

# Loihde

## Company report

11/02/2022



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This report is a summary translation of the report “Terävänä kohti vaikeampaa suhdannetta” published on 11/02/2022 at 8:20 am.

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# Heading towards a more difficult cycle in a good shape

In Q3, Loihde performed better than our cautious expectations and we made slight upward revisions and added the Onrego acquisition to our estimates. Loihde is making a clear improvement in profitability this year and we see the potential for even better levels with current business mix as we look beyond a more difficult economic cycle. As the acquisitions aimed at allocating the huge net cash (~45% of market value) progress, we expect the uncertainty weighing on the company's accepted valuation to disappear. In this case, the expected return that is based on rising valuation multiples and dividend yield is set at an attractive -1-23% based on our current estimates, depending on the acquisition multiples and accepted valuation levels of the companies bought. We raise our target price to EUR 14.0 (was EUR 13.5) and reiterate our Accumulate recommendation.

## Q3 figures exceeded our cautious expectations

Loihde, a provider of total security and digital services, published a Q3 business review that was stronger than our cautious expectations. Growth (+ 21 %, Inderes: 16%) was mainly driven by inorganic support in the Security business, but organic growth also remained quite healthy in both businesses. Profitability (adj. EBIT-% 2.7%, Inderes: 1.5%) deteriorated slightly from the relatively good comparison period but exceeded our cautious expectations. Loihde commented that the demand outlook in the short term is uncertain in parts of the business. Loihde also announced the acquisition of cloud computing company Onrego. We see good growth prospects for the company in the longer term in both its business areas through digital transformation. However, there is also some cyclical sensitivity in the company's market. Overall, we expect the company to come through the difficult near-term outlook relatively unscathed. A key challenge will be to cope with cost pressures, but this will be helped by the ongoing organizational streamlining.

## Our forecasts somewhat increased with a good Q3 and an acquisition

Our profitability estimates for the current year increased with a stronger-than-expected Q3. Our estimates for the seasonally strongest Q4 are almost unchanged and we expect a relatively similar performance to Q3 compared to last year. In 2023, we forecast a difficult H1 and the seasonally strongest Q4 will be underlined next year (66% of full-year EBITA) as we expect the market to start improving towards the end of the year. For 2023-2024, our profitability estimates increased slightly, and we expect the adjusted EBITA margin to fall to 2.1% next year in a difficult market, rising to 3.5% in 2024.

## Valuation still attractive, large net cash allocation and profitability improvement key drivers

We believe that Loihde's low valuation (esp. EV/Sales) is based on uncertainty about the success of the allocation of the company's large net cash position (~45% of market value) and its ability to improve profitability. We estimate that the uncertainty will disappear in less than two years as Loihde makes the acquisitions for which the company has communicated it will use its cash. We expect next year to be difficult due to the weakness of the general economy, which is why we base our valuations on a conservative normalized result (adj. EBITA-%: 3.5%). Assuming acquisitions at EV/EBITA of 9-12x in a normalized scenario and accounting for the dividend yield (~2%), we see the 12-month expected return as attractive at ~-1-23% (13% at a target price of €14.0/share), based on the 9-10x EV/EBITA multiple accepted for the group after the acquisitions. The valuation is supported by a value of 16.1€ per share indicated by our conservative DCF-model. In the current market environment, the value of a hefty cash position is underlined by the fact that it limits downside risk and enables acquisitions in a presumably lower valuation environment.

## Recommendation

**Accumulate**

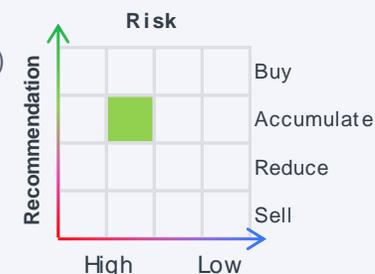
(previous Accumulate)

**EUR 14.00**

(previous EUR 13.50)

**Share price:**

12.35



## Key figures

	2021	2022e	2023e	2024e
<b>Revenue</b>	107.3	126.0	141.6	151.1
<b>growth-%</b>	6%	17%	12%	7%
<b>EBIT adj.</b>	2.3	3.6	3.0	5.2
<b>EBIT-% adj.</b>	2.2 %	2.9 %	2.1 %	3.5 %
<b>Net Income</b>	0.6	-2.8	-6.0	-4.2
<b>EPS (adj.)</b>	0.54	0.29	0.48	0.79

<b>P/E (adj.)</b>	29.9	43.3	25.9	15.6
<b>P/B</b>	1.0	0.7	0.8	0.8
<b>Dividend yield-%</b>	3.4 %	1.8 %	1.8 %	2.6 %
<b>EV/EBIT (adj.)</b>	24.7	10.6	12.6	6.6
<b>EV/EBITDA (adj.)</b>	13.4	7.2	7.9	4.9
<b>EV/S</b>	0.5	0.3	0.3	0.2

Source: Inderes

## Guidance

(Unchanged)

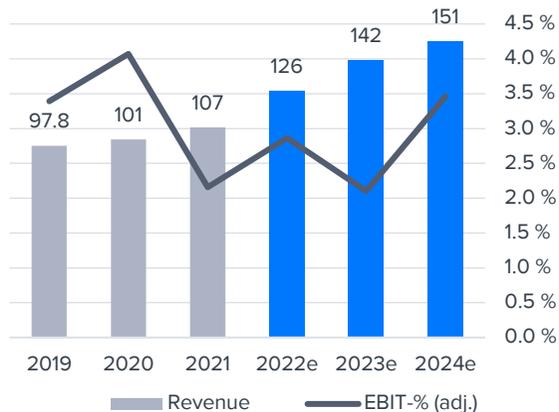
In 2022, Loihde expects revenue from continuing operations in the security business to grow approximately 15% and revenue from continuing operations in digital development to grow more rapidly than in the previous year, or more than 13%. The Group's adjusted EBITDA is estimated to improve compared to 2021, when it was EUR 4.3 million.

## Share price



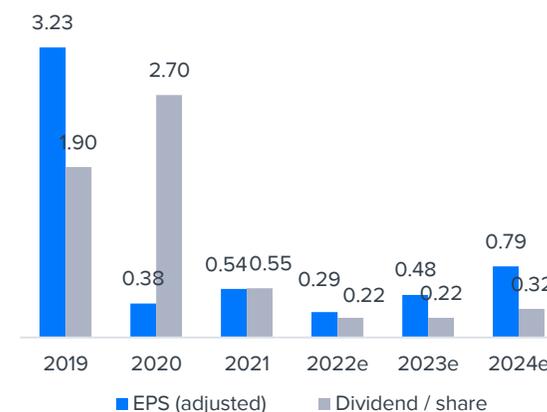
Source: Millistream Market Data AB

## Revenue and EBIT %



Source: Inderes

## EPS and dividend



Source: Inderes



## Value drivers

- Target market demand drivers are strong and longer-term growth prospects are good
- A broad overall offering strengthens the conditions for strategic partnerships
- Identifying and effectively realizing cross-selling synergies
- Increasing profitability levels
- M&A transactions



## Risk factors

- Negative effects of the weakening economic environment on target market growth
- Managing growth and competing for talent
- Businesses remaining as independent profit units and synergy potential not being realized
- Structural changes in the competitive field
- Reduced capacity for innovation
- Failure in M&A

Valuation	2022e	2023e	2024e
Share price	12.4	12.4	12.4
Number of shares, million:	5.67	5.67	5.67
Market cap	70	70	70
EV	38	37	35
P/E (adj.)	43.3	25.9	15.6
P/E	neg.	neg.	neg.
P/FCF	neg.	36.3	19.3
P/B	0.7	0.8	0.8
P/S	0.6	0.5	0.5
EV/Sales	0.3	0.3	0.2
EV/EBITDA (adj.)	7.2	7.9	4.9
EV/EBIT (adj.)	10.6	12.6	6.6
Payout ratio (%)	neg.	neg.	neg.
Dividend yield-%	1.8 %	1.8 %	2.6 %

Source: Inderes

# Q3: Figures above cautious expectations and a new acquisition (1/2)

## Growth continued to be stronger than expected also organically

Loihde's Q3 revenue increased by 21% to EUR 30.0 million, well above our expectations (Inderes: 16% and 28.6 MEUR). Most of the growth came inorganically through the Turvakolmio acquisition, but we estimate that organic growth also continued to be good at around 7-8% level. In line with our expectations, the average number of employees in the group increased to 852 (Inderes: 852).

Revenue in the Security business grew by 30% to EUR 21.4 million and clearly exceeded our expectations (Inderes: 23% and 20.2 MEUR). According to our estimates, most of the growth came from the aforementioned acquisition in physical security, but organic growth remained at a high single-digit level, according to our estimates. In physical security, Loihde commented that the demand outlook is stable and in digital security demand is good, especially in CSOC services and equipment sales.

In Digital development, organic revenue growth slowed to 5% from the very strong H1 level (+15%) and

grew better than expected to EUR 8.7 million (Inderes: 2% and 8.4 MEUR). In Q3, a decline in purchases from two large customers and a general slowdown in demand hurt the result. The company also commented that, as in the previous year, postponed license deals in the analytics business have slowed growth and the near-term demand outlook is more challenging.

## Profitability weakened slightly in relative terms from the good comparison period

In absolute terms, adjusted EBITA was at the previous year's level of EUR 0.8 million or 2.7% (Q3'21: 3.3%) of revenue, exceeding our forecast of EUR 0.4 million and 1.5%, respectively. In the Security business, we believe that the shortage of components has started to ease to some extent but is still a source of uncertainty for the rest of the year. The weakened demand situation reduced digital development billing rates and profitability in Q3. Cost pressures are also quite widespread in the company and certain long public sector contracts are slowing down cost pass-through to prices. However, the Group's efficiency measures seem to have mitigated these effects. We

estimate that the changes in the company's security portfolio and taxes, which are relatively high compared to the operating result, have reduced EPS to the level of our estimates, despite the operating profitability exceeding our expectations.

## Significant leap coming in a tougher market

Loihde kept its outlook unchanged and expects the revenue from continuing operations in the Security business to grow by around 15% this year (Inderes after the report: 16%) and digital development to grow faster than the previous year, i.e., more than 13% (Inderes after the report: 19%). The company expects the adjusted EBITDA to improve from the 2021 level (2021: 4.3 MEUR, Inderes 22e: 5.4 MEUR). Q4 is clearly the strongest quarter for Loihde, due in particular to the seasonality of the Security business. We expect the business environment to be challenging for the rest of the year and especially for the first half of next year. Loihde commented that the outlook for the Security business is more stable but expected the demand challenges seen in digital development in Q3 to continue at least for the rest of the year.

Estimates MEUR / EUR	Q3'21	Q3'22	Q3'22e	Q3'22e	Consensus		Difference (%)	2022e
	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. inderes	Inderes
Revenue	24.8	30.0	28.6				5%	124
EBITDA (adj.)	1.3	1.3	0.9				43%	4.9
EBIT (adj.)	0.8	0.8	0.4				90%	3.2
EBIT	-1.5	-1.3	-1.7				25%	-0.8
EPS (reported)	-0.29	-0.33	-0.32				-3%	-0.48
Revenue growth-%	8.8 %	21.1 %	15.5 %				5.5 pp	17.5 %
EBIT-% (adj.)	3.3 %	2.7 %	1.5 %				1.2 pp	2.6 %

Source: Inderes

## Q3: Figures above cautious expectations and a new acquisition (2/2)

### Loihde announced the acquisition of cloud computing company Onrego

Loihde also announced on the morning of its Q3 report that it will acquire Onrego for an enterprise value of EUR 4.3 million. Onrego is a Finnish cloud technology services company that provides customers with cloud-related consulting and ongoing services related to cloud solutions. Loihde commented that as part of the transaction a cloud environment management service was acquired. The solution is delivered as an ongoing service, which is more scalable and more cost-effective than consulting projects with its business model based on recurring revenue.

Onrego's revenue in 2021 was EUR 7.1 million and EBITDA EUR 0.5 million. The company has grown quite rapidly since its establishment (2012) and in 2020 its revenue was EUR 5.9 million and EBITDA

EUR 0.0 million.

The EV/S valuation of the trade is 0.6x and EV/EBITDA 8.6x. In our view, the valuation seems reasonable given Onrego's strong growth history, although there is no clear visibility on the company's profitability potential so far. The purchase price will be paid in cash and Loihde will carry out a directed share issue to the owner of Onrego at a price of EUR 11.99, corresponding to around 14% of the purchase price. In our view, a directed issue for a small part of the purchase price is a good thing in terms of committing previous owners.

In terms of industrial logic, we see Onrego's services as a good match for Loihde's digital security and development services. Combined with a reasonable valuation level and good historic growth track-record, we see clear potential for the transaction being good if the companies work well together.



# Acquisition and small positive changes to estimates

## Estimate revisions 2022e-2024e

- We added the Onrego acquisition to our estimates from December 1, 2022.
  - We expect Onrego to generate an inorganic revenue of EUR 7.4 million for Loihde and the EBITA impact being in the range of EUR 0.38 million.
- We still expect the market to be difficult this year in Q4, especially in digital development, which is why we made few changes to our expectations for Q4.
- In 2023, we expect the market to remain difficult, especially in H1 in digital development, but we raised our estimates due to the Onrego acquisition and also raised our expectations for the Security business driven by cybersecurity business.
  - Especially on the digital security side, the demand outlook seems excellent at the moment.
- Loihde has managed to streamline its organization and we believe that the underlying profitability potential is now somewhat clearer. As a result, our profitability estimate for 2024 was increased to 3.5%.
- Our dividend estimates were clearly lowered to reflect around 30% of operating profit in the coming years in line with company's dividend policy.

Estimate revisions	2022e	2022e	Change	2023e	2023e	Change	2024e	2024e	Change
MEUR / EUR	Old	New	%	Old	New	%	Old	New	%
Revenue	124	126	2%	132	142	8%	141	151	8%
EBITDA	8.8	9.2	5%	4.2	4.7	12%	6.2	7.1	14%
EBIT (exc. NRIs)	3.2	3.6	14%	2.5	3.0	19%	4.3	5.2	21%
EPS (excl. NRIs)	0.29	0.29	-3%	0.41	0.48	16%	0.67	0.79	18%
DPS	0.38	0.22	-42%	0.40	0.22	-45%	0.42	0.32	-24%

Source: Inderes

# Valuation

## Capital allocation and acquisition scenarios

Loihde is currently valued at 10.6x adj. EV/EBIT and 0.28x EV/Sales for 2022. The 2022e median adj. EB/EBIT and Ev/Sales for Finnish IT services companies are 11.0x and 0.98x. In our view, the current valuation level of Loihde has hardly priced in any potential for profitability improvement and growth, for which Loihde's businesses should have clear prerequisites. This is partly explained by the expected difficult market next year, but we think this has already been priced in.

Loihde's capital allocation (net cash ~45% of market value) plays an important role in the expected return in the coming years. In our view, the related uncertainty partly explains the seemingly low valuation. In line with Loihde's strategy, a significant part of the net cash is directed towards acquisitions, which is why we approach the valuation of the stock through acquisition scenarios.

In the scenarios, we default to a 9-12x EV/EBITA range for the valuation of assets. Under conservative assumptions, we don't consider potential synergies and don't expect any earnings growth or cash flow from the targets during the review period. We base the methodology on a conservative normalized EBITA margin of 3.5%. For the 2023 fair value EV/EBITA multiples, we adopt a range of 9-10x, corresponding to a 9-18% discount to the 2022e median multiples for Finnish companies.

At our target price of EUR 14.0 (13% upside), the mid-point EV/EBITA of the acquisitions range in the scenario would be 9.9x. We believe this is close to the company's fair value multiple given the higher profitability potential and growth outlook, but also the current market situation and the uncertainty related to

earnings improvement and capital allocation. At current valuation, we believe that the risks of a failure to allocate capital and strengthen profitability are quite well managed over a slightly longer time horizon. At the middle of the range, our acquisition scenario indicates a fair value of EUR 13.4 for the company. The dividend yield of around 2% provided by the new cash flow further confirms these expected returns.

In addition, the company valuation includes an option for its properties that were acquired years ago (acquisition price ca. 16 MEUR, value on the balance sheet 6 MEUR). The company has clearly communicated that it will sell its properties within about 2 years.

## DCF model supports our positive view

We see Loihde's business areas having good structural growth drivers on average, driven by digital transformation trends. In the longer term, we believe the business is fairly stable and predictable. In our view, the conservatively constructed DCF model is well suited to the valuation of the company. Our DCF model indicates a value per share of 16.1e, which supports our positive view. However, due to the uncertainty surrounding the allocation of capital and the strengthening of profitability, we believe that the DCF model should not yet be relied on too heavily.

## Given the limited downside at current levels, the overall valuation is still attractive

In the current market environment, the value of Loihde's hefty cash position is underlined by the fact that it limits downside risk and enables acquisitions in a presumably lower valuation environment. Overall, we see Loihde's risk/return ratio as attractive.

Valuation	2022e	2023e	2024e
Share price	12.4	12.4	12.4
Number of shares, million:	5.67	5.67	5.67
Market cap	70	70	70
EV	38	37	35
P/E (adj.)	43.3	25.9	15.6
P/E	neg.	neg.	neg.
P/FCF	neg.	36.3	19.3
P/B	0.7	0.8	0.8
P/S	0.6	0.5	0.5
EV/Sales	0.3	0.3	0.2
EV/EBITDA (adj.)	7.2	7.9	4.9
EV/EBIT (adj.)	10.6	12.6	6.6
Payout ratio (%)	neg.	neg.	neg.
Dividend yield-%	1.8 %	1.8 %	2.6 %

Source: Inderes

# Valuation tables

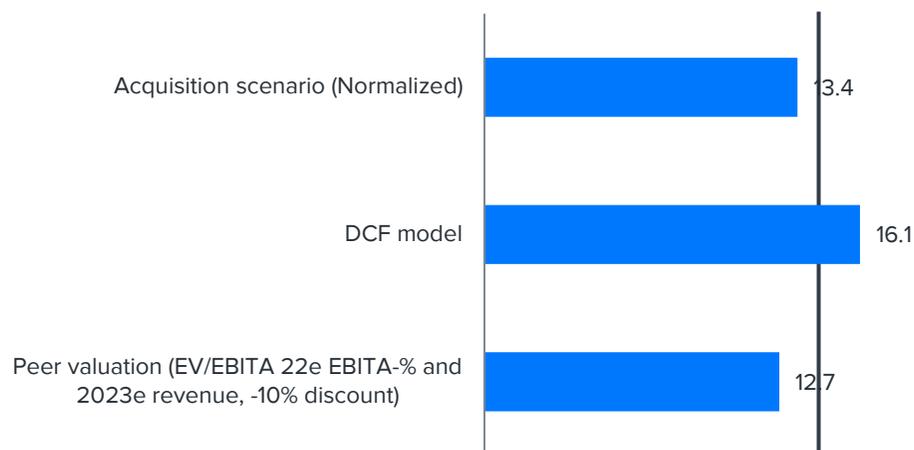
## Conservative normalized profitability scenario

Normalized scenario	2021	2022e	2023e	2024e	2025e
Revenue (current estimates)	108.1	126.0	141.6	151.1	158.2
Revenue growth	6%	17%	12%	7%	5%
Organic growth	2%	6%	2%	7%	5%
Inorganic growth	4%	11%	10%	0%	0%
EBITA	3.8	4.4	5.0	5.3	5.5
EBITA %	3.5%	3.5%	3.5%	3.5%	3.5%
EV/EBITA	15.1	8.7	7.6	6.6	5.6

Source: Inderes

## Valuation breakdown

Target price  
EUR 14.0



## Different business scenarios

Current scenario	2021	2022e	2023e	2024e	2025e
Revenue	108.1	126.0	141.6	151.1	158.2
Revenue growth	6%	17%	12%	7%	5%
Organic growth	2%	6%	2%	7%	5%
Inorganic growth	4%	11%	10%	0%	0%
EBITA	2.3	3.6	3.0	5.2	7.4
EBITA %	2.2%	2.9%	2.1%	3.5%	4.7%
EV/EBITA	16.4	10.7	12.6	6.6	4.2

### Pessimistic

Revenue	108.1	124.2	133.4	137.0	140.1
Revenue growth	6%	15%	7%	3%	2%
Organic growth	2%	5%	-3%	3%	2%
Inorganic growth	4%	11%	10%	0%	0%
EBITA	2.3	3.0	-0.7	2.7	4.2
EBITA %	2.2%	2.4%	-0.5%	2.0%	3.0%
EV/EBITA	16.4	12.9	-60.8	13.5	8.0

### Optimistic

Revenue	107.2	126.1	143.7	156.2	167.3
Revenue growth	6%	18%	14%	9%	7%
Organic growth	2%	6%	4%	9%	7%
Inorganic growth	4%	11%	10%	0%	0%
EBITA	2.3	3.9	4.3	7.0	8.9
EBITA %	2.2%	3.1%	3.0%	4.5%	5.3%
EV/EBITA	16.4	9.8	8.4	4.7	3.3

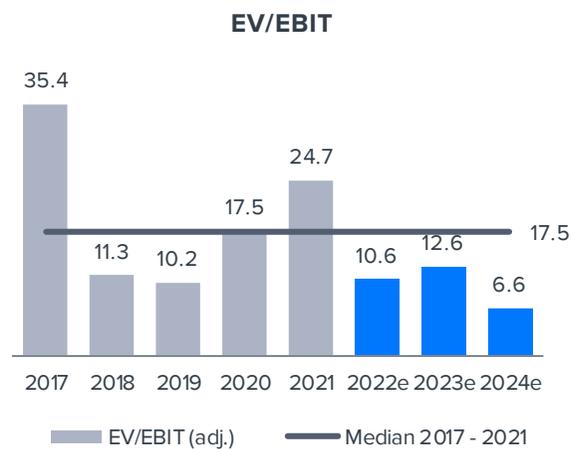
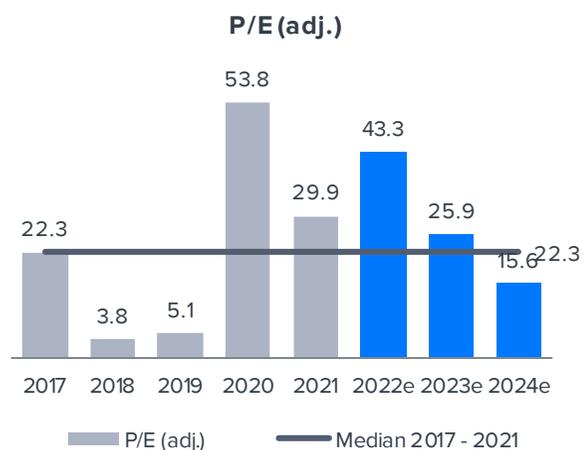
Source: Inderes

We have tried to create both optimistic and pessimistic scenarios on the basis that they are reasonably likely to occur. We haven't modeled an extreme scenario at either end. Profitability assumptions for 2025 reflect normalised levels in different scenarios.

# Valuation table

Valuation	2017	2018	2019	2020	2021	2022e	2023e	2024e	2025e
Share price	19.0	17.6	16.4	20.5	16.2	12.4	12.4	12.4	12.4
Number of shares, millions	5.38	5.38	5.47	5.76	6.01	5.7	5.7	5.7	5.7
Market cap	102	95	90	118	97	70	70	70	70
EV	115	43	34	72	57	38	37	35	31
P/E (adj.)	22.3	3.8	5.1	53.8	29.9	43.3	25.9	15.6	11.3
P/E	36.7	3.0	8.3	neg.	>100	neg.	neg.	neg.	neg.
P/FCF	neg.	2.9	neg.	neg.	40.8	neg.	36.3	19.3	12.7
P/B	1.4	0.8	0.8	1.1	1.0	0.7	0.8	0.8	0.9
P/S	1.2	0.9	0.9	1.2	0.9	0.6	0.5	0.5	0.4
EV/Sales	1.3	0.4	0.3	0.7	0.5	0.3	0.3	0.2	0.2
EV/EBITDA (adj.)	16.9	2.0	6.1	11.4	13.4	7.2	7.9	4.9	3.3
EV/EBIT (adj.)	35.4	11.3	10.2	17.5	24.7	10.6	12.6	6.6	4.2
Payout ratio (%)	279.9 %	30.7 %	95.7 %	neg.	560.3 %	neg.	neg.	neg.	neg.
Dividend yield-%	7.6 %	10.4 %	11.6 %	13.2 %	3.4 %	1.8 %	1.8 %	2.6 %	2.8 %

Source: Inderes



# Peer group valuation

Peer group valuation Company	Market cap	EV	EV/EBIT (oik.)		EV/EBITDA		EV/S		P/E (oik.)		Dividend yield-%		P/B
	MEUR	MEUR	2022e	2023e	2022e	2023e	2022e	2023e	2022e	2023e	2022e	2023e	2022e
Digia*	159	181	10.7	8.7	8.6	7.2	1.1	0.9	10.9	10.2	3.4	3.9	2.0
Digital Workforce*	34	21					0.9	0.8					3.1
Gofore*	347	332	16.2	13.2	15.0	12.1	2.3	1.9	20.9	17.5	1.6	1.8	4.0
Innofactor*	36	46	9.7	8.3	5.9	5.2	0.6	0.6	10.7	9.5	5.1	6.1	1.3
Netum Group*	43	43	10.8	8.8	10.1	8.6	1.4	1.2	14.5	11.6	4.1	4.6	3.2
Nixu*	45	48	32.2	12.0	15.1	8.6	0.8	0.7	63.0	16.2			2.8
Tietoevry	2885	3545	9.4	8.9	8.4	7.5	1.2	1.1	10.4	10.1	5.8	6.2	1.6
Solteq*	23	53	30.3	13.8	7.9	5.5	0.8	0.7	27.4	15.7		4.2	0.9
Siili Solutions*	120	116	9.4	7.9	7.5	6.5	1.0	0.8	14.1	11.8	1.7	2.0	2.4
Vincit*	72	63	11.2	6.9	14.7	6.3	0.8	0.6	13.2	10.6	2.3	5.5	1.7
Witted Megacorp*	65	57	150.8	29.9		29.0	1.1	0.7	637.5	44.2			3.5
Knowit AB	552	628	13.5	12.1	8.7	7.9	1.0	0.9	12.6	12.2	3.3	3.7	1.4
Enea AB	156	184	18.2	15.5	7.4	6.9	2.2	2.2	12.7	22.8			0.8
Bouvet ASA	556	581	16.1	14.6	13.4	12.3	2.0	1.8	19.9	18.0	4.6	5.1	12.6
<b>Loihde (Inderes)</b>	<b>70</b>	<b>38</b>	<b>10.6</b>	<b>12.6</b>	<b>7.2</b>	<b>7.9</b>	<b>0.3</b>	<b>0.3</b>	<b>43.3</b>	<b>25.9</b>	<b>1.8</b>	<b>1.8</b>	<b>0.7</b>
<b>Average</b>			<b>26.0</b>	<b>12.4</b>	<b>10.2</b>	<b>9.5</b>	<b>1.2</b>	<b>1.1</b>	<b>66.8</b>	<b>16.2</b>	<b>3.5</b>	<b>4.3</b>	<b>2.9</b>
<b>Median all companies</b>			<b>13.5</b>	<b>12.0</b>	<b>8.7</b>	<b>7.5</b>	<b>1.0</b>	<b>0.9</b>	<b>14.1</b>	<b>12.2</b>	<b>3.4</b>	<b>4.4</b>	<b>2.2</b>
<b>Diff-% to median of all</b>			<b>-21%</b>	<b>5%</b>	<b>-17%</b>	<b>5%</b>	<b>-71%</b>	<b>-70%</b>	<b>206%</b>	<b>112%</b>	<b>-47%</b>	<b>-59%</b>	<b>-67%</b>
<b>Median Finnish companies</b>			<b>11.0</b>	<b>8.9</b>	<b>8.6</b>	<b>7.3</b>	<b>0.98</b>	<b>0.8</b>	<b>14.3</b>	<b>11.7</b>	<b>3.4</b>	<b>4.4</b>	<b>2.4</b>
<b>Diff-% to median of Finnish companies</b>			<b>-3%</b>	<b>42%</b>	<b>-17%</b>	<b>7%</b>	<b>-69%</b>	<b>-67%</b>	<b>203%</b>	<b>122%</b>	<b>-47%</b>	<b>-59%</b>	<b>-70%</b>

Source: Refinitiv / Inderes. NB: The market cap Inderes uses does not consider own shares held by the company.

# Income statement

Income statement	2020	Q1'21	Q2'21	Q3'21	Q4'21	2021	Q1'22	Q2'22	Q3'22	Q4'22e	2022e	2023e	2024e	2025e
<b>Revenue</b>	<b>101</b>	<b>24.2</b>	<b>26.9</b>	<b>24.8</b>	<b>31.3</b>	<b>107</b>	<b>28.4</b>	<b>30.5</b>	<b>30.0</b>	<b>37.2</b>	<b>126</b>	<b>142</b>	<b>151</b>	<b>158</b>
Security	69.1	16.4	18.3	16.5	20.3	71.5	17.1	19.9	21.4	24.9	83.2	91.1	96.6	101
Digital development	32.0	7.8	8.6	8.3	11.5	36.2	11.5	10.7	8.7	12.3	43.2	50.7	54.7	57.4
Other	-0.1	0.0	0.0	0.0	-0.4	-0.4	-0.1	-0.1	0.0	0.0	-0.3	-0.2	-0.2	-0.2
<b>EBITDA (excl. NRI)</b>	<b>6.3</b>	<b>0.4</b>	<b>0.7</b>	<b>1.3</b>	<b>1.9</b>	<b>4.3</b>	<b>1.2</b>	<b>1.0</b>	<b>1.3</b>	<b>1.9</b>	<b>5.4</b>	<b>4.8</b>	<b>7.2</b>	<b>9.4</b>
<b>EBITDA</b>	<b>5.4</b>	<b>6.1</b>	<b>0.6</b>	<b>1.0</b>	<b>1.8</b>	<b>9.4</b>	<b>4.9</b>	<b>1.3</b>	<b>1.2</b>	<b>1.8</b>	<b>9.2</b>	<b>4.7</b>	<b>7.2</b>	<b>9.4</b>
Depreciation	-9.3	-2.3	-2.3	-2.4	-2.5	-9.5	-2.3	-2.4	-2.4	-2.5	-9.6	-10.5	-10.6	-10.6
<b>EBIT (excl. NRI)</b>	<b>4.1</b>	<b>-0.1</b>	<b>0.2</b>	<b>0.8</b>	<b>1.4</b>	<b>2.3</b>	<b>0.8</b>	<b>0.6</b>	<b>0.8</b>	<b>1.5</b>	<b>3.6</b>	<b>3.0</b>	<b>5.3</b>	<b>7.5</b>
<b>EBIT</b>	<b>-3.8</b>	<b>3.8</b>	<b>-1.7</b>	<b>-1.5</b>	<b>-0.7</b>	<b>-0.1</b>	<b>2.6</b>	<b>-1.1</b>	<b>-1.3</b>	<b>-0.7</b>	<b>-0.4</b>	<b>-5.8</b>	<b>-3.4</b>	<b>-1.2</b>
Net financial items	0.8	0.0	0.4	0.0	0.0	0.4	-0.1	-0.2	-0.3	-0.1	-0.7	0.4	0.4	0.4
<b>PTP</b>	<b>-3.1</b>	<b>3.8</b>	<b>-1.4</b>	<b>-1.4</b>	<b>-0.6</b>	<b>0.4</b>	<b>2.5</b>	<b>-1.3</b>	<b>-1.6</b>	<b>-0.7</b>	<b>-1.0</b>	<b>-5.4</b>	<b>-3.0</b>	<b>-0.8</b>
Taxes	-1.0	0.2	0.3	-0.3	0.1	0.3	-0.9	-0.4	-0.3	-0.3	-1.7	-0.7	-1.1	-1.6
Minority interest	-0.1	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
<b>Net earnings</b>	<b>-4.2</b>	<b>4.0</b>	<b>-1.1</b>	<b>-1.8</b>	<b>-0.6</b>	<b>0.6</b>	<b>1.7</b>	<b>-1.6</b>	<b>-1.9</b>	<b>-1.0</b>	<b>-2.8</b>	<b>-6.0</b>	<b>-4.1</b>	<b>-2.4</b>
<b>EPS (adj.)</b>	<b>0.38</b>	<b>0.14</b>	<b>0.08</b>	<b>0.13</b>	<b>0.19</b>	<b>0.54</b>	<b>0.05</b>	<b>0.00</b>	<b>0.04</b>	<b>0.20</b>	<b>0.28</b>	<b>0.48</b>	<b>0.81</b>	<b>1.11</b>
<b>EPS (rep.)</b>	<b>-0.72</b>	<b>0.66</b>	<b>-0.18</b>	<b>-0.29</b>	<b>-0.09</b>	<b>0.10</b>	<b>0.28</b>	<b>-0.29</b>	<b>-0.33</b>	<b>-0.17</b>	<b>-0.49</b>	<b>-1.07</b>	<b>-0.72</b>	<b>-0.42</b>
<b>Key figures</b>	<b>2020</b>	<b>Q1'21</b>	<b>Q2'21</b>	<b>Q3'21</b>	<b>Q4'21</b>	<b>2021</b>	<b>Q1'22</b>	<b>Q2'22</b>	<b>Q3'22</b>	<b>Q4'22e</b>	<b>2022e</b>	<b>2023e</b>	<b>2024e</b>	<b>2025e</b>
<b>Revenue growth-%</b>	3.3 %	-1.4 %	10.7 %	8.8 %	6.7 %	6.2 %	17.2 %	13.1 %	21.0 %	18.6 %	17.5 %	12.4 %	6.7 %	4.7 %
<b>Adjusted EBIT growth-%</b>	24.1 %	-116.4 %	-76.2 %	-19.2 %	-18.8 %	-43.7 %	-946.7 %	176.2 %	0.4 %	6.2 %	55.9 %	-17.5 %	78.4 %	40.3 %
<b>Adjusted EBITDA-%</b>	6.2 %	1.7 %	2.6 %	5.2 %	6.1 %	4.0 %	4.2 %	3.3 %	4.2 %	5.2 %	4.3 %	3.4 %	4.8 %	6.0 %
<b>EBITDA-%</b>	5.4 %	25.0 %	2.2 %	3.9 %	5.6 %	8.8 %	17.4 %	4.2 %	3.9 %	4.9 %	7.3 %	3.3 %	4.8 %	6.0 %
<b>Adjusted EBIT-%</b>	4.1 %	-0.4 %	0.7 %	3.3 %	4.5 %	2.2 %	2.7 %	1.8 %	2.7 %	4.0 %	2.9 %	2.1 %	3.5 %	4.7 %
<b>Net earnings-%</b>	-4.1 %	16.4 %	-3.9 %	-7.1 %	-1.8 %	0.5 %	5.9 %	-5.4 %	-6.2 %	-2.6 %	-2.2 %	-4.3 %	-2.7 %	-1.5 %

Source: Inderes

# Balance sheet

Assets	2020	2021	2022e	2023e	2024e
<b>Non-current assets</b>	<b>55.2</b>	<b>57.0</b>	<b>57.4</b>	<b>48.9</b>	<b>40.4</b>
Goodwill	0.0	0.0	0.0	0.0	0.0
Intangible assets	46.5	49.0	50.4	41.7	33.0
Tangible assets	8.5	7.7	7.1	7.2	7.4
Associated companies	0.0	0.0	0.0	0.0	0.0
Other investments	0.2	0.2	0.0	0.0	0.0
Other non-current assets	0.0	0.0	0.0	0.0	0.0
Deferred tax assets	0.0	0.0	0.0	0.0	0.0
<b>Current assets</b>	<b>81.5</b>	<b>70.6</b>	<b>74.1</b>	<b>79.1</b>	<b>84.1</b>
Inventories	6.7	7.3	10.3	11.0	11.0
Other current assets	0.0	0.0	0.0	0.0	0.0
Receivables	28.4	23.1	32.1	35.4	37.8
Cash and equivalents	46.4	40.2	31.6	32.6	35.3
<b>Balance sheet total</b>	<b>137</b>	<b>128</b>	<b>132</b>	<b>128</b>	<b>125</b>

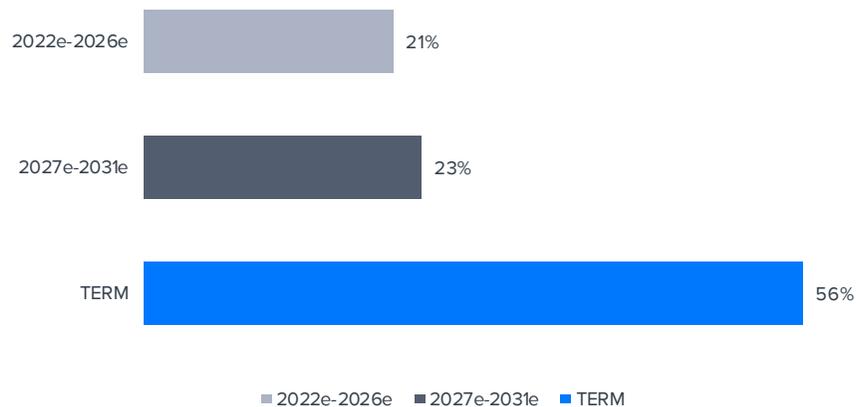
Source: Inderes

Liabilities & equity	2020	2021	2022e	2023e	2024e
<b>Equity</b>	<b>111</b>	<b>102</b>	<b>96.7</b>	<b>89.4</b>	<b>84.0</b>
Share capital	1.5	1.5	1.5	1.5	1.5
Retained earnings	50.8	43.3	37.2	29.9	24.5
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	57.8	57.5	58.1	58.1	58.1
Minorities	0.4	0.0	0.0	0.0	0.0
<b>Non-current liabilities</b>	<b>0.0</b>	<b>0.1</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
Deferred tax liabilities	0.0	0.0	0.0	0.0	0.0
Provisions	0.0	0.0	0.0	0.0	0.0
Long term debt	0.0	0.0	0.0	0.0	0.0
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	0.0	0.1	0.0	0.0	0.0
<b>Current liabilities</b>	<b>26.1</b>	<b>25.3</b>	<b>34.8</b>	<b>38.5</b>	<b>40.5</b>
Short term debt	0.0	0.0	0.0	0.0	0.0
Payables	5.7	5.2	8.8	9.9	10.6
Other current liabilities	20.4	20.0	26.0	28.6	29.9
<b>Balance sheet total</b>	<b>137</b>	<b>128</b>	<b>132</b>	<b>128</b>	<b>125</b>

# DCF calculation

DCF model	2021	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	TERM
Revenue growth-%	6.2 %	17.5 %	12.4 %	6.7 %	4.7 %	3.5 %	3.5 %	3.0 %	2.5 %	2.5 %	2.0 %	2.0 %
EBIT-%	-0.1 %	-0.3 %	-4.1 %	-2.2 %	-0.8 %	-1.0 %	-0.8 %	0.1 %	4.0 %	3.8 %	3.8 %	3.8 %
<b>EBIT (operating profit)</b>	<b>-0.1</b>	<b>-0.4</b>	<b>-5.8</b>	<b>-3.4</b>	<b>-1.2</b>	<b>-1.7</b>	<b>-1.4</b>	<b>0.2</b>	<b>7.2</b>	<b>7.0</b>	<b>7.1</b>	
+ Depreciation	9.5	9.6	10.5	10.6	10.6	10.7	11.0	9.3	2.4	2.5	2.5	
- Paid taxes	0.3	-1.7	-0.7	-1.1	-1.6	-1.4	-1.5	-1.5	-1.5	-1.5	-1.5	
- Tax, financial expenses	0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
+ Tax, financial income	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	
- Change in working capital	3.9	-2.5	-0.3	-0.4	-0.2	-0.9	-1.0	-1.0	-0.9	-1.0	-0.9	
<b>Operating cash flow</b>	<b>13.6</b>	<b>4.8</b>	<b>3.9</b>	<b>5.7</b>	<b>7.7</b>	<b>6.8</b>	<b>7.1</b>	<b>7.1</b>	<b>7.2</b>	<b>7.1</b>	<b>7.2</b>	
+ Change in other long-term liabilities	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-11.3	-10.1	-1.9	-2.0	-2.1	-2.2	-2.3	-2.4	-2.4	-2.5	-2.5	
<b>Free operating cash flow</b>	<b>2.4</b>	<b>-5.3</b>	<b>2.0</b>	<b>3.7</b>	<b>5.6</b>	<b>4.6</b>	<b>4.9</b>	<b>4.8</b>	<b>4.8</b>	<b>4.6</b>	<b>4.8</b>	
+/- Other	0.0	4.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	2.4	-0.8	2.0	3.7	5.6	4.6	4.9	4.8	4.8	4.6	4.8	67.8
<b>Discounted FCFF</b>		<b>-0.8</b>	<b>1.8</b>	<b>3.1</b>	<b>4.2</b>	<b>3.2</b>	<b>3.1</b>	<b>2.8</b>	<b>2.6</b>	<b>2.3</b>	<b>2.1</b>	<b>30.4</b>
Sum of FCFF present value		54.7	55.5	53.7	50.6	46.4	43.2	40.1	37.3	34.8	32.5	30.4
<b>Enterprise value DCF</b>		<b>54.7</b>										
- Interesting bearing debt		0.0										
+ Cash and cash equivalents		40.2										
-Minorities		0.0										
-Dividend/capital return		-3.3										
<b>Equity value DCF</b>		<b>91.6</b>										
<b>Equity value DCF per share</b>		<b>16.1</b>										

## Cash flow distribution



## Wacc

Tax-% (WACC)	20.0 %
Target debt ratio (D/(D+E))	5.0 %
Cost of debt	4.0 %
Equity Beta	1.20
Market risk premium	4.75%
Liquidity premium	1.30%
Risk free interest rate	2.5 %
<b>Cost of equity</b>	<b>9.5 %</b>
<b>Weighted average cost of capital (WACC)</b>	<b>9.2 %</b>

Source: Inderes

# Summary

Income statement	2019	2020	2021	2022e	2023e	Per share data	2019	2020	2021	2022e	2023e
Revenue	97.8	101.0	107.3	126.0	141.6	EPS (reported)	1.99	-0.72	0.10	-0.49	-1.07
EBITDA	5.6	5.4	9.4	9.2	4.7	EPS (adj.)	3.23	0.38	0.54	0.28	0.48
EBIT	-5.2	-3.8	-0.1	-0.4	-5.8	OCF / share	1.39	0.23	2.26	0.85	0.69
PTP	15.6	-3.1	0.4	-1.0	-5.4	FCF / share	-0.38	-0.89	0.40	-0.15	0.35
Net Income	10.9	-4.2	0.6	-2.8	-6.0	Book value / share	21.66	19.11	17.01	17.05	15.76
Extraordinary items	-8.5	-8.0	-2.4	-4.0	-8.8	Dividend / share	1.90	2.70	0.55	0.22	0.22
Balance sheet	2019	2020	2021	2022e	2023e	Growth and profitability	2019	2020	2021	2022e	2023e
Balance sheet total	152.5	136.7	127.6	131.5	128.0	Revenue growth-%	-7%	3%	6%	17%	12%
Equity capital	119.4	110.5	102.2	96.7	89.4	EBITDA growth-%	-74%	-3%	73%	-2%	-49%
Goodwill	0.0	0.0	0.0	0.0	0.0	EBIT (adj.) growth-%	-13%	24%	-44%	56%	-17%
Net debt	-56.7	-46.4	-40.2	-31.6	-32.7	EPS (adj.) growth-%	-30%	-88%	42%	-47%	67%
Cash flow	2019	2020	2021	2022e	2023e	EBITDA-%	5.7 %	5.4 %	8.8 %	7.3 %	3.3 %
EBITDA	5.6	5.4	9.4	9.2	4.7	EBIT (adj.)-%	3.4 %	4.1 %	2.2 %	2.9 %	2.1 %
Change in working capital	0.5	-4.3	3.9	-2.5	-0.3	EBIT-%	-5.3 %	-3.8 %	-0.1 %	-0.3 %	-4.1 %
Operating cash flow	7.6	1.3	13.6	4.8	3.9	ROE-%	9.3 %	-3.6 %	0.6 %	-2.8 %	-6.5 %
CAPEX	-9.8	-6.4	-11.3	-10.1	-1.9	ROI-%	-4.0 %	-3.3 %	-0.1 %	-0.4 %	-5.7 %
Free cash flow	-2.1	-5.1	2.4	-0.8	2.0	Equity ratio	78.7 %	81.3 %	80.4 %	73.5 %	69.9 %
						Gearing	-47.5 %	-42.0 %	-39.3 %	-32.7 %	-36.6 %
Valuation multiples	2019	2020	2021	2022e	2023e						
EV/S	0.3	0.7	0.5	0.3	0.3						
EV/EBITDA (adj.)	6.1	13.2	13.5	7.2	7.7						
EV/EBIT (adj.)	10.2	17.5	24.7	10.6	12.5						
P/E (adj.)	5.1	53.8	29.9	43.4	25.9						
P/B	0.8	1.1	1.0	0.7	0.8						
Dividend-%	11.6 %	13.2 %	3.4 %	1.8 %	1.8 %						

Source: Inderes

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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

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## Recommendation history (>12 mo)

Date	Recommendation	Target price	Share price
10/8/2021	Sell	19.00 €	22.75 €
10/31/2021	Reduce	19.00 €	20.00 €
3/7/2022	Reduce	16.00 €	15.30 €
5/5/2022	Reduce	16.00 €	15.60 €
<i>Analyst changes</i>			
5/24/2022	Accumulate	15.00 €	13.65 €
8/29/2022	Buy	15.00 €	11.80 €
9/1/2022	Accumulate	14.50 €	12.60 €
10/7/2022	Accumulate	13.50 €	11.75 €
11/1/2022	Accumulate	14.00 €	12.35 €



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Mikael Rautanen  
2014, 2016, 2017, 2019



Sauli Vilén  
2012, 2016, 2018, 2019, 2020



Antti Viljakainen  
2014, 2015, 2016, 2018, 2019, 2020



Olli Koponen  
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