

United Bankers

Company report

8/28/2023



Sauli Vilén
+358 44 025 8908
sauli.vilen@inderes.fi



Kasper Mellas
+358 45 6717 150
kasper.mellas@inderes.fi

✓ Inderes corporate customer

This report is a summary translation of the report “Useat tuotelanseeraukset kasvun tukena” published on 8/28/2023 at 8:15 am EEST.

**inde
res.**

Several product launches to support growth

United Bankers published H1 results broadly in line with expectations. We have revised our estimates slightly downwards, especially for sales of real estate funds, and raised our cost estimates for Wealth Management. In addition, activity in the M&A market would appear to remain modest for the year. However, the valuation level of the stock is not too challenging, with expected return for the coming years based on reasonable earnings growth and a healthy dividend yield. We therefore reiterate our target price of EUR 16.0 and Accumulate recommendation.

H1 results largely in line with expectations

In the Wealth Management segment, the first half of the year was slightly stronger than expected. Management fees were in line with our estimates showing clear year-on-year growth, but performance fees surprised positively (6 MEUR vs. 4 MEUR estimate). However, front-loaded costs of setting up new funds were even higher than expected and burdened Wealth Management. In contrast, Capital Markets Services had a quieter start to the year than we had expected, with only EUR 0.2 million in revenue. Due to the relatively fixed cost structure, the low revenue load drove the segment's result to a loss. The Group's EBIT was thus only slightly above our forecasts at EUR 7.0 million. There were no surprises on the bottom lines, so EPS was EUR 0.50 and slightly above than our expectations.

Earnings estimates fell sharply

We have revised our sales forecasts downwards, especially for real estate funds, as market challenges are clearly affecting investor demand. We still believe that the key funds (Nordic Property Fund & Finnish Properties) will grow strongly in 2023-2026, but we are more cautious in our estimates, with sales in 2023 remaining very sluggish. Over the forecast period, the growth in revenue will be concentrated on forest products in the fundraising phase (Forest Green Industry Growth, Nordic Forest Fund IV) and the new UB Renewable Energy Fund. At the same time, we have lowered our estimates for Capital Markets Services for the current year due to sluggish activity in H1 and raised our Wealth Management cost forecasts to fully reflect the front-loaded costs associated with setting up new funds, for which the H1 results provided better visibility. Overall, our 2023 earnings estimate is down 8% and estimates for the coming years are down 7-10%. We now expect earnings to fall marginally in the current year and then return to growth, driven mainly by management fees. The dividend flow remains strong as is typical for the sector.

Valuation is sufficiently attractive

With our updated estimates, the valuation of the stock remains favorable both in absolute and relative terms. With valuation multiples at a neutral level, the earnings growth we forecast for UB won't be buried under a decline in valuation multiples, and we believe that investors' expected return for the coming years will be a combination of reasonable earnings growth and a healthy dividend yield (7-8%). The value indicated by our DCF model (~EUR 17 per share) also supports our positive view. We have previously found it challenging to rely on UB's short-term potential, as a significant part of the company's performance is made up of less predictable performance fees. However, with the successful product launches (FIGG) and the new fund initiatives (NFF IV and Renewable Energy), we are more optimistic about the realization of the company's earnings growth forecasts, as a larger share of returns will be based on recurring management fees.

Recommendation

Accumulate

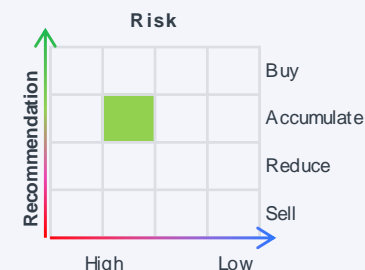
(previous Accumulate)

EUR 16.00

(previous EUR 16.00)

Share price:

14.80



Key figures

	2022	2023e	2024e	2025e
Revenue	48.6	51.6	55.2	60.7
growth-%	11%	6%	7%	10%
EBIT adj.	16.5	15.9	17.3	19.5
EBIT-% adj.	34.0 %	30.9 %	31.4 %	32.2 %
Net Income	12.5	12.1	12.7	14.4
EPS (adj.)	1.18	1.14	1.18	1.34
P/E (adj.)	12.0	13.0	12.5	11.0
P/B	3.2	3.1	3.0	2.9
Dividend yield-%	6.3 %	6.8 %	7.5 %	8.2 %
EV/EBIT (adj.)	8.6	9.2	8.3	7.1
EV/EBITDA	7.7	8.1	7.4	6.3
EV/S	2.9	2.8	2.6	2.3

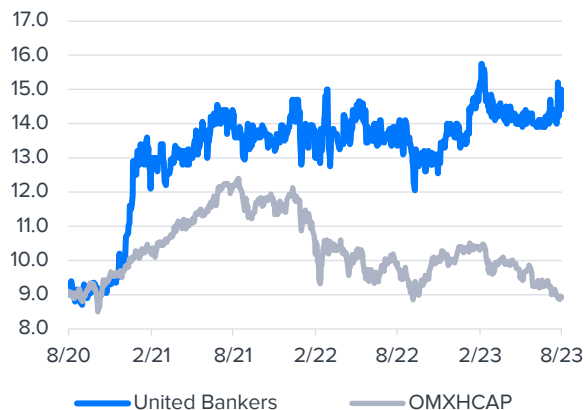
Source: Inderes

Guidance

(Unchanged)

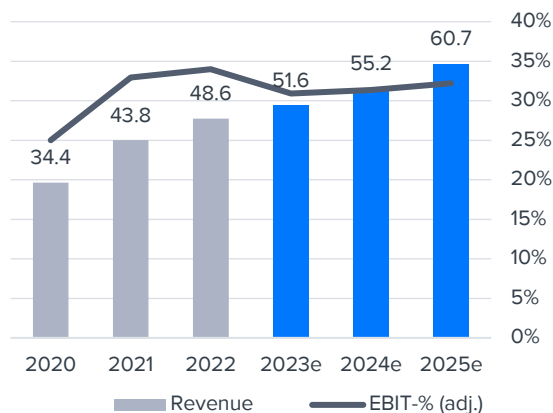
The company estimates its adjusted operating profit to remain close to the level of 2022. The estimate is conditional upon market conditions not significantly weakening.

Share price



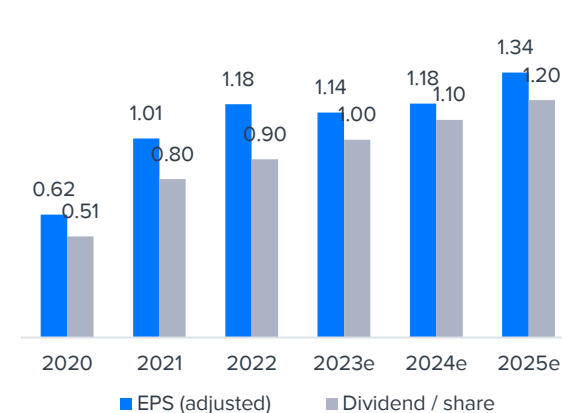
Source: Millstream Market Data AB

Revenue and EBIT-%



Source: Inderes

EPS and dividend



Source: Inderes



Value drivers

- New product launches
- Increase in the size of existing products
- Further improvement potential in cost-efficiency
- M&A transactions and consolidation of the industry



Risk factors

- Deterioration of the market situation
- The share of non-recurring revenue is still significant
- Profitability still relatively weak without performance fees

Valuation	2023e	2024e	2025e
Share price	14.8	14.8	14.8
Number of shares, millions	10.7	10.7	10.8
Market cap	158	158	158
EV	147	144	140
P/E (adj.)	13.0	12.5	11.0
P/E	13.0	12.5	11.0
P/FCF	12.8	11.7	10.0
P/B	3.1	3.0	2.9
P/S	3.1	2.9	2.6
EV/Sales	2.8	2.6	2.3
EV/EBITDA	8.1	7.4	6.3
EV/EBIT (adj.)	9.2	8.3	7.1
Payout ratio (%)	88.0 %	93.0 %	89.6 %
Dividend yield-%	6.8 %	7.5 %	8.2 %

Source: Inderes

H1 results largely in line with expectations

UB published H1 results broadly in line with expectations. Wealth Management's performance was stronger than expected due to the high level of performance fees. However, the result beat was partly masked by the weak development of Capital Market Services, which resulted in a group EBIT only slightly above our estimates at EUR 7.0 million. There were no surprises on the bottom lines and EPS landed at EUR 0.50.

Volume of performance fees surprised

In the Wealth Management segment, the first half of the year was slightly stronger than expected. Management fees were in line with our estimates showing clear year-on-year growth, but performance fees surprised positively. The company booked a total of EUR 6 million (forecast 4 MEUR) from its forest funds. Asset Management and Structured Products revenues were slightly below our expectations, but overall the quarter was as strong as expected in

terms of fee income.

As expected, Wealth Management was burdened by front-loaded costs related to the launch of new funds. However, the increase in headcount was higher than we expected, which resulted in personnel costs exceeding our estimates. In addition to recruitments, the increase in personnel costs was driven by salary increases implemented in H1 and one-off payments made to staff. Although the EBITDA margin decreased year-on-year, profitability based on recurring revenues improved slightly. UB's total sales to its own funds in H1 amounted to EUR 113 million.

H1 in Capital Markets Services was sluggish

Capital Markets Services had a quieter start to the year than we had expected, with only EUR 0.2 million in revenue. Due to the rather fixed cost structure, the low revenue load drove the segment's result to a loss. However, we believe there is a mandate base, and

the low revenue we are seeing now can be explained by the sluggishness of trading.

The loss in the Other segment, which includes group expenses, was more moderate than expected due to lower personnel costs.

Rest of the year won't be easy

As expected, UB did not touch its guidance for the current year but expects its EBIT to be close to the 2022 level (16.5 MEUR). After the first half of the year, less than half is in the bag, so avoiding a profit warning will require success in new sales and maintaining performance fees close to the H1 level. We expect new sales for the rest of the year to be largely driven by new product launches (FIGG, NFF4 and Renewable Energy), as the company itself was quite cautious about the short-term sales outlook for real estate funds, which is fully justified in the current environment.

Estimates MEUR / EUR	H1'22	H1'23	H1'23e	H1'23e	Consensus		Difference (%)	2023e
	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. Inderes	Inderes
Revenue	23.4	23.4	23.7				-1%	51.6
EBIT (adj.)	7.4	7.0	6.8				3%	15.9
EPS (adj.)	0.52	0.50	0.47				6%	1.14
Revenue growth-%	11.0 %	0.2 %	1.5 %				-1.3 pp	6.2 %
EBIT-% (adj.)	31.8 %	29.9 %	28.7 %				1.2 pp	30.9 %

Source: Inderes

Estimate revisions

Estimate revisions

- We have lowered the new sales forecasts for UB's real estate funds for the coming years. We still believe that the key funds (Nordic Property Fund & Finnish Properties) will grow strongly in 2023-2026, but we are more cautious in our estimates, with sales in 2023 remaining very weak.
- Growth is therefore increasingly focused on forest products, with two funds (Forest Green Industry Growth, Nordic Forest Fund IV) in fundraising stage. In addition, the recently launched Renewable Energy fund is projected to grow to around EUR 100 million by 2026. The estimate is cautious and in an optimistic scenario the fund size would be EUR +300 million in 2026.
- We cut our estimates for the current year in both Capital Markets Services and Wealth Management. In Wealth Management, cuts were made for both Asset Management and Structured Products fees for the remainder of the year. In contrast, our forecast for performance fees increased by EUR 2 million due to the strong performance of forest funds.
- We have also increased our cost forecasts to take full account of the front-loaded costs associated with setting up new funds, for which the H1 results provided better visibility.

Operational earnings drivers:

- In our estimates, the company's performance growth will be driven by an increase in AUM, particularly in the company's real estate funds and the new FIGG fund, which was launched at the beginning of this year. As a result of strong new sales, we forecast management fees to increase by an annual average of around 10% between 2023 and 2026.
- In the coming years, we expect performance fees to remain below the 2022 peak. This will slow down earnings growth at group level. However, this combined with an increase in management fees improves the earnings mix, which we consider critical to the company's investment story.
- We expect the dividend payout to remain strong, as the company's business growth ties up very limited capital. We forecast a payout ratio of around 80% in the coming years. The company's own target is to pay an annual dividend of at least 70% of EPS.

Estimate revisions MEUR / EUR	2023e		Change %	2024e		Change %	2025e		Change %
	Old	New		Old	New		Old	New	
Revenue	52.6	51.6	-2%	57.1	55.2	-3%	61.8	60.7	-2%
EBIT (exc. NRIs)	17.5	15.9	-9%	19.0	17.3	-9%	20.9	19.5	-6%
EBIT	17.5	15.9	-9%	19.0	17.3	-9%	20.9	19.5	-6%
EPS (excl. NRIs)	1.24	1.14	-8%	1.32	1.18	-10%	1.45	1.34	-7%
DPS	1.00	1.00	0%	1.10	1.10	0%	1.20	1.20	0%

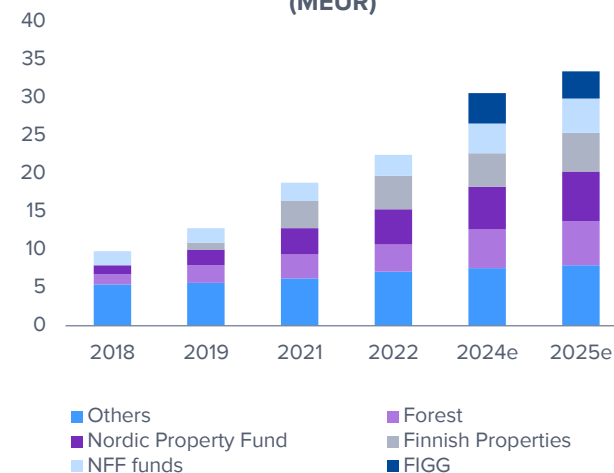
Source: Inderes

Summary of estimates

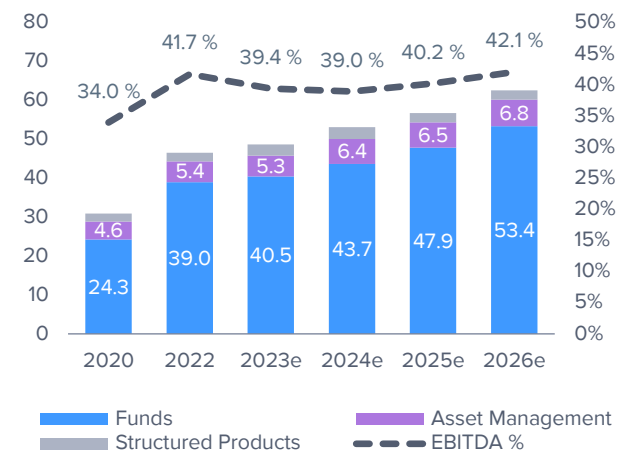
MEUR	2021	2022	2023e	2024e	2025e	2026e
Fee income	43.4	48.3	49.7	56.5	60.3	66.2
Funds	32.7	39.0	40.5	43.7	47.9	53.4
<i>Management fees</i>	19.3	23.1	26.8	31.6	34.7	40.3
<i>Performance fees</i>	11.5	14.4	12.1	10.0	11.0	11.0
<i>Subscription & redemption</i>	1.9	1.5	1.6	2.2	2.2	2.2
Asset Management	6.5	5.4	5.3	6.4	6.5	6.8
Structured Products	1.2	2.2	2.2	3.0	2.4	2.4
Capital Markets Services	3.1	1.7	1.7	3.4	3.6	3.6
Other income	0.4	0.3	1.2	0.4	0.4	0.4
Income from investment services	43.8	48.6	50.9	56.8	60.7	66.6
Commission expenses	-5.3	-5.1	-5.7	-7.2	-7.5	-8.1
Net fee income	38.5	43.4	45.2	49.6	53.2	58.5
Personnel costs	-16.3	-17.5	-19.7	-21.6	-22.7	-24.4
Other costs	-8.0	-9.4	-10.2	-10.7	-10.9	-11.3
EBIT	14.3	16.5	15.9	17.3	19.5	22.8
NRI	-0.1	0.0	0.0	0.0	0.0	0.0
Comparable EBIT-%	32.7%	34.0%	31.3%	30.5%	32.2%	34.3%
Personnel costs per employee (thousands of EUR)	-119	-118	-122	-130	-133	-139
Headcount	137	148	161	166	171	176
AUM (MEUR)	4800	4411	4754	5135	5430	5865
Private equity funds	990	1254	1433	1699	1899	2239
Traditional funds	1108	718	821	941	1041	1141
Other fund capital	682	630	650	620	590	560
Asset Management	530	441	450	475	500	525
Others	1490	1367	1400	1400	1400	1400
Funds' fee income / fund AUM (%)	1.17%	1.50%	1.39%	1.34%	1.36%	1.36%
Management fees / fund-AUM (%)	0.69%	0.89%	0.92%	0.97%	0.98%	1.02%
Share of recurring income-%*	63%	61%	66%	70%	71%	74%
Share of non-recurring income-%	37%	39%	34%	30%	29%	26%

*Recurring revenue = fund management fees, asset management and about half of capital market services

Management fees for funds by product (MEUR)



Wealth Management forecasts



Valuation is sufficiently attractive

With our updated estimates, the valuation of the stock remains favorable both in absolute and relative terms. With valuation multiples at a neutral level, the earnings growth we forecast for UB won't be buried under a decline in valuation multiples, and we believe that investors' expected return for the coming years will be a combination of reasonable earnings growth and a healthy dividend yield (7-8%). The value indicated by our DCF model (~EUR 17 per share) also supports our positive view. We have previously found it challenging to rely on UB's short-term potential, as a significant part of the company's performance is made up of less predictable performance fees. However, with the successful product launches (FIGG) and the new fund initiatives (NFF IV and Renewable Energy), we are more optimistic about the realization of the company's earnings growth forecasts, as a larger share of returns will be based on recurring management fees. However, we note that despite this, performance fees will continue to be an important part of the company's result in the future.

Peer valuation indicates a neutral valuation

In our multiple-based valuation, we focus on P/E and EV/EBIT multiples and dividend yield, which we believe are the key valuation multiples for the sector and at the same time offer a high level of comparability. Our 2023 and 2024 projections price UB roughly in line with the peer group on an earnings basis, which we believe is justified. In absolute terms, we believe that the multiples of the peer group are relatively neutral and close to the normal levels of the companies. Thus, the peer group gives a relatively accurate picture of UB's share value.

DCF model supports a positive view

The UB share's value in our DCF model has fallen to around EUR 17 (was 18) on our updated estimates. Our required return for UB (10.0%) is still above the key peers, as the company's earnings mix is still more heavily weighted towards non-recurring income than peers. Also, relative to the DCF model, the current valuation level of the stock doesn't appear particularly challenging.

Absolute multiples

Through its stock exchange history, UB has been valued at an average forward-looking 10x EV/EBIT, 6% dividend yield and 13x P/E (historical 12-month forward-looking multiples taken from Reuters). Based on our current estimates, UB's 2023e and 2024e P/E ratios are ~13x respectively, corresponding EV/EBIT ratios are 9x and 8x and dividend yields are 7–8%. Against this background too, we consider the stock to be at least neutrally priced. This together with the potential indicated by our DCF model provides sufficient expected return to justify a positive recommendation.

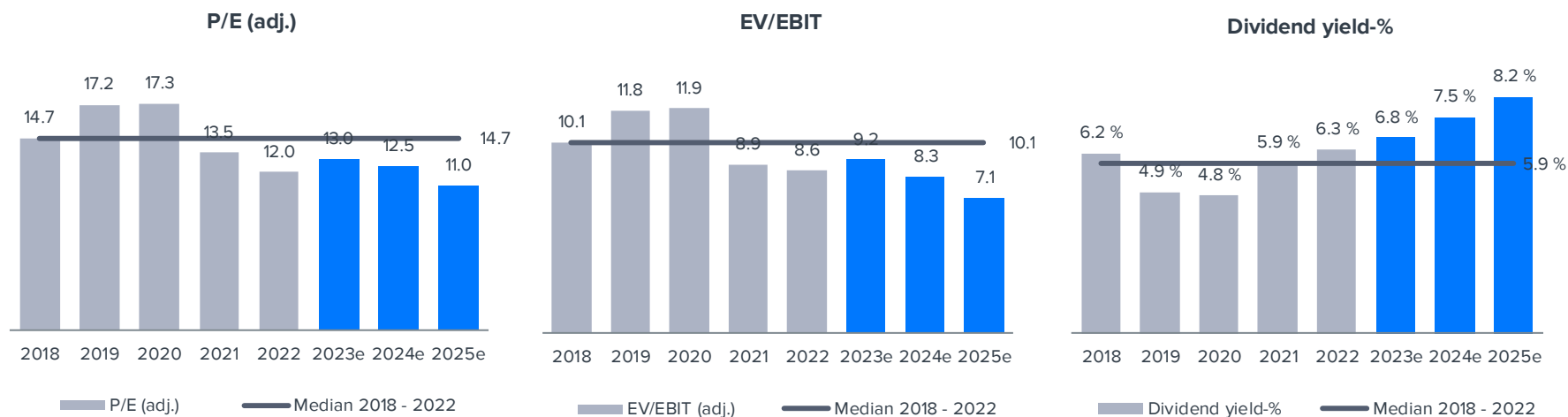
Valuation	2023e	2024e	2025e
Share price	14.8	14.8	14.8
Number of shares, millions	10.7	10.7	10.8
Market cap	158	158	158
EV	147	144	140
P/E (adj.)	13.0	12.5	11.0
P/E	13.0	12.5	11.0
P/FCF	12.8	11.7	10.0
P/B	3.1	3.0	2.9
P/S	3.1	2.9	2.6
EV/Sales	2.8	2.6	2.3
EV/EBITDA	8.1	7.4	6.3
EV/EBIT (adj.)	9.2	8.3	7.1
Payout ratio (%)	88.0 %	93.0 %	89.6 %
Dividend yield-%	6.8 %	7.5 %	8.2 %

Source: Inderes

Valuation table

Valuation	2018	2019	2020	2021	2022	2023e	2024e	2025e	2026e
Share price	6.60	8.80	10.7	13.6	14.2	14.8	14.8	14.8	14.8
Number of shares, millions	9.59	10.2	10.4	10.4	10.6	10.7	10.7	10.8	10.8
Market cap	63	92	112	141	151	158	158	158	158
EV	55	79	102	129	142	147	144	140	134
P/E (adj.)	14.7	17.2	17.3	13.5	12.0	13.0	12.5	11.0	9.4
P/E	14.7	20.3	17.9	13.7	12.0	13.0	12.5	11.0	9.4
P/FCF	33.5	79.1	57.8	15.0	27.1	12.8	11.7	10.0	8.6
P/B	2.1	2.5	2.9	3.2	3.2	3.1	3.0	2.9	2.7
P/S	2.1	2.8	3.3	3.2	3.1	3.1	2.9	2.6	2.4
EV/Sales	1.8	2.4	3.0	2.9	2.9	2.8	2.6	2.3	2.0
EV/EBITDA	7.7	10.4	10.2	8.1	7.7	8.1	7.4	6.3	5.3
EV/EBIT (adj.)	10.1	11.8	11.9	8.9	8.6	9.2	8.3	7.1	5.9
Payout ratio (%)	91.0 %	101.2 %	85.4 %	80.3 %	76.3 %	88.0 %	93.0 %	89.6 %	76.3 %
Dividend yield-%	6.2 %	4.9 %	4.8 %	5.9 %	6.3 %	6.8 %	7.5 %	8.2 %	8.2 %

Source: Inderes



Peer group valuation

Peer group valuation	Market cap	EV	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%		P/B
Company	MEUR	MEUR	2023e	2024e	2023e	2024e	2023e	2024e	2023e	2024e	2023e	2024e	2023e
Alexandria	68	51	6.8	5.4	5.3	4.3	1.3	1.1	10.7	10.1	6.2	8.1	2.2
Aktia	662								7.9	7.5	7.5	8.6	1.0
CapMan	396	467	21.1	11.3	19.8	11.0	7.0	6.0	24.9	14.1	7.2	7.6	3.1
eQ	732	693	16.2	12.9	15.7	12.6	9.3	7.7	21.5	17.5	4.8	5.9	8.9
Evli	516	471	10.7	8.0	9.6	7.2	4.3	3.7	16.6	12.5	8.0	9.7	3.7
Oma Säästöpankki	695								6.2	6.1	4.8	5.0	1.1
Taaleri	278	220	7.1	6.2	7.0	6.1	3.5	3.1	12.6	11.2	8.0	8.3	1.4
Titanium	167	147	9.4	8.7	9.0	8.4	5.2	4.8	13.3	12.4	7.1	8.1	6.6
United Bankers (Inderes)	158	144	9.2	8.3	8.1	7.4	2.8	2.6	13.0	12.5	6.8	7.5	3.1
Average			11.9	8.8	11.1	8.3	5.1	4.4	14.2	11.4	6.7	7.7	3.5
Median			10.0	8.4	9.3	7.8	4.7	4.2	13.0	11.8	7.2	8.1	2.6
Diff-% to median			-8%	-1%	-12%	-5%	-40%	-38%	0%	6%	-6%	-8%	19%

Source: Refinitiv / Inderes

Income statement

Income statement	2021	H1'22	H2'22	2022	H1'23	H2'23e	2023e	2024e	2025e	2026e
Revenue	43.8	23.4	25.2	48.6	24.7	26.8	51.6	55.2	60.7	66.6
EBITDA	15.9	8.4	10.0	18.4	8.0	9.9	18.0	19.5	22.1	25.4
Depreciation	-1.6	-1.0	-1.0	-1.9	-1.0	-1.0	-2.0	-2.1	-2.5	-2.6
EBIT (excl. NRI)	14.4	7.4	9.1	16.5	7.0	8.9	15.9	17.3	19.5	22.8
EBIT	14.3	7.4	9.1	16.5	7.0	8.9	15.9	17.3	19.5	22.8
Net financial items	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
PTP	14.3	7.4	9.1	16.5	7.0	8.9	15.9	17.3	19.5	22.8
Taxes	-3.1	-1.7	-2.0	-3.6	-1.6	-1.9	-3.4	-3.7	-4.2	-4.9
Minority interest	-0.9	-0.2	-0.1	-0.3	-0.1	-0.3	-0.4	-0.9	-0.9	-0.9
Net earnings	10.3	5.6	7.0	12.5	5.4	6.8	12.1	12.7	14.4	17.0
EPS (adj.)	1.01	0.52	0.66	1.18	0.50	0.63	1.14	1.18	1.34	1.57
EPS (rep.)	1.00	0.52	0.66	1.18	0.50	0.63	1.14	1.18	1.34	1.57

Key figures	2021	H1'22	H2'22	2022	H1'23	H2'23e	2023e	2024e	2025e	2026e
Revenue growth-%	27.5 %	11.0 %	10.8 %	10.9 %	5.9 %	6.4 %	6.2 %	7.0 %	10.0 %	9.8 %
Adjusted EBIT growth-%	68.0 %	16.2 %	12.9 %	14.4 %	-5.9 %	-1.4 %	-3.4 %	8.6 %	12.9 %	16.8 %
EBITDA-%	36.3 %	35.9 %	39.8 %	37.9 %	32.5 %	37.1 %	34.9 %	35.3 %	36.4 %	38.2 %
Adjusted EBIT-%	33.0 %	31.8 %	36.0 %	34.0 %	28.3 %	33.4 %	30.9 %	31.4 %	32.2 %	34.3 %
Net earnings-%	23.6 %	23.9 %	27.6 %	25.8 %	21.7 %	25.2 %	23.5 %	23.0 %	23.8 %	25.5 %

Source: Inderes

Balance sheet

Assets	2021	2022	2023e	2024e	2025e
Non-current assets	31.7	32.0	32.6	33.2	33.4
Goodwill	15.6	15.6	15.6	15.6	15.6
Intangible assets	4.3	5.1	5.8	6.5	6.8
Tangible assets	3.1	2.7	2.5	2.4	2.4
Associated companies	0.0	0.0	0.0	0.0	0.0
Other investments	8.7	8.6	8.6	8.6	8.6
Other non-current assets	0.0	0.0	0.0	0.0	0.0
Deferred tax assets	0.0	0.0	0.0	0.0	0.0
Current assets	46.5	39.6	42.4	45.3	49.5
Inventories	0.0	0.0	0.0	0.0	0.0
Other current assets	30.6	28.8	28.8	28.8	28.8
Receivables	0.8	1.2	1.3	1.4	1.5
Cash and equivalents	15.1	9.5	12.3	15.1	19.2
Balance sheet total	78.2	71.6	75.0	78.5	82.9

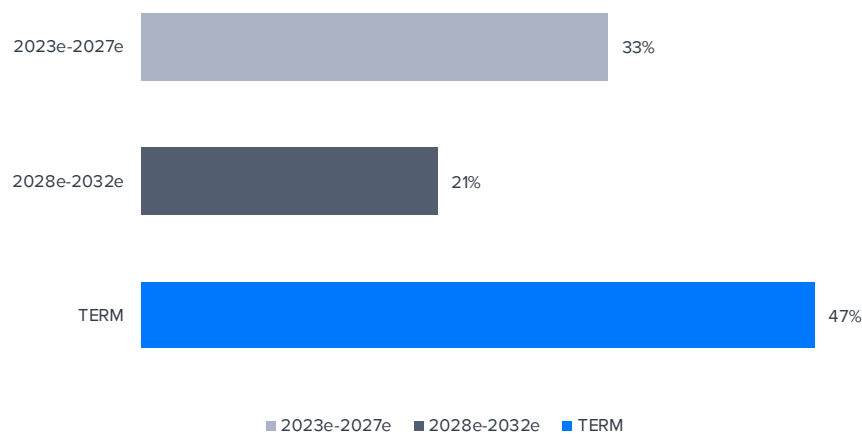
Source: Inderes

Liabilities & equity	2021	2022	2023e	2024e	2025e
Equity	44.3	48.1	51.0	53.9	57.5
Share capital	5.5	5.5	5.5	5.5	5.5
Retained earnings	16.7	17.6	20.2	22.2	24.8
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	21.4	24.6	24.6	24.6	24.6
Other equity	0.0	0.0	0.0	0.0	0.0
Minorities	0.8	0.4	0.7	1.6	2.5
Non-current liabilities	3.4	2.5	2.5	2.5	2.5
Deferred tax liabilities	1.4	2.5	2.5	2.5	2.5
Provisions	0.0	0.0	0.0	0.0	0.0
Long term debt	2.0	0.0	0.0	0.0	0.0
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	0.0	0.0	0.0	0.0	0.0
Current liabilities	30.5	21.0	21.5	22.1	23.0
Short term debt	0.0	0.0	0.0	0.0	0.0
Payables	8.3	7.8	8.3	8.9	9.8
Other current liabilities	22.2	13.2	13.2	13.2	13.2
Balance sheet total	78.2	71.6	75.0	78.5	82.9

DCF calculation

DCF model	2022	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	TERM
Revenue growth-%	10.9 %	6.2 %	7.0 %	10.0 %	9.8 %	3.0 %	3.0 %	3.0 %	3.0 %	3.0 %	2.5 %	2.5 %
EBIT-%	34.0 %	30.9 %	31.4 %	32.2 %	34.3 %	29.0 %	28.0 %	27.0 %	25.0 %	25.0 %	25.0 %	25.0 %
EBIT (operating profit)	16.5	15.9	17.3	19.5	22.8	19.9	19.8	19.7	18.7	19.3	19.8	
+ Depreciation	1.9	2.0	2.1	2.5	2.6	2.7	2.8	2.8	2.9	3.0	3.1	
- Paid taxes	-2.5	-3.4	-3.7	-4.2	-4.9	-4.3	-4.3	-4.2	-4.0	-4.2	-4.3	
- 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	
+ Tax, financial income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Change in working capital	-8.1	0.4	0.5	0.7	0.8	0.3	0.3	0.3	0.3	0.3	0.3	
Operating cash flow	7.8	15.0	16.2	18.6	21.3	18.5	18.6	18.5	17.9	18.5	18.9	
+ 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	
- Gross CAPEX	-2.3	-2.6	-2.7	-2.8	-2.8	-3.0	-3.0	-3.2	-3.2	-3.3	-3.4	
Free operating cash flow	5.6	12.3	13.5	15.8	18.5	15.6	15.5	15.4	14.7	15.2	15.5	
+/- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	5.6	12.3	13.5	15.8	18.5	15.6	15.5	15.4	14.7	15.2	15.5	211
Discounted FCFF		11.9	11.9	12.7	13.4	10.3	9.3	8.4	7.3	6.9	6.3	86.7
Sum of FCFF present value		185	173	161	149	135	125	116	107	100.0	93.1	86.7
Enterprise value DCF		185										
- Interest bearing debt		0.0										
+ Cash and cash equivalents		9.5										
-Minorities		-0.8										
-Dividend/capital return		-9.6										
Equity value DCF		184										
Equity value DCF per share		17.3										

Cash flow distribution



WACC

Tax-% (WACC)	20.0 %
Target debt ratio (D/(D+E))	0.0 %
Cost of debt	5.0 %
Equity Beta	1.20
Market risk premium	4.75%
Liquidity premium	1.80%
Risk free interest rate	2.5 %
Cost of equity	10.0 %
Weighted average cost of capital (WACC)	10.0 %

Source: Inderes

Summary

Income statement	2020	2021	2022	2023e	2024e	Per share data	2020	2021	2022	2023e	2024e
Revenue	34.4	43.8	48.6	51.6	55.2	EPS (reported)	0.60	1.00	1.18	1.14	1.18
EBITDA	10.1	15.9	18.4	18.0	19.5	EPS (adj.)	0.62	1.01	1.18	1.14	1.18
EBIT	8.4	14.3	16.5	15.9	17.3	OCF / share	0.71	1.37	0.74	1.40	1.51
PTP	8.4	14.3	16.5	15.9	17.3	FCF / share	0.19	0.90	0.52	1.15	1.26
Net Income	6.2	10.3	12.5	12.1	12.7	Book value / share	3.72	4.19	4.49	4.71	4.87
Extraordinary items	-0.2	-0.1	0.0	0.0	0.0	Dividend / share	0.51	0.80	0.90	1.00	1.10
Balance sheet	2020	2021	2022	2023e	2024e	Growth and profitability	2020	2021	2022	2023e	2024e
Balance sheet total	58.5	78.2	71.6	75.0	78.5	Revenue growth-%	6%	27%	11%	6%	7%
Equity capital	39.1	44.3	48.1	51.0	53.9	EBITDA growth-%	31%	58%	16%	-2%	8%
Goodwill	15.7	15.6	15.6	15.6	15.6	EBIT (adj.) growth-%	28%	68%	14%	-3%	9%
Net debt	-9.7	-13.1	-9.5	-12.3	-15.1	EPS (adj.) growth-%	21%	62%	17%	-4%	4%
Cash flow	2020	2021	2022	2023e	2024e	EBITDA-%	29.3 %	36.3 %	37.9 %	34.9 %	35.3 %
EBITDA	10.1	15.9	18.4	18.0	19.5	EBIT (adj.)-%	25.0 %	33.0 %	34.0 %	30.9 %	31.4 %
Change in working capital	-0.8	1.4	-8.1	0.4	0.5	EBIT-%	24.3 %	32.7 %	34.0 %	30.9 %	31.4 %
Operating cash flow	7.4	14.2	7.8	15.0	16.2	ROE-%	16.4 %	25.1 %	27.5 %	24.8 %	24.7 %
CAPEX	-5.5	-4.8	-2.3	-2.6	-2.7	ROI-%	20.6 %	32.8 %	35.0 %	32.2 %	33.0 %
Free cash flow	1.9	9.4	5.6	12.3	13.5	Equity ratio	66.8 %	56.7 %	67.1 %	68.0 %	68.7 %
						Gearing	-24.7 %	-29.5 %	-19.8 %	-24.1 %	-28.1 %
Valuation multiples	2020	2021	2022	2023e	2024e						
EV/S	3.0	2.9	2.9	2.8	2.6						
EV/EBITDA (adj.)	10.2	8.1	7.7	8.1	7.4						
EV/EBIT (adj.)	11.9	8.9	8.6	9.2	8.3						
P/E (adj.)	17.3	13.5	12.0	13.0	12.5						
P/B	2.9	3.2	3.2	3.1	3.0						
Dividend-%	4.8 %	5.9 %	6.3 %	6.8 %	7.5 %						

Source: Inderes

Disclaimer and recommendation history

The information presented in Inderes reports is obtained from several different public sources that Inderes considers to be reliable. Inderes aims to use reliable and comprehensive information, but Inderes does not guarantee the accuracy of the presented information. Any opinions, estimates and forecasts represent the views of the authors. Inderes is not responsible for the content or accuracy of the presented information. Inderes and its employees are also not responsible for the financial outcomes of investment decisions made based on the reports or any direct or indirect damage caused by the use of the information. The information used in producing the reports may change quickly. Inderes makes no commitment to announcing any potential changes to the presented information and opinions.

The reports produced by Inderes are intended for informational use only. The reports should not be construed as offers or advice to buy, sell or subscribe investment products. Customers should also understand that past performance is not a guarantee of future results. When making investment decisions, customers must base their decisions on their own research and their estimates of the factors that influence the value of the investment and take into account their objectives and financial position and use advisors as necessary. Customers are responsible for their investment decisions and their financial outcomes.

Reports produced by Inderes may not be edited, copied or made available to others in their entirety, or in part, without Inderes' written consent. No part of this report, or the report as a whole, shall be transferred or shared in any form to the United States, Canada or Japan or the citizens of the aforementioned countries. The legislation of other countries may also lay down restrictions pertaining to the distribution of the information contained in this report. Any individuals who may be subject to such restrictions must take said restrictions into account.

Inderes issues target prices for the shares it follows. The recommendation methodology used by Inderes is based on the share's 12-month expected total shareholder return (including the share price and dividends) and takes into account Inderes' view of the risk associated with the expected returns. The recommendation policy consists of four tiers: Sell, Reduce, Accumulate and Buy. As a rule, Inderes' investment recommendations and target prices are reviewed at least 2–4 times per year in connection with the companies' interim reports, but the recommendations and target prices may also be changed at other times depending on the market conditions. The issued recommendations and target prices do not guarantee that the share price will develop in line with the estimate. Inderes primarily uses the following valuation methods in determining target prices and recommendations: Cash flow analysis (DCF), valuation multiples, peer group analysis and sum of parts analysis. The valuation methods and target price criteria used are always company-specific and they may vary significantly depending on the company and (or) industry.

Inderes' recommendation policy is based on the following distribution relative to the 12-month risk-adjusted expected total shareholder return.

Buy	The 12-month risk-adjusted expected shareholder return of the share is very attractive
Accumulate	The 12-month risk-adjusted expected shareholder return of the share is attractive
Reduce	The 12-month risk-adjusted expected shareholder return of the share is weak
Sell	The 12-month risk-adjusted expected shareholder return of the share is very weak
	The assessment of the 12-month risk-adjusted expected total shareholder return based on the above-mentioned definitions is company-specific and subjective. Consequently, similar 12-month expected total shareholder returns between different shares may result in different recommendations, and the recommendations and 12-month expected total shareholder returns between different shares should not be compared with each other. The counterpart of the expected total shareholder return is Inderes' view of the risk taken by the investor, which varies considerably between companies and scenarios. Thus, a high expected total shareholder return does not necessarily lead to positive performance when the risks are exceptionally high and, correspondingly, a low expected total shareholder return does not necessarily lead to a negative recommendation if Inderes considers the risks to be moderate.

The analysts who produce Inderes' research and Inderes employees cannot have 1) shareholdings that exceed the threshold of significant financial gain or 2) shareholdings exceeding 1% in any company subject to Inderes' research activities. Inderes Oyj can only own shares in the target companies it follows to the extent shown in the company's model portfolio investing real funds. All of Inderes Oyj's shareholdings are presented in itemised form in the model portfolio. Inderes Oyj does not have other shareholdings in the target companies analysed. The remuneration of the analysts who produce the analysis are not directly or indirectly linked to the issued recommendation or views. Inderes Oyj does not have investment bank operations.

Inderes or its partners whose customer relationships may have a financial impact on Inderes may, in their business operations, seek assignments with various issuers with respect to services provided by Inderes or its partners. Thus, Inderes may be in a direct or indirect contractual relationship with an issuer that is the subject of research activities. Inderes and its partners may provide investor relations services to issuers. The aim of such services is to improve communication between the company and the capital markets. These services include the organisation of investor events, advisory services related to investor relations and the production of investor research reports.

More information about research disclaimers can be found at www.inderes.fi/research-disclaimer.

Inderes has made an agreement with the issuer and target of this report, which entails compiling a research report.

Recommendation history (>12 mo)

Date	Recommendation	Target	Share price
8/23/2019	Reduce	7.50 €	7.40 €
12/16/2019	Sell	8.20 €	9.35 €
12/20/2019	Sell	8.20 €	8.95 €
2/7/2020	Reduce	9.00 €	9.45 €
3/3/2020	Reduce	9.00 €	8.90 €
3/23/2020	Reduce	6.40 €	6.90 €
5/14/2020	Reduce	7.50 €	7.75 €
6/8/2020	Reduce	8.00 €	7.95 €
8/27/2020	Reduce	8.80 €	9.00 €
10/26/2020	Reduce	9.00 €	9.30 €
2/22/2021	Reduce	11.00 €	12.80 €
5/26/2021	Reduce	13.00 €	13.15 €
8/27/2021	Reduce	12.50 €	14.30 €
9/24/2021	Reduce	14.00 €	13.60 €
2/21/2022	Reduce	14.00 €	13.95 €
4/11/2022	Reduce	14.00 €	13.70 €
8/29/2022	Reduce	14.00 €	13.85 €
2/6/2023	Accumulate	16.00 €	14.30 €
2/20/2023	Accumulate	16.00 €	14.80 €
8/28/2023	Accumulate	16.00 €	14.80 €



Inderes connects investors and listed companies. We help over 400 listed companies to better serve their investors. Our community is home to over 70 000 active investors.

Our social objective is to democratize information in the financial markets.

We build solutions for listed companies that enable seamless and effective investor relations. Majority of our revenue comes from services to listed companies, including Commissioned Research, Virtual Events, AGM services, and IR technology and consultation.

Inderes is listed on Nasdaq First North growth market and operates in Finland, Sweden, Norway and Denmark.

Inderes Oyj

Itämerentori 2

FI-00180 Helsinki, Finland

+358 10 219 4690

Award-winning research at [inderes.fi](https://www.inderes.fi)



STARMINE
ANALYST AWARDS
FROM REFINITIV



THOMSON REUTERS
ANALYST AWARDS



Juha Kinnunen
2012, 2016, 2017, 2018, 2019, 2020



Mikael Rautanen
2014, 2016, 2017, 2019



Sauli Vilén
2012, 2016, 2018, 2019, 2020



Antti Viljakainen
2014, 2015, 2016, 2018, 2019, 2020



Olli Koponen
2020



Joni Grönqvist
2019, 2020



Erkki Vesola
2018, 2020



Petri Gostowski
2020



Atte Riikola
2020

**Research belongs
to everyone.**