	2017	2018	2019e	2020e
Revenue	5,9	8,1	11,5	**15,6**	**20,3**
EBITDA	1,9	2,6	4,8	**6,7**	**8,4**
EBIT	1,5	2,5	4,3	**6,2**	**7,9**
PTP	1,5	2,4	4,1	**6,2**	**7,9**
Net Income	1,2	1,9	3,3	**5,0**	**6,3**
Extraordinary items	0,0	0,0	0,0	**0,0**	**0,0**

Per share data	2016	2017	2018	2019e	2020e
EPS (reported)	0,28	0,45	0,71	**1,03**	**1,31**
EPS (adj.)	0,28	0,47	0,76	**1,03**	**1,31**
OCF / share	0,41	0,52	0,91	**1,22**	**1,51**
FCF / share	0,38	0,46	1,98	**1,18**	**1,47**
Book value / share	0,84	0,72	2,48	**2,87**	**3,48**
Dividend / share	0,23	0,30	0,48	**0,70**	**0,90**

Balance sheet	2016	2017	2018	2019e	2020e
Balance sheet total	4,9	4,2	13,8	**16,1**	**19,7**
Equity capital	3,6	3,1	11,3	**13,9**	**16,8**
Goodwill	0,1	0,4	0,3	**0,3**	**0,3**
Net debt	-2,4	-1,9	-10,8	**-14,1**	**-17,8**

Cash flow	2016	2017	2018	2019e	2020e
EBITDA	1,9	2,6	4,8	**6,7**	**8,4**
Change in working capital	0,2	0,1	0,3	**0,4**	**0,4**
Operating cash flow	1,8	2,2	4,2	**5,9**	**7,3**
CAPEX	-0,1	-0,3	-0,1	**-0,2**	**-0,2**
Free cash flow	1,6	2,0	9,1	**5,7**	**7,1**

Growth and profitability	2016	2017	2018	2019e	2020e
Revenue growth-%	24 %	38 %	42 %	**36 %**	**30 %**
EBITDA growth-%	76 %	41 %	81 %	**40 %**	**26 %**
EBIT (adj.) growth-%	98 %	68 %	71 %	**45 %**	**27 %**
EPS (adj.) growth-%	79 %	70 %	60 %	**35 %**	**27 %**
EBITDA-%	32,1 %	32,7 %	41,9 %	**43,1 %**	**41,5 %**
EBIT (adj.)-%	25,5 %	31,0 %	37,5 %	**39,8 %**	**38,9 %**
EBIT-%	25,5 %	31,0 %	37,5 %	**39,8 %**	**38,9 %**
ROE-%	40,8 %	57,3 %	45,0 %	**39,4 %**	**41,2 %**
ROI-%	50,2 %	74,5 %	59,4 %	**49,2 %**	**51,5 %**
Equity ratio	73,3 %	73,3 %	82,3 %	**86,4 %**	**85,5 %**
Gearing	-66,8 %	-60,8 %	-95,0 %	**-101,3 %**	**-105,6 %**

Largest shareholders	% of shares
Matti Häll	41,2 %
Nordea Bank (hallintarekisteri)	5,2 %
Seppä Antti	3,8 %
Uusi-Maahi Ilkka	3,6 %
Parviainen Ismo	3,3 %
Noronen Antti	3,3 %

Source: Inderes

Valuation multiples	2016	2017	2018	2019e	2020e
EV/S	6,8	5,0	7,8	**10,6**	**7,9**
EV/EBITDA (adj.)	21,2	15,3	18,5	**24,5**	**19,1**
EV/EBIT (adj.)	26,7	16,1	20,7	**26,5**	**20,4**
P/E (adj.)	35,2	20,7	27,1	**36,0**	**28,3**
P/E	11,7	13,6	8,8	**12,9**	**10,6**
Dividend-%	2,3 %	3,1 %	2,3 %	**1,9 %**	**2,4 %**

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Recommendation	Upside potential*
Buy	> 15 %
Accumulate	5 - 15 %
Reduce	-5 - 5 %
Sell	< -5 %

Potential regarding to 12 month target price

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Recommendation history (>12 mo)

Date	Recommendation	Target price	Share price
12.2.2018	Accumulate	11,70 €	10,70 €
9.4.2018	Accumulate	13,50 €	12,79 €
3.7.2018	Accumulate	15,50 €	14,75 €
9.7.2018	Accumulate	16,70 €	15,90 €
6.9.2018	Reduce	18,00 €	20,59 €
8.10.2018	Reduce	23,00 €	23,50 €
3.1.2019	Accumulate	23,00 €	21,50 €
14.1.2019	Reduce	25,00 €	25,10 €
21.3.2019	Reduce	35,00 €	37,00 €

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Itämerentori 2
00180 Helsinki
+358 10 219 4690

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