

Talenom

Company report

11/1/2024 8.10 EET



Juha Kinnunen
+358 40 778 1368
juha.kinnunen@inderes.fi

✓ Inderes corporate customer

This report is a summary translation of the report "Markkina ei ostanut uutta strategiaa" published on 11/1/2024 at 8:08 am EET

inde
res.

The new strategy did not convince the market

We reiterate our Accumulate recommendation for Talenom and revise our target price to EUR 5.2 (was EUR 5.3). The company's Q3 result was better than we predicted, as Finland's excellent profitability covered the lousiness of Sweden. In Sweden, the 'backstop' is leaking and the situation is worrying, but the greatest pain may already be over. In the updated strategy, the company focuses its operations on accounting services and software to be separated, while smaller by-products are given to partners. Talenom definitely needs focus after the confusing recent years. Although Sweden's development is unconvincing, we believe that share valuation is unjustifiably low.

In Finland, profitability was excellent, but Sweden is a mess

Talenom generated a very strong result in Q3 in Finland despite revenue declining in a weak market situation. In Sweden, the figures were weak across the board: revenue decreased by about 10% and the EBITDA margin was 10% in the red. The main reason for the miserable development is probably the significant change phase, which 'caused personnel and customer drain'. The depth of the problems is difficult to assess, but about 40% of the customer base has now been transferred to own software, so the worst pain may soon be over. However, the management has a lot of work ahead to quickly stabilize the situation in Sweden. In Spain, on the other hand, key figures developed largely well as expected, and the gradual progress approach seems to be working. In total, Talenom's Q3 EBIT (3.0 MEUR) exceeded our expectations (2.0 MEUR). However, the overshoot was mainly (0.9 MEUR) due to the downward reassessment of additional purchase prices of previous acquisitions, which is not actual operating income.

Next year's growth expectations declined further

As expected, Talenom reiterated the guidance given [in the profit warning](#) and the weak result for 2024 is already largely known. Finland's operations will continue to develop steadily in 2025, and some growth is also likely toward the end of the year as the markets recover. In Sweden, however, Talenom will probably have to focus on fixing the leaking business base and profitability, which is why we cut our organic growth estimate close to zero. Talenom now expects benefits from the introduction of its proprietary software in H2'25. In Spain, Talenom's recipe seems to be working and the company is making progress, but the slope of growth is unclear. Overall, 2025 earnings forecasts fell by around 10%, mainly with Sweden. In Finland, our estimates actually increased due to the record-breaking profitability of Q3. We note that our forecasts still do not expect external revenue from the software business that will be separated. With current data, predicting this would be speculation, and we expect more information from the company before making separate forecasts.

Valuation no longer gives hope to international business

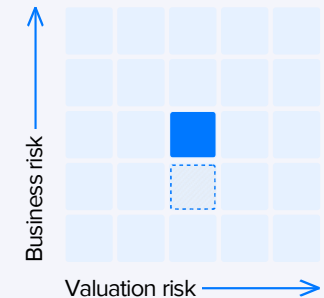
Talenom's enterprise value is now some 250 MEUR, which we believe is equivalent to the fair value of the Finnish business (2025e EV/EBIT 13-14x). The Swedish, Spanish and Italian businesses thus come as a 'freebie' or the market estimates their value to be negative. Although our confidence in Sweden is shaken, the situation is still not very different from Talenom's difficulties in introducing the 'accounting production line' in Finland back in the day. When things finally started rolling in Finland after the start of the stock market journey, the performance was convincing. Thus we are happy to take on Sweden and Spain as free options. If you look for something positive in Talenom's problems, they force the company to refocus on its strengths. We welcome this after the experiments of recent years.

Recommendation

Buy
(was Buy)

EUR 5.20
(was EUR 5.30)

Share price:
3.63



Key figures

	2023	2024e	2025e	2026e
Revenue	122	127	134	149
growth-%	19%	4%	6%	11%
EBIT adj.	11.1	13.1	16.1	21.9
EBIT-% adj.	9.1 %	10.3 %	12.0 %	14.7 %
Net Income	3.4	6.0	9.0	13.6
EPS (adj.)	0.14	0.14	0.19	0.29

P/E (adj.)	43.2	25.4	18.7	12.3
P/B	5.0	3.1	3.0	2.8
Dividend yield-%	3.1 %	4.1 %	4.7 %	5.2 %
EV/EBIT (adj.)	32.1	19.3	15.9	11.4
EV/EBITDA	11.2	7.1	6.4	5.3
EV/S	2.9	2.0	1.9	1.7

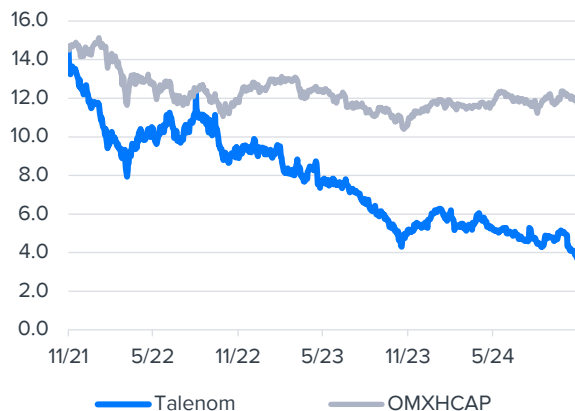
Source: Inderes

Guidance

(Unchanged)

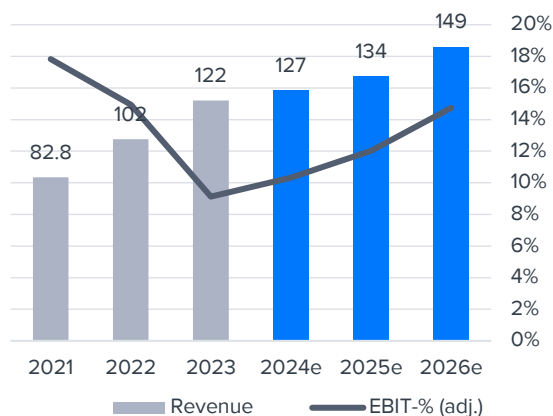
Talenom estimates revenue for 2024 at 126-129 MEUR, EBITDA at 34-37 MEUR and EBIT at 11-14 MEUR.

Share price



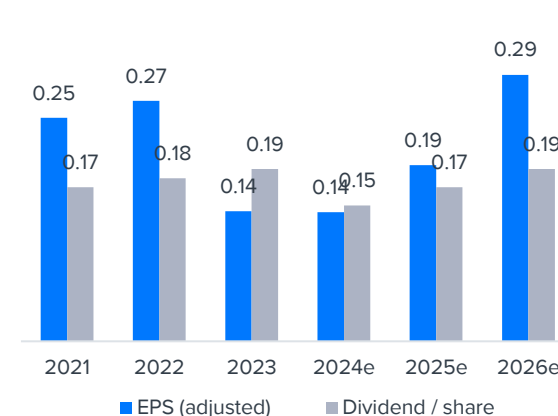
Source: Millstream Market Data AB

Revenue and EBIT-%



Source: Inderes

EPS and dividend



Source: Inderes



Value drivers

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



Risk factors

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

Valuation	2024e	2025e	2026e
Share price	3.63	3.63	3.63
Number of shares, millions	45.9	46.4	46.4
Market cap	166	168	168
EV	253	255	251
P/E (adj.)	25.4	18.7	12.3
P/E	27.5	18.7	12.3
P/B	3.1	3.0	2.8
P/S	1.3	1.3	1.1
EV/Sales	2.0	1.9	1.7
EV/EBITDA	7.1	6.4	5.3
EV/EBIT (adj.)	19.3	15.9	11.4
Payout ratio (%)	114%	87.5%	64.6%
Dividend yield-%	4.1%	4.7%	5.2%

Source: Inderes

Excellent profitability in Finland, but Sweden is a mess

Finland's business rolls on even in headwinds

Talenom's revenue in Finland decreased by 0.5% in Q3 to 20.2 MEUR. Revenue slightly exceeded our forecast (19.7 MEUR), but given the downward trend, this was a cold comfort. This is based on familiar factors, i.e. the spill-over effects of the Finnish economic downturn, reflected in transaction volumes, average pricing (Talenom has prioritized customer retention) and customer drain. According to the company, new customer acquisition has worked well and compensated for the effects of the economic downturn. Another positive factor was that the results of the annual customer satisfaction survey were the highest ever.

In Finland, a commendable result was still generated with a poor revenue development. Q3 EBITDA was 8.3 MEUR and EBIT was 3.7 MEUR, both of which exceeded our forecast. The EBIT margin was a commendable 18.4% for a seasonally subdued period, as the efficiency measures initiated in 2023 were reflected in the cost structure. Finland's operational performance was very good overall in a difficult environment but in the longer run the business needs organic growth.

In Sweden, the backstop is leaking

In Sweden, revenue decreased by 9.8% to just 5.0 MEUR, which was a clear disappointment (forecast 5.6 MEUR). Here too, the decline was explained by the spill-over effects of the economic downturn, but the main reason is probably the significant change phase that has 'caused personnel and customer drain'. According to the company, operations have been unified in line with the ONE Talenom service business since the beginning of 2024, and own software has been introduced at the same time. Some of the employees have left with customers, which undermines the Swedish business. It is difficult to estimate the depth of the problems, but about 40% of the customer base has now been transferred to proprietary software. So, one could imagine that the worst turmoil, and thus the worst pain, is soon over.

A clear revenue drop and a massive change process are seldom good for profitability, which was very weak in Sweden. The EBITDA margin alone was -10%, while we expected +1%. The development of Sweden's key figures is highly worrying and the Swedish country management has a lot of work ahead to quickly

stabilize the situation. We will go deeper into the Swedish situation in the near future.

The Spanish strategy seems to be working

In Spain (incl. Italy), Talenom's revenue (3.9 MEUR) continued to grow strongly as expected (+56%). The majority came from acquisitions, but revenue also grew organically. The EBITDA margin was quite good at 5.5% considering the development phase, although slightly disappointing relative to our forecast.

While all the changes were made in Sweden in one go, Spain has progressed gradually and with significantly greater success. The Spanish story seems to be moving forward on 'schedule', where good organic growth should lie ahead next year. This will be driven by the entry into force of the e-invoicing Directive (estimated in 2025-2027). The e-invoicing Directive requires every business to acquire software to send and receive e-invoices. In this market turmoil, Talenom naturally tries to strike with its complete solution.

Estimates MEUR / EUR	Q3'23	Q3'24	Q3'24e	Q3'24e	Consensus		Difference (%)	2024e
	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. inderes	Inderes
Revenue	28.3	29.1	29.1	29.2	28.7	29.8	0%	127
EBITDA	7.6	9.0	7.7	7.9	7.7	8.0	16%	35.6
EBIT	-0.8	3.0	2.0	2.1	2.0	2.2	47%	12.6
EPS (adj.)	0.03	0.03	0.02	0.02	0.02	0.02	56%	0.14
Revenue growth-%	20.0 %	2.8 %	2.9 %	3.2 %	1.4 %	5.3 %	-0.1 pp	4.3 %
EBIT-% (adj.)	8.4 %	10.3 %	7.0 %	7.3 %	7.0 %	7.4 %	3.3 pp	9.9 %

Source: Inderes & Bloomberg (3 estimates, collected 10/28/2024) (consensus)

Next year's growth expectations declined further

Outlook for 2024 remains unchanged

Talenom naturally reiterated the guidance it gave in the profit warning, where it estimated revenue for 2024 at 126-129 MEUR, EBITDA at 34-37 MEUR and EBIT at 11-14 MEUR. The result for 2024 is relatively clear at this stage and is known to be weak. The only significant change for 2024 was in the dividend estimate, which we lowered by 25% after the company removed its dividend target in connection with the strategy update.

Talenom's balance sheet is already heavily leveraged and even though the company is not in a crisis per se, we do not think high dividend payments are justified in this situation. However, we assume that the main owners want a dividend, which the company can safely pay (e.g. without breaking covenants).

Finland carries but does not grow much

Finnish business operations will continue to develop steadily next year. In principle, excellent profitability will continue, so the biggest variable is revenue growth. Finland's economic outlook has remained subdued, but the worst economic downturn should

be over. In the accounting industry, turns become visible with a delay of about 6 months, so after the beginning of next year market growth should pick up.

We expect Talenom's revenue in Finland to grow by 4-5% next year and growth to accelerate toward the end of the year. We expect an EBITDA margin of 40.7% (2024e: 39.6%), depreciation increases slightly and thus the EBIT margin is 20.4% (2024e: 18.6%). Our estimates increased a bit for the Finnish business.

In Sweden, ducks must be put in a row

In Sweden, Talenom's road has been anything but easy, but now ducks must be put in a row quickly so that the bottom does not fall out. An over-ambitious strategy led to changes being made too quickly and too much. Now the only sensible solution is to step on the brake. Talenom has for now abandoned expectations of revenue growth in Sweden in 2025, and is focusing on repairing the leaking bottom and on profitability. Although the situation seems weak based on Q3, it reminds us of Talenom's difficulties in Finland when its proprietary software was implemented.

We now expect Sweden's revenue to remain at approximately the 2024 level in 2025 (forecast 24.5 MEUR), which also requires success in new sales. Growth expectations are again focused on the end of the year, when profitability should also start to improve. We expect EBITDA to be around 7% and EBIT to continue to be in the red in 2025. In terms of Sweden, our forecasts fell clearly.

Spain is moving forward, but the pace is unclear

In Spain, Talenom's strategy seems to be working quite well and market conditions seem favorable. However, the company's focus must be on Sweden and there is limited money for acquisitions in Spain, where the recipe has worked relatively well. We expect revenue in Spain to grow by about 19% next year, of which roughly half is organic in our estimates (the rest from acquisitions). This means that Spain's revenue would rise to around 19 MEUR next year and would not be far from Sweden, but there is a lot of uncertainty about the pace. We estimate the EBITDA margin to be around 8% and the EBIT still slightly in the red.

Estimate revisions MEUR / EUR	2024e	2024e	Change %	2025e	2025e	Change %	2026e	2026e	Change %
	Old	New		Old	New		Old	New	
Revenue	127	127	0%	138	134	-3%	154	149	-3%
EBITDA	35.0	35.6	2%	40.8	39.7	-3%	48.1	46.9	-2%
EBIT (exc. NRIs)	12.8	13.1	3%	17.2	16.1	-6%	23.1	21.9	-5%
EBIT	12.3	12.6	3%	17.2	16.1	-6%	23.1	21.9	-5%
PTP	7.9	8.0	2%	13.0	11.7	-10%	19.1	17.7	-7%
EPS (excl. NRIs)	0.14	0.14	0%	0.22	0.19	-10%	0.32	0.29	-7%
DPS	0.20	0.15	-25%	0.21	0.17	-19%	0.22	0.19	-14%

The valuation reflects disbelief

The valuation can be justified by Finland alone

Talenom's share has collapsed by 30% in the past month, so it seems clear that investors have not adopted the new strategy. Given the situation in Sweden, this is understandable as such when the country's role is critical in Talenom's internationalization story. At the same time, we also see good in the strategy and the company's problems because it forces Talenom to focus on its strengths.

Talenom's enterprise value at the current price is around 250 MEUR, while we estimate the company's Finnish business will generate an operating result of approximately 18.5 MEUR next year. Therefore, with the Finnish result alone, Talenom's EV/EBIT ratio would be around 13-14x. The Swedish, Spanish and Italian businesses thus currently come as a 'freebie' or the market estimates their value to be negative. Although our confidence in Sweden is shaken, we feel the current valuation offers an exceptionally interesting opportunity.

Small adjustments to the sum of the parts

When Finland generates the group's earnings and others destroy it, the image reflected by the valuation multiples does not give value to the international business. Thus, we examine the valuation using the sum-of-the-parts calculation. The SOTP now gives a value of around EUR 5.2 per share (previously EUR 5.3 /share), even though we already did a 'write-down' in Sweden with the losses.

We believe the value of the Finnish business is still over 250 MEUR. The value of Sweden in the calculation is around 40 MEUR, and we find it to be the weakest part of the calculation. Spain (incl. Italy) is still around 25 MEUR. The values of Sweden and Spain are close to the book values of the respective businesses, i.e. investments in them. At the end of

2024, Talenom is estimated to have net interest-bearing debt of approximately 77 MEUR (excluding IFRS 16 liabilities), which is deducted from the enterprise value (EV). This brings the indicative SOTP market value of Talenom to around 240 MEUR.

We believe that the calculation gives a reasonable picture of the distribution of Talenom's share value. In Finland, the value is very tangible, while in the international business it is largely based on future potential and on the investments made. But if international growth turns sour, the destruction of value is probably still limited. The company has a lot of potential, but even in a good scenario, it will take a significant amount of time to unlock it. The market does not seem to want to give that to Talenom anymore.

Limited negative adjustments to SOTP

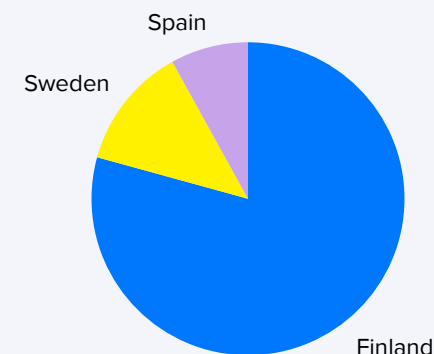
The 2024e P/E of the share is 25x and EV/EBIT 19x, which is already reasonable considering the development phase. Visibility to 2025 is still limited, but with the projected performance, the multiples (P/E 19x and EV/EBIT 16x) are attractive. We believe that valuation no longer requires success in Sweden, but assumes that success will remain weak also in the longer term. Despite all the problems, we do not believe that this is a valid assumption at present.

Talenom's business is mainly recurring and defensive, profitability is partially scalable and competitive advantages are strong in the SME sector selected by the company, as evidenced by the excellent profitability in Finland. The company has a strong position in the fast-changing accounting industry, where Talenom is one of the winners, at least in Finland. The potential for success in the European market also exists although the track record so far is weak in Sweden and moderate in Spain.

Valuation	2024e	2025e	2026e
Share price	3.63	3.63	3.63
Number of shares, millions	45.9	46.4	46.4
Market cap	166	168	168
EV	253	255	251
P/E (adj.)	25.4	18.7	12.3
P/E	27.5	18.7	12.3
P/B	3.1	3.0	2.8
P/S	1.3	1.3	1.1
EV/Sales	2.0	1.9	1.7
EV/EBITDA	7.1	6.4	5.3
EV/EBIT (adj.)	19.3	15.9	11.4
Payout ratio (%)	114%	87.5 %	64.6 %
Dividend yield-%	4.1 %	4.7 %	5.2 %

Source: Inderes

EV breakdown

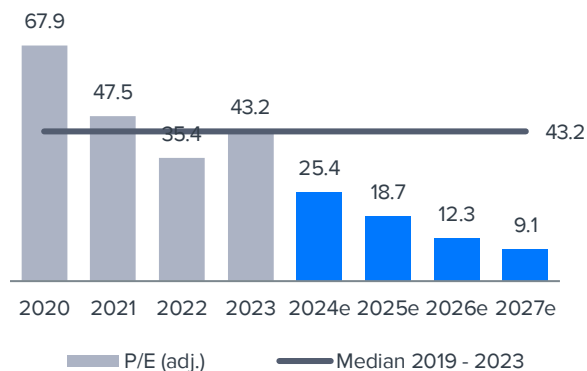


Valuation table

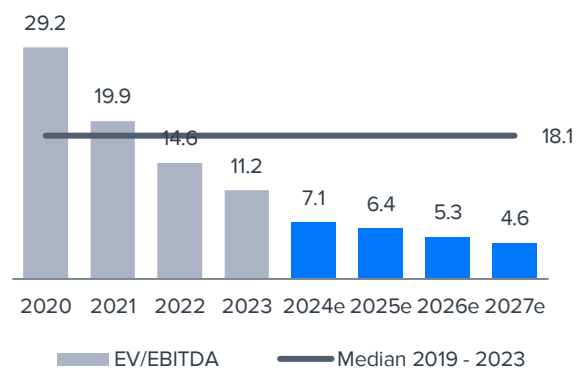
Valuation	2019	2020	2021	2022	2023	2024e	2025e	2026e	2027e
Share price	7.50	15.1	11.7	9.39	6.20	3.63	3.63	3.63	3.63
Number of shares, millions	41.7	43.2	43.8	44.5	45.4	45.9	46.4	46.4	46.4
Market cap	313	650	512	420	282	166	168	168	168
EV	342	679	552	475	357	253	255	251	242
P/E (adj.)	41.1	67.9	47.5	35.4	43.2	25.4	18.7	12.3	9.1
P/E	41.1	67.9	47.5	35.4	83.7	27.5	18.7	12.3	9.1
P/B	13.3	20.2	11.5	7.5	5.0	3.1	3.0	2.8	2.4
P/S	5.4	10.0	6.2	4.1	2.3	1.3	1.3	1.1	1.0
EV/Sales	5.9	10.4	6.7	4.6	2.9	2.0	1.9	1.7	1.4
EV/EBITDA	18.1	29.2	19.9	14.6	11.2	7.1	6.4	5.3	4.6
EV/EBIT (adj.)	32.8	52.7	37.4	31.1	32.1	19.3	15.9	11.4	8.8
Payout ratio (%)	68.4 %	67.7 %	69.0 %	68.3 %	256.6 %	113.9 %	87.5 %	64.6 %	52.5 %
Dividend yield-%	1.7 %	1.0 %	1.5 %	1.9 %	3.1 %	4.1 %	4.7 %	5.2 %	5.8 %

Source: Inderes

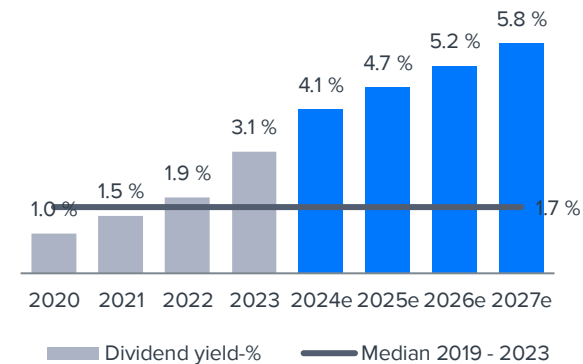
P/E (adj.)



EV/EBITDA



Dividend yield-%



Peer group valuation

Peer group valuation	Market cap	EV	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%	
Company	MEUR	MEUR	2024e	2025e	2024e	2025e	2024e	2025e	2024e	2025e	2024e	2025e
Aallon Group	32	33	10.0	8.8	6.3	5.8	0.9	0.9	12.3	11.7	2.8	2.9
Fortnox	3531	3489	46.8	35.8	38.1	29.7	19.6	16.0	59.5	45.9	0.4	0.5
Admicom	246	236	19.4	17.3	18.9	17.0	6.7	6.1	25.4	22.6	1.3	1.5
ECIT	288	408	18.7	14.8	8.9	7.8	1.3	1.3	19.8	16.2	0.6	1.0
Administer	37	47		31.5	7.9	6.3	0.6	0.6			2.5	3.3
Xero	13880	13880	114	75	52	41	14.8	12.1	154	94		
Enento	436	579	24.3	16.1	11.1	10.0	3.8	3.7	24.7	19.9	5.4	5.6
Fondia	22	19	9.3	8.0	7.6	6.2	0.7	0.7	14.1	12.3	5.0	5.1
Vincit	33	24	32.2	8.1	27.6	6.6	0.3	0.3	106.0	13.8	5.1	7.6
Gofore	350	327	13.2	12.0	11.1	10.4	1.8	1.6	17.3	16.3	2.2	2.6
Etteplan	266	342	12.4	10.3	8.9	7.1	1.0	0.9	15.0	12.4	1.8	3.2
Talenom (Inderes)	166	253	19.3	15.9	7.1	6.4	2.0	1.9	25.4	18.7	4.1	4.7
Average			30.0	21.6	18.1	13.4	4.7	4.0	44.8	26.5	2.7	3.3
Median			19.0	14.8	11.1	7.8	1.3	1.3	22.3	16.2	2.4	3.1
Diff-% to median			1%	7%	-36%	-17%	58%	47%	14%	15%	73%	54%

Source: Refinitiv / Inderes

Income statement

Income statement	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24	Q2'24	Q3'24	Q4'24e	2024e	2025e	2026e	2027e
Revenue	102	31.3	32.4	28.3	29.7	122	34.1	33.9	29.1	29.9	127	134	149	167
Finland	81.0	23.4	23.3	20.3	20.8	87.8	23.4	22.5	20.2	20.6	86.6	90.6	98.8	108
Sweden	19.4	6.7	7.3	5.5	5.9	25.5	7.0	7.3	5.0	5.3	24.5	24.7	26.6	29.8
Other countries	1.7	1.2	1.8	2.5	3.0	8.5	3.7	4.2	3.9	4.0	15.8	18.7	23.4	29.2
EBITDA	32.4	8.4	8.9	7.6	7.0	31.9	9.5	10.3	9.0	6.9	35.6	39.7	46.9	53.0
Depreciation	-17.1	-4.9	-5.2	-8.4	-5.4	-23.9	-5.6	-5.8	-5.9	-5.7	-23.0	-23.6	-25.0	-25.7
EBIT (excl. NRI)	15.3	3.5	3.7	2.4	1.6	11.1	3.9	4.5	3.0	1.7	13.1	16.1	21.9	27.3
EBIT	15.3	3.5	3.7	-0.8	1.6	8.0	3.9	4.5	3.0	1.2	12.6	16.1	21.9	27.3
Finland	16.0	4.0	3.8	3.4	3.2	14.5	4.9	4.3	3.7	3.2	16.1	18.5	21.4	24.7
Sweden	-0.1	0.3	0.0	-0.7	-1.8	-2.2	-0.7	-0.3	-1.3	-1.2	-3.5	-1.6	0.3	1.4
Other countries	-0.6	-0.5	-0.4	-0.4	-0.6	-1.9	-0.5	-0.1	-0.3	-0.3	-1.2	-0.7	0.2	1.2
Unallocated	0.0	-0.3	0.2	-3.2	0.7	-2.5	0.3	0.6	0.9	-0.5	1.3	0.0	0.0	0.0
Net financial items	-0.7	-0.7	-0.8	-1.1	-1.1	-3.7	-1.0	-1.2	-1.2	-1.1	-4.6	-4.4	-4.2	-3.5
PTP	14.6	2.7	2.9	-1.9	0.5	4.3	2.8	3.3	1.8	0.1	8.0	11.7	17.7	23.8
Taxes	-2.8	-0.7	-0.7	0.2	0.3	-0.9	-0.8	-0.6	-0.5	0.0	-2.0	-2.7	-4.1	-5.2
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net earnings	11.8	2.1	2.2	-1.7	0.8	3.4	2.0	2.7	1.2	0.1	6.0	9.0	13.6	18.6
EPS (adj.)	0.27	0.05	0.05	0.03	0.02	0.14	0.04	0.06	0.03	0.01	0.14	0.19	0.29	0.40
EPS (rep.)	0.27	0.05	0.05	-0.04	0.02	0.07	0.04	0.06	0.03	0.00	0.13	0.19	0.29	0.40

Key figures	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24	Q2'24	Q3'24	Q4'24e	2024e	2025e	2026e	2027e
Revenue growth-%	23.3 %	24.2 %	20.1 %	20.0 %	12.8 %	19.2 %	8.8 %	4.5 %	2.8 %	0.6 %	4.3 %	5.6 %	11.1 %	12.1 %
Adjusted EBIT growth-%	3.4 %	-28.9 %	-28.6 %	-22.3 %	-27.4 %	-27.2 %	11.5 %	22.8 %	25.9 %	8.8 %	17.9 %	23.0 %	36.2 %	24.5 %
EBITDA-%	31.7 %	26.7 %	27.3 %	27.0 %	23.7 %	26.2 %	27.9 %	30.3 %	30.8 %	23.2 %	28.1 %	29.6 %	31.5 %	31.8 %
Adjusted EBIT-%	15.0 %	11.0 %	11.3 %	8.4 %	5.4 %	9.1 %	11.3 %	13.3 %	10.3 %	5.8 %	10.3 %	12.0 %	14.7 %	16.4 %
Net earnings-%	11.6 %	6.6 %	6.7 %	-6.0 %	2.8 %	2.8 %	6.0 %	7.8 %	4.3 %	0.4 %	4.8 %	6.7 %	9.2 %	11.1 %

Source: Inderes

Balance sheet

Assets	2022	2023	2024e	2025e	2026e
Non-current assets	123	145	152	157	160
Goodwill	55.0	66.6	68.6	70.6	72.6
Intangible assets	54.2	62.7	67.4	69.0	68.4
Tangible assets	2.8	4.7	4.8	5.4	6.8
Associated companies	0.0	0.0	0.0	0.0	0.0
Other investments	0.3	0.2	0.2	0.2	0.2
Other non-current assets	9.9	9.4	9.6	9.8	10.0
Deferred tax assets	0.4	1.5	1.6	1.6	1.6
Current assets	30.5	29.2	29.2	30.8	34.2
Inventories	0.0	0.0	0.0	0.0	0.0
Other current assets	0.0	0.0	0.0	0.0	0.0
Receivables	14.5	19.0	19.0	20.1	22.3
Cash and equivalents	16.0	10.3	10.2	10.7	11.9
Balance sheet total	156	176	181	187	192

Source: Inderes

Liabilities & equity	2022	2023	2024e	2025e	2026e
Equity	56.0	55.8	53.3	55.4	61.2
Share capital	0.1	0.1	0.1	0.1	0.1
Retained earnings	29.1	24.9	22.3	24.4	30.2
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	0.0	0.0	0.0	0.0	0.0
Other equity	26.9	30.9	30.9	30.9	30.9
Minorities	0.0	0.0	0.0	0.0	0.0
Non-current liabilities	62.3	81.4	85.9	91.1	88.5
Deferred tax liabilities	3.0	4.3	4.4	4.4	4.4
Provisions	0.0	0.0	0.0	0.0	0.0
Interest bearing debt	56.4	76.4	79.5	84.7	82.1
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	2.8	0.6	2.0	2.0	2.0
Current liabilities	38.0	38.5	42.3	40.0	42.3
Interest bearing debt	13.7	9.0	16.9	13.2	12.5
Payables	24.3	29.4	25.4	26.8	29.8
Other current liabilities	0.0	0.0	0.0	0.0	0.0
Balance sheet total	156	176	181	187	192

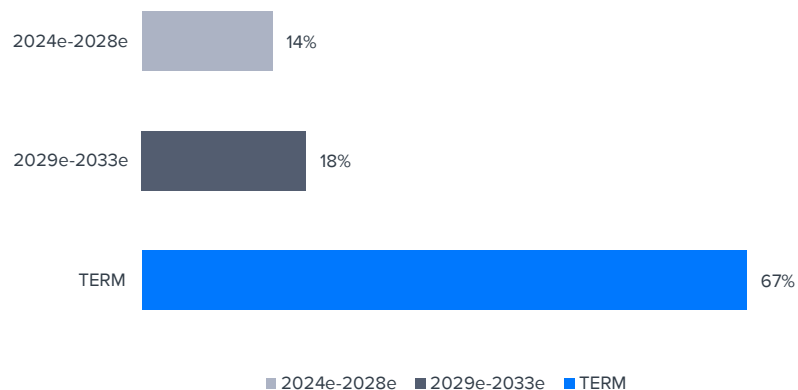
DCF calculation

DCF model	2023	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	TERM
Revenue growth-%	19.2 %	4.3 %	5.6 %	11.1 %	12.1 %	10.0 %	7.0 %	5.0 %	5.0 %	5.0 %	3.0 %	3.0 %
EBIT-%	6.5 %	9.9 %	12.0 %	14.7 %	16.4 %	16.0 %	16.0 %	15.5 %	15.0 %	14.0 %	14.0 %	14.0 %
EBIT (operating profit)	8.0	12.6	16.1	21.9	27.3	29.3	31.4	31.9	32.5	31.8	32.8	
+ Depreciation	23.9	23.0	23.6	25.0	25.7	27.1	28.1	29.6	30.9	31.8	32.8	
- Paid taxes	-0.7	-2.0	-2.7	-4.1	-5.2	-5.7	-6.2	-6.4	-6.6	-6.4	-6.6	
- Tax, financial expenses	-0.8	-1.2	-1.0	-1.0	-0.8	-0.8	-0.7	-0.6	-0.6	-0.6	-0.6	
+ Tax, financial income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Change in working capital	0.6	-4.1	0.4	0.7	0.9	0.8	0.6	0.5	0.5	0.5	0.3	
Operating cash flow	31.1	28.4	36.4	42.6	47.9	50.9	53.3	55.0	56.7	57.2	58.7	
+ Change in other long-term liabilities	-2.2	1.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-43.5	-28.8	-27.0	-27.0	-27.1	-34.5	-32.1	-32.4	-34.4	-35.5	-35.4	
Free operating cash flow	-14.6	0.9	9.4	15.6	20.9	16.3	21.2	22.6	22.4	21.7	23.3	
+/- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	-14.6	0.9	9.4	15.6	20.9	16.3	21.2	22.6	22.4	21.7	23.3	479
Discounted FCFF	0.9	8.6	13.2	16.3	11.8	14.2	14.1	12.9	11.6	11.5	236	
Sum of FCFF present value		351	350	342	329	312	300	286	272	259	248	236
Enterprise value DCF		351										
- Interest bearing debt		-85.5										
+ Cash and cash equivalents		10.3										
-Minorities		0.0										
-Dividend/capital return		-8.6										
Equity value DCF		268										
Equity value DCF per share		5.8										

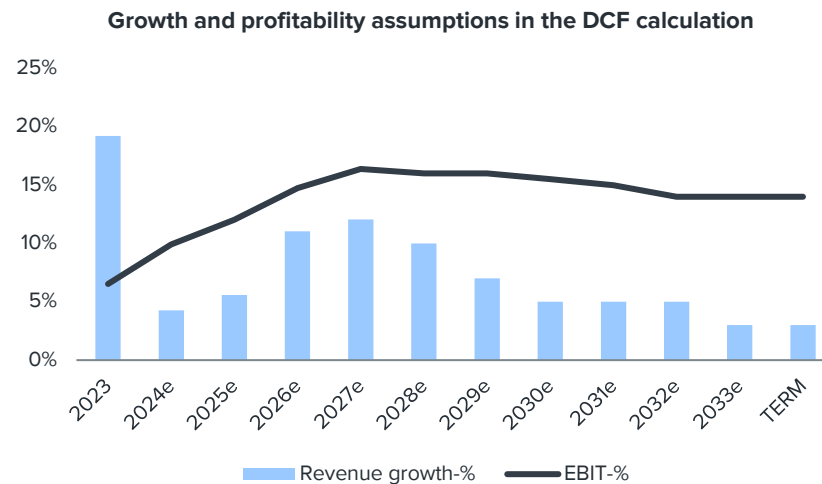
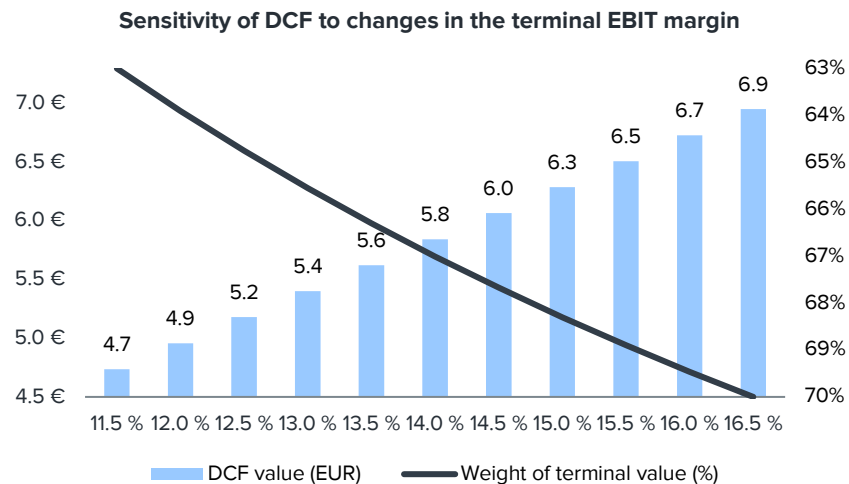
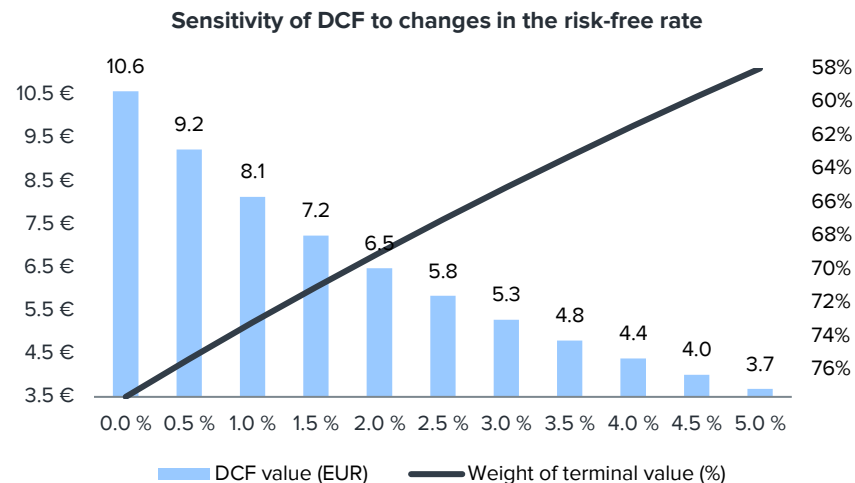
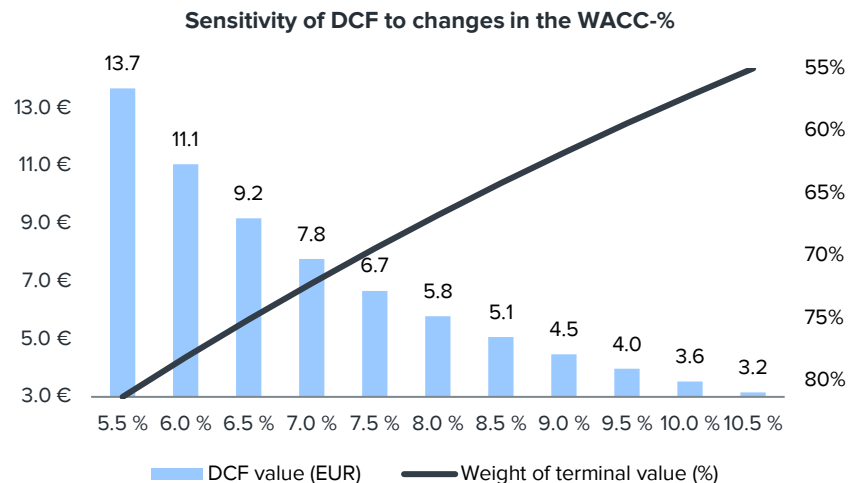
WACC	
Tax-% (WACC)	22.0 %
Target debt ratio (D/(D+E))	25.0 %
Cost of debt	4.5 %
Equity Beta	1.33
Market risk premium	4.75%
Liquidity premium	0.70%
Risk free interest rate	2.5 %
Cost of equity	9.5 %
Weighted average cost of capital (WACC)	8.0 %

Source: Inderes

Cash flow distribution



DCF sensitivity calculations and key assumptions in graphs



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

Summary

Income statement	2021	2022	2023	2024e	2025e	Per share data	2021	2022	2023	2024e	2025e
Revenue	82.8	102.1	121.7	126.9	134.0	EPS (reported)	0.25	0.27	0.07	0.13	0.19
EBITDA	27.7	32.4	31.9	35.6	39.7	EPS (adj.)	0.25	0.27	0.14	0.14	0.19
EBIT	14.8	15.3	8.0	12.6	16.1	OCF / share	0.66	0.68	0.68	0.62	0.78
PTP	14.0	14.6	4.3	8.0	11.7	FCF / share	-0.26	-0.31	-0.32	0.02	0.20
Net Income	10.8	11.8	3.4	6.0	9.0	Book value / share	1.02	1.26	1.23	1.16	1.19
Extraordinary items	0.0	0.0	-3.2	-0.5	0.0	Dividend / share	0.17	0.18	0.19	0.15	0.17
Balance sheet	2021	2022	2023	2024e	2025e	Growth and profitability	2021	2022	2023	2024e	2025e
Balance sheet total	117.7	156.3	175.7	181.5	186.5	Revenue growth-%	27%	23%	19%	4%	6%
Equity capital	44.7	56.0	55.8	53.3	55.4	EBITDA growth-%	19%	17%	-2%	12%	11%
Goodwill	37.3	55.0	66.6	68.6	70.6	EBIT (adj.) growth-%	15%	3%	-27%	18%	23%
Net debt	39.2	54.1	75.2	86.3	87.2	EPS (adj.) growth-%	11%	8%	-46%	-1%	36%
Cash flow	2021	2022	2023	2024e	2025e	EBITDA-%	33.4 %	31.7 %	26.2 %	28.1 %	29.6 %
EBITDA	27.7	32.4	31.9	35.6	39.7	EBIT (adj.)-%	17.8 %	15.0 %	9.1 %	10.3 %	12.0 %
Change in working capital	3.3	0.2	0.6	-4.1	0.4	EBIT-%	17.8 %	15.0 %	6.5 %	9.9 %	12.0 %
Operating cash flow	28.9	30.4	31.1	28.4	36.4	ROE-%	28.1 %	23.4 %	6.0 %	11.1 %	16.6 %
CAPEX	-41.9	-44.9	-43.5	-28.8	-27.0	ROI-%	18.0 %	13.9 %	6.1 %	8.7 %	10.7 %
Free cash flow	-11.3	-13.8	-14.6	0.9	9.4	Equity ratio	38.2 %	35.9 %	31.8 %	29.4 %	29.8 %
						Gearing	87.7 %	96.6 %	134.7 %	161.9 %	157.3 %
Valuation multiples	2021	2022	2023	2024e	2025e						
EV/S	6.7	4.6	2.9	2.0	1.9						
EV/EBITDA	19.9	14.6	11.2	7.1	6.4						
EV/EBIT (adj.)	37.4	31.1	32.1	19.3	15.9						
P/E (adj.)	47.5	35.4	43.2	25.4	18.7						
P/B	11.5	7.5	5.0	3.1	3.0						
Dividend-%	1.5 %	1.9 %	3.1 %	4.1 %	4.7 %						

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)

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

Date	Recommendation	Target	Share price
7/24/2019	Accumulate	6.00 €	5.68 €
7/30/2019	Accumulate	6.33 €	6.02 €
10/22/2019	Accumulate	6.33 €	5.67 €
1/8/2020	Reduce	7.33 €	7.42 €
2/4/2020	Reduce	7.00 €	6.97 €
2/26/2020	Accumulate	6.80 €	6.40 €
4/1/2020	Reduce	6.00 €	5.88 €
4/28/2020	Accumulate	7.50 €	7.14 €
6/15/2020	Reduce	8.20 €	8.20 €
8/4/2020	Reduce	9.00 €	9.32 €
10/27/2020	Reduce	10.00 €	10.20 €
11/19/2020	Reduce	12.00 €	12.20 €
2/9/2021	Reduce	12.00 €	12.50 €
3/2/2021	Accumulate	12.00 €	11.15 €
4/27/2021	Reduce	14.00 €	14.12 €
8/3/2021	Reduce	16.00 €	16.72 €
10/1/2021	Accumulate	15.00 €	13.98 €
11/2/2021	Accumulate	15.50 €	14.50 €
12/17/2021	Accumulate	13.50 €	11.92 €
2/9/2022	Buy	12.00 €	9.84 €
4/13/2022	Buy	12.00 €	9.99 €
4/27/2022	Buy	12.00 €	10.00 €
8/3/2022	Reduce	12.50 €	12.30 €
10/26/2022	Reduce	9.50 €	9.39 €
2/1/2023	Reduce	9.00 €	9.09 €
3/27/2023	Accumulate	9.00 €	7.69 €
4/21/2023	Accumulate	8.80 €	7.88 €
7/24/2023	Accumulate	8.00 €	6.96 €
10/13/2023	Buy	6.00 €	4.65 €
10/23/2023	Buy	6.00 €	4.70 €
12/28/2023	Accumulate	6.50 €	6.03 €
2/2/2024	Reduce	6.30 €	6.20 €
3/19/2024	Buy	6.30 €	5.18 €
4/19/2024	Accumulate	6.30 €	5.60 €
7/22/2024	Accumulate	6.00 €	5.28 €
8/20/2024	Buy	5.60 €	4.38 €
10/10/2024	Buy	5.30 €	4.34 €
11/1/2024	Buy	5.20 €	3.63 €



Inderes democratizes investor information by connecting investors and listed companies.

We help over 400 listed companies better serve investors. Our investor community is home to over 70,000 active members.

We build solutions for listed companies that enable frictionless and effective investor relations. For listed companies, we offer Commissioned Research, IR Events, AGMs, and IR Software.

Inderes is listed on the 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

**Connecting investors
and listed companies.**