

# MGI – Media and Games Invest

Company report

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✓ Inderes corporate customer

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# Double-digit revenue growth expected in 2024

MGI's Q4 revenues were well ahead of our and consensus expectations. During the quarter, MGI saw the beginnings of a recovery in the advertising market, which has continued into the first months of 2024. As a result, MGI's outlook for the current year is a return to double-digit revenue growth. This is a significant improvement over our previous assumption of a sluggish year and leads us to raise our revenue estimates. With the improved outlook, we believe the risk/reward ratio has further improved. We reiterate our Buy recommendation and raise our target price to SEK 17 (previously SEK 16).

## Q4 results exceed expectations, fueled by strong organic growth

MGI's Q4 revenues increased by 6% to 98.7 MEUR, which was 24% higher than our estimate. Our estimate was in line with the company's guidance and expected revenues to decline year-on-year due to the weak advertising market in the first three quarters. However, revenue growth in Q4 surprised to the upside, driven by an increase in customers, product releases and early signs of a recovery in the advertising market. Organic revenue growth, adjusted for FX and divestments, was a strong 16%. EBIT adjusted for PPA amortization and one-off costs (4 MEUR) was 26.8 MEUR, higher than expected. However, the margin decreased to 27% (Q4'22: 30%) due to higher costs and software development related amortization. Reported EPS improved to EUR 0.03 (Q4'22: -0.18) and adjusted EPS improved to EUR 0.08 (Q4'22: 0.05). At the end of the quarter, MGI had cash and cash equivalents of 122 MEUR and net debt of 295 MEUR (ND/Adj. EBITDA 3.1x).

## MGI increased their volumes while retaining their market leading position in the in-app mobile SPP segment

The number of ad impressions served by MGI increased to 206 billion, a 14% increase year-on-year. MGI added over 200 new clients, including nine new large software customers. The new clients included names such as WordPress, King, and Univision. According to Pivalate's Mobile Sell-Side Platform Market Share Q4'23 Report, Verve Group (MGI) maintained its leading position in the North American market for both Google and Apple App Stores. Meanwhile, in the EMEA region, MGI held the number two spot for both Apple and Google.

## With a strong start to the current year, MGI now expects double-digit organic revenue growth in 2024

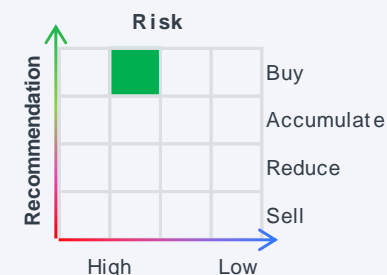
MGI returned to strong organic growth in Q4'23 and has seen it continue into 2024 with an 18% organic growth rate in January. According to MGI, the company has started to see the beginning of a recovery in the advertising market, especially in the US. The company now expects to return to double-digit organic revenue growth in 2024. This improved outlook leads us to increase our revenue growth estimate for 2024 to 11% (was 3%).

## Valuation remains attractive

With our estimates for 2024 and 2025, MGI's adjusted EV/EBIT multiples stand at 6x and 7x, respectively, while the adjusted P/E multiples are 7x and 6x for the same years. With the strong finish to 2023 and positive outlook for 2024, we remain optimistic about MGI's near- and mid-term growth prospects. In addition, MGI has maintained robust operating margins even in a more challenging market environment. MGI should be able to generate solid FCF going forward, especially once the earn-out payments are behind it (EUR 30 million remaining to be paid in cash).

## Recommendation

**Buy**  
(prev. Buy)  
**17 SEK**  
(prev. 16 SEK)  
**Share price:**  
12.9 SEK



## Key indicators

	2023	2024e	2025e	2026e
<b>Revenue</b>	322.0	357.7	390.0	424.1
<b>growth-%</b>	-1%	11%	9%	9%
<b>EBIT adj.</b>	76.9	78.5	74.5	78.5
<b>EBIT-% adj.</b>	23.9%	22.0%	19.1%	18.5%
<b>Net Income</b>	46.7	10.0	17.2	22.7
<b>EPS (adj.)</b>	0.15	0.16	0.18	0.21
<b>P/E (adj.)</b>	6.6	7.2	6.4	5.4
<b>P/B</b>	0.5	0.5	0.5	0.5
<b>Dividend yield-%</b>	0.0%	0.0%	0.0%	0.0%
<b>EV/EBIT (adj.)</b>	5.9	6.1	6.6	6.0
<b>EV/EBITDA</b>	2.9	5.0	5.0	4.4
<b>EV/S</b>	1.4	1.3	1.3	1.1

Source: Inderes

## Guidance

(New guidance)

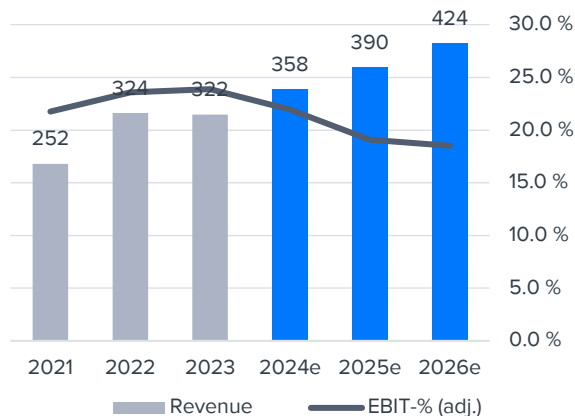
After a strong start to the year the company expects to return double-digit organic revenue growth in 2024

## Share price



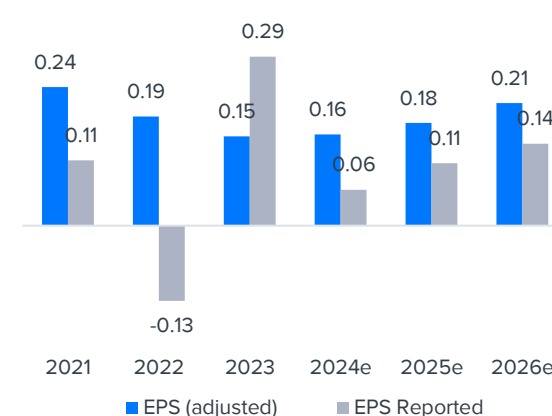
Source: Millistream Market Data AB

## Revenues and operating profit-%



Source: Inderes

## Earnings per share



Source: Inderes



## Value drivers

- Double-digit growth in the programmatic ad market over the medium to long-term
- Market-Leading mobile In-App SSP
- A number of proprietary targeting solutions for a post identifier and cookie-less world
- Low valuation multiples with upside potential as the strategy progresses and growth continues
- A trusted end-to-end omnichannel platform
- Own first-party content that provides data to the ad platform



## Risk factors

- Failing to maintain/increase market share in programmatic advertising
- Market disruption due to technological or regulatory reasons
- Slowdown in advertising spending persisting
- Rapid slowdown in first party games revenue
- Should operating profit decline FCF might not be able to cover the higher financial expenses. Risk mitigated by MGI's strong cash position of EUR 122 million

Valuation	2024e	2025e	2026e
Share price (EUR)	1.14	1.14	1.14
Number of shares, millions	159.2	159.2	159.2
Market cap (MEUR)	182	182	182
EV (MEUR)	483	492	473
P/E (adj.)	7.2	6.4	5.4
P/E	18.2	10.5	8.0
P/B	0.5	0.5	0.5
P/S	0.5	0.5	0.4
EV/Sales	1.3	1.3	1.1
EV/EBITDA	5.0	5.0	4.4
EV/EBIT (adj.)	6.1	6.6	6.0
Payout ratio (%)	0.0 %	0.0 %	0.0 %
Dividend yield-%	0.0 %	0.0 %	0.0 %

Source: Inderes

# Results higher across the board, margin somewhat lower

## Revenues stronger than expected

MGI's Q4 revenues came in at 98.7 MEUR (6% y-o-y), which was 24% higher than our estimate. According to the company, the increase was driven by new software clients and product releases, as well as signs of the beginning of a recovery in the advertising market. The organic revenue growth rate, adjusted for FX and divestments, amounted to 16%.

Volume continued to grow, with MGI serving 206 billion ad impressions in Q4'23, a 14% increase year-on-year. The Net dollar expansion rate increased for the second quarter in a row and came in at 95% (Q3'23: 93%). The Net dollar expansion rate indicates how much existing customers spent on the platform compared to the comparable quarter. A figure below 100% indicates that customers are still spending less than they did in the previous quarter, indicating that growth is largely coming from new customers.

The number of large software customers increased to 568 after two consecutive quarters of no growth. The retention rate for these customers decreased by one percent to 95 percent, roughly in line with the average rate over the past nine quarters.

## Operating profit came in higher than expected, while the margin was somewhat lower

Adjusted EBIT for Q4 was higher than our and the consensus estimate. The higher adjusted EBIT was primarily driven by the higher revenues. However, the margin declined slightly due to higher operating costs and software development cost amortization. Pre-tax profit was also better than expected despite higher net financial expenses. As a result, reported EPS increased to EUR 0.03; adjusted for one-time costs and PPA amortization, adjusted EPS was EUR 0.08.

## Operating cash flow buoyed by positive change in working capital

Operating cash flow (OCF) amounted to 42 MEUR, of which 25 MEUR was due to a positive change in working capital. Operating cash flow before working capital changes was 17 MEUR, an improvement compared to Q3'23, but significantly below MGI's EBITDA of 27 MEUR. According to MGI, this was due to deferred revenues and cash flow should be more in line with EBITDA in the future. Investments during the quarter amounted to -8.5 MEUR, while cash flow from financing activities was -19 MEUR.

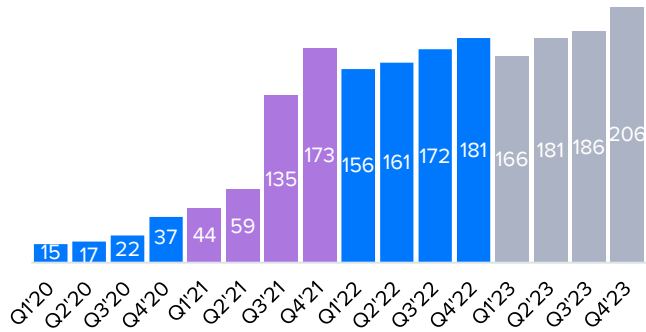
For the full year 2023, MGI's OCF was 75 MEUR, while cash flow for the period was -25 MEUR. Consequently, MGI ended the year with cash of 122 MEUR (Q4:22 150 MEUR). The negative cash flow was primarily due to bond buybacks, earn-out payments, and interest costs. MGI's net debt was 295 MEUR, and the Net debt/adj. EBITDA ratio stood at 3.1x, which was an improvement compared to the previous quarter but somewhat above the company's target ratio of 2.0x-3.0x.

Estimates	Q4'22	Q4'23	Q4'23e	Q4'23e	Consensus		Difference (%)	2023
MEUR / EUR	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. inderes	Actualized
Revenue	92.9	98.7	79.8	81.6	79.8	- 83.6	24 %	322
EBITDA (adj.)	31.5	31.7	28.9	26.7	24.8	- 28.9	10 %	95.3
EBIT (adj.)	28.1	26.8	24.2	24.6	24.2	- 24.9	10 %	76.9
EBIT	-8.4	19.7	16.7	19.5	16.7	- 22.0	18 %	99.0
PTP	-23.2	5.6	4.0	4.0	2.8	- 6.3	42 %	48.9
EPS (adj.)	0.05	0.08	0.07	0.05	0.04	- 0.07	14 %	0.15
EPS (reported)	-0.18	0.03	0.02	-	0.00	- 0.00	61 %	0.29
Revenue growth-%	15.8 %	6.3 %	-14.1 %	-12.2 %	-14.1 %	- -10.0 %	20.4 pp	-0.8 %
EBIT-% (adj.)	30.2 %	27.1 %	30.4 %	30.1 %	30.3 %	- 29.8 %	-3.3 pp	23.9 %

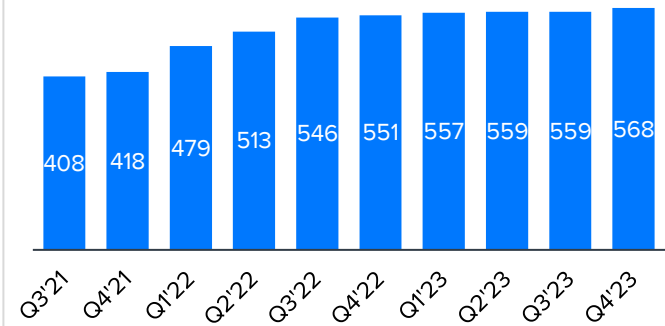
Source: Inderes & Bloomberg (4) (consensus)

# KPIs

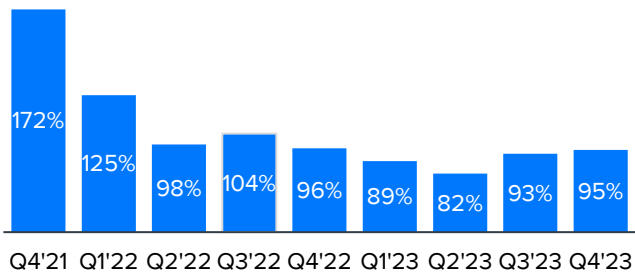
### Ad Impressions (in bn)



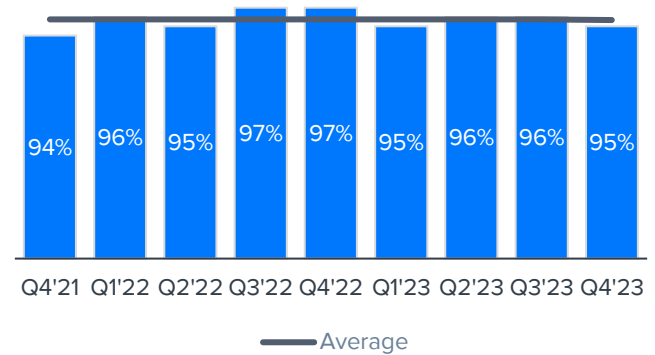
### Large software clients



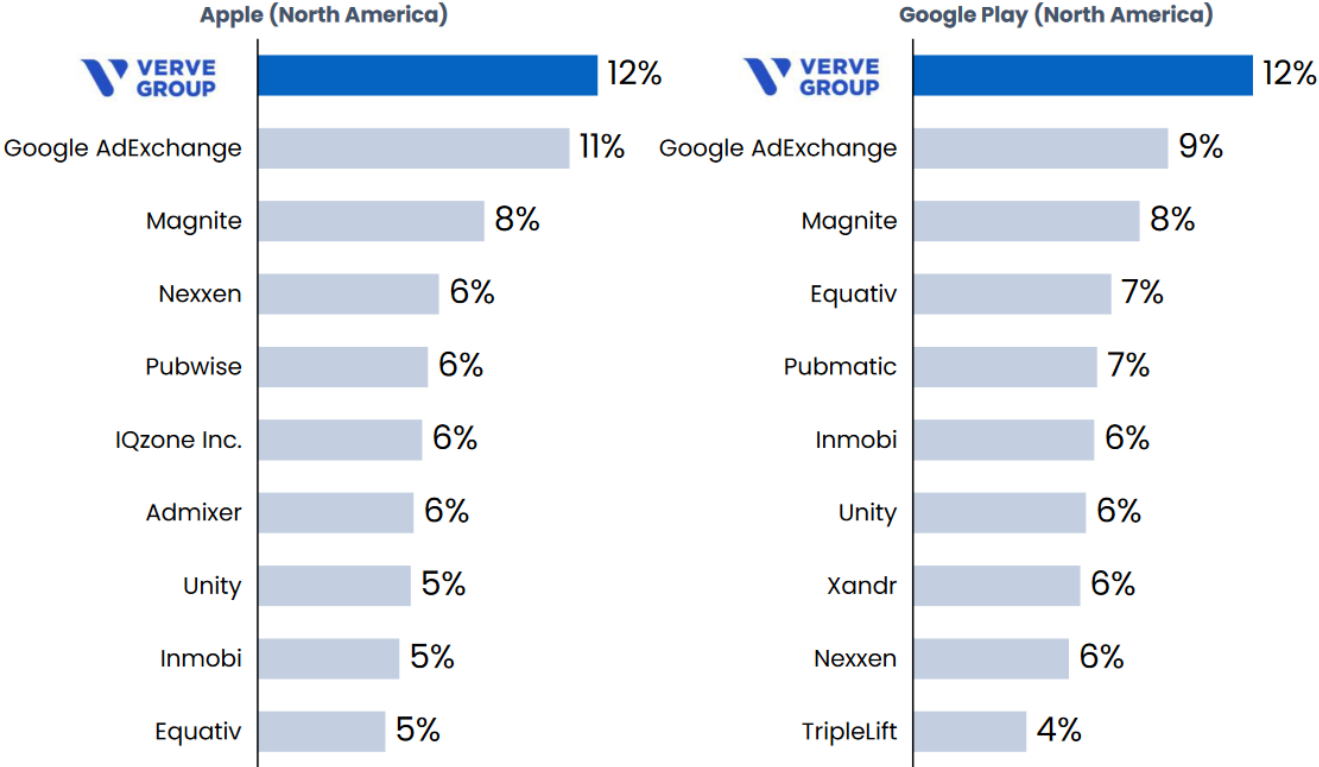
### Net \$ Expansion rate of software clients



### Retention rate of software clients



# Pixalate's Mobile in-app SSP Market Share Q4'23 Report



**Verve Group is the name of MGI's ad platform business**

The report rank SSPs based on their share of voice of open programmatic ads sold on apps from the Apple App Store and Google Play Store, as measured by Pixalate.

# We increased revenue estimates to match the improved outlook

## Estimate changes

- We have increased our 2024 growth estimate to reflect the company's double-digit revenue growth outlook. We now expect revenue to grow 11%, up from our previous estimate of 3%. We have kept the revenue growth rate constant for 2025-2027; however, the increase in 2024 revenue naturally increases the revenue estimates for those years as well.
- We also increased our estimates for depreciation and amortization, capex, and net financial expenses to better align with 2023 levels.
- In addition, we adjusted our estimates for earn-out payments. As MGI announced that it has agreed with Dataseat to pay approximately 10 MEUR in February 2024 (instead of issuing shares), we increased our earn-out estimates for 2024 and 2025. We now expect MGI to pay 10 MEUR in 2024 and 20 MEUR in 2025. The earn-out payments are subject to certain performance metrics; therefore, the actual amount paid may vary.
- For 2024, we also assume 4 MEUR in non-recurring costs related to the cost-saving program initiated in 2023. This leads to a drop in adjusted EBIT in 2025 compared to 2024, as our estimates for 2025 contain no adjustments for non-recurring costs.

Estimate revisions	2023	2023	Change	2024e	2024e	Change	2025e	2025e	Change
MEUR / EUR	Inderes	Actualized	%	Old	New	%	Old	New	%
Revenue	303	322	6 %	312	358	15 %	340	390	15 %
EBITDA	125	128	3 %	84.2	96.3	14 %	90.1	99.4	10 %
EBIT (exc. NRIs)	74.4	76.9	3 %	63.0	78.5	25 %	66.0	74.5	13 %
EBIT	96.0	99.0	3 %	51.7	63.3	22 %	54.5	63.4	16 %
PTP	47.3	48.9	4 %	7.8	13.3	71 %	14.8	23.0	55 %
EPS (excl. NRIs)	0.14	0.15	9 %	0.11	0.16	48 %	0.14	0.18	26 %
DPS	0.00	0.00		0.00	0.00		0.00	0.00	

Source: Inderes

# Valuation still attractive

## DCF model indicates clear upside

MGI's income statement contains several non-cash items and non-recurring costs, so we pay close attention to an FCF-based valuation method such as DCF. According to our DCF model, MGI's fair value is SEK 19 per share, about 48% above yesterday's closing price. Our model assumes that MGI's revenues will grow at a low double-digit rate in 2024, in line with the company's outlook. For 2025-2026, we expect growth to be roughly in line with the overall forecasts<sup>1</sup> of global digital ad spending growth. After 2026, our revenue growth rate estimate starts to taper off until reaching the terminal growth estimate of 2%. As for profitability, we expect an adjusted EBIT margin between 22% and 15% (Company target 15-20%). Our adjusted EBIT margin starts in line with the figures for 2023 and 2022 and slowly tapers towards 15% as we approach the terminal period. We use a WACC of 10.2% in our model.

## MGI continues to trade at low multiples

Since our last report on MGI (Dec 1, 2023), the share price has increased by 20%. However, with the increase in estimates, MGI still trades at relatively low multiples, especially the ones adjusted for Purchase Price Allocation (PPA) amortization. MGI's adjusted EV/EBIT multiples based on our estimates for 2024 and 2025 are 6x and 7x, respectively. Meanwhile, the adjusted P/E multiples are 7x and 6x for the same years. Given the growth potential MGI has, the multiples are on the lower side.

As MGI records a relatively high PPA amortizations (11 MEUR in 2023), the adjusted multiples are generally lower than the unadjusted ones. As a result, the unadjusted P/E multiples for 2024 and 2025 are 18x

and 11x, respectively. The 2024 multiple is particularly high because interest expenses consumes a large portion of operating profit. If the company were to use some of its 122 MEUR cash to pay down debt, the P/E multiple could come down rapidly.

We can also look at a cash flow-based multiple, such as EV/FCF, to see how the current valuation compares to MGI's free cash flow. MGI's EV/FCF multiple for 2024 and 2025, adjusted for earn-outs, are 12x and 12x, respectively.

MGI's multiples are significantly lower than those of its peer group. The peer group's median EV/EBIT multiples for 2024 and 2025 are 61x and 18x, respectively. Meanwhile, the median P/E multiples are 24x and 22x. We note that the median multiples of the peer group appear to be somewhat unreasonable, as the variation between companies is large.

## Valuation still attractive

We raise our target price to SEK 17 (was 16 SEK). At this target price, MGI's adjusted P/E multiples for 2024 and 2025 are 10x and 9x, respectively. The adjusted EV/EBIT multiples for the same years are 7x and 7x. We believe these multiples are fair or even on the low side for a company with high growth potential and robust operating margins. However, with cash flow still burdened by earn-outs and high interest expenses relative to near-term EBIT estimates, we think it's prudent to err on the conservative side. As MGI's strategy progresses, we see further upside potential, especially if CPMs recover. In the near term, however, uncertainty about the direction of the ad markets could continue to weigh on valuations for the ad tech sector as a whole and for MGI.

Valuation	2024e	2025e	2026e
Share price (EUR)	1.14	1.14	1.14
Number of shares, millions	159.2	159.2	159.2
Market cap (MEUR)	182	182	182
EV (MEUR)	483	492	473
P/E (adj.)	7.2	6.4	5.4
P/E	18.2	10.5	8.0
P/B	0.5	0.5	0.5
P/S	0.5	0.5	0.4
EV/Sales	1.3	1.3	1.1
EV/EBITDA	5.0	5.0	4.4
EV/EBIT (adj.)	6.1	6.6	6.0
Payout ratio (%)	0.0 %	0.0 %	0.0 %
Dividend yield-%	0.0 %	0.0 %	0.0 %

Source: Inderes

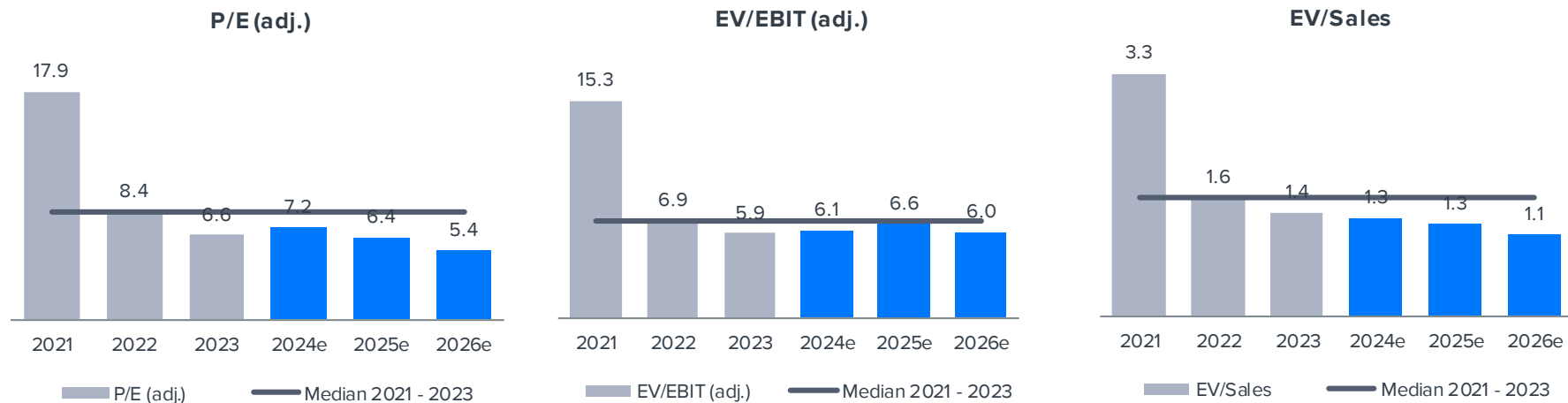
<sup>1</sup>) eMarketer's latest projections of global digital ad spending growth is 2024: 13.2%, 2025: 11.0%, 2026: 9.8%, 2027: 9.2%



# Valuation table

Valuation	2021	2022	2023	2024e	2025e	2026e	2027e
Share price (EUR)	4.30	1.60	1.02	<b>1.14</b>	<b>1.14</b>	<b>1.14</b>	<b>1.14</b>
Number of shares, millions	141.7	156.2	159.2	<b>159.2</b>	<b>159.2</b>	<b>159.2</b>	<b>159.2</b>
Market cap (MEUR)	644	255	163	<b>182</b>	<b>182</b>	<b>182</b>	<b>182</b>
EV (MEUR)	840	525	456	<b>483</b>	<b>492</b>	<b>473</b>	<b>443</b>
P/E (adj.)	17.9	8.4	6.6	<b>7.2</b>	<b>6.4</b>	<b>5.4</b>	<b>4.2</b>
P/E	37.9	neg.	3.5	<b>18.2</b>	<b>10.5</b>	<b>8.0</b>	<b>5.7</b>
P/B	2.1	0.8	0.5	<b>0.5</b>	<b>0.5</b>	<b>0.5</b>	<b>0.4</b>
P/S	2.6	0.8	0.5	<b>0.5</b>	<b>0.5</b>	<b>0.4</b>	<b>0.4</b>
EV/Sales	3.3	1.6	1.4	<b>1.3</b>	<b>1.3</b>	<b>1.1</b>	<b>1.0</b>
EV/EBITDA	11.8	5.6	2.9	<b>5.0</b>	<b>5.0</b>	<b>4.4</b>	<b>3.9</b>
EV/EBIT (adj.)	15.3	6.9	5.9	<b>6.1</b>	<b>6.6</b>	<b>6.0</b>	<b>5.5</b>
Payout ratio (%)	0.0 %	0.0 %	0.0 %	<b>0.0 %</b>	<b>0.0 %</b>	<b>0.0 %</b>	<b>0.0 %</b>
Dividend yield-%	0.0 %	0.0 %	0.0 %	<b>0.0 %</b>	<b>0.0 %</b>	<b>0.0 %</b>	<b>0.0 %</b>

Source: Inderes



# Peer group valuation

Peer group valuation	Market cap	EV	EV/EBIT		EV/EBITDA		EV/S		P/E		P/B
Company	MEUR	MEUR	2024e	2025e	2024e	2025e	2024e	2025e	2024e	2025e	2024e
Applovin Corp	18,311	20,891	18.7	14.8	10.9	9.6	5.6	5.1	23.3	18.6	9.4
Magnite Inc	1,352	1,624	91.3	18.0	9.5	8.1	3.0	2.7	14.4	11.0	2.1
Trade Desk Inc	38,313	37,044	101.9	68.7	41.8	33.8	16.8	14.0	57.6	48.1	15.0
PubMatic Inc	893	731	107.5	28.4	9.0	7.6	2.7	2.4	133.2	60.1	3.2
DoubleVerify Holdings Inc	6,202	5,969	61.2	44.9	29.5	23.5	9.1	7.5	82.8	66.3	5.5
Criteo SA	1,656	1,299	13.2	11.6	4.5	4.2	1.3	1.3	10.0	9.7	1.6
Liveramp Holdings Inc	2,153	1,663	17.7	16.5	16.5	13.3	2.8	2.5	24.3	21.7	2.5
<b>MGI (Inderes)</b>	<b>182</b>	<b>483</b>	<b>6.1</b>	<b>6.6</b>	<b>5.0</b>	<b>5.0</b>	<b>1.3</b>	<b>1.3</b>	<b>7.2</b>	<b>6.4</b>	<b>0.5</b>
<b>Average</b>			<b>58.8</b>	<b>29.0</b>	<b>17.4</b>	<b>14.3</b>	<b>5.9</b>	<b>5.1</b>	<b>49.4</b>	<b>33.7</b>	<b>5.6</b>
<b>Median</b>			<b>61.2</b>	<b>18.0</b>	<b>10.9</b>	<b>9.6</b>	<b>3.0</b>	<b>2.7</b>	<b>24.3</b>	<b>21.7</b>	<b>3.2</b>
<b>Diff-% to median</b>			<b>-90 %</b>	<b>-63 %</b>	<b>-54 %</b>	<b>-49 %</b>	<b>-55 %</b>	<b>-53 %</b>	<b>-70 %</b>	<b>-71 %</b>	<b>-84 %</b>

Source: Refinitiv / Inderes

# Income statement

Income statement	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24e	Q2'24e	Q3'24e	Q4'24e	2024e	2025e	2026e	2027e
Revenue	324	68.8	76.2	78.3	98.7	322	76.3	83.4	86.8	111	358	390	424	455
EBITDA (excl. NRI)	93.2	19.1	21.3	23.1	31.7	95.2	21.2	23.1	24.4	31.6	100	99.4	108	114
EBITDA	84.8	17.4	20.0	63.7	27.3	128	20.2	22.1	23.4	30.6	96.3	99.4	108	114.3
Depreciation	-58.1	-6.4	-7.2	-8.3	-7.6	-29.5	-7.6	-8.1	-8.5	-8.8	-33.0	-36.1	-40.8	-44.3
EBIT (excl. NRI)	76.6	15.2	16.6	18.4	26.8	76.9	16.4	17.8	18.7	25.6	78.5	74.5	78.5	81.2
EBIT	26.6	11.0	12.8	55.4	19.7	99.0	12.6	14.0	14.9	21.8	63.3	63.4	67.3	70.1
Net financial items	-38.0	-10.5	-12.7	-12.8	-14.1	-50.1	-12.5	-12.5	-12.5	-12.5	-50.0	-40.4	-37.1	-27.6
PTP	-11.3	0.6	0.1	42.6	5.6	48.9	0.1	1.5	2.4	9.3	13.3	23.0	30.3	42.4
Taxes	-9.1	0.0	1.4	-3.4	-0.7	-2.7	0.0	-0.4	-0.6	-2.3	-3.3	-5.7	-7.6	-10.6
Minority interest	0.1	0.3	0.2	0.0	0.0	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net earnings	-20.3	0.82	1.7	39.3	4.9	46.7	0.1	1.1	1.8	7.0	10.0	17.2	22.7	31.8
EPS (adj.)	0.19	0.03	0.03	0.01	0.08	0.15	0.02	0.03	0.04	0.07	0.16	0.18	0.21	0.27
EPS (rep.)	-0.13	0.01	0.01	0.25	0.03	0.29	0.00	0.01	0.01	0.04	0.06	0.11	0.14	0.20
<b>Key figures</b>	<b>2022</b>	<b>Q1'23</b>	<b>Q2'23</b>	<b>Q3'23</b>	<b>Q4'23</b>	<b>2023</b>	<b>Q1'24e</b>	<b>Q2'24e</b>	<b>Q3'24e</b>	<b>Q4'24e</b>	<b>2024e</b>	<b>2025e</b>	<b>2026e</b>	<b>2027e</b>
Revenue growth-%	28.7 %	4.4 %	-2.4 %	-10.6 %	6.3 %	-0.8 %	10.9 %	9.5 %	10.8 %	12.7 %	11.1 %	9.0 %	8.8 %	7.4 %
Adjusted EBIT growth-%	39.5 %	11.4 %	1.0 %	-0.3 %	-4.6 %	0.5 %	8.3 %	7.4 %	1.6 %	-4.4 %	2.1 %	-5.1 %	5.4 %	3.5 %
EBITDA-%	26.1 %	25.3 %	26.2 %	81.4 %	27.7 %	39.9 %	26.5 %	26.5 %	27.0 %	27.5 %	26.9 %	25.5 %	25.5 %	25.1 %
Adjusted EBIT-%	23.6 %	22.0 %	21.8 %	23.5 %	27.1 %	23.9 %	21.5 %	21.3 %	21.6 %	23.0 %	22.0 %	19.1 %	18.5 %	17.8 %
Net earnings-%	-6.3 %	1.2 %	2.3 %	50.1 %	5.0 %	14.5 %	0.1 %	1.3 %	2.1 %	6.3 %	2.8 %	4.4 %	5.4 %	7.0 %

Source: Inderes

# Balance sheet

Assets	2022	2023	2024e	2025e	2026e
<b>Non-current assets</b>	<b>824</b>	<b>814</b>	<b>820</b>	<b>826</b>	<b>828</b>
Goodwill	588	578	578	578	578
Intangible assets	204	219	223	228	229
Tangible assets	5.5	4.0	5.4	7.1	7.6
Associated companies	1.0	1.0	1.0	1.0	1.0
Other investments	0.0	0.0	0.0	0.0	0.0
Other non-current assets	19.2	1.4	1.4	1.4	1.4
Deferred tax assets	6.7	10.5	10.5	10.5	10.5
<b>Current assets</b>	<b>221</b>	<b>194</b>	<b>164</b>	<b>135</b>	<b>136</b>
Inventories	0.0	0.0	0.0	0.0	0.0
Other current assets	5.9	5.9	5.9	5.9	5.9
Receivables	65.1	65.8	76.9	87.7	99.7
Cash and equivalents	150	122	81.0	41.2	30
<b>Balance sheet total</b>	<b>1045</b>	<b>1007</b>	<b>983</b>	<b>961</b>	<b>964</b>

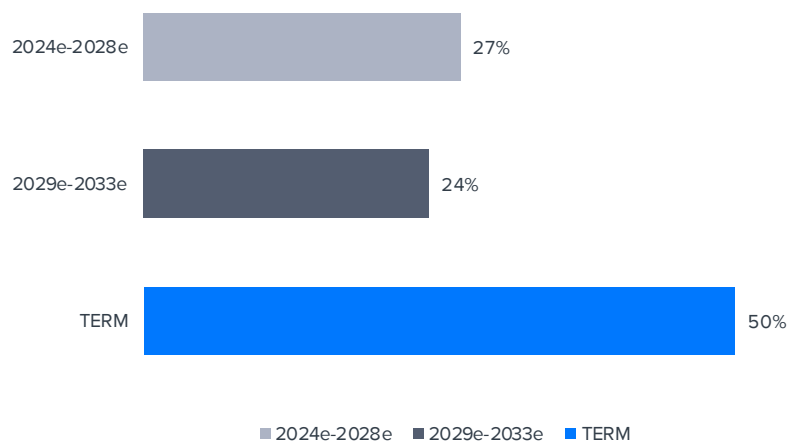
Source: Inderes

Liabilities & equity	2022	2023	2024e	2025e	2026e
<b>Equity</b>	<b>322</b>	<b>352</b>	<b>362</b>	<b>380</b>	<b>402</b>
Share capital	159	159	159	159	159
Retained earnings	1.4	48.1	58.1	75.3	98.0
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	0.0	0.0	0.0	0.0	0.0
Other equity	162	145	145	145	145
Minorities	-1.2	0.2	0.2	0.2	0.2
<b>Non-current liabilities</b>	<b>503</b>	<b>414</b>	<b>406</b>	<b>356</b>	<b>326</b>
Deferred tax liabilities	24.4	28.9	28.9	28.9	28.9
Provisions	0.0	0.0	0.0	0.0	0.0
Interest bearing debt	389	348	350	320	290
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	89.6	36.9	26.9	6.9	6.9
<b>Current liabilities</b>	<b>219</b>	<b>241</b>	<b>215</b>	<b>225</b>	<b>236</b>
Interest bearing debt	31.9	66.5	32.0	32.0	32.0
Payables	90.1	102	111	121	131
Other current liabilities	97.5	72.4	72.4	72.4	72.4
<b>Balance sheet total</b>	<b>1045</b>	<b>1007</b>	<b>983</b>	<b>961</b>	<b>964</b>

# DCF calculation

DCF model	2023	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	TERM
Revenue growth-%	-0.8 %	11.1 %	9.0 %	8.8 %	7.4 %	7.0 %	6.0 %	5.0 %	5.0 %	5.0 %	2.0 %	2.0 %
EBIT-%	30.7 %	17.7 %	16.2 %	15.9 %	15.4 %	15.3 %	14.0 %	13.0 %	13.0 %	13.0 %	13.0 %	13.0 %
<b>EBIT (operating profit)</b>	<b>99.0</b>	<b>63.3</b>	<b>63.4</b>	<b>67.3</b>	<b>70.1</b>	<b>74.6</b>	<b>72.3</b>	<b>70.5</b>	<b>74.0</b>	<b>77.7</b>	<b>79.3</b>	
+ Depreciation	29.5	33.0	36.1	40.8	44.3	47.9	51.1	54.0	54.5	55.8	55.3	
- Paid taxes	-2.1	-3.3	-5.7	-7.6	-10.6	-12.4	-12.5	-12.7	-14.3	-15.9	-17.0	
- Tax, financial expenses	-2.8	-12.5	-10.1	-9.3	-6.9	-6.2	-5.6	-4.9	-4.2	-3.5	-2.9	
+ 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	-14.1	-2.0	-0.8	-1.3	-2.2	-2.8	-3.6	-4.3	-4.7	-5.3	-5.9	
<b>Operating cash flow</b>	<b>109</b>	<b>78.5</b>	<b>82.8</b>	<b>90.0</b>	<b>94.6</b>	<b>101</b>	<b>102</b>	<b>103</b>	<b>105</b>	<b>109</b>	<b>109</b>	
+ Change in other long-term liabilities	-52.7	-10.0	-20.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-15.5	-39.2	-42.2	-43.1	-43.9	-44.8	-45.8	-46.9	-48.1	-49.3	-50.1	
<b>Free operating cash flow</b>	<b>41.3</b>	<b>29.3</b>	<b>20.5</b>	<b>46.9</b>	<b>50.7</b>	<b>56.2</b>	<b>56.0</b>	<b>55.7</b>	<b>57.2</b>	<b>59.5</b>	<b>58.8</b>	
+/- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	41.3	29.3	20.5	46.9	50.7	56.2	56.0	55.7	57.2	59.5	58.8	728
<b>Discounted FCFF</b>		<b>27.0</b>	<b>17.2</b>	<b>35.6</b>	<b>34.9</b>	<b>35.1</b>	<b>31.7</b>	<b>28.6</b>	<b>26.7</b>	<b>25.2</b>	<b>22.5</b>	<b>279</b>
Sum of FCFF present value		564	537	520	484	449	414	382	354	327	302	279
<b>Enterprise value DCF</b>		<b>564</b>										
- Interest bearing debt		-414.5										
+ Cash and cash equivalents		122										
-Minorities		-0.1										
-Dividend/capital return		0.0										
<b>Equity value DCF</b>		<b>271</b>										
<b>Equity value DCF per share</b>		<b>1.7</b>										
<b>Equity value DCF per share (SEK)</b>		<b>19.0</b>										

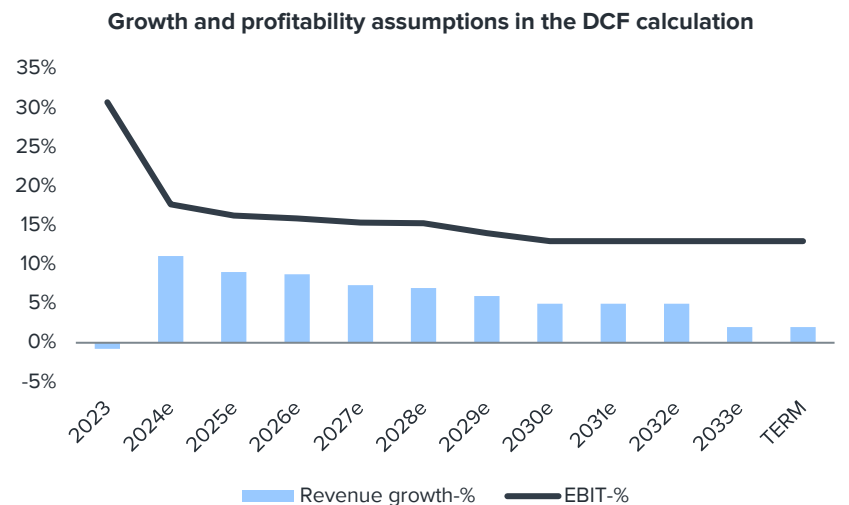
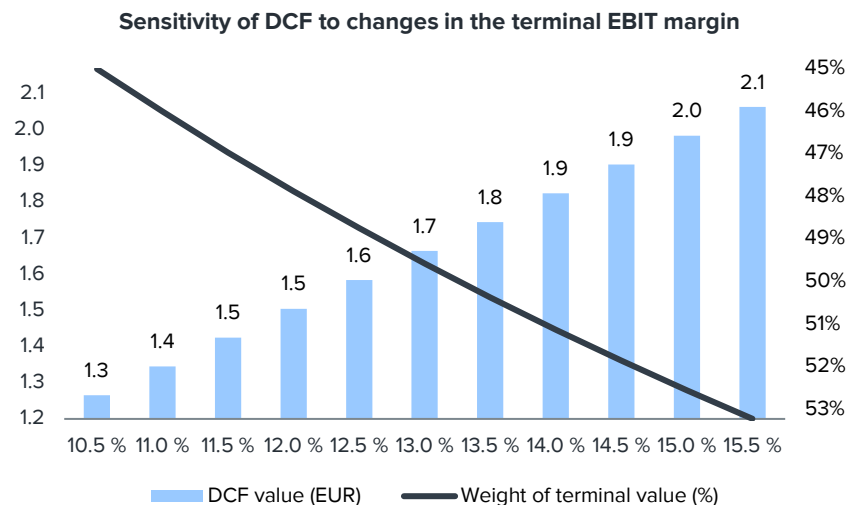
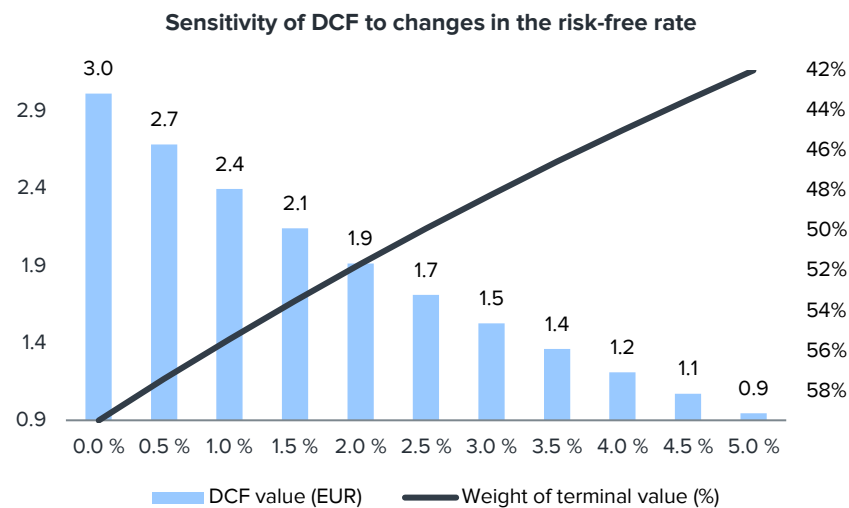
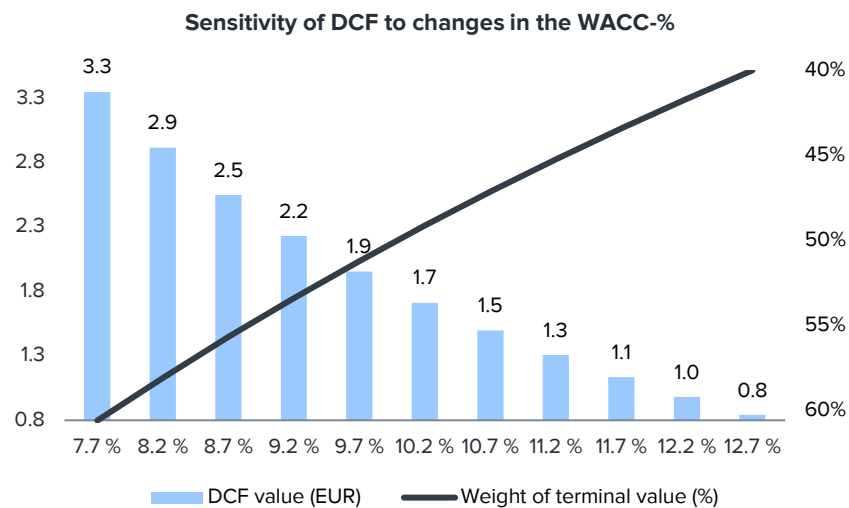
## Cash flow distribution



## WACC

Tax-% (WACC)	21.0 %
Target debt ratio (D/(D+E))	15.0 %
Cost of debt	8.5 %
Equity Beta	1.40
Market risk premium	4.75 %
Liquidity premium	1.70 %
Risk free interest rate	2.5 %
<b>Cost of equity</b>	<b>10.9 %</b>
<b>Weighted average cost of capital (WACC)</b>	<b>10.2 %</b>

# DCF sensitivity calculations and key assumptions in graphs



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

# Summary

Income statement	2021	2022	2023	2024e	2025e	Per share data	2021	2022	2023	2024e	2025e
Revenue	252.2	324.4	322.0	<b>357.7</b>	<b>390.0</b>	EPS (reported)	0.11	-0.13	0.29	<b>0.06</b>	<b>0.11</b>
EBITDA	65.0	84.8	128.5	<b>96.3</b>	<b>99.4</b>	EPS (adj.)	0.24	0.19	0.15	<b>0.16</b>	<b>0.18</b>
EBIT	36.8	26.6	99.0	<b>63.3</b>	<b>63.4</b>	OCF / share	1.06	0.53	0.69	<b>0.49</b>	<b>0.52</b>
PTP	14.9	-11.3	48.9	<b>13.3</b>	<b>23.0</b>	FCF / share	-1.66	-0.51	0.26	<b>0.18</b>	<b>0.13</b>
Net Income	16.1	-20.3	46.7	<b>10.0</b>	<b>17.2</b>	Book value / share	2.17	2.07	2.21	<b>2.27</b>	<b>2.38</b>
Extraordinary items	-18.1	-49.9	22.1	<b>-15.2</b>	<b>-11.2</b>	Dividend / share	0.00	0.00	0.00	<b>0.00</b>	<b>0.00</b>
Balance sheet	2021	2022	2023	2024e	2025e	Growth and profitability	2021	2022	2023	2024e	2025e
Balance sheet total	934.1	1044.7	1007.0	<b>983.5</b>	<b>960.7</b>	Revenue growth-%	80 %	29 %	-1 %	<b>11 %</b>	<b>9 %</b>
Equity capital	307.5	321.7	352.5	<b>362.4</b>	<b>379.7</b>	EBITDA growth-%	145 %	30 %	52 %	<b>-25 %</b>	<b>3 %</b>
Goodwill	412.0	587.7	578.0	<b>578.0</b>	<b>578.0</b>	EBIT (adj.) growth-%	214 %	40 %	0 %	<b>2 %</b>	<b>-5 %</b>
Net debt	195.8	271.3	292.8	<b>301.0</b>	<b>310.8</b>	EPS (adj.) growth-%	117 %	-21 %	-18 %	<b>2 %</b>	<b>13 %</b>
Cash flow	2021	2022	2023	2024e	2025e	EBITDA-%	25.8 %	26.1 %	39.9 %	<b>26.9 %</b>	<b>25.5 %</b>
EBITDA	65.0	84.8	128.5	<b>96.3</b>	<b>99.4</b>	EBIT (adj.)-%	21.8 %	23.6 %	23.9 %	<b>22.0 %</b>	<b>19.1 %</b>
Change in working capital	82.0	8.6	-14.1	<b>-2.0</b>	<b>-0.8</b>	EBIT-%	14.6 %	8.2 %	30.7 %	<b>17.7 %</b>	<b>16.2 %</b>
Operating cash flow	150.2	82.4	109.5	<b>78.5</b>	<b>82.8</b>	ROE-%	6.6 %	-6.4 %	13.8 %	<b>2.8 %</b>	<b>4.6 %</b>
CAPEX	-389.4	-236.3	-15.5	<b>-39.2</b>	<b>-42.2</b>	ROI-%	7.7 %	3.7 %	13.1 %	<b>8.4 %</b>	<b>8.6 %</b>
Free cash flow	-234.8	-80.3	41.3	<b>29.3</b>	<b>20.5</b>	Equity ratio	32.9 %	30.8 %	35.0 %	<b>36.9 %</b>	<b>39.5 %</b>
Valuation multiples	2021	2022	2023	2024e	2025e	Gearing	63.7 %	84.3 %	83.1 %	<b>83.1 %</b>	<b>81.9 %</b>
EV/S	3.3	1.6	1.4	<b>1.3</b>	<b>1.3</b>						
EV/EBITDA (adj.)	11.8	5.6	2.9	<b>5.0</b>	<b>5.0</b>						
EV/EBIT (adj.)	15.3	6.9	5.9	<b>6.1</b>	<b>6.6</b>						
P/E (adj.)	17.9	8.4	6.6	<b>7.2</b>	<b>6.4</b>						
P/B	2.1	0.8	0.5	<b>0.5</b>	<b>0.5</b>						
Dividend-%	0.0 %	0.0 %	0.0 %	<b>0.0 %</b>	<b>0.0 %</b>						

Source: Inderes

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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

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Date	Recommendation	Target	Share price
2022-12-12	Buy	23 kr	16.90 kr
2023-01-03	Buy	26 kr	18.00 kr
2023-06-01	Buy	22 kr	12.70 kr
2023-09-01	Buy	21 kr	15.20 kr
2023-12-01	Buy	16 kr	10.10 kr
2024-03-01	Buy	17 kr	12.09 kr





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