

United Bankers

Company report

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✓ Inderes corporate customer

This report is a summary translation of the report “Nykyarvostus vaatii taakseen kovempaa tulokasvua” published on 08/26/2021 at 9:15 pm

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Current valuation requires higher earnings growth

We revise United Bankers' target price to EUR 12.5 (previous EUR 13.0) and reiterate our Reduce recommendation. UB's H1 result didn't reach our estimates due to higher-than-expected cost levels. We lowered our profitability estimates to more cautious levels and considering the earnings growth outlook for the next couple of years the share valuation is challenging in our opinion even though the company is still heading in the right direction.

Profitability of asset management below our expectations in H1

UB's revenue increased in H1 by 18% to EUR 21.0 million and was well in line with our EUR 20.7 million estimate. Revenue from asset management stood at EUR 18.8 million in H1 and was also in line with our EUR 18.9 million estimate. The disappointment in the H1 report came from asset management's earnings level that was clearly below our estimate due to higher-than-expected cost levels (H1'21: EBITDA EUR 6.9 million vs. H1'21e: EUR 8.1 million). UB's number of personnel increased by 8 people in H1 which was more than we expected and, in addition, bonus provisions were higher than expected. Capital markets services' EBITDA at EUR 1.0 million exceeded our EUR 0.6 million estimate but the overshoot is of very limited importance considering how transaction driven the business is. UB's operating profit stood at EUR 6.4 million in H1 and was quite clearly below our EUR 7.3 million estimate.

New product launches coming in H2

UB stated in the H1 report that it had started preparation of two new fund projects and that the aim is to launch the new products in H2. According to the company, one of the new funds will complement the company's forest product family with a new angle and the other product will be launched into a completely new asset class. We find it likely that the fund launched in a new asset class will focus either on Infra or Energy. Expansion of the product offering is welcomed, and we are rather confident that the new products to be launched in H2 will have clear investor demand among the company's customers considering the current market environment.

We lowered our estimates for the next few years

After a disappointing H1 result, we became more cautious in our profitability estimates of Asset management for the next few years. We expect the company's cost efficiency to gradually improve further in the coming years with growth, but we expect the cost structure to scale slightly more moderately than before. Overall, the estimate revisions are clearly skewed to the negative and our EPS estimates were cut by 2-10% for the next couple of years. We still expect earnings growth over the next few years but emphasize that earnings growth requires the favorable market situation to continue.

Justification of the current share price would require stronger earnings growth

With the 2021e record result UB is priced at a P/E ratio of around 17x. The earnings-based valuation is high in absolute terms and the company is also priced at a clear premium (17%) compared to its peers which we don't find justified. With our earnings growth estimate the P/E ratio will decrease (2022-23e: P/E 16-15x), but it is difficult to see any upside even in these multiples. Justifying the current share price level would in our opinion require higher earnings estimates than currently. UB's dividend yield is still at a healthy level (4-5%), but it is not a sufficient reason to buy the share at current valuation levels.

Recommendation

Reduce

(previous Reduce)

EUR 12.50

(previous EUR 13.00)

Share price:

14.30



Key indicators

	2020	2021e	2022e	2023e
Revenue	34.4	41.7	43.2	45.8
growth-%	6%	21%	3%	6%
EBIT adj.	8.6	12.1	12.8	13.7
EBIT-% adj.	25.0 %	29.1 %	29.6 %	30.0 %
Net Income	6.2	8.7	9.4	10.1
EPS (adj.)	0.62	0.84	0.89	0.96

P/E (adj.)	17.3	17.0	16.0	14.9
P/B	2.9	3.6	3.4	3.2
Dividend yield-%	4.8 %	4.5 %	4.9 %	5.3 %
EV/EBIT (adj.)	11.9	11.2	10.4	9.4
EV/EBITDA	10.2	10.0	9.2	8.3
EV/S	3.0	3.3	3.1	2.8

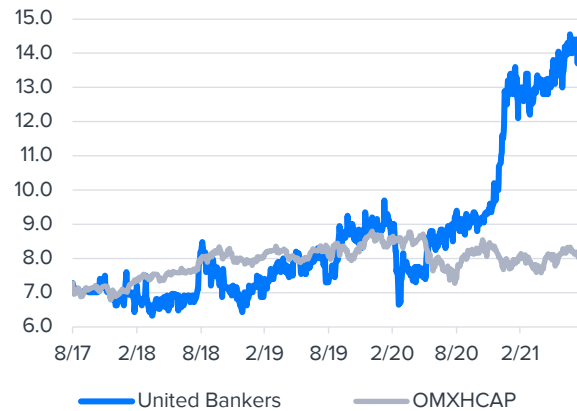
Source: Inderes

Guidance

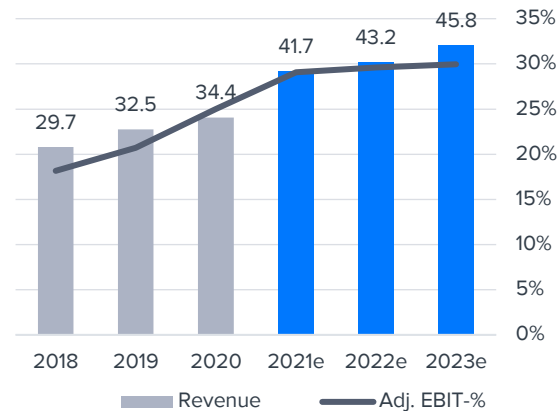
(Adjusted)

The company estimates that its adjusted operating profit will increase.

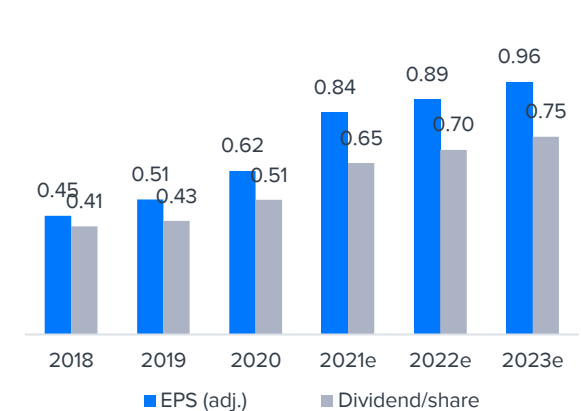
Share price



Net sales and EBIT %



EPS and dividend



Value drivers

- Growth in new sales
- Growth of existing products and expanding product offering
- Improving cost efficiency
- Corporate restructuring



Risk factors

- Market situation
- Improving cost efficiency as sales grows
- Materialization of performance fees
- Tightening regulations

Valuation	2021e	2022e	2023e
Share price	14.3	14.3	14.3
Number of shares, millions	10.5	10.5	10.6
Market cap	150	150	150
EV	136	133	129
P/E (adj.)	17.0	16.0	14.9
P/E	17.2	16.0	14.9
P/FCF	14.9	15.0	13.7
P/B	3.6	3.4	3.2
P/S	3.6	3.5	3.3
EV/Sales	3.3	3.1	2.8
EV/EBITDA	10.0	9.2	8.3
EV/EBIT (adj.)	11.2	10.4	9.4
Payout ratio (%)	78.1%	78.5%	78.3%
Dividend yield-%	4.5%	4.9%	5.3%

Source: Inderes

Estimates

Estimates	H1'20	H1'21	H1'21e	H1'21e	Consensus		Difference (%)	2021e
MEUR / EUR	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. inderes	Inderes
Revenue	17.9	21.0	20.7				2%	41.7
EBIT (adj.)	5.5	6.4	7.3				-12%	12.1
EPS (adj.)	0.41	0.44	0.53				-18%	0.84
EPS (reported)	0.38	0.43	0.53				-19%	0.83
Revenue growth-%	22.0 %	17.8 %	15.8 %				2 pp	21.5 %
EBIT-% (adj.)	30.8 %	30.4 %	35.1%				-4.7 pp	29.1%

Source: Inderes

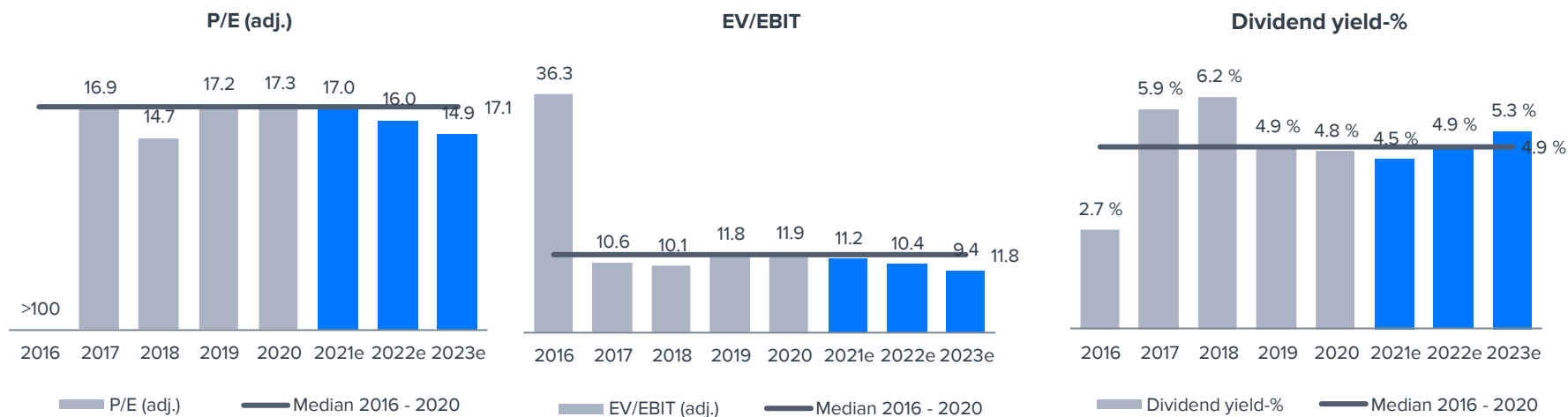
Estimate revisions	2021e	2021e	Change	2022e	2022e	Change	2023e	2023e	Change
MEUR / EUR	Old	New	%	Old	New	%	Old	New	%
Revenue	39.9	41.7	5%	41.0	43.2	5%	43.9	45.8	4%
EBIT (exc. NRIs)	12.8	12.1	-5%	12.6	12.8	2%	13.9	13.7	-1%
EBIT	12.8	12.0	-6%	12.6	12.8	2%	13.9	13.7	-1%
EPS (excl. NRIs)	0.94	0.84	-10%	0.91	0.89	-2%	1.01	0.96	-5%
DPS	0.65	0.65	0%	0.70	0.70	0%	0.75	0.75	0%

Source: Inderes

Valuation table

Valuation	2016	2017	2018	2019	2020	2021e	2022e	2023e	2024e
Share price	7.50	6.80	6.60	8.80	10.7	14.3	14.3	14.3	14.3
Number of shares, millions	7.68	8.24	9.59	10.2	10.4	10.5	10.5	10.6	10.6
Market cap	58	56	63	92	112	150	150	150	150
EV	54	49	55	79	102	136	133	129	125
P/E (adj.)	>100	16.9	14.7	17.2	17.3	17.0	16.0	14.9	13.2
P/E	>100	24.0	14.7	20.3	17.9	17.2	16.0	14.9	13.2
P/FCF	neg.	13.4	33.5	79.1	57.8	14.9	15.0	13.7	12.3
P/B	3.9	2.9	2.1	2.5	2.9	3.6	3.4	3.2	2.9
P/S	2.9	2.2	2.1	2.8	3.3	3.6	3.5	3.3	3.0
EV/Sales	2.7	1.9	1.8	2.4	3.0	3.3	3.1	2.8	2.5
EV/EBITDA	20.9	9.7	7.7	10.4	10.2	10.0	9.2	8.3	7.2
EV/EBIT (adj.)	36.3	10.6	10.1	11.8	11.9	11.2	10.4	9.4	8.1
Payout ratio (%)	622.2 %	141.2 %	91.0 %	101.2 %	85.4 %	78.1 %	78.5 %	78.3 %	73.7 %
Dividend yield-%	2.7 %	5.9 %	6.2 %	4.9 %	4.8 %	4.5 %	4.9 %	5.3 %	5.7 %

Source: Inderes



Peer group valuation

Peer group valuation	Share price	Market cap	EV	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%		P/B
Company		MEUR	MEUR	2021e	2022e	2021e	2022e	2021e	2022e	2021e	2022e	2021e	2022e	2021e
eQ	27.30	1100	1103	23.8	24.9	23.3	24.3	14.2	14.6	30.1	31.2	3.5	3.3	14.2
Taaleri	10.75	304	319	4.3	17.2	2.4		6.3	6.2	2.4	21.9	11.2	5.8	1.3
Titanium	15.55	154	136	12.4	9.7	9.7	8.5	5.9	5.0	14.6	12.4	6.3	7.0	6.7
CapMan	3.15	491	524	11.8	12.3	13.2	12.8	9.4	7.8	14.4	15.3	4.8	5.1	4.0
Evli	24.20	586	586	11.3	11.9	10.2	10.5	5.2	5.3	17.9	16.4	5.3	5.8	5.5
EAB Group	3.35	46	52	17.3	11.5	9.4	8.0	2.4	2.1	23.1	14.6	2.8	3.7	2.2
Aktia	11.82	843	3292	41.6	33.6			12.7	12.3	13.5	10.6	4.6	5.6	1.2
Oma Säästöpankki	16.10	480	1691	14.7	13.6			10.9	12.4	6.8	11.2	2.2	2.5	1.1
Alexandria	8.55	86	71	6.7	8.0	5.8	6.2	1.6	1.6	10.7	14.4	5.3	5.8	3.6
United Bankers (Inderes)	14.30	150	136	11.2	10.4	10.0	9.2	3.3	3.1	17.0	16.0	4.5	4.9	3.6
Average				16.0	15.9	10.6	11.7	7.6	7.5	14.8	16.5	5.1	5.0	4.4
Median				12.4	12.3	9.7	9.5	6.3	6.2	14.4	14.6	4.8	5.6	3.6
Diff-% to median				-9%	-16%	3%	-3%	-48%	-50%	17%	10%	-5%	-12%	0%

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

Income statement

Income statement	2019	H1'20	H2'20	2020	H1'21	H2'21e	2021e	2022e	2023e	2024e
Revenue	32.5	17.9	16.5	34.4	21.0	20.7	41.7	43.2	45.8	49.2
EBITDA	7.7	6.1	3.9	10.1	7.1	6.5	13.6	14.4	15.5	17.3
Depreciation	-1.7	-0.9	-0.8	-1.7	-0.8	-0.8	-1.6	-1.6	-1.7	-1.8
EBIT (excl. NRI)	6.7	5.5	3.1	8.6	6.4	5.7	12.1	12.8	13.7	15.5
EBIT	5.9	5.3	3.1	8.4	6.3	5.7	12.0	12.8	13.7	15.5
Net financial items	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
PTP	5.9	5.3	3.1	8.4	6.3	5.7	12.0	12.8	13.7	15.5
Taxes	-1.5	-1.2	-0.6	-1.8	-1.4	-1.2	-2.6	-2.7	-2.9	-3.3
Minority interest	0.0	-0.1	-0.2	-0.3	-0.4	-0.3	-0.7	-0.7	-0.7	-0.7
Net earnings	4.4	4.0	2.2	6.2	4.5	4.2	8.7	9.4	10.1	11.5
EPS (adj.)	0.51	0.41	0.21	0.62	0.44	0.40	0.84	0.89	0.96	1.08
EPS (rep.)	0.43	0.38	0.21	0.60	0.43	0.40	0.83	0.89	0.96	1.08

Key figures	2019	H1'20	H2'20	2020	H1'21	H2'21e	2021e	2022e	2023e	2024e
Revenue growth-%	9.4 %	22.0 %	-7.6 %	5.7 %	17.8 %	25.5 %	21.5 %	3.4 %	6.1 %	7.5 %
Adjusted EBIT growth-%	24.8 %	139.1 %	-30.2 %	27.7 %	16.4 %	85.9 %	41.4 %	5.3 %	7.4 %	12.9 %
EBITDA-%	23.6 %	34.3 %	23.8 %	29.3 %	33.7 %	31.6 %	32.7 %	33.4 %	33.8 %	35.2 %
Adjusted EBIT-%	20.7 %	30.8 %	18.7 %	25.0 %	30.4 %	27.8 %	29.1 %	29.6 %	30.0 %	31.5 %
Net earnings-%	13.6 %	22.4 %	13.5 %	18.1 %	21.4 %	20.5 %	20.9 %	21.8 %	22.1 %	23.5 %

Source: Inderes

Balance sheet

Assets	2019	2020	2021e	2022e	2023e
Non-current assets	24.7	28.5	28.7	29.0	29.3
Goodwill	15.7	15.7	15.7	15.7	15.7
Intangible assets	4.0	4.0	4.0	4.1	4.2
Tangible assets	2.0	1.6	1.8	2.0	2.2
Associated companies	0.0	0.0	0.0	0.0	0.0
Other investments	3.0	7.2	7.2	7.2	7.2
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
Current assets	37.6	30.1	33.0	36.2	39.8
Inventories	0.0	0.0	0.0	0.0	0.0
Other current assets	21.8	17.8	17.8	17.8	17.8
Receivables	0.8	0.6	0.8	0.8	0.8
Cash and equivalents	15.0	11.7	14.4	17.6	21.2
Balance sheet total	62.3	58.5	61.7	65.2	69.1

Source: Inderes

Liabilities & equity	2019	2020	2021e	2022e	2023e
Equity	37.1	39.1	43.2	46.5	49.9
Share capital	5.1	5.4	5.4	5.4	5.4
Retained earnings	10.5	12.0	15.4	18.0	20.7
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	21.4	21.4	21.4	21.4	21.4
Other equity	0.0	0.0	0.0	0.0	0.0
Minorities	0.1	0.3	1.0	1.7	2.4
Non-current liabilities	4.1	3.3	1.3	1.3	1.3
Deferred tax liabilities	1.3	1.3	1.3	1.3	1.3
Provisions	0.0	0.0	0.0	0.0	0.0
Long term debt	2.8	2.0	0.0	0.0	0.0
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	0.0	0.0	0.0	0.0	0.0
Current liabilities	21.1	16.1	17.2	17.4	17.9
Short term debt	0.0	0.0	0.0	0.0	0.0
Payables	4.6	6.0	7.1	7.3	7.8
Other current liabilities	16.5	10.1	10.1	10.1	10.1
Balance sheet total	62.3	58.5	61.7	65.2	69.1

DCF calculation

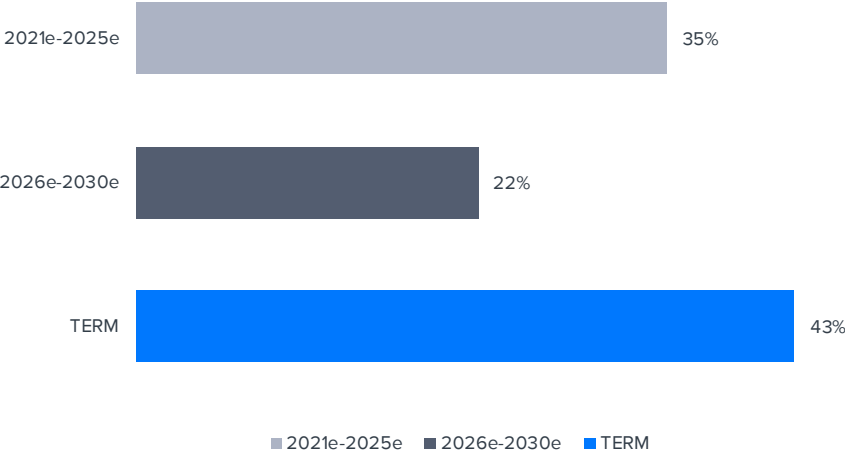
DCF model	2020	2021e	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	TERM
EBIT (operating profit)	8.4	12.0	12.8	13.7	15.5	15.2	15.1	15.1	15.0	12.6	12.8	
+ Depreciation	1.7	1.6	1.6	1.7	1.8	1.9	2.0	2.0	2.1	2.2	2.3	
- Paid taxes	-1.8	-2.6	-2.7	-2.9	-3.3	-3.2	-3.2	-3.2	-3.1	-2.6	-2.7	
- Tax, financial expenses	0.0	0.0	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	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Change in working capital	-0.8	0.9	0.2	0.4	0.2	0.2	0.2	0.2	0.2	0.2	0.2	
Operating cash flow	7.4	11.9	11.9	13.0	14.2	14.1	14.1	14.1	14.2	12.4	12.5	
+ Change in other long-term liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-5.5	-1.8	-1.9	-2.0	-2.0	-2.1	-2.2	-2.3	-2.4	-2.4	-3.0	
Free operating cash flow	1.9	10.1	10.0	11.0	12.2	12.0	11.9	11.8	11.8	9.9	9.5	
+/- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	1.9	10.1	10.0	11.0	12.2	12.0	11.9	11.8	11.8	9.9	9.5	129
Discounted FCFF		9.8	8.9	8.9	9.0	8.1	7.4	6.6	6.0	4.6	4.1	55.3
Sum of FCFF present value		129	119	110	101	92.2	84.1	76.7	70.1	64.1	59.4	55.3
Enterprise value DCF		129										
- Interesting bearing debt		-2.0										
+ Cash and cash equivalents		11.7										
-Minorities		-0.3										
-Dividend/capital return		-5.3										
Equity value DCF		133										
Equity value DCF per share		12.7										

Wacc

Tax-% (WACC)	20.0 %
Target debt ratio (D/(D+E))	0.0 %
Cost of debt	5.0 %
Equity Beta	1.20
Market risk premium	4.75%
Liquidity premium	1.80%
Risk free interest rate	2.0 %
Cost of equity	9.5 %
Weighted average cost of capital (WACC)	9.5 %

Source: Inderes

Cash flow distribution



Summary

Income statement	2018	2019	2020	2021e	2022e	Per share data	2018	2019	2020	2021e	2022e
Revenue	29.7	32.5	34.4	41.7	43.2	EPS (reported)	0.45	0.43	0.60	0.83	0.89
EBITDA	7.1	7.7	10.1	13.6	14.4	EPS (adj.)	0.45	0.51	0.62	0.84	0.89
EBIT	5.4	5.9	8.4	12.0	12.8	OCF / share	0.73	0.23	0.71	1.14	1.13
PTP	5.4	5.9	8.4	12.0	12.8	FCF / share	0.20	0.11	0.19	0.96	0.95
Net Income	4.3	4.4	6.2	8.7	9.4	Book value / share	3.16	3.63	3.72	4.02	4.25
Extraordinary items	0.0	-0.8	-0.2	-0.1	0.0	Dividend / share	0.41	0.43	0.51	0.65	0.70
Balance sheet	2018	2019	2020	2021e	2022e	Growth and profitability	2018	2019	2020	2021e	2022e
Balance sheet total	52.0	62.3	58.5	61.7	65.2	Revenue growth-%	19%	9%	6%	21%	3%
Equity capital	30.3	37.1	39.1	43.2	46.5	EBITDA growth-%	42%	8%	31%	36%	6%
Goodwill	15.7	15.7	15.7	15.7	15.7	EBIT (adj.) growth-%	18%	25%	28%	41%	5%
Net debt	-8.7	-12.2	-9.7	-14.4	-17.6	EPS (adj.) growth-%	12%	14%	21%	36%	6%
Cash flow	2018	2019	2020	2021e	2022e	EBITDA-%	23.9 %	23.6 %	29.3 %	32.7 %	33.4 %
EBITDA	7.1	7.7	10.1	13.6	14.4	EBIT (adj.)-%	18.1 %	20.7 %	25.0 %	29.1 %	29.6 %
Change in working capital	0.0	-4.1	-0.8	0.9	0.2	EBIT-%	18.1 %	18.2 %	24.3 %	28.8 %	29.6 %
Operating cash flow	7.0	2.4	7.4	11.9	11.9	ROE-%	17.3 %	13.1 %	16.4 %	21.6 %	21.6 %
CAPEX	-12.1	-1.2	-5.5	-1.8	-1.9	ROI-%	18.6 %	15.8 %	20.6 %	28.6 %	28.5 %
Free cash flow	1.9	1.2	1.9	10.1	10.0	Equity ratio	58.3 %	59.5 %	66.8 %	70.0 %	71.2 %
						Gearing	-28.8 %	-33.0 %	-24.7 %	-33.4 %	-37.9 %
Valuation multiples	2018	2019	2020	2021e	2022e						
EV/S	1.8	2.4	3.0	3.3	3.1						
EV/EBITDA (adj.)	7.7	10.4	10.2	10.0	9.2						
EV/EBIT (adj.)	10.1	11.8	11.9	11.2	10.4						
P/E (adj.)	14.7	17.2	17.3	17.0	16.0						
P/E	2.1	2.5	2.9	3.6	3.4						
Dividend-%	6.2 %	4.9 %	4.8 %	4.5 %	4.9 %						

Source: Inderes

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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)

Date	Recommendation	Target price	Share price
27-07-16	Reduce	7.40 €	7.15 €
25-08-16	Reduce	7.20 €	6.90 €
16-02-17	Reduce	6.80 €	7.30 €
03-05-17	Reduce	6.80 €	6.99 €
24-08-17	Reduce	7.20 €	7.16 €
16-11-17	Reduce	7.80 €	7.60 €
28-02-18	Reduce	7.80 €	7.36 €
16-05-18	Accumulate	7.50 €	7.00 €
24-08-18	Accumulate	8.30 €	7.50 €
16-10-18	Reduce	8.00 €	7.95 €
18-02-19	Reduce	8.00 €	7.65 €
26-06-19	Reduce	8.00 €	7.55 €
23-08-19	Reduce	7.50 €	7.40 €
16-12-19	Sell	8.20 €	9.35 €
20-12-19	Sell	8.20 €	8.95 €
07-02-20	Reduce	9.00 €	9.45 €
03-03-20	Reduce	9.00 €	8.90 €
23-03-20	Reduce	6.40 €	6.90 €
14-05-20	Reduce	7.50 €	7.75 €
08-06-20	Reduce	8.00 €	7.95 €
27-08-20	Reduce	8.80 €	9.00 €
26-10-20	Reduce	9.00 €	9.30 €
22-02-21	Reduce	11.00 €	12.80 €
26-05-21	Reduce	13.00 €	13.15 €
27-08-21	Reduce	12.50 €	14.30 €



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