

Talenom

Company report

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

✓ Inderes corporate customer

This report is a summary translation of the report "Roomaa ei rakennettu päivässä" published on 2/2/2024 at 7:58 am EET

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Rome was not built in a day

We revise our target price for Talenom to EUR 6.3 (was EUR 6.5) and lower our recommendation to Reduce (was Accumulate). The Q4 result was a slight disappointment, especially in Sweden, but the 2024 guidance was well in line with our expectations. A return to the path of earnings growth is underway as profitability improves, but profitability leaps abroad still require time. We made slight negative adjustments to the forecasts for the next few years and believe that the stock is currently priced more or less correctly considering short-term weakness and great long-term potential.

Finland improved, Sweden did not

Talenom's revenue in Q4 grew by 12.8% to 29.7 MEUR exceeding our estimate slightly. As usual, about 2/3 of the growth came from acquisitions (Sweden and Spain) and about 1/3 organically from Finland. The Q4 EBITDA was at the level of the comparison period, i.e. 7.0 MEUR, and fell short of our expectations. The EBITDA margin continued to decline to 23.7% (Q4'22: 26.4%). The main reason for the earnings disappointment was that Sweden's EBITDA was again clearly negative, as software implementation apparently continued to increase costs (we believed the costs were already largely included). In Finland, the company's soft profitability measures (like recruitment restrictions) have yielded results and profitability was excellent for the seasonally weak period, and in Spain, the development was largely expected. In the big picture, the Q4 result was a slight disappointment for us, especially due to Sweden's weakness.

Guidance largely in line with our expectations

Talenom estimates that 2024 revenue will be about 130-140 MEUR, EBITDA 34-40 MEUR and EBIT 14-17 MEUR. The guidance met our expectations, as our forecasts were already within the ranges. The company said it intends to carry out only individual acquisitions this year in Spain and Italy, where the scale is still very small. As expected, the focus is on reviving profitability from the very weak level in 2023, and the company is building capacity to accelerate organic growth, especially in Sweden and Spain. The market hardly offers much tailwind in the bleak economic situation in Finland and Sweden. We consider the fact that the company's goal is to transfer at least 50% of regularly reporting customers to its own systems in Sweden this year a small disappointment on the road to internationalization. The pace is a degree slower than we would like to see and emphasizes that processes take a long time. We revised the earnings forecasts for 2024-2025 by some 3-5% downwards, but still find the big picture largely the same as in the recent [extensive report](#).

The share is roughly correctly priced

Talenom's 2024e P/E is 33x and EV/EBIT 24x, which are high in absolute terms but still reasonable considering the earnings potential. By 2025, visibility is still limited, to put it nicely, but with the predicted result, the multiples (P/E 22x and EV/EBIT 17x) are quite appealing. However, we believe it is too early to rely on these for the time being. As 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 also used the sum of the parts method, which now gave a value of around EUR 6.3 per share (was EUR 6.5). The change was mainly caused by the value of Finland with a very high weight decreasing slightly along with the 2024 earnings forecast. We see enormous long-term potential in Talenom, but it still takes time and patience to prove a success story abroad. This year, the foundation is still being laid in Sweden.

Recommendation

Reduce

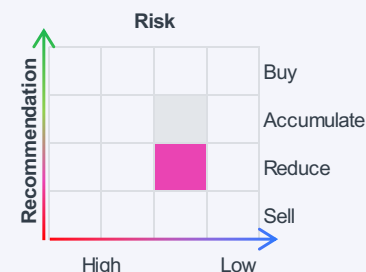
(previous Accumulate)

EUR 6.30

(previous EUR 6.50)

Share price:

6.20



Key figures

	2023	2024e	2025e	2026e
Revenue	122	135	152	173
growth-%	19%	11%	12%	13%
EBIT adj.	11.1	15.3	21.4	27.8
EBIT-% adj.	9.1 %	11.3 %	14.0 %	16.1 %
Net Income	3.4	8.6	13.4	18.5
EPS (adj.)	0.14	0.19	0.29	0.40

P/E (adj.)	43.2	33.1	21.5	15.6
P/B	5.0	5.1	4.8	4.2
Dividend yield-%	3.1 %	3.2 %	3.4 %	3.5 %
EV/EBIT (adj.)	32.1	24.0	17.4	13.2
EV/EBITDA	11.2	9.7	8.3	7.0
EV/S	2.9	2.7	2.4	2.1

Source: Inderes

Guidance

(New guidance)

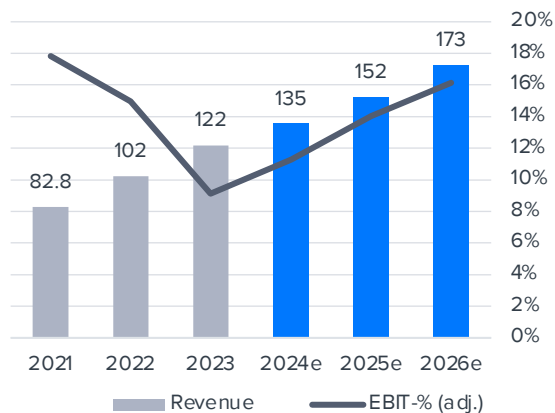
Talenom estimates that 2024 revenue will be about 130-140 MEUR, EBITDA 34-40 MEUR and EBIT 14-17 MEUR.

Share price



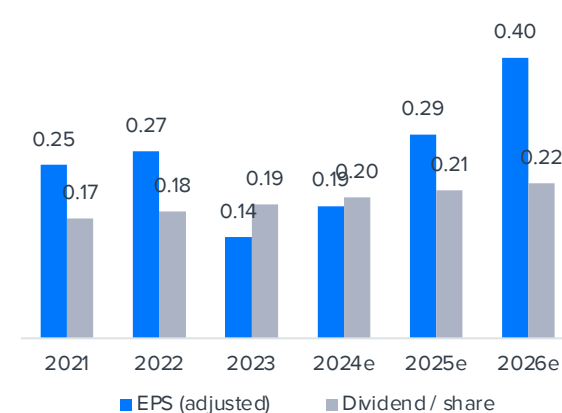
Source: Millstream Market Data AB

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	6.20	6.20	6.20
Number of shares, millions	45.9	46.4	46.4
Market cap	285	288	288
EV	367	372	367
P/E (adj.)	33.1	21.5	15.6
P/E	33.1	21.5	15.6
P/B	5.1	4.8	4.2
P/S	2.1	1.9	1.7
EV/Sales	2.7	2.4	2.1
EV/EBITDA	9.7	8.3	7.0
EV/EBIT (adj.)	24.0	17.4	13.2
Payout ratio (%)	107%	72.7 %	55.3 %
Dividend yield-%	3.2 %	3.4 %	3.5 %

Source: Inderes

Finland improved, Sweden did not

Q4 earnings fell slightly short of our expectations.

Talenom's revenue increased by 12.8% to 29.7 MEUR in Q4 and was slightly above our estimate (29.4 MEUR). As usual, about 2/3 of the growth came from acquisitions (Sweden and Spain) and about 1/3 organically from Finland. Q4 EBITDA was on the level of the comparison period at 7.0 MEUR, which means a 23.7% EBITDA margin (Q3'22: 26.4%). However, the margin fell faster than our forecast, which was disappointing after the promising Q3. EBIT was 1.6 MEUR (Q4'22: 2.2 MEUR), corresponding to an EBIT margin of 5.4% (Q4'22: 8.4%). The weak profitability development was driven by familiar factors (like growth investments, acquisitions and implementation costs of the Swedish software), but the geographical underperformance was explained by Sweden in particular. EPS (EUR 0.02) was supported by taxes that turned positive.

The Board of Directors proposed a dividend of EUR 0.19 per share (2022: EUR 0.18), as the company has stuck to its target of increasing dividends. The company's net gearing has already reached a very high level (2023: 136%) after an aggressive acquisition-driven strategy, but with the pace calming

down this year, cash flows will improve and leeway will increase.

Strong profitability development in Finland

In Finland, Talenom's Q4 revenue increased by 5.8% to 21.0 MEUR. Growth was organic and new sales were generally still good but the recession was already visible in value-added services. The weakened economic situation softened growth through, e.g., decreased transaction volumes and bankruptcies, and the "shrinking" of customers also greatly diluted the effects of price increases, especially late in the year.

Finland's EBITDA improved in Q4 to 7.6 MEUR (Q4'22: 6.1 MEUR) after cost control returned with the weakening of the market. The EBITDA margin reached a commendable level of 36.1% during the seasonally weak period (Q4'22: 30.7%). This was an important indication that the company can still optimize its profitability quite well, even though there are delays in "soft measures". In our opinion, investors do not have to worry about the core business in Finland.

A dip in Swedish profitability

In Sweden, revenue increased modestly by 2.9% in Q4 to 6.1 MEUR, and this increase was also mainly due to acquisitions. The growth rate is also affected by the spill-over effects of the weakened economic situation in Sweden, and the weakness of SEK continued to depress the figure. The negative surprise was that EBITDA fell to -1.0 MEUR when our expectation was zero. According to the company, profitability in Sweden was (still) as planned depressed by integration work and especially the introduction of the platform, as well as the resourcing required for these activities. We were under the impression that these expenses were mostly included in Q3. This means Sweden's EBITDA was at zero with a significantly lower revenue (5.5 MEUR).

The company's goal is to transfer at least 50% of regularly reporting customers to the company's own systems this year. The pace is slightly slower than we previously expected, as we assumed that most transfers would be made this year (the correct profile is required, not all will be transferred as was not the case in Finland either). The company justified this by minimizing customer churn and protecting profitability.

Estimates MEUR / EUR	Q4'22	Q4'23	Q4'23e	Q4'23e	Consensus		Difference (%)	2023e
	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. inderes	Inderes
Revenue	26.3	29.7	29.4				1%	122
EBITDA	7.0	7.0	7.6				-8%	31.9
EBIT	2.2	1.6	1.9				-17%	7.9
EPS (adj.)	0.04	0.02	0.02				18%	0.14
DPS	0.18	0.19	0.18				6%	0.19
Revenue growth-%	21.1 %	12.8 %	11.6 %				1.2 pp	19.2 %
EBIT-% (adj.)	8.4 %	5.4 %	6.6 %				-1.2 pp	6.5 %

Source: Inderes

Guidance largely in line with our expectations

Other countries continue to increase the scale

In other countries (mainly Spain), Talenom's business size class multiplied as expected thanks to acquisitions. Q4 revenue was 3.1 MEUR (+311%) and the business was still loss-making at EBITDA level (-0.3 MEUR), as profitability is depressed by a relatively high share of support activities and expenses related to the Nomo platform. The loss was slightly higher than expected. According to the company, the accounting business itself is profitable at EBITDA level, which is easy to believe when the acquisition targets are mainly very profitable. Profitability will gradually improve as the fixed costs of the support organization scale with increasing size.

Guidance did not contain any major surprises

Talenom expects 2024 revenue to be 130-140 MEUR, EBITDA 34-40 MEUR and EBIT 14-17 MEUR. The guidance contained no major surprises as our forecasts were within the guidance ranges given before the report. The guidance also includes acquisitions, but their role this year is very small, especially compared to recent years. The company

commented that it will only conduct individual acquisitions in Spain and Italy this year. In terms of market development, the company expects no miracles and estimates that the economic situation will remain challenging in Finland and Sweden, especially in early 2024. The company said it is seeing a slight pick-up in customers' activity in Finland, but the guidance does not rely on the economic situation recovering.

Returning to earnings growth this year

We only made minor, mainly negative, adjustments to our estimates for the next few years based on the report. We now expect Talenom's revenue to grow by 11% this year to 135 MEUR. We expect the company to carry out a few more acquisitions this year, but the purchases made last year still clearly boost growth. We expect organic growth to accelerate slowly as the year progresses, and for Finland, we lowered our growth forecasts slightly as the economic outlook is still bleak (limits transaction volumes and increases customer churn). Earnings forecasts for 2024 decreased by around 3-5% and are now relatively

close to the middle of the guidance range.

By country, Finland's profitability already improved in late-2023 after mild cost control, and we expect Finland's EBITDA to improve this year to 39.1% (2023: 35.9%). The level is high, but it can be improved further, e.g., by increasing the level of automation in accounting. At the same time, cost control must be maintained.

In Sweden, the company expects a clear improvement in EBITDA from 2023, but profitability is still depressed by the introduction of own software. We expect Sweden's EBITDA to improve this year to 6.6% (2023: 1.5%), which requires at least operational success and customer retention. In other countries, profitability will improve quite rectilinearly with the increasing size as fixed costs of support operations scale, which is supported by relatively large acquisitions completed at the turn of the year. We expect the EBITDA margin for other countries to increase to 4.0% (2023: -10.1%).

Comments on longer-term forecasts in our recent extensive report (read [here](#)) are still largely valid.

Estimate revisions MEUR / EUR	2023e	2023e	Change	2024e	2024e	Change	2025e	2025e	Change
	Old	New	%	Old	New	%	Old	New	%
Revenue	121	122	0%	137	135	-1%	153	152	-1%
EBITDA	32.5	31.9	-2%	38.7	37.8	-2%	45.9	44.8	-2%
EBIT (exc. NRIs)	11.4	11.1	-3%	15.8	15.3	-3%	22.1	21.4	-3%
EBIT	8.3	7.9	-4%	15.8	15.3	-3%	22.1	21.4	-3%
PTP	4.7	4.3	-8%	11.8	11.2	-5%	18.1	17.2	-5%
EPS (excl. NRIs)	0.14	0.14	3%	0.20	0.19	-5%	0.30	0.29	-4%
DPS	0.18	0.19	6%	0.19	0.20	5%	0.20	0.21	5%

The share is roughly correctly priced

Valuation has recovered to a neutral level

We feel that Talenom's valuation is relatively neutral at the moment. This year, the company will return to the path of earnings growth, as expected, but profitability is still weak in the big picture as the international business continues to drag it down. The 2024e P/E of the share is 33x and EV/EBIT 24x, which are high in absolute terms but reasonable considering the earnings potential. By 2025, visibility is limited, to put it nicely, but with the estimated result, the multiples (P/E 22x and EV/EBIT 17x) are already quite attractive. However, it is too early to rely on these for the time being.

We believe that Talenom's EBIT margin will reach at least 15% in the medium term (2024e: 11.3%, 2020: 19.8%), as the fruits of acquisition-driven growth in recent years begin to ripen. This provides an excellent earnings growth outlook for a well-growing company, but there are naturally risks related to successful internationalization. At the present level, we feel the risks and opportunities are fairly well balanced.

Sum of the parts included in the valuation

As Finland currently 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, the valuation multiples for the next few years abandon the entire potential of the international business, which we believe in in the medium term. Therefore, we have now also examined Talenom's valuation by evaluating the values of its businesses by country and by making the sum of the parts calculation a part of the valuation.

Using the same method used in our recent extensive report ([link](#)), we now obtain a value of approximately EUR 6.3 per share (was EUR 6.5). The change is

mainly caused by the value of Finland decreasing slightly in the calculation along with the 2024 earnings forecast.

The value of the business is naturally concentrated in Finland, which is now valued at approximately 290 MEUR. The value of Sweden is still around 45 MEUR and Spain around 29 MEUR. At the end of 2023, Talenom's net interest-bearing debt amounted to some 76 MEUR. We believe the calculation gives a reasonable picture of the distribution of the value of Talenom's share at the moment. In Finland, the value is relatively concrete, whereas in the international business it is mainly based on future potential.

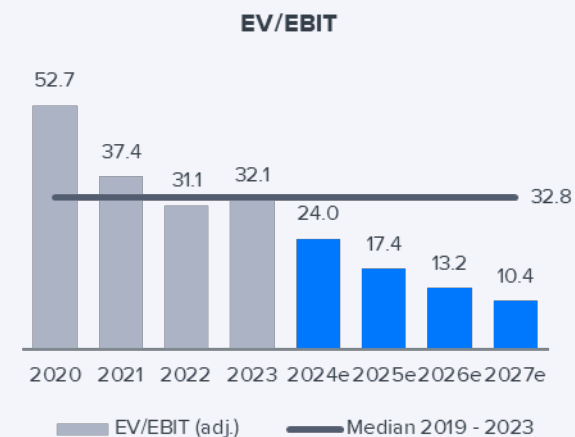
The value indicated by the sum of the parts is now also our target price, but this is only one method and we do not follow it to a T. The main reason for the slight decrease in the target price was the slight drop in forecasts for the next few years, which is also reflected here.

Still one of the most interesting long-term investment stories in Finland

The equity story of Talenom has many attractive elements and opportunities that few listed companies in Helsinki have. The 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 still excellent profitability in Finland. The company has a strong position in the transforming accounting services industry, and we estimate Talenom to be one of the future winners, at least in Finland. The abundant cash flow from Finland is now being invested in international growth, which opens realistic prospects for success in the European market as well in the long term.

Valuation	2024e	2025e	2026e
Share price	6.20	6.20	6.20
Number of shares, millions	45.9	46.4	46.4
Market cap	285	288	288
EV	367	372	367
P/E (adj.)	33.1	21.5	15.6
P/E	33.1	21.5	15.6
P/B	5.1	4.8	4.2
P/S	2.1	1.9	1.7
EV/Sales	2.7	2.4	2.1
EV/EBITDA	9.7	8.3	7.0
EV/EBIT (adj.)	24.0	17.4	13.2
Payout ratio (%)	107%	72.7 %	55.3 %
Dividend yield-%	3.2 %	3.4 %	3.5 %

Source: Inderes

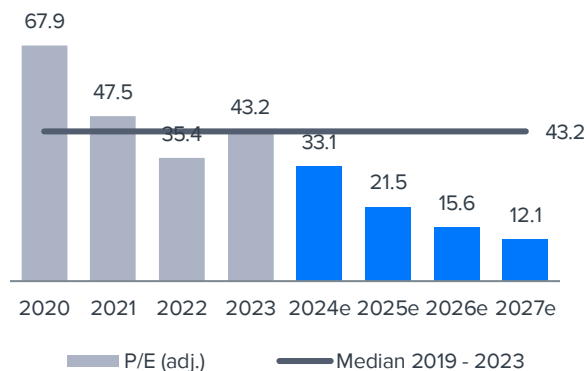


Valuation table

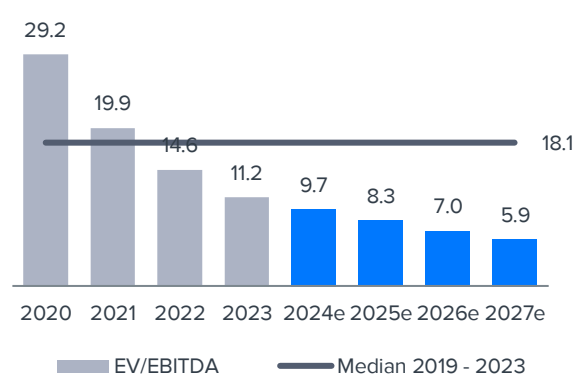
Valuation	2019	2020	2021	2022	2023	2024e	2025e	2026e	2027e
Share price	7.50	15.1	11.7	9.39	6.20	6.20	6.20	6.20	6.20
Number of shares, millions	41.7	43.2	43.8	44.5	45.4	45.9	46.4	46.4	46.4
Market cap	313	650	512	420	282	285	288	288	288
EV	342	679	552	475	357	367	372	367	353
P/E (adj.)	41.1	67.9	47.5	35.4	43.2	33.1	21.5	15.6	12.1
P/E	41.1	67.9	47.5	35.4	83.8	33.1	21.5	15.6	12.1
P/B	13.3	20.2	11.5	7.5	5.0	5.1	4.8	4.2	3.5
P/S	5.4	10.0	6.2	4.1	2.3	2.1	1.9	1.7	1.5
EV/Sales	5.9	10.4	6.7	4.6	2.9	2.7	2.4	2.1	1.8
EV/EBITDA	18.1	29.2	19.9	14.6	11.2	9.7	8.3	7.0	5.9
EV/EBIT (adj.)	32.8	52.7	37.4	31.1	32.1	24.0	17.4	13.2	10.4
Payout ratio (%)	68.4 %	67.7 %	69.0 %	68.3 %	256.8 %	106.6 %	72.7 %	55.3 %	48.7 %
Dividend yield-%	1.7 %	1.0 %	1.5 %	1.9 %	3.1 %	3.2 %	3.4 %	3.5 %	4.0 %

Source: Inderes

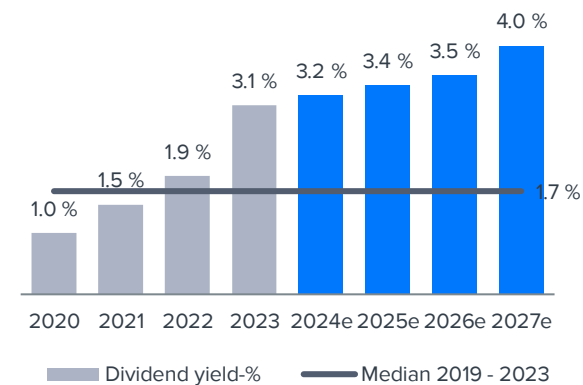
P/E (adj.)



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	41	43	10.6	9.3	7.2	6.3	1.3	1.2	12.9	12.2	2.2	2.4
Fortnox	3140	3124	41.7	32.1	27.6	26.5	17.3	13.8	53.6	42.0	0.3	0.4
Admicom	227	216	18.5	16.1	18.2	15.8	6.2	5.6	23.6	21.2	1.4	1.7
ECIT	231	277	7.5	5.7	4.7	3.7	0.8	0.6	15.2	10.7	1.3	2.6
Administer	36	48		19.1	10.6	6.8	0.6	0.6	35.7	12.5	2.6	4.4
Xero	10223	10223	83	53	38	30	10.7	9.1	116	71		
Enento	474	620	14.5	13.1	10.2	9.6	3.8	3.7	16.3	14.6	5.2	5.3
Fondia	24	19	8.4	6.5	6.4	5.3	0.7	0.6	13.8	11.3	4.7	5.6
Vincit	53	41	7.7	5.1	6.7	4.6	0.4	0.4	13.3	9.1	4.7	6.3
Gofore	354	314	11.9	9.1	10.9	8.4	1.6	1.3	16.8	13.8	2.2	2.6
Etteplan	338	391	11.5	9.5	7.7	6.8	1.1	1.0	14.2	11.9	2.9	3.6
Talenom (Inderes)	285	367	24.0	17.4	9.7	8.3	2.7	2.4	33.1	21.5	3.2	3.4
Average			21.5	16.2	13.4	11.2	4.0	3.4	30.1	21.0	2.8	3.5
Median			11.7	9.5	10.2	6.8	1.3	1.2	16.3	12.5	2.4	3.1
Diff-% to median			105%	84%	-5%	22%	115%	112%	103%	72%	34%	9%

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	102	31.3	32.4	28.3	29.7	122	35.7	36.1	30.9	32.8	135	152	173	194
Finland	81.0	23.4	23.3	20.7	21.0	88.4	23.6	23.8	20.9	21.9	90.1	97.5	106	115
Sweden	19.4	6.7	7.3	5.9	6.1	26.0	7.9	8.2	6.2	6.9	29.2	32.9	37.9	43.6
Other countries	1.7	1.2	1.8	2.8	3.1	8.8	4.1	4.1	3.8	4.1	16.1	21.9	28.5	35.6
EBITDA	32.4	8.4	8.9	7.6	7.0	31.9	10.2	10.5	8.5	8.6	37.8	44.8	52.7	59.7
Depreciation	-17.1	-4.9	-5.2	-8.4	-5.4	-23.9	-5.6	-5.6	-5.6	-5.6	-22.5	-23.4	-24.9	-25.8
EBIT (excl. NRI)	15.3	3.5	3.7	2.4	1.6	11.1	4.5	4.9	2.9	3.0	15.3	21.4	27.8	33.9
EBIT	15.3	3.5	3.7	-0.8	1.6	7.9	4.5	4.9	2.9	3.0	15.3	21.4	27.8	33.9
Finland	16.0	4.1	4.0	3.5	3.0	14.6	5.0	5.2	3.6	3.7	17.6	21.0	24.7	27.6
Sweden	-0.1	0.2	-0.1	-0.7	-1.6	-2.2	-0.2	-0.1	-0.4	-0.3	-1.0	0.7	2.5	4.4
Other countries	-0.6	-0.6	-0.5	-0.4	-0.5	-1.9	-0.3	-0.3	-0.4	-0.4	-1.4	-0.4	0.6	1.9
Unallocated	0.0	-0.3	0.2	-3.2	0.7	-2.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net financial items	-0.7	-0.7	-0.8	-1.1	-1.1	-3.7	-1.0	-1.1	-1.0	-1.0	-4.1	-4.1	-4.1	-3.3
PTP	14.6	2.7	2.9	-1.9	0.5	4.3	3.5	3.8	1.9	2.0	11.2	17.2	23.7	30.6
Taxes	-2.8	-0.7	-0.7	0.2	0.3	-0.9	-0.8	-0.9	-0.4	-0.5	-2.6	-3.8	-5.2	-6.7
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	2.7	2.9	1.4	1.6	8.6	13.4	18.5	23.8
EPS (adj.)	0.27	0.05	0.05	0.03	0.02	0.14	0.06	0.06	0.03	0.03	0.19	0.29	0.40	0.51
EPS (rep.)	0.27	0.05	0.05	-0.04	0.02	0.07	0.06	0.06	0.03	0.03	0.19	0.29	0.40	0.51

Key figures	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24e	Q2'24e	Q3'24e	Q4'24e	2024e	2025e	2026e	2027e
Revenue growth-%	23.3 %	24.2 %	20.1 %	20.0 %	12.8 %	19.2 %	13.9 %	11.5 %	9.1 %	10.4 %	11.3 %	12.4 %	13.3 %	12.3 %
Adjusted EBIT growth-%	3.4 %	-28.9 %	-28.6 %	-22.3 %	-27.4 %	-27.2 %	31.3 %	33.1 %	19.5 %	89.1 %	37.7 %	39.6 %	30.4 %	21.8 %
EBITDA-%	31.7 %	26.7 %	27.3 %	27.0 %	23.7 %	26.2 %	28.5 %	29.1 %	27.4 %	26.3 %	27.9 %	29.4 %	30.5 %	30.8 %
Adjusted EBIT-%	15.0 %	11.0 %	11.3 %	8.4 %	5.4 %	9.1 %	12.7 %	13.5 %	9.2 %	9.2 %	11.3 %	14.0 %	16.1 %	17.5 %
Net earnings-%	11.6 %	6.6 %	6.7 %	-6.0 %	2.8 %	2.8 %	7.6 %	8.0 %	4.6 %	4.7 %	6.4 %	8.8 %	10.7 %	12.3 %

Source: Inderes

Balance sheet

Assets	2022	2023	2024e	2025e	2026e
Non-current assets	123	145	155	164	170
Goodwill	55.0	66.6	70.6	74.6	76.6
Intangible assets	54.2	62.7	67.3	71.5	74.9
Tangible assets	2.8	4.7	5.5	6.1	6.5
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	1.5	1.5	1.5
Current assets	30.5	29.2	32.5	36.6	41.5
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	14.5	19.0	21.1	23.8	26.9
Cash and equivalents	16.0	10.3	11.4	12.8	14.5
Balance sheet total	156	176	187	198	209

Source: Inderes

Liabilities & equity	2022	2023	2024e	2025e	2026e
Equity	56.0	55.8	55.8	60.0	68.8
Share capital	0.1	0.1	0.1	0.1	0.1
Retained earnings	29.1	24.9	24.8	29.1	37.8
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	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	81.9	88.7	85.9
Deferred tax liabilities	3.0	4.3	4.3	4.3	4.3
Provisions	0.0	0.0	0.0	0.0	0.0
Interest bearing debt	56.4	76.4	76.9	83.7	81.0
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	2.8	0.6	0.6	0.6	0.6
Current liabilities	38.0	38.5	49.0	49.8	54.0
Interest bearing debt	13.7	9.0	16.2	12.9	12.2
Payables	24.3	29.4	32.8	36.8	41.8
Other current liabilities	0.0	0.0	0.0	0.0	0.0
Balance sheet total	156	176	187	198	209

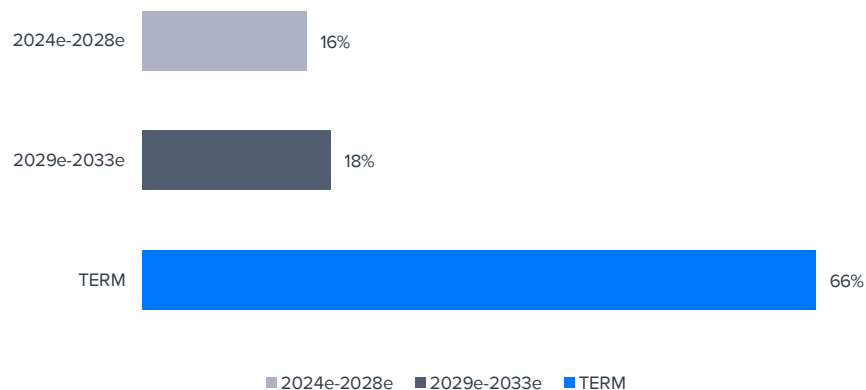
DCF calculation

DCF model	2023	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	TERM
Revenue growth-%	19.2 %	11.3 %	12.4 %	13.3 %	12.3 %	10.0 %	7.0 %	5.0 %	5.0 %	5.0 %	3.0 %	3.0 %
EBIT-%	6.5 %	11.3 %	14.0 %	16.1 %	17.5 %	17.0 %	16.0 %	15.5 %	15.0 %	15.0 %	15.0 %	15.0 %
EBIT (operating profit)	7.9	15.3	21.4	27.8	33.9	36.3	36.5	37.1	37.7	39.6	40.8	
+ Depreciation	23.9	22.5	23.4	24.9	25.8	27.1	28.2	29.7	31.0	4.5	4.2	
- Paid taxes	-0.7	-2.6	-3.8	-5.2	-6.7	-7.3	-7.4	-7.6	-7.8	-8.3	-8.5	
- Tax, financial expenses	-0.8	-1.0	-0.9	-0.9	-0.8	-0.7	-0.6	-0.6	-0.5	-0.5	-0.5	
+ 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	1.2	1.4	1.7	1.8	1.7	1.3	1.0	1.0	1.1	0.7	
Operating cash flow	31.1	35.4	41.5	48.3	54.1	57.1	58.0	59.6	61.4	36.5	36.7	
+ Change in other long-term liabilities	-2.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-43.5	-30.2	-31.2	-30.2	-27.5	-35.7	-33.4	-33.4	-35.0	-8.7	-7.1	
Free operating cash flow	-14.6	5.2	10.4	18.1	26.6	21.4	24.6	26.2	26.4	27.7	29.6	
+/- 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	5.2	10.4	18.1	26.6	21.4	24.6	26.2	26.4	27.7	29.6	563
Discounted FCFF		4.9	8.9	14.3	19.4	14.4	15.3	15.0	13.9	13.5	13.3	253
Sum of FCFF present value		386	381	372	358	338	324	309	294	280	266	253
Enterprise value DCF		386										
- Interest bearing debt		-85.5										
+ Cash and cash equivalents		10.3										
-Minorities		0.0										
-Dividend/capital return		0.0										
Equity value DCF		311										
Equity value DCF per share		6.8										

WACC	
Tax-% (WACC)	22.0 %
Target debt ratio (D/(D+E))	15.0 %
Cost of debt	4.5 %
Equity Beta	1.30
Market risk premium	4.75%
Liquidity premium	0.60%
Risk free interest rate	2.5 %
Cost of equity	9.3 %
Weighted average cost of capital (WACC)	8.4 %

Source: Inderes

Cash flow distribution



Summary

Income statement	2021	2022	2023	2024e	2025e	Per share data	2021	2022	2023	2024e	2025e
Revenue	82.8	102.1	121.7	135.5	152.3	EPS (reported)	0.25	0.27	0.07	0.19	0.29
EBITDA	27.7	32.4	31.9	37.8	44.8	EPS (adj.)	0.25	0.27	0.14	0.19	0.29
EBIT	14.8	15.3	7.9	15.3	21.4	OCF / share	0.66	0.68	0.68	0.77	0.89
PTP	14.0	14.6	4.3	11.2	17.2	FCF / share	-0.26	-0.31	-0.32	0.11	0.22
Net Income	10.8	11.8	3.4	8.6	13.4	Book value / share	1.02	1.26	1.23	1.21	1.29
Extraordinary items	0.0	0.0	-3.2	0.0	0.0	Dividend / share	0.17	0.18	0.19	0.20	0.21
Balance sheet	2021	2022	2023	2024e	2025e	Growth and profitability	2021	2022	2023	2024e	2025e
Balance sheet total	117.7	156.3	175.7	186.7	198.5	Revenue growth-%	27%	23%	19%	11%	12%
Equity capital	44.7	56.0	55.8	55.8	60.0	EBITDA growth-%	19%	17%	-2%	18%	19%
Goodwill	37.3	55.0	66.6	70.6	74.6	EBIT (adj.) growth-%	15%	3%	-27%	38%	40%
Net debt	39.2	54.1	75.2	81.7	83.8	EPS (adj.) growth-%	11%	8%	-46%	31%	54%
Cash flow	2021	2022	2023	2024e	2025e	EBITDA-%	33.4 %	31.7 %	26.2 %	27.9 %	29.4 %
EBITDA	27.7	32.4	31.9	37.8	44.8	EBIT (adj.)-%	17.8 %	15.0 %	9.1 %	11.3 %	14.0 %
Change in working capital	3.3	0.2	0.6	1.2	1.4	EBIT-%	17.8 %	15.0 %	6.5 %	11.3 %	14.0 %
Operating cash flow	28.9	30.4	31.1	35.4	41.5	ROE-%	28.1 %	23.4 %	6.0 %	15.4 %	23.2 %
CAPEX	-41.9	-44.9	-43.5	-30.2	-31.2	ROI-%	18.0 %	13.9 %	6.1 %	10.6 %	14.1 %
Free cash flow	-11.3	-13.8	-14.6	5.2	10.4	Equity ratio	38.2 %	35.9 %	31.8 %	29.9 %	30.3 %
						Gearing	87.7 %	96.6 %	134.7 %	146.5 %	139.6 %
Valuation multiples	2021	2022	2023	2024e	2025e						
EV/S	6.7	4.6	2.9	2.7	2.4						
EV/EBITDA (adj.)	19.9	14.6	11.2	9.7	8.3						
EV/EBIT (adj.)	37.4	31.1	32.1	24.0	17.4						
P/E (adj.)	47.5	35.4	43.2	33.1	21.5						
P/B	11.5	7.5	5.0	5.1	4.8						
Dividend-%	1.5 %	1.9 %	3.1 %	3.2 %	3.4 %						

Source: Inderes

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

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Recommendation history (>12 mo)

The company made 1/5 split on 2/25/2020, share 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 €



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Inderes Oyj

Itämerentori 2

FI-00180 Helsinki, Finland

+358 10 219 4690

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