TALENOM

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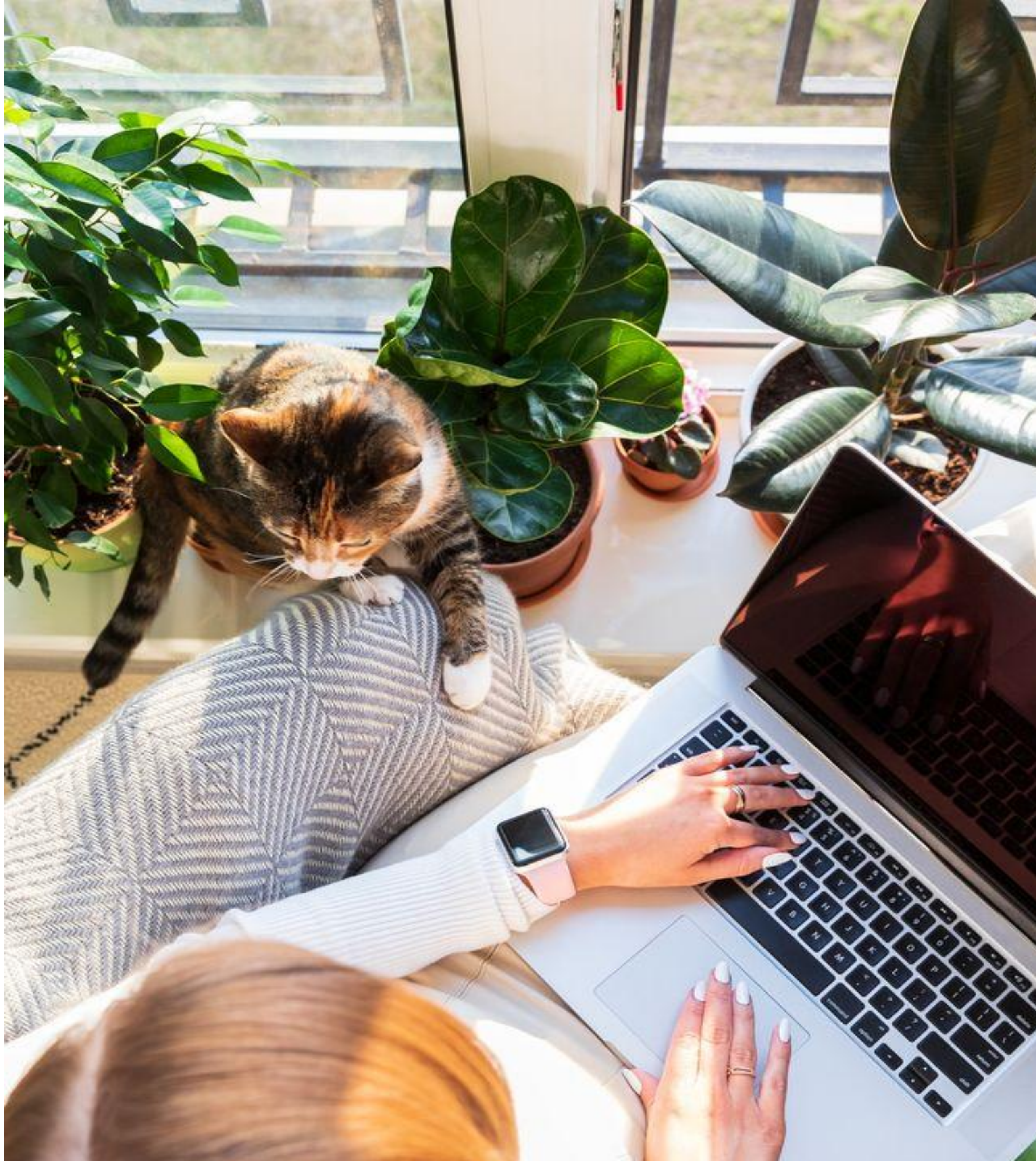
INDERES CORPORATE CUSTOMER

COMPANY REPORT



Final steps of demerger are ahead

We raise Talenom to Buy (was Accumulate) and revise our target price to EUR 3.0 (was EUR 3.4). The company's demerger is in the home stretch, as the company announced yesterday that it has applied for Easor Oyj's listing on Nasdaq Helsinki. Today, we published an investment analysis on Easor, in connection with which we have also updated our view on the new Talenom, i.e., the company's accounting firm business. We have not made any material forecast changes, but the acceptable valuation level for the accounting firm sector has recently been under pressure.

The demerger is in its final stages

Talenom announced yesterday that it had submitted a listing application for Easor's shares to be listed on Nasdaq Helsinki's official list. The demerger is expected to be registered in the Trade Register on February 28, 2026, and trading in Easor's shares is expected to commence on March 2, 2026. In connection with the demerger, Talenom's shareholders will receive one new Easor share for each Talenom share they own as demerger consideration. We have also published an investment analysis on Easor's software business today, on the eve of its listing. In this report, we refine Talenom's accounting business forecasts and valuation. We will issue separate target prices and recommendations for both companies after Easor's first trading day.

Talenom's roots in the accounting business date back to the 1970s, and the company's historical development in Finland has been strong. The core business in Finland still dominates the whole, but the growing Spanish business plays an increasingly larger role. Talenom previously expanded aggressively into Sweden, but the company has not yet found a recipe for success there, and the outlook is still not good. The failure in Sweden is the biggest misstep in Talenom's otherwise successful growth history.

The accounting firm business is investing in growth in 2026

Talenom has guided that the accounting firm business's 2026 revenue will be ~110-120 MEUR and comparable EBITDA ~18-22 MEUR. Our revenue forecast (112 MEUR) is at the lower end of the guidance range. We estimate that revenue growth will depend on acquisitions, as we believe organic growth is limited in Finland and negative in Sweden. In our view, significant organic growth can only be expected in Spain, in addition to which Talenom increased its Spanish revenue by approximately 3 MEUR through acquisitions even before the turn of the year. New Talenom's cost structure will increase in 2026 when the company becomes a separate listed company. In addition, the company has increased its sales and marketing investments, with which it aims to accelerate growth in the coming years. In the short term, this will particularly weaken Finland's relative profitability, which is, however, still at a healthy level. Talenom estimates that the EBITDA in Sweden will turn positive in 2026, and the company expects profitable growth in Spain. We consider both assumptions reasonable. We expect Talenom's EBITDA to be around 20 MEUR for 2026, which is in the middle of the company's guidance range. There will still be one-off costs from the demerger.

Valuation is based on a sum-of-the-parts analysis

We estimate the value of Talenom's accounting business to be EUR 1.5-2.4 per share and Easor's software business to be EUR 0.8-1.6 per share (a separate investment analysis has been published). The current valuation range for the combined entity is thus EUR 2.3-4.0 per share, with an average of around EUR 3.1. The stock is currently priced at the lower end of the range, and we consider the valuation highly attractive at present. The stock has been under strong selling pressure in recent months, and investors have practically abandoned it, but we see interesting opportunities in both companies in the coming years.

Recommendation

Buy
(was Accumulate)

Target price:

EUR 3.00
(was EUR 3.40)

Share price:

EUR 2.28

Business risk

●●●○○

Valuation risk

●●●○○

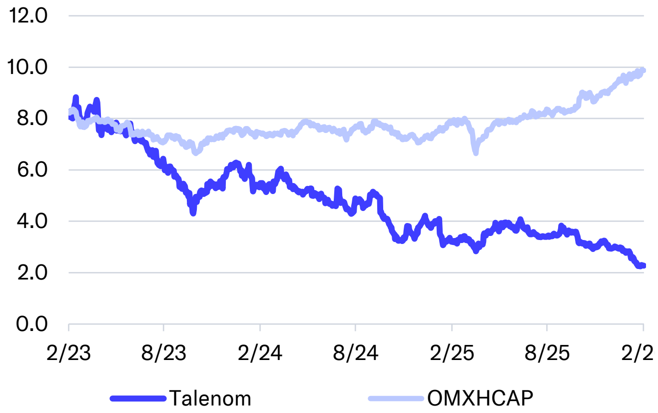
	2024	2025e	2026e	2027e
Revenue	126	130	137	150
growth-%	4%	3%	5%	9%
EBIT adj.	11.4	10.4	14.4	18.3
EBIT-% adj.	9.0 %	8.0 %	10.5 %	12.2 %
Net income	6.1	4.2	7.5	11.2
EPS (adj.)	0.13	0.12	0.17	0.24
P/E (adj.)	30.4	19.6	13.1	9.4
P/B	3.4	2.1	2.2	2.1
Dividend yield-%	4.9 %	8.8 %	8.8 %	8.8 %
EV/EBIT (adj.)	23.9	19.1	13.9	10.9
EV/EBITDA	7.9	5.9	5.1	4.6
EV/S	2.2	1.5	1.5	1.3

Source: Inderes

Guidance (Unchanged)

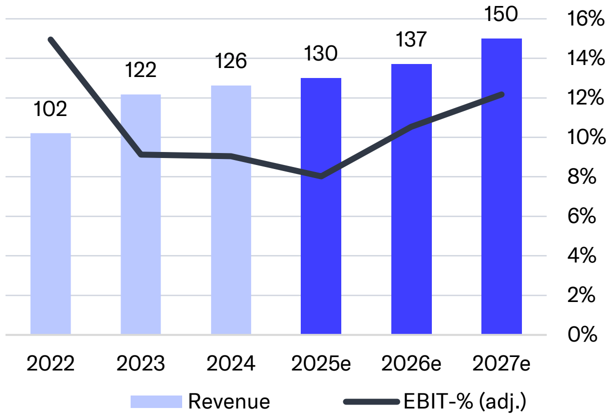
Talenom estimates that accounting firm revenue in 2026 will be around 110-120 MEUR and comparable EBITDA around 18-22 MEUR.

Share price



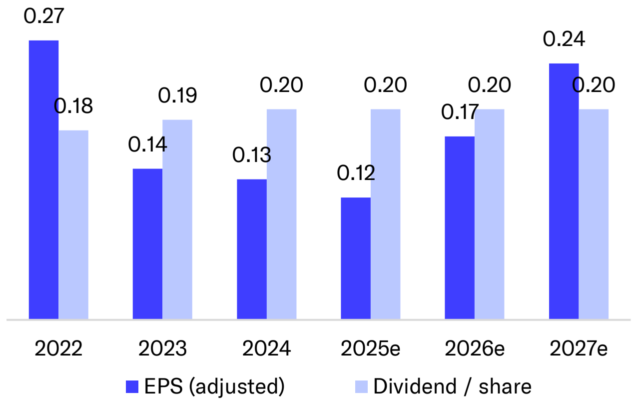
Source: Millistream Market Data AB

Revenue and EBIT-% (adj.)



Source: Inderes

EPS and dividend



Source: Inderes

Value drivers

- Demerger
- Strong earnings growth after the acquisition-driven growth phase
- 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

Risk factors

- Failure to improve efficiency and profitability in Sweden
- Failure in internationalization
- Potential drop in customer retention
- Tightening competition in digital financial management
- Transformation can bring new challengers to the industry
- Risks associated with the balance sheet have increased

Valuation	2025e	2026e	2027e
Share price	2.28	2.28	2.28
Number of shares, millions	46.1	46.1	46.1
Market cap	105	105	105
EV	199	200	200
P/E (adj.)	19.6	13.1	9.4
P/E	25.3	14.0	9.4
P/B	2.1	2.2	2.1
P/S	0.8	0.8	0.7
EV/Sales	1.5	1.5	1.3
EV/EBITDA	5.9	5.1	4.6
EV/EBIT (adj.)	19.1	13.9	10.9
Payout ratio (%)	222%	122.4 %	82.2 %
Dividend yield-%	8.8 %	8.8 %	8.8 %

Source: Inderes

Talenom's outlook for 2026

Revenue will grow in 2026, supported by acquisitions

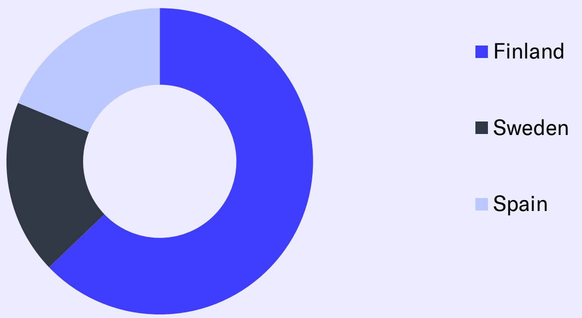
Talenom has guided for 2026 revenue of ~110-120 MEUR, while we currently expect revenue of around 112 MEUR for 2026. The realization of the revenue forecast is likely dependent on the completion of acquisitions, as organic growth is limited in Finland and negative in Sweden. In Spain, revenue is also expected to grow well organically, but its scale within the group is still limited. In 2026, we expect revenue growth of about 5% from Finland, a stabilization of revenue from Sweden (-2%), and as much as 28% growth from Spain. Growth in Spain is supported by acquisitions made at the end of 2025 (Ascofi Berria, Harri Berri, and Pagoa consultoras) in the Spanish Basque Country. Their combined annual revenue is around 1.9 MEUR, and the companies became part of the Group at the turn of the year. At the end of October, the company also announced the acquisition of Nova Ceteb (revenue 1.1 MEUR), meaning that Spanish revenue has already been grown inorganically by some 3 MEUR since the beginning of the year. This is a significant leap for the Spanish business, but our forecast also requires new acquisitions and organic growth for 2026.

Profitability is burdened by rising fixed costs

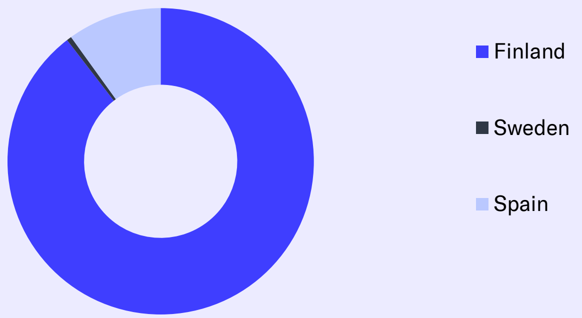
New Talenom's cost structure will increase in 2026 when the company becomes a separate listed company. This particularly affects the Finnish core business, which we estimate bears the majority of the costs. In addition, the company has increased its sales and marketing investments, which aim to accelerate growth in the coming years. We forecast Finland's 2026 EBITDA to be around 18 MEUR (2025e: 19.6 MEUR) or 25.6% of revenue (2025e: 29.3%).

We expect the troubled Swedish business to just barely break even at the EBITDA level (2026e: 0.1 MEUR) as revenue stabilizes and efficiency measures reduce the cost structure. Talenom also estimates that Sweden's EBITDA will be positive, but in our opinion, this involves considerable uncertainty. Talenom expects profitability to improve particularly in Sweden and Spain due to the harmonized One Talenom operating models. In Spain, on the other hand, we expect strong development and a solid EBITDA of 2.0 MEUR in 2026. We estimate that the country's strong growth will also start to be reflected in the income statement once the business reaches a sufficient scale to cover the previously high fixed costs of the country organization. In our view, the profitability of acquisition targets in Spain has been good, which should make our forecast EBITDA margin of 9.5% achievable. For Talenom's accounting business, this would mean an EBITDA of around 20 MEUR for 2026, which is at the midpoint of the company's guidance range (comparable EBITDA 18–22 MEUR). Items affecting comparability may include non-recurring costs related to the demerger.

Forecast breakdown of accounting business revenue (2026e)



Forecast breakdown of accounting business EBITDA (2026e)



Talenom's longer-term estimates

The company is pursuing quite strong growth

Talenom aims to achieve revenue growth in the accounting firm business (growth target of over 10% annually in the medium term) in both its core business in Finland and in Spain. In Finland, the company can now target new customer groups with other software, so the strategy may be well-justified. In Spain, Talenom has progressed quite well, and there is a huge market to capture. The accounting firm business in Italy will not be continued, and in Sweden, the focus is currently on stabilizing operations.

We expect Finland's neutral growth rate to be around 5% annually, which is a strong forecast relative to the industry's general outlook. In our view, however, Talenom has many new opportunities through third-party software, as Talenom's own software (now Easor) has not pleased everyone. The company has historically been good at sales, through which the level is achievable in a reasonable market environment. However, the rise of AI poses a clear risk to the forecast, as our forecast would require significant organic growth. In our forecasts, we assume that acquisitions will primarily be made in Spain.

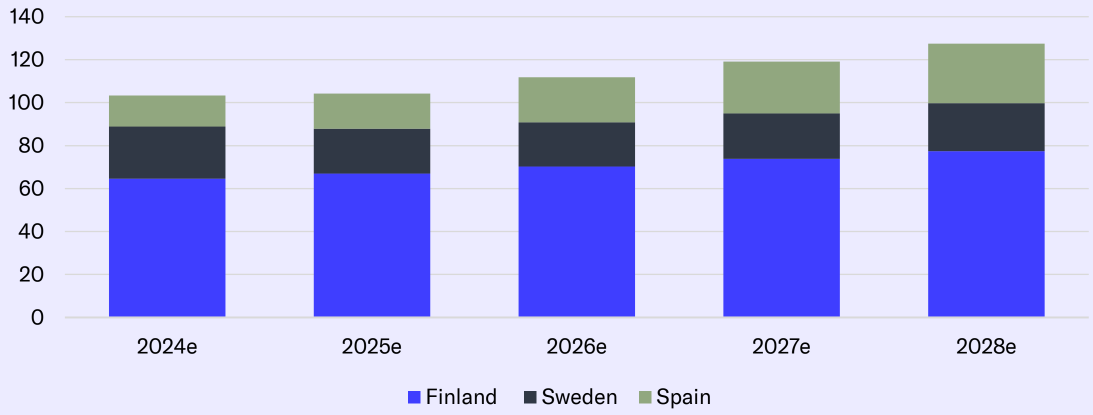
We forecast Sweden's revenue to turn to around 3% growth in 2027-2028, as the company's new sales are expected to significantly exceed the reduced churn. Nevertheless, Sweden's role in the overall picture remains small. In Spain, we expect growth to slow down to 15% in 2027-2028 as the company scales up, which still includes significant new acquisitions. In our view, the growth outlook in Spain is still very good. As a combination of all these factors, we expect the new Talenom's revenue growth to be slightly below 7% in 2027-2028, which is clearly below the company's growth target.

Profitability is burdened by rising fixed costs

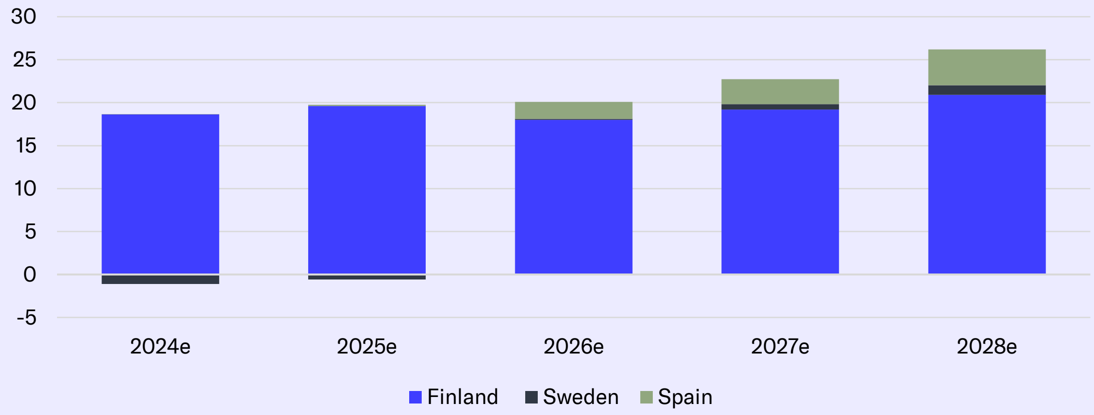
Talenom's fixed costs are increasing this year, but after that, growth should be reflected relatively directly in earnings. We expect Finland's EBITDA margin to rise to 26.0% in 2027 and further to 27.0% in 2028, alongside ~5% revenue growth. Depreciation is high, which means the corresponding EBIT margins are 14.5% and 16.0%. With these figures, Talenom would clearly outperform industry averages, which should be a given for a historically very efficient company in Finland.

In Sweden, we expect EBITDA to turn clearly positive in the coming years (2028e: 5%), but EBIT to remain deeply negative. In Spain, we expect the EBITDA margin to gradually increase, reaching around 12% in 2027 and around 15% in 2028. For the entire Group, this would mean an EBITDA margin of some 19-21% and an EBIT margin of 8-10% in the coming years. In the income statement, we assume financial expenses to be ~3.5 MEUR (70 MEUR at 5% interest) and taxes to be at a "normal" level, but in our opinion, the ability to generate strong cash flow is particularly essential for the investment case.

Revenue development of accounting firms (MEUR)



EBITDA development of accounting firms (MEUR)



The new Talenom's cash flow is relatively strong

The new Talenom inherently generates healthy cash flow

There is still limited information on the new Talenom's cash flow, but the figures reveal a significant discrepancy between depreciation (9 months: 10.2 MEUR) and investments (9 months: 6.6 MEUR). In our assessment, the business's cash flow generation capability is fundamentally strong and exceeds the reported earnings due to the depreciation/investment balance. Naturally, significant acquisitions may increase investments in the future, but Talenom's software investments will be minor going forward. On an annual basis, these are potentially around 1.4 MEUR, which we believe are mainly directed at improving operational efficiency, i.e., automation on top of commercial software (mostly Easor). The sum has been on a downward trend, strengthening free cash flow. Talenom will continue to be a dividend payer, but the current dividend level will clearly decrease. In our view, the debt burden must also be gradually reduced, although we do not believe the company is in any immediate danger.

The current Group forecasts are no longer relevant

The current Group’s future forecasts are no longer relevant due to the demerger. Our forecast for Easor is presented in a separate investment research report published today, and we will briefly discuss the forecasts for Talenom's accounting business separately in this report. The current Talenom Group will no longer exist after Q1'26, which is why forecasting its development for future years is not justified. We recommend that investors disregard old Group forecasts in this exceptional situation. We will publish separate forecasts for Talenom's accounting business after the demerger.

Estimate revisions MEUR / EUR	2025e Old	2025e New	Change %	2026e Old	2026e New	Change %	2027e Old	2027e New	Change %
Revenue	130	130	0%	137	137	0%	150	150	0%
EBITDA	33.9	33.9	0%	39.5	39.5	0%	43.8	43.8	0%
EBIT (exc. NRIs)	10.4	10.4	0%	14.4	14.4	0%	18.3	18.3	0%
EBIT	9.2	9.2	0%	13.9	13.9	0%	18.3	18.3	0%
PTP	5.4	5.4	0%	9.5	9.5	0%	14.2	14.2	0%
EPS (excl. NRIs)	0.12	0.12	0%	0.17	0.17	0%	0.24	0.24	0%
DPS	0.20	0.20	0%	0.20	0.20	0%	0.20	0.20	0%

Source: Inderes

Valuation relies on sum of the parts

Talenom's accounting business

The most valuable part of the accounting firm business is the Finnish core business, which we have estimated to have an enterprise value (EV) in the range of 105-124 MEUR (was 114-143 MEUR). The lower end is calculated using an EV/EBIT multiple of 11x and the upper end with a multiple of 13x based on 2026 forecasts. In our view, the value accepted by the market depends heavily on how well Talenom succeeds in growing its business and how well the business generates cash flow. Acceptable valuations for accounting firm businesses have been declining, especially due to concerns related to the AI disruption, and for example, Aallon Group's valuation has fallen sharply (2026e adj. EV/EBIT 9x). While we accept a premium for Talenom based on what we believe is a stronger growth outlook, we do not see grounds for a large premium at this stage.

We assign an EV range of 10-21 MEUR to the Swedish accounting business, which is based on a 2026e EV/S multiple of 0.5-1.0x. We estimate that Talenom could sell the business at least at the lower value even without a turnaround, through which we could see a higher value in the longer term. Despite slightly positive signals, the value of the Swedish business is speculative for now, as cash flow is negative.

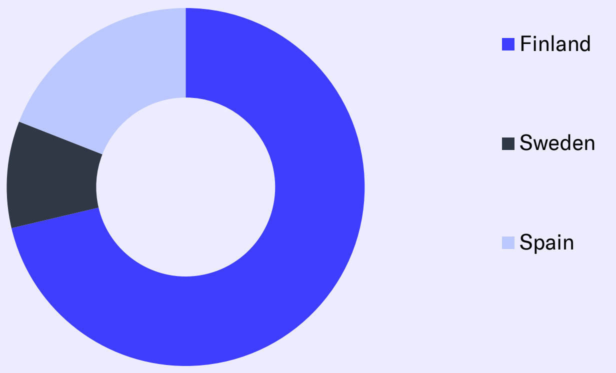
We value the Spanish accounting firm business at 27-34 MEUR (EV, previously 29-38 MEUR). In Spain, the growth story is progressing well, and next year the EBITDA margin could already approach 10%. This, combined with strong growth and enormous market potential, justifies higher valuation multiples (2026 EV/S 1.3-1.6x). In Spain, Talenom's acquisition-driven growth story appears to have succeeded in creating shareholder value, although this is hard to believe after the dismal performance in Sweden. On the other hand, we understand that the story is still far from over, and the company still has a lot to prove in Spain.

Around 70 MEUR of interest-bearing debt is allocated to the accounting firm business. We use an estimate of 65-75 MEUR for the end of 2026, which is also affected by the company's capital allocation (such as acquisitions and dividends). Due to high financial leverage, there is a huge difference in market value between the negative (EUR 1.5/share) and positive (EUR 2.4/share) scenarios, but the average of these is EUR 1.9/share (was EUR 2.3/share).

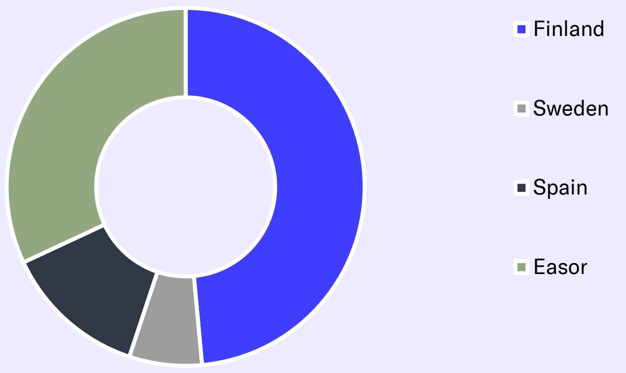
Easor

We have performed the valuation of the Easor software business in a separate investment analysis published today. We currently estimate the fair value of Easor's share to be in the range of EUR 0.8-1.6. Combining these for the last time, we arrive at a value of approximately EUR 3.1 (EUR 2.3-4.0) for Talenom's share before the demerger. The current share price is at the lower end of our range, which makes us consider the valuation attractive at the moment.

Preliminary breakdown of the accounting business value (MEUR)



Value distribution in sum of the parts (EV, MEUR)



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

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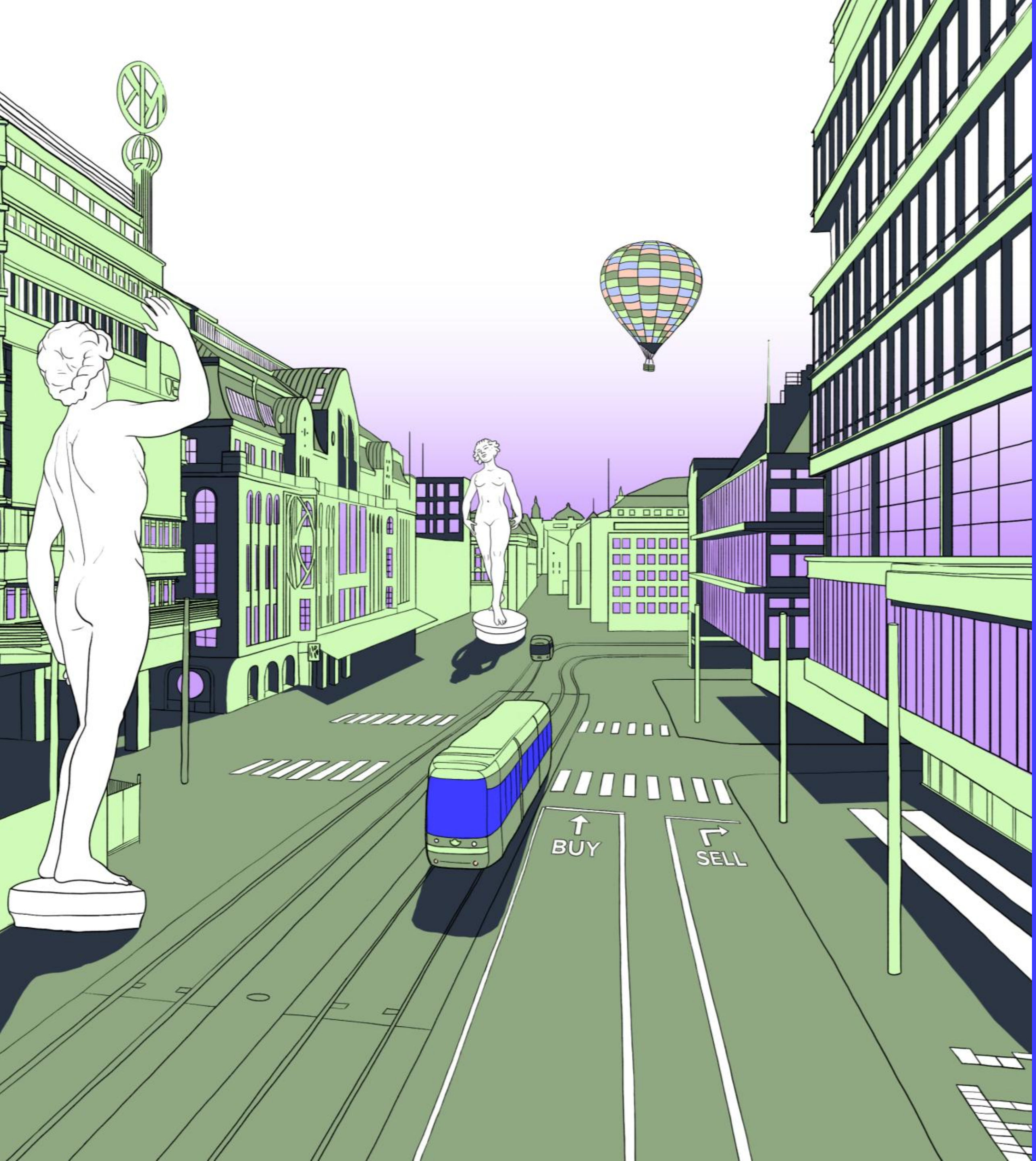
Recommendation history (>12 mo)

The company carried out a 1:5 stock split on February 25, 2020, and the share prices and target prices have been 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 €
1/31/2025	Buy	4.60 €	3.53 €
4/25/2025	Buy	4.60 €	3.46 €
7/21/2025	Accumulate	4.20 €	3.65 €
10/20/2025	Reduce	3.80 €	3.60 €
12/1/2025	Buy	3.80 €	3.02 €
12/19/2025	Accumulate	3.40 €	3.02 €
2/24/2026	Buy	3.00 €	2.28 €



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