Enento Group

Company report

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Inderes corporate customer

This report is a summary translation of the report “Korkojen lasku ei näy vielä kysynnässä” published on 10/30/2024 at 8:10 am EET.

Fall in interest rates not yet reflected in demand

Enento's Q3 results were largely in line with our expectations. Despite the recent decline in interest rates, the company has yet to see signs of a recovery in its operating environment. This should eventually be reflected in the company's demand outlook, but at the same time there will be a headwind next year from likely regulatory changes in Sweden. The big picture of our forecasts is unchanged, but we have slightly increased our one-off forecasts for the coming years. We reiterate our EUR 19.0 target price and Reduce recommendation.

Sluggish performance in line with expectations

Enento's revenue decreased by around 1% to 36.8 MEUR, broadly in line with our forecasts. Overall, segment performance was also in line with our expectations: Consumer Insight revenue continued to decline sharply (-7%) due to weak demand for consumer credit information services, while Business Insight was more stable with a slight increase (+3%). Enento's Q3 adjusted EBIT was 10.9 MEUR, also in line with our forecast (11.0 MEUR). Profitability came under pressure mainly from lower volumes and a weaker sales mix (lower gross margin in growing new products than in credit information services). In view of these profitability pressures, the company managed to protect profitability reasonably well and also reached the target run-rate level of 10 MEUR during the quarter.

No signs of recovery in the outlook yet

Enento reiterated its guidance for the full year of declining revenue and an improving trend in H2. The outlook has stabilized, but the company has not yet seen a real recovery in the demand environment, despite the recent decline in interest rates. The outlook for next year remains rather foggy. On the one hand, the fall in interest rates should support the company's demand outlook, but on the other hand, the regulatory changes that are expected in the Swedish market to prevent overleveraging (including a tightening of the interest rate ceiling) will, in our view, put pressure on the recovery in the Swedish credit market. However, we expect the company to return to growth next year in terms of revenue (2025e: +4 %, 158 MEUR) and earnings (adj. EBIT: 44.2 MEUR, 27.9% of revenue).

Risk/reward ratio at a neutral level

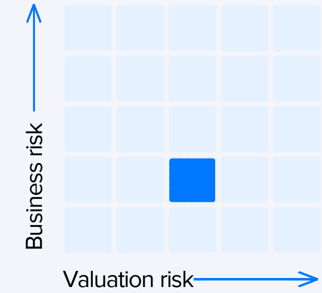
Enento's adjusted EV/EBIT multiples for 2024-2025 are 14x-13x and the corresponding P/E multiples are 21x-17x (P/E multiples adjusted for PPA depreciation only). We think multiples are tight for this year, but next year in particular, the P/E ratio will come down as operating earnings improve, one-offs decline slightly, and financing costs come down. We do not see significant upside in multiples next year, as they also require a significant recovery in the operating environment. We believe the decrease in interest rates is promising for the company, as the company benefits from this with a leverage through an improved demand outlook and the indebted capital structure. At the same time, however, possible new regulatory changes can take the sharpest edge of the recovery in the Swedish businesses. A dividend yield of just over 5% supports the expected return on the stock, even if the company's weak free cash flow (including interest expenses) in the current year is not enough to cover a dividend of EUR 1.0 per share. We expect free cash flow to pick up next year, but overall we still see the risk/reward of the stock as broadly neutral. We see an M&A option in a stock, but as always, the probability of this is difficult to assess and we do not rely on this in our view.

Recommendation

Reduce
(was Reduce)

EUR 19.00
(was EUR 19.00)

Share price:
18.72



Key figures

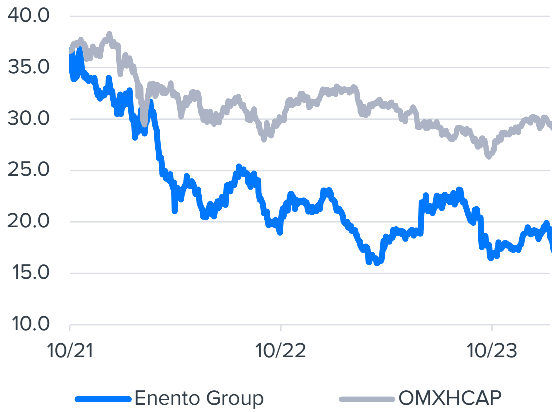
	2023	2024e	2025e	2026e
Revenue	155.9	152.0	158.4	165.5
growth-%	-7%	-2%	4%	5%
EBIT adj.	46.0	41.4	44.2	47.6
EBIT-% adj.	29.5 %	27.2 %	27.9 %	28.8 %
Net Income	17.6	15.1	19.4	25.5
EPS (adj.)	1.05	0.91	1.08	1.34
P/E (adj.)	18.5	20.6	17.3	14.0
P/B	1.6	1.6	1.6	1.6
Dividend yield-%	5.1 %	5.3 %	5.3 %	5.6 %
EV/EBIT (adj.)	13.4	14.2	13.3	12.1
EV/EBITDA	12.1	12.5	11.3	9.9
EV/S	3.9	3.9	3.7	3.5

Source: Inderes

Guidance (Unchanged)

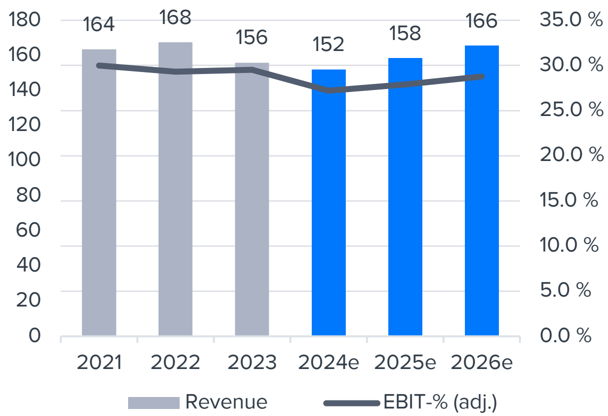
Enento's year-on-year revenue development is expected to improve in the second half of the financial year compared to the development in the first half of the year. For the full year 2024, Enento expects revenue to decline compared to 2023 (at comparable exchange rates and excluding the impact from the discontinued Tambur service).

Share price



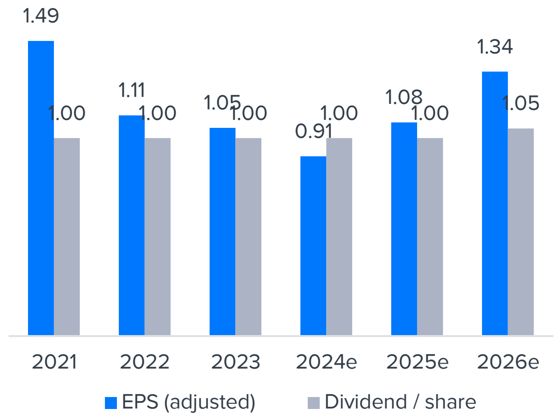
Source: Millistream Market Data AB

Revenue and EBIT-%



Source: Inderes

EPS and dividend



Source: Inderes

Value drivers

- Steady growth and strong profitability
- Stable cash flow enables investments for growth
- Well-known and respected brands in the Nordic countries
- Mainly defensive income streams
- Potential longer-term efficiency gains from building the new technology platform
- M&A option (potential buyer and target)

Risk factors

- In the short term, the growth outlook is weak in a challenging market environment
- Dependence on the Nordic banking sector
- Failure to build a unified technology platform
- Regulatory changes can lead to changes in the operating environment

Valuation	2024e	2025e	2026e
Share price	18.7	18.7	18.7
Number of shares, millions	23.6	23.6	23.6
Market cap	442	442	442
EV	589	587	579
P/E (adj.)	20.6	17.3	14.0
P/E	29.3	22.8	17.3
P/B	1.6	1.6	1.6
P/S	2.9	2.8	2.7
EV/Sales	3.9	3.7	3.5
EV/EBITDA	12.5	11.3	9.9
EV/EBIT (adj.)	14.2	13.3	12.1
Payout ratio (%)	156.7 %	121.7 %	97.1 %
Dividend yield-%	5.3 %	5.3 %	5.6 %

Source: Inderes

Expected development

Revenue developed in line with our estimates

As expected, Enento's reported revenue decreased by 1% to 36.8 MEUR, in line with our expectations. Currency movements had a modest positive impact on growth, as comparable revenue declined slightly more than 2%.

As expected, the decline was again in the Consumer Insight business area, where revenue decreased by around 7% in reported currencies to 15.4 MEUR. The decline continues to be driven by weak demand for consumer credit information services, particularly in Sweden, although demand for these services is also sluggish in Finland. Demand collapsed at the end of the comparison period (September 2023) and thus the start of the comparison period was still reasonable, reflecting the still clearly declining revenue. In addition to the weak demand environment, the Swedish market is undergoing structural changes as lenders and brokers exit the market. This, together with the proposed tightening of the interest rate cap regulation, among other things, also contributes to the uncertainty in forecasting the future development of the market.

In Business Insight, as expected, the development was much smoother, with revenue increasing 3% in reported currencies to 21.5 MEUR. Within the business area, the Enterprise and Premium businesses were stable. Growth was driven by the Freemium business, especially in Norway. In Norway, revenue grew around 10% in euro terms, a positive exception amid other challenges. However, on a group-wide scale, business here is still small (Q3 revenue: 2.2 MEUR).

The share of new services (those launched in the last 36 months) grew strongly and accounted for 16.6% of revenue (Q2'23: 12.9%). This signals successful product launches, but also legacy downsizing.

Pressure on profitability as expected

In Q3, Enento achieved an adjusted EBITDA of 13.8 MEUR (Q3'23: 14.5 MEUR). Adjusted EBIT amounted to 10.9 MEUR (Q3'23: 11.8 MEUR), which corresponds to an EBIT margin of 29.7% (Q3'23: 31.5%). Operating earnings came in slightly below our forecasts, but the miss was slightly larger for consensus estimates. The decrease in profitability was due to lower volumes and a weaker revenue mix (higher variable costs in new services versus consumer credit information services), which negatively impacted the gross margin. Profitability also suffers from the rising cost of data acquisition, especially in Finland. At the same time, profitability is supported by the company's efficiency program, which has achieved more than 100% of the targeted 10 MEUR run-rate savings by the end of the quarter.

Reported EBIT amounted to 7.2 MEUR, which was below our forecast (7.5 MEUR) in absolute terms as much as the corresponding adjusted figure. Reported earnings per share (EUR 0.18), however, exceeded our forecasts by one cent due to lower-than-expected taxes.

Second installment of the dividend paid

Enento also announced that the Board of Directors has decided to pay the second installment of the current year's dividend. The second installment was already included in our forecasts.

Estimates	Q3'23	Q3'24	Q3'24e	Q3'24e	Consensus		Difference (%)	2024e
MEUR / EUR	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. inderes	Inderes
Revenue	37.3	36.8	37.0	37.3	-	-	0%	152
EBITDA (adj.)	14.5	13.8	14.1	14.6	-	-	-2%	53.7
EBIT (adj.)	11.8	10.9	11.0	11.5	-	-	-1%	41.4
EBIT	8.9	7.2	7.5	9.1	-	-	-4%	26.6
EPS (reported)	0.23	0.18	0.17	0.23	-	-	9%	0.64
Revenue growth-%	-7.8 %	-1.3 %	-0.9 %	-0.1 %	-		-0.5 pp	-2.5 %
EBIT-% (adj.)	31.5 %	29.7 %	29.8 %	30.8 %	-		-0.2 pp	27.2 %

Source: Inderes & Enento (6 forecasts, 10/15/2024) (consensus)

Enento Q3'24: Consumer confidence remained low

Falling interest rates have not yet translated into a pick-up in demand

Guidance unchanged as expected

Enento reiterated its guidance as expected. The company's year-on-year revenue development is expected to improve in the second half of the financial year compared to the development in the first half of the year. For the full year 2024, Enento expects revenue to decline compared to 2023 (at comparable exchange rates and excluding the impact from the discontinued Tambur service).

No signs of recovery in the outlook yet

The outlook has continued to show signs of stabilization, but there are still no signs of a real recovery, despite the recent decline in interest rates.

Especially for consumer credit information services in Sweden, there is still considerable uncertainty about what will happen next year. For the time being, it appears that the introduction of a public credit register, which could be detrimental to the company, will not be introduced, which has removed a clear medium/long-term uncertainty. Final decisions on the matter are expected to be taken in November.

Instead of a credit register, Sweden is now proposing other means to prevent over-indebtedness: 1) Reduction of the interest rate cap from 40% to 20% 2) A cap on the cost of loans 3) Restrictions on the extension of the maturity of loans 4) Increased transparency in marketing 5) Elimination of the tax deduction for interest. In our view, the proposed measures are quite significant and could have a significant impact on the Swedish credit market in the medium term. The impact is clear, especially for high interest unsecured loans, but we do not believe that Enento (UC in Sweden) is overrepresented in these. On the other hand, the abolition of the tax deduction for consumer credit in particular will have an impact on the development of the credit market as a whole. We also expect that changing regulation will have a negative impact on Enento, at least in the short term. However, the company itself stressed that the improved regulatory visibility (the removal of the public register from the debate) will increase the company's ability and willingness to develop and invest in its consumer credit business and the quality of its services in the long term.

At the same time, however, the decline in interest rates should support consumer purchasing power and economic activity in general in both Sweden and Finland. Thus, there is still clear discord in the outlook.

We increased our forecasts for one-off expenses

Based on the report, we made small negative revisions to our earnings estimates. Our adjusted earnings forecasts are largely unchanged, but we have increased the one-offs for the coming years (especially 2025) as the IT consolidation project has been slightly delayed until the middle of next year.

Estimate revisions	2024e	2024e	Change	2025e	2025e	Change	2026e	2026e	Change
MEUR / EUR	Old	New	%	Old	New	%	Old	New	%
Revenue	152	152	0%	158	158	0%	165	166	0%
EBITDA	47.4	46.9	-1%	55.6	51.9	-7%	60.3	58.7	-3%
EBIT (exc. NRIs)	41.3	41.4	0%	44.3	44.2	0%	48.3	47.6	-1%
EBIT	26.6	26.6	0%	34.4	31.5	-9%	39.4	38.0	-3%
PTP	18.8	19.1	2%	27.5	24.7	-10%	33.7	32.4	-4%
EPS (excl. NRIs)	0.89	0.91	2%	1.18	1.08	-8%	1.38	1.34	-3%
DPS	1.00	1.00	0%	1.00	1.00	0%	1.05	1.05	0%

Source: Inderes

Falling interest rates have not yet translated into a pick-up in demand

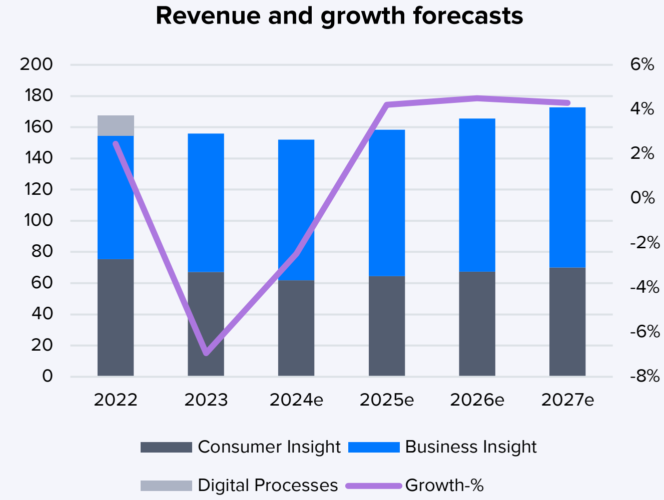
Profitability still a headwind

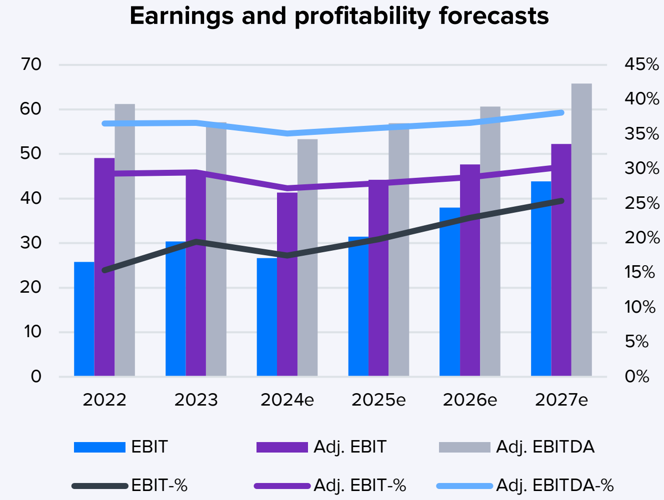
Enento already reported in Q2 that it sees significant cost inflation for the rest of the year and the outlook for this remains unchanged. Cost inflation is driven by, among other things, higher data acquisition costs (with a slight lag in price increases), wage inflation and higher marketing costs (particularly concentrated in Q4). Given these factors and weak demand, we expect earnings and profitability to remain under significant pressure for the remainder of the year.

Estimates for 2024-2025

We expect Enento's revenue to decline by 2.5% this year to 152 MEUR. In line with guidance, we expect H2 performance to be better than H1. Our forecasts see Enento returning to slight growth in Q4 (+1%) against a weak comparison period. We expect adjusted EBIT to decrease to 41.4 MEUR this year (2023: 46.0 MEUR), which would result in an adjusted EBIT margin of 27.2%. Reported EBIT is in our forecasts at 26.6 MEUR, burdened by one-off items (forecast at just under 7 MEUR) and non-cash PPA depreciation (forecast at around 8 MEUR).

We expect Enento to return to growth in 2025 after a few challenging years. There are still significant uncertainties surrounding the growth rate, including the impact of falling interest rates and Swedish regulation. We expect Enento's revenue to grow by approximately 4% to 158 MEUR and adjusted EBIT to reach 44.2 MEUR (27.9% of revenue). Reported EBIT is forecast at 31.5 MEUR, burdened by one-off items (forecast around 5 MEUR) and non-cash PPA depreciation (forecast just under 8 MEUR).





Valuation

Valuation multiples not particularly attractive

Given the stable and mature nature of Enento's business, we opt for earnings-based adjusted EV/EBIT and P/E multiples for valuation. The usefulness of the EV/EBIT multiple is supported by the fact that it takes into account Enento's significant net debt. The P/E ratio is also worth looking at, as it considers the bottom lines of the income statement, especially now that financial costs have risen significantly. It is good to note that adjusted EBIT excludes the company's one-off items (adjusted P/E does not and is more useful in that sense).

We forecast Enento's adjusted P/E ratios for 2024-2025 to be 21x-17x and the corresponding adjusted EV/EBIT multiples to be 14x-13x. In particular, we believe that the P/E ratio for the current year is tight due to high financing costs and one-offs. With an improvement in operating income, a moderate decline in financing expenses and a reduction in one-off items, the valuation will already fall to a much more moderate level. However, we do not see significant upside in multiples for next year, as they also require a significant recovery in the operating environment.

The dividend yield of just over 5% supports the valuation, although the company's free cash flow for the current year (including interest - the company itself reports operating free cash flow excluding interest) does not cover the EUR 1.0 per share dividend to be paid this year. However, we expect free cash flow to improve significantly next year, when cash flow should also be well sufficient to cover the EUR 1.0 dividend per share (free cash flow yield 5-6%).

DCF model supports valuation

We also rely on the DCF model, which in the big picture is still very useful due to Enento's highly predictable cash flows. Our DCF model indicates a share value of EUR 21.2. The upside range implied by the model is relatively modest, as it assumes a fairly strong improvement in cash flow performance in the coming years. The cost of equity in our model is set at 9.0% and WACC at 8.1, which we believe is a reasonable level in the current interest rate environment.

We consider the risk/reward ratio neutral

In our view, the expected return on Enento's share is based on organic earnings growth (adj. EBIT growth in the next few years: 8%) and a dividend (~5%). At the same time, we believe that the impact of earnings growth will be partly buried in the current elevated multiples. In our view, Enento's stock offers an expected return over the next few years that is roughly in line with the required return, and we therefore view the risk/reward of the stock as neutral. We see an M&A opportunity in the stock, although we would not advise investors to rely too heavily on that alone.

We continue to view the company as high quality, but the perception of the company's defensive business model has been tested in recent years. Therefore, 2025 will be an important showcase year for the company and it would be important for the company to be able to return to profitable growth.

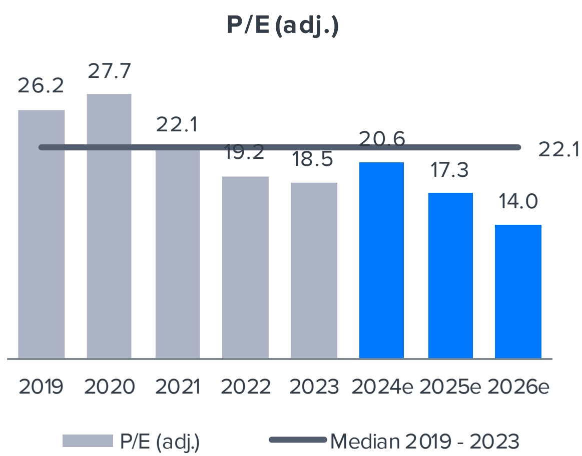
Valuation	2024e	2025e	2026e
Share price	18.7	18.7	18.7
Number of shares, millions	23.6	23.6	23.6
Market cap	442	442	442
EV	589	587	579
P/E (adj.)	20.6	17.3	14.0
P/E	29.3	22.8	17.3
P/B	1.6	1.6	1.6
P/S	2.9	2.8	2.7
EV/Sales	3.9	3.7	3.5
EV/EBITDA	12.5	11.3	9.9
EV/EBIT (adj.)	14.2	13.3	12.1
Payout ratio (%)	156.7 %	121.7 %	97.1 %
Dividend yield-%	5.3 %	5.3 %	5.6 %

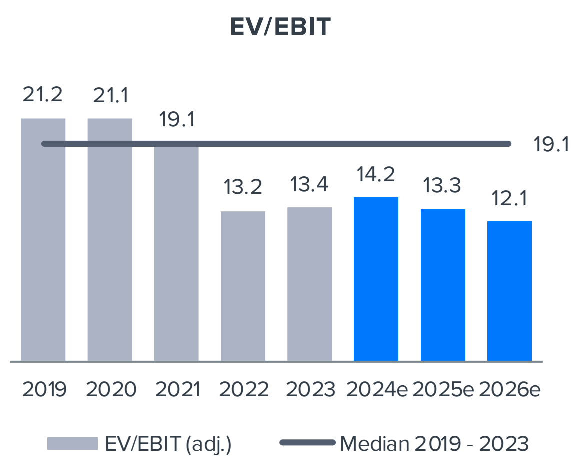
Source: Inderes

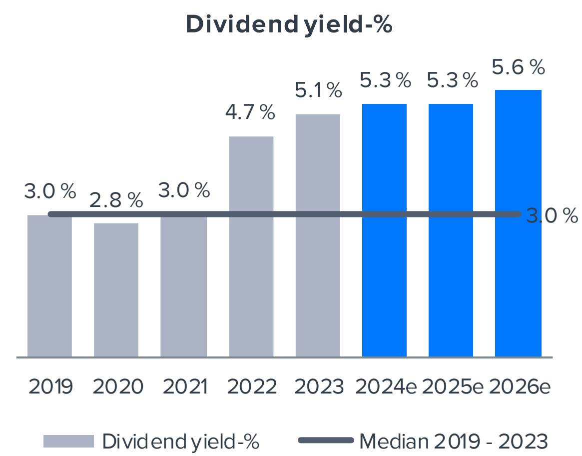
Valuation table

Valuation	2019	2020	2021	2022	2023	2024e	2025e	2026e	2027e
Share price	31.5	33.6	33.0	21.4	19.5	**18.7**	**18.7**	**18.7**	**18.7**
Number of shares, millions	24.0	24.0	24.0	24.0	23.8	**23.6**	**23.6**	**23.6**	**23.6**
Market cap	756	807	793	514	464	**442**	**442**	**442**	**442**
EV	904	950	935	646	615	**589**	**587**	**579**	**569**
P/E (adj.)	26.2	27.7	22.1	19.2	18.5	**20.6**	**17.3**	**14.0**	**12.3**
P/E	38.3	41.5	30.7	29.6	26.4	**29.3**	**22.8**	**17.3**	**14.7**
P/B	2.4	2.6	2.5	1.7	1.6	**1.6**	**1.6**	**1.6**	**1.6**
P/S	5.2	5.3	4.9	3.1	3.0	**2.9**	**2.8**	**2.7**	**2.6**
EV/Sales	6.2	6.3	5.7	3.9	3.9	**3.9**	**3.7**	**3.5**	**3.3**
EV/EBITDA	18.7	19.3	16.1	11.6	12.1	**12.5**	**11.3**	**9.9**	**8.8**
EV/EBIT (adj.)	21.2	21.1	19.1	13.2	13.4	**14.2**	**13.3**	**12.1**	**10.9**
Payout ratio (%)	115.6 %	117.3 %	92.9 %	138.5 %	135.5 %	**156.7 %**	**121.7 %**	**97.1 %**	**86.2 %**
Dividend yield-%	3.0 %	2.8 %	3.0 %	4.7 %	5.1 %	**5.3 %**	**5.3 %**	**5.6 %**	**5.9 %**

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**	**2024e**	**2025e**	**2024e**	**2025e**	**2024e**	**2025e**	**2024e**	**2025e**	**2024e**	**2025e**	**2024e**
Dun & Bradstreet	4435	7578	10.2	9.6	8.7	8.2	3.4	3.3	10.6	9.7	3.4	3.4	1.4
Fair Isaac Corp	45256	47071	59.8	48.4	56.2	46.0	29.7	25.8	84.2	67.1			
Equifax Inc	30937	35701	29.9	23.2	20.9	17.1	6.8	5.9	37.0	28.6	0.6	0.6	6.6
Experian Plc	42654	46435	26.6	24.4	20.5	18.8	7.1	6.6	34.6	31.7	1.2	1.3	10.2
TransUnion	18678	22977	34.8	25.3	16.6	14.8	6.0	5.5	26.4	22.6	0.4	0.5	4.6
Moody's Corp	77403	81508	29.4	27.2	26.5	24.5	12.7	11.9	38.5	35.0	0.8	0.8	21.7
Intrum AB	393	4841	12.2	11.0	7.1	7.5	3.0	3.0	8.2	5.8			0.3
Credit Corp Group Ltd	729	959	13.2	9.2	11.6	8.8	3.3	2.8	17.0	12.6	2.9	4.0	1.5
Kruk S.A.	1908	3136	9.1	8.2	7.8	7.9	4.6	4.3	7.4	7.4	4.2	4.6	1.8
Alma Media	923	1062	13.9	13.1	11.6	10.8	3.4	3.2	16.7	15.9	4.1	4.2	3.6
F-Secure	355	524	10.9	10.5	9.9	9.2	3.6	3.4	12.6	11.7	3.4	3.9	6.5
Enento Group (Inderes)	**442**	**589**	**14.2**	**13.3**	**12.5**	**11.3**	**3.9**	**3.7**	**20.6**	**17.3**	**5.3**	**5.3**	**1.6**
Average			**22.7**	**19.1**	**17.9**	**15.8**	**7.6**	**6.9**	**26.6**	**22.5**	**2.3**	**2.6**	**5.8**
Median			**13.9**	**13.1**	**11.6**	**10.8**	**4.6**	**4.3**	**17.0**	**15.9**	**2.9**	**3.4**	**4.1**
Diff-% to median			***2%***	***1%***	***8%***	***5%***	***-16%***	***-13%***	***21%***	***9%***	***85%***	***59%***	***-61%***

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	**168**	**40.0**	**39.7**	**37.3**	**38.9**	**156**	**37.3**	**38.5**	**36.8**	**39.5**	**152**	**158**	**166**	**173**
Business Insight	92.1	22.4	22.8	20.9	22.6	88.6	22.2	23.0	21.5	23.5	90.1	93.9	98.1	103
Consumer Insight	75.4	17.6	16.8	16.5	16.3	67.3	15.1	15.4	15.4	16.0	61.9	64.5	67.4	70.1
Adjusted EBITDA	**61.2**	**14.7**	**14.5**	**14.5**	**13.4**	**57.1**	**12.4**	**14.1**	**13.8**	**13.0**	**53.4**	**56.9**	**60.7**	**65.8**
Depreciation	-29.8	-5.2	-5.1	-5.1	-5.3	-20.6	-5.1	-5.3	-5.0	-4.9	-20.3	-20.4	-20.7	-21.0
EBIT (excl. NRI)	**49.1**	**12.0**	**11.8**	**11.8**	**10.5**	**46.0**	**9.4**	**10.9**	**10.9**	**10.1**	**41.4**	**44.2**	**47.6**	**52.2**
EBIT	**25.8**	**6.9**	**8.7**	**8.9**	**5.9**	**30.4**	**5.2**	**7.8**	**7.2**	**6.4**	**26.6**	**31.5**	**38.0**	**43.8**
Konserni	25.8	6.9	8.7	8.9	5.9	30.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Share of profits in assoc. compan.	-0.9	-0.3	-0.2	-0.1	-0.2	-0.8	-0.2	-0.1	-0.1	-0.2	-0.6	-0.6	-0.6	-0.6
Net financial items	-2.7	-1.3	-1.4	-1.9	-2.8	-7.4	-1.2	-2.1	-2.0	-1.7	-7.0	-6.2	-5.0	-5.0
PTP	**22.1**	**5.3**	**7.1**	**6.9**	**2.9**	**22.2**	**3.9**	**5.6**	**5.1**	**4.5**	**19.1**	**24.7**	**32.4**	**38.3**
Taxes	-4.8	-1.1	-1.5	-1.5	-0.7	-4.7	-0.8	-1.3	-0.9	-1.0	-4.0	-5.3	-6.9	-8.2
Net earnings	**17.4**	**4.3**	**5.6**	**5.4**	**2.2**	**17.6**	**3.1**	**4.4**	**4.2**	**3.4**	**15.1**	**19.4**	**25.5**	**30.1**
EPS (adj.)	**1.11**	**0.26**	**0.31**	**0.31**	**0.17**	**1.05**	**0.20**	**0.26**	**0.24**	**0.21**	**0.91**	**1.08**	**1.34**	**1.52**
EPS (rep.)	**0.72**	**0.18**	**0.24**	**0.23**	**0.09**	**0.74**	**0.13**	**0.19**	**0.18**	**0.15**	**0.64**	**0.82**	**1.08**	**1.28**

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-%	2.5 %	-1.7 %	-8.7 %	-7.8 %	-9.3 %	-6.9 %	-6.8 %	-3.0 %	-1.3 %	1.4 %	-2.5 %	4.2 %	4.5 %	4.3 %
Adjusted EBIT growth-%	0.2 %	26.6 %	-7.8 %	-13.4 %	-20.9 %	-6.3 %	-21.7 %	-7.5 %	-7.1 %	-3.5 %	-10.2 %	6.9 %	7.8 %	9.6 %
EBITDA-%	33.2 %	30.4 %	34.7 %	37.6 %	28.6 %	32.7 %	27.7 %	34.2 %	33.2 %	28.5 %	30.9 %	32.8 %	35.4 %	37.5 %
Oikaistu käyttökate-%	36.6 %	36.8 %	36.5 %	38.9 %	34.4 %	36.6 %	33.3 %	36.7 %	37.5 %	33.0 %	35.1 %	35.9 %	36.6 %	38.1 %
Adjusted EBIT-%	29.3 %	29.9 %	29.8 %	31.5 %	27.0 %	29.5 %	25.1 %	28.4 %	29.7 %	25.7 %	27.2 %	27.9 %	28.8 %	30.3 %
Net earnings-%	10.4 %	10.7 %	14.2 %	14.5 %	5.7 %	11.3 %	8.2 %	11.4 %	11.3 %	8.7 %	9.9 %	12.2 %	15.4 %	17.4 %

Source: Inderes

Balance sheet

Assets	2022	2023	2024e	2025e	2026e
Non-current assets	**449**	**443**	**434**	**428**	**422**
Goodwill	341	341	341	341	341
Intangible assets	98.0	88.7	80.4	74.9	69.9
Tangible assets	6.1	10.5	10.0	8.9	8.1
Associated companies	3.9	3.2	3.2	3.2	3.2
Other investments	0.0	0.0	0.0	0.0	0.0
Other non-current assets	0.0	0.1	0.0	0.0	0.0
Deferred tax assets	0.0	0.0	0.0	0.0	0.0
Current assets	**50.3**	**47.0**	**40.1**	**44.8**	**46.5**
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	29.5	29.7	26.5	27.4	28.3
Cash and equivalents	20.8	17.4	13.7	17.4	18.2
Balance sheet total	**499**	**490**	**474**	**473**	**469**

Source: Inderes

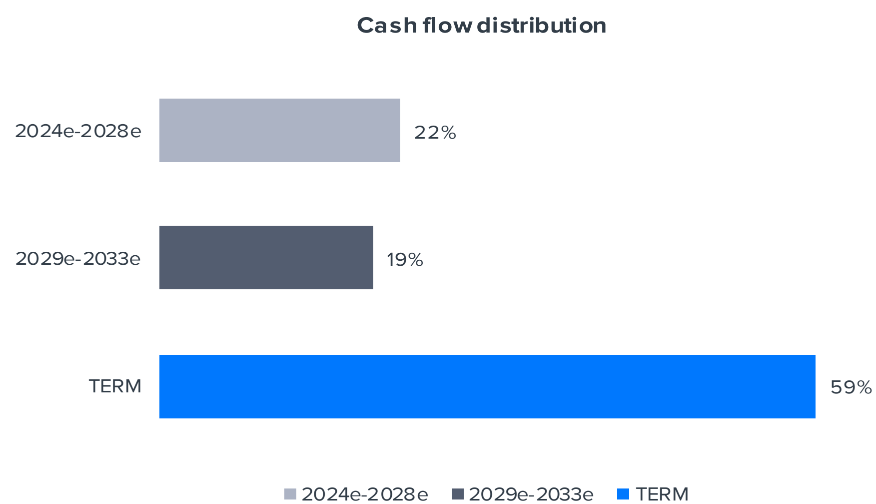
Liabilities & equity	2022	2023	2024e	2025e	2026e
Equity	**295**	**283**	**274**	**270**	**272**
Share capital	0.1	0.1	0.1	0.1	0.1
Retained earnings	38.3	55.8	47.1	42.9	44.8
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	0.0	0.0	0.0	0.0	0.0
Other equity	256	227	227	227	227
Minorities	0.0	0.0	0.0	0.0	0.0
Non-current liabilities	**169**	**170**	**164**	**167**	**162**
Deferred tax liabilities	18.0	15.6	15.6	15.6	15.6
Provisions	0.1	0.4	0.0	0.0	0.0
Interest bearing debt	151	154	148	151	146
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	**34.9**	**37.0**	**36.5**	**35.7**	**35.1**
Interest bearing debt	1.4	2.6	4.6	3.1	1.5
Payables	33.5	34.4	31.9	32.6	33.6
Other current liabilities	0.0	0.0	0.0	0.0	0.0
Balance sheet total	**499**	**490**	**474**	**473**	**469**

DCF calculation

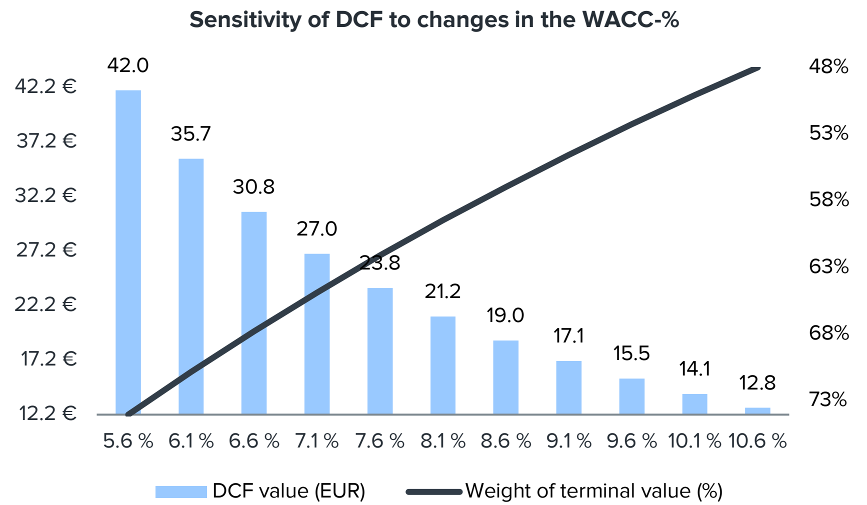
DCF model	2023	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	TERM
Revenue growth-%	-6.9 %	-2.5 %	4.2 %	4.5 %	4.3 %	3.9 %	3.8 %	3.7 %	3.7 %	3.5 %	2.2 %	2.2 %
EBIT-%	19.5 %	17.5 %	19.9 %	23.0 %	25.4 %	26.1 %	26.9 %	27.4 %	27.8 %	27.5 %	27.5 %	27.5 %
EBIT (operating profit)	**30.4**	**26.6**	**31.5**	**38.0**	**43.8**	**46.8**	**50.1**	**52.9**	**55.7**	**57.0**	**58.2**	
+ Depreciation	20.6	20.3	20.4	20.7	21.0	20.4	20.0	19.6	18.3	17.6	17.4	
- Paid taxes	-7.1	-4.0	-5.3	-6.9	-8.2	-9.0	-9.7	-10.3	-10.8	-11.1	-11.6	
- Tax, financial expenses	-1.5	-1.4	-1.3	-1.1	-1.1	-0.8	-0.8	-0.8	-0.8	-0.8	-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	0.7	0.7	-0.2	0.1	-0.3	0.4	0.2	0.2	0.2	0.2	0.1	
Operating cash flow	**43.2**	**42.2**	**45.0**	**50.8**	**55.3**	**57.7**	**59.8**	**61.6**	**62.5**	**62.8**	**63.6**	
+ Change in other long-term liabilities	0.3	-0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-15.9	-11.4	-13.9	-14.9	-16.0	-16.5	-16.8	-17.0	-17.0	-17.0	-17.0	
Free operating cash flow	**27.5**	**30.5**	**31.1**	**35.9**	**39.3**	**41.2**	**43.0**	**44.6**	**45.5**	**45.8**	**46.6**	
+/- Other	-5.0	-3.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	22.5	26.7	31.1	35.9	39.3	41.2	43.0	44.6	45.5	45.8	46.6	809
Discounted FCFF		**26.3**	**28.4**	**30.3**	**30.7**	**29.8**	**28.8**	**27.6**	**26.1**	**24.3**	**22.8**	**397**
Sum of FCFF present value		672	646	617	587	556	526	498	470	444	420	397
Enterprise value DCF		**672**										
- Interest bearing debt		-157.0										
+ Cash and cash equivalents		17.4										
-Minorities		0.0										
-Dividend/capital return		-23.8										
Equity value DCF		**501**										
Equity value DCF per share		**21.2**										

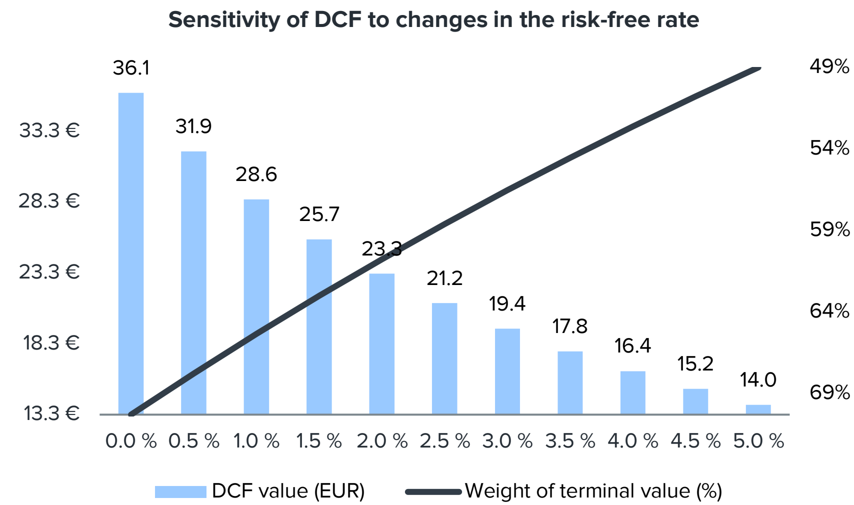
WACC	
Tax-% (WACC)	21.0 %
Target debt ratio (D/(D+E)	18.0 %
Cost of debt	5.0 %
Equity Beta	1.05
Market risk premium	4.75%
Liquidity premium	1.50%
Risk free interest rate	2.5 %
Cost of equity	**9.0 %**
Weighted average cost of capital (WACC)	**8.1 %**

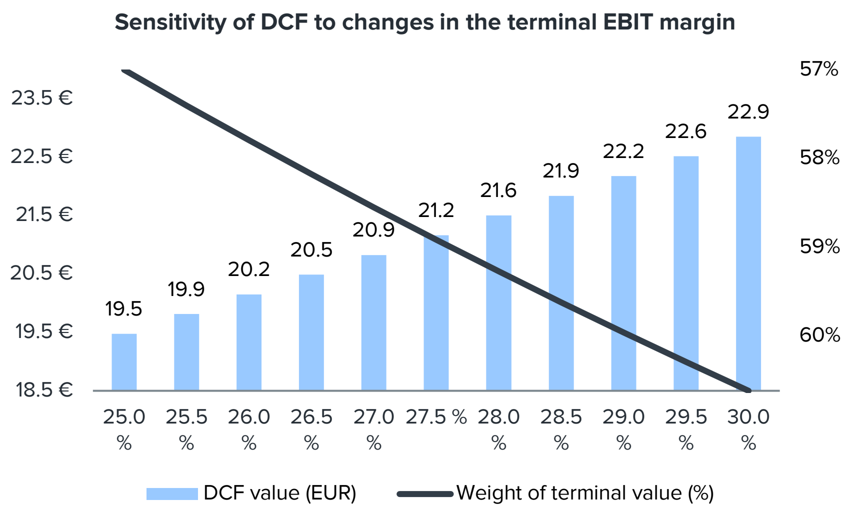
Source: Inderes

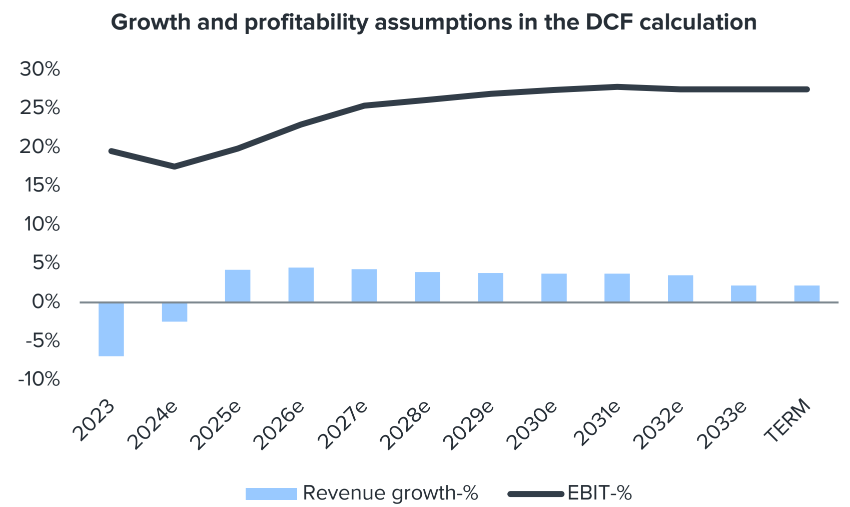


DCF sensitivity calculations and key assumptions in graphs









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

Summary

Income statement	2022	2023	2024e	2025e	2026e
Revenue	167.5	155.9	**152.0**	**158.4**	**165.5**
EBITDA	55.6	51.1	**46.9**	**51.9**	**58.7**
EBIT	25.8	30.4	**26.6**	**31.5**	**38.0**
PTP	22.1	22.2	**19.1**	**24.7**	**32.4**
Net Income	17.4	17.6	**15.1**	**19.4**	**25.5**
Extraordinary items	-23.4	-5.0	**-3.1**	**-2.8**	**-4.6**

Per share data	2022	2023	2024e	2025e	2026e
EPS (reported)	0.72	0.74	**0.64**	**0.82**	**1.08**
EPS (adj.)	1.11	1.05	**0.91**	**1.08**	**1.34**
OCF / share	1.76	1.82	**1.79**	**1.91**	**2.15**
FCF / share	2.18	0.95	**1.13**	**1.32**	**1.52**
Book value / share	12.27	11.89	**11.62**	**11.44**	**11.52**
Dividend / share	1.00	1.00	**1.00**	**1.00**	**1.05**

Balance sheet	2022	2023	2024e	2025e	2026e
Balance sheet total	499.1	490.3	**474.5**	**472.7**	**468.6**
Equity capital	294.9	282.9	**274.2**	**270.0**	**271.9**
Goodwill	340.7	340.9	**340.9**	**340.9**	**340.9**
Net debt	131.8	139.7	**139.1**	**137.0**	**129.2**

Growth and profitability	2022	2023	2024e	2025e	2026e
Revenue growth-%	2%	-7%	**-2%**	**4%**	**5%**
EBITDA growth-%	-4%	-8%	**-8%**	**11%**	**13%**
EBIT (adj.) growth-%	0%	-6%	**-10%**	**7%**	**8%**
EPS (adj.) growth-%	-25%	-6%	**-14%**	**19%**	**24%**
EBITDA-%	33.2 %	32.7 %	**30.9 %**	**32.8 %**	**35.4 %**
EBIT (adj.)-%	29.3 %	29.5 %	**27.2 %**	**27.9 %**	**28.8 %**
EBIT-%	15.4 %	19.5 %	**17.5 %**	**19.9 %**	**23.0 %**
ROE-%	5.7 %	6.1 %	**5.4 %**	**7.1 %**	**9.4 %**
ROI-%	5.3 %	6.7 %	**6.0 %**	**7.3 %**	**8.9 %**
Equity ratio	60.3 %	57.7 %	**57.8 %**	**57.1 %**	**58.0 %**
Gearing	44.7 %	49.4 %	**50.7 %**	**50.7 %**	**47.5 %**

Cash flow	2022	2023	2024e	2025e	2026e
EBITDA	55.6	51.1	**46.9**	**51.9**	**58.7**
Change in working capital	-3.2	0.7	**0.7**	**-0.2**	**0.1**
Operating cash flow	42.4	43.2	**42.2**	**45.0**	**50.8**
CAPEX	13.6	-15.9	**-11.4**	**-13.9**	**-14.9**
Free cash flow	52.3	22.5	**31.7**	**31.1**	**35.9**

Valuation multiples	2022	2023	2024e	2025e	2026e
EV/S	3.9	3.9	**3.9**	**3.7**	**3.5**
EV/EBITDA	11.6	12.1	**12.5**	**11.3**	**9.9**
EV/EBIT (adj.)	13.2	13.4	**14.2**	**13.3**	**12.1**
P/E (adj.)	19.2	18.5	**20.6**	**17.3**	**14.0**
P/B	1.7	1.6	**1.6**	**1.6**	**1.6**
Dividend-%	4.7 %	5.1 %	**5.3 %**	**5.3 %**	**5.6 %**

Source: Inderes

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

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Recommendation history (>12 mo)

Date	Recommendation	Target	Share price
9/1/2023	Accumulate	24.50 €	23.15 €
10/11/2023	Accumulate	21.00 €	18.22 €
10/30/2023	Buy	21.00 €	16.50 €
2/6/2024	Accumulate	21.00 €	19.34 €
2/12/2024	Accumulate	20.00 €	18.26 €
4/24/2024	Accumulate	19.00 €	16.82 €
7/17/2024	Accumulate	19.00 €	17.10 €
10/16/2024	Reduce	19.00 €	19.10 €
10/30/2024	Reduce	19.00 €	18.72 €

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