

Talenom

Company report

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✓ Inderes corporate customer

This report is a summary translation of the report "Palaamassa tuloskasvu-uralle" published on 7/24/2023 at 7:27 am

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Returning to an earnings growth path

We reiterate our Accumulate recommendation for Talenom but lower our target price to EUR 8.0 (previous EUR 8.80) after a weaker-than-expected Q2 result. The company repeated its guidance for 2023, but achieving this is still extremely challenging. Profitability has now fallen to the company's tolerance level, which is why the strategic focus shifts from strong acquisition-driven growth toward improving profitability. Savings measures improve profitability over time, which will return the company to a traditional earnings growth path. This and a reasonable valuation (2024e P/E 26x and EV/EBITDA 10x) clearly support the 12-month expected return.

The forward leaning cost structure backfired as the market weakened

Talenom's net sales grew roughly as expected by 20.1% in Q2 of which approximately 2/3 came from acquisitions. Organic growth was about 7%, which is a modest level considering Finland's strong price increases. The weakening of the economy hit volume-based invoicing and increased customer churn with bankruptcies. In Sweden, the impact was emphasized because there is more volume-based invoicing and the Swedish krona continued to weaken. Q2 EBIT was only EUR 3.7 million, which means a margin of only 11.3%. The EBIT margin was clearly below our estimate (14.1%), which was already a strong drop from the comparison period (Q2'22: 19.0%). In addition to strategic choices (high frontloaded growth investments, the Spanish system platform and integration costs due to acquisitions), profitability was also hit by lower volumes due to the recession and the decline in customer activity (depressed prices). The company had enough of this earnings development, stopped recruitment and launched significant savings measures.

High risk of a profit warning but profitability will turn

In its 2023 guidance, Talenom still expects that euro-denominated EBIT will continue to increase. We suspected its sustainability already before the weak Q2 result, and after H1, Talenom has EUR 2.9 million to make up in terms of EBIT. We are very confident that the savings measures will work, but the effects will be limited in H2 and thus the company may not achieve the guidance (2023 estimate 15.2 MEUR vs. 2022: 15.3 MEUR). However, the company is returning to an earnings growth path and profitability will improve in 2024 as the strategic focus shifts from growth to profitability. Thus, we lowered our growth estimates but on the other hand raised our profitability estimates. The net effect was slightly negative but mainly due to the Q2 earnings disappointment. Due to the strong growth in net sales in recent years, even a moderate improvement brings strong earnings growth. We expect Talenom's EPS that has been under strong pressure to rise to EUR 0.29 next year (2023e: EUR 0.21). In the longer term, Talenom's throttle position remains a mystery and there are many moving parts in the estimates.

Earnings growth increases the tangibility of the valuation

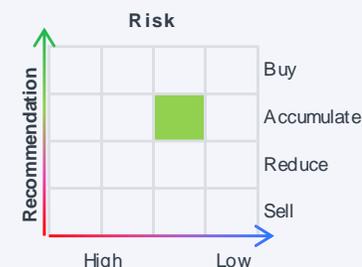
Talenom's valuation multiples for 2023 are high, but as the earnings growth trend turns next year, the valuation seems very reasonable (2024e P/E 26x and EV/EBIT 21x). The company produces operational cash flow efficiently, and EV/EBITDA that reflects this reasonably is only 11x with 2023 estimates. While the company will continue to allocate most of its cash flow to international growth (now especially Spain), the rate is slowed down, so it will not take long for clear earnings improvements to materialize. We consider the risk/return ratio sufficient despite higher required returns, but there may be better purchasing opportunities ahead (e.g. profit warning risk).

Recommendation

Accumulate
(previous Accumulate)

EUR 8.00
(previous EUR 8.80)

Share price:
6.96



Key figures

	2022	2023e	2024e	2025e
Revenue	102	127	148	176
growth-%	23%	24%	17%	19%
EBIT adj.	15.3	15.2	19.2	25.8
EBIT-% adj.	15.0 %	12.0 %	13.0 %	14.7 %
Net Income	11.8	9.4	12.5	17.2
EPS (adj.)	0.27	0.21	0.27	0.37

P/E (adj.)	35.4	33.9	25.8	19.0
P/B	7.5	5.6	5.3	4.7
Dividend yield-%	1.9 %	2.7 %	2.9 %	3.0 %
EV/EBIT (adj.)	31.1	25.9	21.0	16.0
EV/EBITDA	14.8	10.9	9.9	8.7
EV/S	4.6	3.1	2.7	2.3

Source: Inderes

Guidance

(Adjusted)

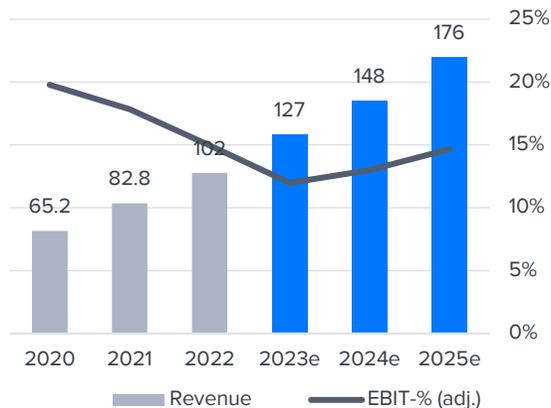
Talenom estimates that 2023 net sales will be about EUR 125–130 million (previously 120–130 MEUR) and that its euro-denominated EBITDA and operating profit will grow from 2022.

Share price



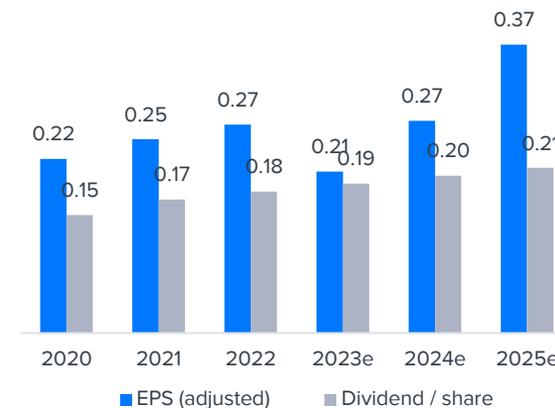
Source: Millstream Market Data AB

Revenue and EBIT-%



Source: Inderes

EPS and dividend



Source: Inderes



Value drivers

- Strong earnings growth after the acquisition-driven growth phase
- Clear competitive advantages will continue to contribute to increasing market share
- Strengthening market position in Sweden and profitability improvement
- Fragmented market is transforming, which opens new opportunities
- Business model that utilizes economies of scale strengthens with growth
- Expansion in Spain and elsewhere in Europe



Risk factors

- Failure in improving Sweden's profitability
- Failure in internationalization
- Development of the interest environment and drop of acceptable valuation multiples
- 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

Valuation	2023e	2024e	2025e
Share price	6.96	6.96	6.96
Number of shares, millions	45.9	46.4	46.9
Market cap	320	323	327
EV	393	404	411
P/E (adj.)	33.9	25.8	19.0
P/E	33.9	25.8	19.0
P/FCF	neg.	86.7	35.5
P/B	5.6	5.3	4.7
P/S	2.5	2.2	1.9
EV/Sales	3.1	2.7	2.3
EV/EBITDA	10.9	9.9	8.7
EV/EBIT (adj.)	25.9	21.0	16.0
Payout ratio (%)	92.6 %	74.2 %	57.3 %
Dividend yield-%	2.7 %	2.9 %	3.0 %

Source: Inderes

The forward leaning cost structure backfired as the market weakened

Net sales growth slowed down

Talenom's net sales grew by 20.1% in Q2 to EUR 32.4 million of which approximately 2/3 came from acquisitions. Organic growth was thus about 7%, which can be considered subdued, especially after the strong price increases in Finland (9.4% index increase). The impact was weakened by the fall in customer activity, which partly depressed Talenom's prices and especially transaction-based invoicing.

In addition to volume-based invoicing, the general weakening in the economy resulted in a clear increase in bankruptcies which naturally led to higher customer churn. In Sweden, the impact was emphasized because there is more volume-based invoicing and the Swedish krona continued to weaken. According to Talenom's estimate, the combined negative impact on net sales was about 6%, and the company was clearly not prepared for such a strong drop.

Profitability dropped sharply

Q2 EBIT was only EUR 3.7 million, which means a margin of only 11.3%. Talenom's profitability has last been at these levels in 2017. The EBIT margin was

clearly below our expectation, as our estimate was 14.1%. This also included a strong drop from the comparison period (Q2'22: 19.0 %), as relative profitability was depressed by frontloaded investments in growth, wage inflation, costs related to the system platform acquired in Spain, as well as integration and other costs arising from acquisitions.

In our estimates, we assumed that Talenom had already started light savings measures earlier as economic activity had deteriorated as the year progressed. However, cost inflation was still high and the cost level also increased from Q1, although we believe that this included significant exceptional items. We feel the result was also a clear disappointment for Talenom, and the company has launched measures to remedy the situation.

But the time EPS was reached the earnings leverage had strengthened further and EPS was only EUR 0.05 while estimates indicated EUR 0.07. The Q2 result was a clear disappointment to us.

Cash flow was also subdued

Talenom's strong acquisition-driven growth has been driven by strong operating cash flow, which has enabled both acquisitions and leverage. As the result has weakened, operating cash flow has also weakened. In H1, operating cash flow was EUR 14.9 million decreasing slightly from the comparison period (H1'22: 15.7 MEUR). The cash flow from investments was higher than this at EUR 18.9 million (H1'22: -13.0 MEUR), so cash and cash equivalents fell by EUR 4.9 million during the period.

At the end of the period, Talenom had EUR 70.4 million in interest-bearing net debt, compared to EUR 43.8 million a year ago. The amount has thus increased strongly over the last year. We are not concerned about the amount of debt as such, even though at current interest rate levels it is already causing significant interest costs. However, combined with a declining result and cash flow, it would have gradually become a limiting factor for inorganic growth. Also in this respect it is logical that Talenom temporarily put the brakes on its growth efforts. The equity ratio was 32.8% in Q2 and the gearing ratio was 126%, which are tolerable.

Estimates MEUR / EUR	Q2'22	Q2'23	Q2'23e	Q2'23e	Consensus		Difference (%)	2023e
	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. Inderes	Inderes
Revenue	27.0	32.4	32.6	33.0			-1%	127
EBITDA	9.3	8.9	9.8	9.4			-10%	36.1
EBIT	5.1	3.7	4.6	4.2			-20%	15.2
EPS (adj.)	0.09	0.05	0.07	0.07			-29%	0.21
Revenue growth-%	26.2 %	20.1 %	21.0 %	22.2 %			-0.9 pp	24.1 %
EBIT-% (adj.)	19.0 %	11.3 %	14.1 %	12.9 %			-2.8 pp	12.0 %

Source: Inderes & Bloomberg 7/17/2023 (consensus, 4 estimates)

High profit warning risk...

A clear change in the strategic focus

In connection with Q2, Talenom announced that it will focus more on improving profitability in the near future, rather than strong growth, where the company has clearly reached its tolerance level. The weakened market situation and melting organic growth outlook highlighted the frontloading investments too much and also became reflected in cash flows.

The company announced it had launched significant profitability improvement measures for the whole Group during spring, the most important being temporary suspension of recruitment and cutting the fixed cost structure. The industry has a relatively high staff attrition, so stopping recruitment should be rather quickly reflected in personnel costs and restore normal efficiency. Personnel costs account for about 80% of operating costs, so the profitability impacts are significant. It is difficult to estimate the 'slack' in fixed costs when acquisitions mix the picture but significant improvement is likely here too.

In Sweden, after a period of strong growth, Talenom slows down acquisitions and focuses on improving efficiency and profitability by reaping benefits from a unified approach and the platform. In Finland, Talenom has not made significant acquisitions for a long time, so in the future the acquisitions will focus on Spain. Here, the company has a platform and a large support function around which (fixed costs) the company can build a clearly bigger business.

We consider the change in the strategic focus from growth to profitability to be justified and sensible, given the significant change in the market situation. We believe that this change could have been made earlier, even if the industry is now in a transition. Growth can start to accelerate again once the leaks are repaired.

Guidance was repeated, but it is difficult to achieve

Talenom estimates that 2023 net sales will be about EUR 125–130 million (previously 120–130 MEUR) and that its euro-denominated EBITDA and operating profit will grow from 2022. Raising the lower end of the net sales range is probably due to recent

acquisitions and the fact that there are still some acquisitions in the pipeline for the rest of the year. However, essential was the repeated EBIT guidance, because we suspected its sustainability already before the clearly weaker-than-expected Q2 result. Now after H1, Talenom is EUR 2.9 million behind last year's EBIT so it has some catching up to do. We are very confident that the savings measures will work, but they may not have enough impact on H2. We, therefore, find it quite likely that Talenom will not reach its 2023 guidance in terms of EBIT. However, the deviation is likely to remain small, so the nuisance of a possible profit warning will probably be limited to a blow in investors' confidence.

We now expect an EBIT of about EUR 15.2 million in 2023, compared to EUR 15.3 million last year. In principle, we therefore expect a minimal drop in EBIT, which is contrary to the guidance of increasing euro-denominated EBIT. We expect EBITDA to grow to around EUR 36 million (2022: 32 MEUR). These estimates also require significant performance improvements during the rest of the year, but the H2'22 result was also modest for the company.

Estimate revisions	2023e		Change	2024e		Change	2025e		Change
	Old	New		Old	New		Old	New	
MEUR / EUR			%			%			%
Revenue	127	127	-1%	158	148	-6%	193	176	-9%
EBITDA	36.2	36.1	0%	41.2	41.0	0%	48.0	47.3	-1%
EBIT (exc. NRIs)	15.5	15.2	-2%	19.6	19.2	-2%	25.6	25.8	1%
EBIT	15.5	15.2	-2%	19.6	19.2	-2%	25.6	25.8	1%
PTP	12.7	12.1	-4%	16.4	15.8	-3%	21.1	21.8	3%
EPS (excl. NRIs)	0.22	0.21	-7%	0.29	0.27	-6%	0.36	0.37	2%
DPS	0.19	0.19	0%	0.20	0.20	0%	0.21	0.21	0%

Source: Inderes

... but profitability will turn

Profitability will improve next year

By next year at the latest, Talenom's current savings measures will start to bite and, as organic growth continues, profitability will improve significantly. Without efficiency measures, our profitability estimates would have been under pressure after Q2, but we now expect the EBIT margin to increase to about 13% in 2024 (previously 12.4%, 2023e: 12.0%). In Finland, the profitability improvement is clear in our view, but it is more difficult to assess the dynamics abroad. In Sweden and Spain we expect a gradual improvement. The main drivers in Sweden are increased efficiency with the support of the own software and processes, while in Spain the biggest impact can come from scaling of fixed costs through increased scale. In addition, acquisitions continue to make it difficult to predict profitability development and will significantly dilute profitability also next year.

After a change in the focus we have significantly lowered the growth estimates for the coming years. We now expect Talenom's net sales to grow by around 17% next year to EUR 148 million. Acquisitions will continue to support next year's growth, although we suspect that the acquisition rate will slow down clearly. However, significant tail ends for inorganic growth comes from the acquisitions made early in the year. It is also worth noting that Talenom's cost-saving measures are not directed at sales and we believe that new customer acquisition has been quite successful this year. Thus, the growth base for next year is good, although the market situation is expected to depress volume-based invoicing, in particular, and thus cause headwind. Macro-economic uncertainty is still high in general and Talenom is not immune despite the industry's defensive nature.

Back to the earnings growth path

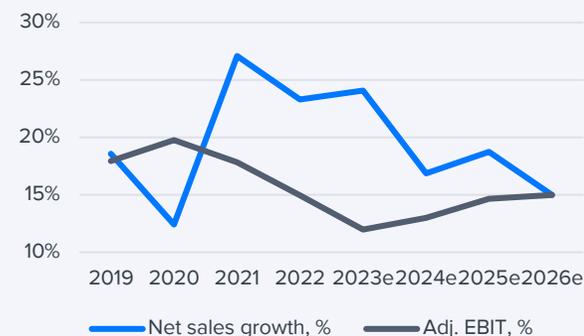
Talenom did not entirely abandon its aggressive growth targets for 2023-2025 (over 30% annual growth). It is unclear at what profitability level Talenom will be performing with the acquisitions and growth investments. This will certainly be influenced by market development and, e.g., interest rates.

We have assumed in our estimates that acquisitions are still on the way and international growth is still sought relatively strongly. Toward the end of 2024, we expect the pace to accelerate again and in 2025 we expect the company to get pull from the market as the economy is likely to recover. Then, the efficiency gains in Sweden should already be partly visible, which provides some preconditions for profitability to improve next to strong growth.

We expect net sales growth in 2025 to be close to 19% and the EBIT margin to improve to 14.7%, which would be a strong improvement. Visibility this far ahead is very poor, but in 2018-2022, Talenom's average EBIT margin was 17.6%. This level is not realistic as profitability in Sweden and Spain are lagging, but with the improvements in Sweden it can be considered a kind of target level.

In any case, we consider it critical that Talenom returns to the earnings growth path already later this year. High multiples combined with negative earnings growth (EPS) are a combination that, in the current market environment, is not accepted despite significant future potential.

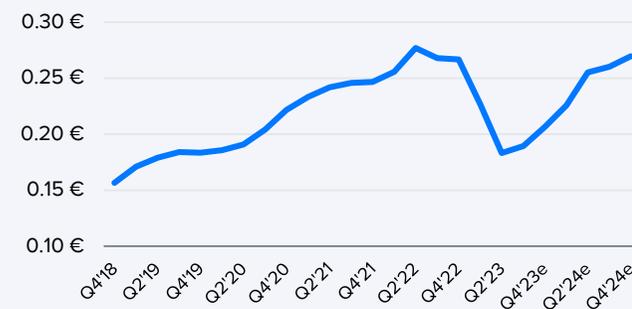
Growth and profitability development



Acquisitions and net sales growth (MEUR)



EPS 12-months rolling



Earnings growth increases the tangibility of the valuation

From earnings potential growth to earnings growth

In the past, we have grappled with how to price the earnings potential that improves as Talenom grows. So far, international growth has strongly diluted relative profitability but if Talenom's strategy succeeds, the profitability potential of Sweden and other international activities should in theory be in the same ballpark as in Finland. This naturally has required that the company's competitive advantage (business model, processes and technology) is equally strong outside Finland in the long term. Before this, a significantly bigger scale is naturally also required to highlight the benefits of automation – and a lot of investments.

As profitability becomes more of a priority, Talenom will also return to earnings growth, which make pricing more concrete and gives the share an important driver. We expect EPS to start to rise already in Q3, and thereafter the improvement to be strong for the next 12 months. After that, a reassessment between profitability and growth may be made and naturally the comparison periods become tougher with the result. The past 12 months have been very weak for Talenom in terms of earnings, which means the pace may be fast. At the same time, net sales have increased by over EUR 20 million (rolling 12-months) and growth continues, which means that even smaller profitability improvements will have a greater earnings impact.

We find the valuation multiples reasonable

With the 2023e result, Talenom's P/E ratio is about 34x and EV/EBIT 26x, but next year's multiples look significantly more attractive as earnings growth turns in the right direction. The 2024e P/E is about 26x and EV/EBIT about 21x, which are quite attractive despite the increased required return. In the DCF calculation,

we have raised the cost of equity to 9.0% (previously 8.8%) and the average cost of equity to 8.2% (previously 8.0%). Although there is considerable uncertainty concerning the success of the company's international growth strategy, we do not believe that the potential can be overlooked either and it is partly visible in 2024 figures. Recent acquisitions have mainly been made at reasonable valuations, which means that value destruction is unlikely in the longer term.

Although the company does not generate free cash flow when investing heavily in growth, next year we expect operating cash flow to be about EUR 39 million. Relative to this, the current EV of approximately EUR 400 million sounds very reasonable. This is also indicated by the EV/EBITDA ratio that is only 10x next year. EBITDA is also a relatively good indicator of the company's operating cash flow, which the company generates abundantly despite the difficulties.

Among the most interesting equity 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 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	2023e	2024e	2025e
Share price	6.96	6.96	6.96
Number of shares, millions	45.9	46.4	46.9
Market cap	320	323	327
EV	393	404	411
P/E (adj.)	33.9	25.8	19.0
P/E	33.9	25.8	19.0
P/FCF	neg.	86.7	35.5
P/B	5.6	5.3	4.7
P/S	2.5	2.2	1.9
EV/Sales	3.1	2.7	2.3
EV/EBITDA	10.9	9.9	8.7
EV/EBIT (adj.)	25.9	21.0	16.0
Payout ratio (%)	92.6 %	74.2 %	57.3 %
Dividend yield-%	2.7 %	2.9 %	3.0 %

Source: Inderes

EPS growth (% y-o-y)

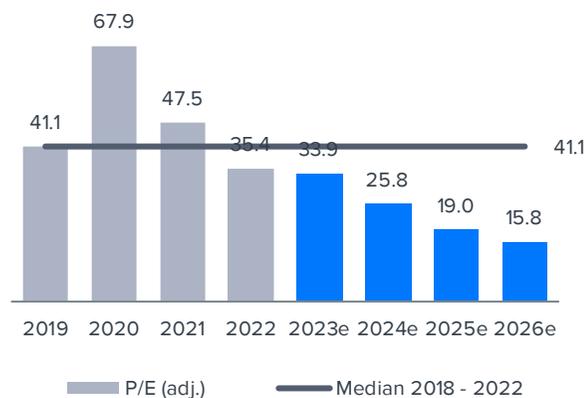


Valuation table

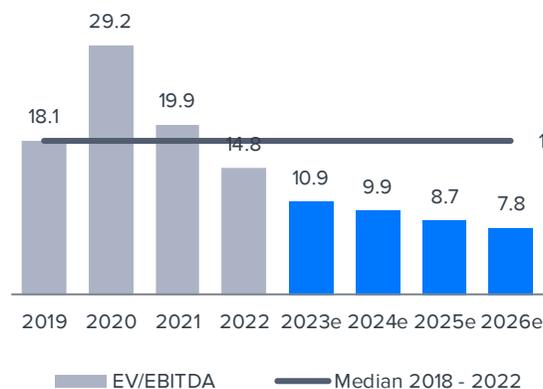
Valuation	2018	2019	2020	2021	2022	2023e	2024e	2025e	2026e
Share price	3.18	7.50	15.1	11.7	9.39	6.96	6.96	6.96	6.96
Number of shares, millions	41.2	41.7	43.2	43.8	44.5	45.9	46.4	46.9	46.9
Market cap	131	313	650	512	420	320	323	327	327
EV	149	342	679	552	475	393	404	411	408
P/E (adj.)	20.6	41.1	67.9	47.5	35.4	33.9	25.8	19.0	15.8
P/E	20.6	41.1	67.9	47.5	35.4	33.9	25.8	19.0	15.8
P/FCF	90.2	neg.	>100	neg.	neg.	neg.	86.7	35.5	19.7
P/B	7.0	13.3	20.2	11.5	7.5	5.6	5.3	4.7	4.1
P/S	2.7	5.4	10.0	6.2	4.1	2.5	2.2	1.9	1.6
EV/Sales	3.1	5.9	10.4	6.7	4.6	3.1	2.7	2.3	2.0
EV/EBITDA	10.9	18.1	29.2	19.9	14.8	10.9	9.9	8.7	7.8
EV/EBIT (adj.)	17.5	32.8	52.7	37.4	31.1	25.9	21.0	16.0	13.4
Payout ratio (%)	59.4 %	68.4 %	67.7 %	69.0 %	68.3 %	92.6 %	74.2 %	57.3 %	49.8 %
Dividend yield-%	2.9 %	1.7 %	1.0 %	1.5 %	1.9 %	2.7 %	2.9 %	3.0 %	3.2 %

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	2023e	2024e	2023e	2024e	2023e	2024e	2023e	2024e	2023e	2024e
Aallon Group	40	44	11.4	10.2	7.5	6.8	1.3	1.2	13.7	12.7	2.2	2.3
Fortnox	3434	3413	58.8	41.4	47.3	34.4	23.6	17.9	76.0	53.7	0.2	0.3
Admicom	186	180	14.5	13.3	14.4	13.2	5.3	5.0	18.9	17.7	3.2	3.5
ECIT	256	319	11.1	8.4	6.9	5.3	1.0	0.9	24.6	16.7	1.2	1.2
Administer	48	60	24.1	13.4	8.0	6.3	0.7	0.7	19.8	11.2	2.8	4.0
Xero	11203	11203	294	91	74	44	14.4	11.9	666	138		
Enento	513	642	17.8	14.9	11.4	10.1	4.0	3.8	20.3	17.1	4.7	4.8
Fondia	29	24	9.8	7.6	7.8	6.2	0.9	0.8	15.2	12.6	4.1	5.1
Vincit	59	50	11.6	7.0	10.2	6.4	0.5	0.5	19.1	11.1	4.7	5.5
Gofore	325	300	11.1	8.9	10.2	8.2	1.6	1.3	15.0	13.2	2.4	2.8
Etteplan	426	489	13.3	12.1	9.6	8.5	1.3	1.2	16.0	15.0	2.6	2.8
Talenom (Inderes)	320	393	25.9	21.0	10.9	9.9	3.1	2.7	33.9	25.8	2.7	2.9
Average			43.4	20.8	18.8	13.6	5.0	4.1	82.2	29.0	2.8	3.2
Median			13.3	12.1	10.2	8.2	1.3	1.2	19.1	15.0	2.7	3.2
Diff-% to median			95%	74%	7%	20%	132%	120%	78%	72%	2%	-9%

Source: Refinitiv / Inderes

Income statement

Income statement	2021	Q1'22	Q2'22	Q3'22	Q4'22	2022	Q1'23	Q2'23	Q3'23e	Q4'23e	2023e	2024e	2025e	2026e
Revenue	82.8	25.2	27.0	23.6	26.3	102	31.3	32.4	30.1	32.9	127	148	176	202
EBITDA	27.7	8.9	9.3	7.3	6.6	32.0	8.4	8.9	9.3	9.5	36.1	41.0	47.3	52.0
Depreciation	-12.9	-4.0	-4.2	-4.2	-4.4	-16.8	-4.9	-5.2	-5.4	-5.4	-20.9	-21.8	-21.6	-21.6
EBIT (excl. NRI)	14.8	4.9	5.1	3.1	2.2	15.3	3.5	3.7	3.9	4.1	15.2	19.2	25.8	30.3
EBIT	14.8	4.9	5.1	3.1	2.2	15.3	3.5	3.7	3.9	4.1	15.2	19.2	25.8	30.3
Net financial items	-0.8	-0.1	-0.1	-0.3	-0.2	-0.7	-0.7	-0.8	-0.8	-0.8	-3.0	-3.4	-4.0	-4.1
PTP	14.0	4.7	5.1	2.8	2.0	14.6	2.7	2.9	3.2	3.3	12.1	15.8	21.8	26.2
Taxes	-3.2	-1.0	-1.0	-0.6	-0.1	-2.8	-0.7	-0.7	-0.6	-0.7	-2.7	-3.3	-4.6	-5.5
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	10.8	3.7	4.1	2.2	1.8	11.8	2.1	2.2	2.5	2.7	9.4	12.5	17.2	20.7
EPS (adj.)	0.25	0.09	0.09	0.05	0.04	0.27	0.05	0.05	0.06	0.06	0.21	0.27	0.37	0.44
EPS (rep.)	0.25	0.09	0.09	0.05	0.04	0.27	0.05	0.05	0.06	0.06	0.21	0.27	0.37	0.44

Key figures	2021	Q1'22	Q2'22	Q3'22	Q4'22	2022	Q1'23	Q2'23	Q3'23e	Q4'23e	2023e	2024e	2025e	2026e
Revenue growth-%	27.1 %	24.1 %	26.2 %	21.7 %	21.1 %	23.3 %	24.2 %	20.1 %	27.5 %	25.0 %	24.1 %	16.9 %	18.8 %	15.0 %
Adjusted EBIT growth-%	14.6 %	10.2 %	24.0 %	-10.8 %	-20.5 %	3.4 %	-28.9 %	-28.6 %	27.3 %	88.4 %	-0.6 %	26.8 %	33.9 %	17.7 %
EBITDA-%	33.4 %	35.2 %	34.4 %	30.8 %	25.0 %	31.4 %	26.7 %	27.3 %	31.0 %	29.0 %	28.5 %	27.7 %	26.9 %	25.7 %
Adjusted EBIT-%	17.8 %	19.3 %	19.0 %	13.0 %	8.3 %	15.0 %	11.0 %	11.3 %	13.0 %	12.6 %	12.0 %	13.0 %	14.7 %	15.0 %
Net earnings-%	13.0 %	14.9 %	15.0 %	9.2 %	7.0 %	11.6 %	6.6 %	6.7 %	8.4 %	8.1 %	7.4 %	8.5 %	9.8 %	10.2 %

Source: Inderes

Balance sheet

Assets	2021	2022	2023e	2024e	2025e
Non-current assets	94.3	124	148	163	176
Goodwill	37.3	55.0	69.0	79.0	89.0
Intangible assets	44.7	55.9	65.4	69.2	72.6
Tangible assets	2.8	2.8	3.0	4.0	3.6
Associated companies	0.0	0.0	0.0	0.0	0.0
Other investments	0.9	0.3	0.3	0.3	0.3
Other non-current assets	8.6	9.9	10.1	10.3	10.5
Deferred tax assets	0.1	0.4	0.4	0.4	0.4
Current assets	20.0	30.5	34.2	40.0	47.5
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	9.8	14.5	16.5	19.3	22.9
Cash and equivalents	10.1	16.0	17.7	20.7	24.6
Balance sheet total	118	156	183	202	223

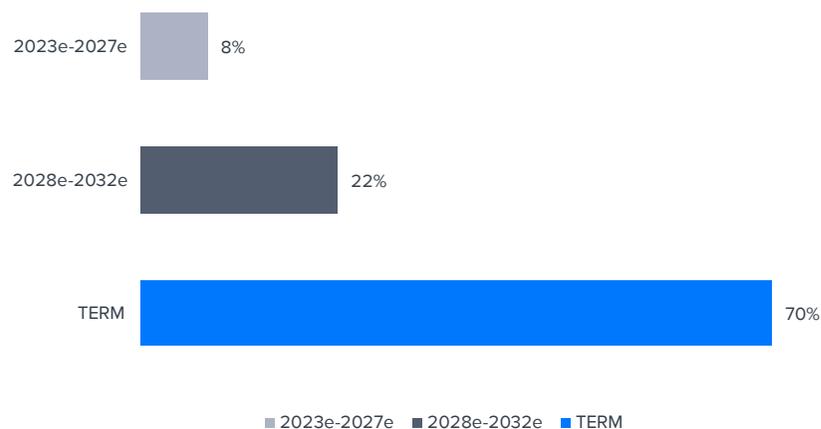
Source: Inderes

Liabilities & equity	2021	2022	2023e	2024e	2025e
Equity	44.7	56.0	57.4	61.2	69.1
Share capital	0.1	0.1	0.1	0.1	0.1
Retained earnings	23.1	29.1	30.5	34.2	42.2
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	0.0	0.0	0.0	0.0	0.0
Other equity	21.6	26.9	26.9	26.9	26.9
Minorities	0.0	0.0	0.0	0.0	0.0
Non-current liabilities	50.4	62.3	85.4	90.0	99.7
Deferred tax liabilities	2.0	3.0	3.0	3.0	3.0
Provisions	0.0	0.0	0.0	0.0	0.0
Long term debt	46.2	56.4	79.5	84.1	93.8
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	2.2	2.8	2.8	2.8	2.8
Current liabilities	22.6	38.0	39.8	50.6	54.1
Short term debt	3.2	13.7	11.9	18.0	15.4
Payables	16.6	24.3	27.9	32.6	38.7
Other current liabilities	2.9	0.0	0.0	0.0	0.0
Balance sheet total	118	156	183	202	223

DCF calculation

DCF model	2022	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	TERM
Revenue growth-%	23.3 %	24.1 %	16.9 %	18.8 %	15.0 %	12.0 %	8.0 %	6.0 %	5.0 %	5.0 %	3.0 %	3.0 %
EBIT-%	15.0 %	12.0 %	13.0 %	14.7 %	15.0 %	15.5 %	16.0 %	16.0 %	15.0 %	15.0 %	15.0 %	15.0 %
EBIT (operating profit)	15.3	15.2	19.2	25.8	30.3	35.1	39.1	41.5	40.8	42.9	44.2	
+ Depreciation	16.8	20.9	21.8	21.6	21.6	23.4	23.2	23.6	23.4	22.9	22.2	
- Paid taxes	-2.1	-2.7	-3.3	-4.6	-5.5	-6.6	-7.5	-8.1	-8.1	-8.6	-8.9	
- Tax, financial expenses	-0.1	-0.7	-0.8	-0.9	-0.9	-0.9	-0.8	-0.7	-0.5	-0.5	-0.4	
+ Tax, financial income	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	
- Change in working capital	0.2	1.6	1.9	2.5	2.4	2.2	1.6	1.3	1.2	1.2	0.8	
Operating cash flow	30.0	34.3	38.9	44.4	48.0	53.4	55.8	57.7	56.8	58.0	57.9	
+ Change in other long-term liabilities	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-44.5	-43.4	-35.2	-35.2	-31.4	-26.9	-27.1	-20.9	-19.3	-18.1	-24.4	
Free operating cash flow	-13.8	-9.1	3.7	9.2	16.6	26.5	28.6	36.9	37.6	39.9	33.4	
+/- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	-13.8	-9.1	3.7	9.2	16.6	26.5	28.6	36.9	37.6	39.9	33.4	660
Discounted FCFF		-8.8	3.3	7.6	12.6	18.6	18.6	22.1	20.9	20.5	15.9	313
Sum of FCFF present value		444	453	450	442	429	411	392	370	349	329	313
Enterprise value DCF		444										
- Interesting bearing debt		-70.1										
+ Cash and cash equivalents		16.0										
-Minorities		0.0										
-Dividend/capital return		-8.1										
Equity value DCF		382										
Equity value DCF per share		8.3										

Cash flow distribution



WACC

Tax-% (WACC)	20.0 %
Target debt ratio (D/(D+E))	15.0 %
Cost of debt	4.5 %
Equity Beta	1.25
Market risk premium	4.75%
Liquidity premium	0.60%
Risk free interest rate	2.5 %
Cost of equity	9.0 %
Weighted average cost of capital (WACC)	8.2 %

Source: Inderes

Summary

Income statement	2020	2021	2022	2023e	2024e	Per share data	2020	2021	2022	2023e	2024e
Revenue	65.2	82.8	102.1	126.7	148.1	EPS (reported)	0.22	0.25	0.27	0.21	0.27
EBITDA	23.3	27.7	32.0	36.1	41.0	EPS (adj.)	0.22	0.25	0.27	0.21	0.27
EBIT	12.9	14.8	15.3	15.2	19.2	OCF / share	0.54	0.66	0.68	0.75	0.84
PTP	12.0	14.0	14.6	12.1	15.8	FCF / share	0.04	-0.26	-0.31	-0.20	0.08
Net Income	9.6	10.8	11.8	9.4	12.5	Book value / share	0.74	1.02	1.26	1.25	1.32
Extraordinary items	0.0	0.0	0.0	0.0	0.0	Dividend / share	0.15	0.17	0.18	0.19	0.20
Balance sheet	2020	2021	2022	2023e	2024e	Growth and profitability	2020	2021	2022	2023e	2024e
Balance sheet total	84.9	117.7	156.3	182.6	201.7	Revenue growth-%	12%	27%	23%	24%	17%
Equity capital	32.2	44.7	56.0	57.4	61.2	EBITDA growth-%	23%	19%	16%	13%	14%
Goodwill	24.0	37.3	55.0	69.0	79.0	EBIT (adj.) growth-%	24%	15%	3%	-1%	27%
Net debt	29.0	39.2	54.1	73.7	81.4	EPS (adj.) growth-%	21%	11%	8%	-23%	31%
Cash flow	2020	2021	2022	2023e	2024e	EBITDA-%	35.7 %	33.4 %	31.4 %	28.5 %	27.7 %
EBITDA	23.3	27.7	32.0	36.1	41.0	EBIT (adj.)-%	19.8 %	17.8 %	15.0 %	12.0 %	13.0 %
Change in working capital	2.4	3.3	0.2	1.6	1.9	EBIT-%	19.8 %	17.8 %	15.0 %	12.0 %	13.0 %
Operating cash flow	23.5	28.9	30.0	34.3	38.9	ROE-%	34.4 %	28.1 %	23.4 %	16.6 %	21.1 %
CAPEX	-22.2	-41.9	-44.5	-43.4	-35.2	ROI-%	19.8 %	18.0 %	13.9 %	11.2 %	12.5 %
Free cash flow	1.8	-11.3	-13.8	-9.1	3.7	Equity ratio	38.1 %	38.2 %	35.9 %	31.5 %	30.4 %
						Gearing	90.3 %	87.7 %	96.6 %	128.4 %	133.0 %
Valuation multiples	2020	2021	2022	2023e	2024e						
EV/S	10.4	6.7	4.6	3.1	2.7						
EV/EBITDA (adj.)	29.2	19.9	14.8	10.9	9.9						
EV/EBIT (adj.)	52.7	37.4	31.1	25.9	21.0						
P/E (adj.)	67.9	47.5	35.4	33.9	25.8						
P/B	20.2	11.5	7.5	5.6	5.3						
Dividend-%	1.0 %	1.5 %	1.9 %	2.7 %	2.9 %						

Source: Inderes

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Recommendation history (>12 mo)

The company carried out a 1/5 split on February 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 €



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