

# Bittium

## Company report

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This report is a summary translation of the report "Strategia selkeä, nyt pitää vaan suorittaa" published on 10/31/2023 at 7:45 am EET

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# Clear strategy that now has to be executed

We reiterate our Accumulate recommendation for Bittium and raise our target price to EUR 5.0 (was EUR 4.2) after the company's CMD. The strategy update, implementing the change and clear focus areas increased our confidence in the company's development and achieving its financial targets. During the week, Bittium has also announced ResMed cooperation in the sleep apnea area and a new framework agreement with the Finnish Defence Forces. Through these, we raised our earnings estimates for the coming years by some 15%, where the company has its work cut out. The share price has risen forcefully, but the valuation (P/E 2024e 18x) is still reasonable considering the company's development phase.

## The new strategy clarified the company's direction

Bittium's updated strategy has three key focus areas: 1) Change from a product development organization to a customer-centric, growth-oriented operating model through its segment organizations, which is a huge change process for the company. 2) Focusing strongly on the current products and increasing their market shares, which means a clear focus on core businesses. 3) Increasing efficiency and notably streamlining the cost structure, which is expected to significantly improve the company's profitability and cash flow. The company is currently running a EUR 6 million savings program related to this. Bittium's three business segments, Medical, Defense & Security and Engineering Services, will all implement the above-mentioned focus areas during the next two-year strategy period. At the same time, business segments are increasingly independent as decisions are brought close to the customer in the businesses. The company's goal is to start segment reporting based on the new structure at the latest from the beginning of 2024, after which visibility to the development of different business areas improves significantly. Overall, we found the CMD convincing, and we sensed strong winds of change in the company.

## Take away from the CMD and fresh news flow boosted estimates

Bittium reiterated its aim for average annual net sales growth of more than 10% and an operating profit level of 10% and estimates that it will achieve these goals in 2024. The focus areas of the new strategy, the implemented savings measures, strong focus on current products and changes made to improve efficiency and in the organizational structure convinced us that the profitability target is realistic. We now expect the company to reach an EBIT margin of 10% in 2024 with a close call. We still consider it very possible that the target will be missed and that the EBIT margin will remain, e.g., in a range of 7-10%. However, we would be very surprised if Bittium did not achieve a strong profitability and earnings improvement in 2024. Our earnings estimates for 2024-2025 increased by some 15%. A significant factor in this was also the recent news flow ([ResMed cooperation](#) and preparation of a new [framework agreement](#)), but in terms of profitability, we were convinced by the content of the CMD.

## The share is still reasonably priced

After years of waddling, Bittium is undergoing a huge transformation process. Even though big changes always involve uncertainty, we believe that Bittium will move to a profitable growth path next year, and thus the share's fair value (unchanged at EUR 5-7) can materialize. The share has risen by about 26% in a week, which devoured most of the upside despite positive news. Nevertheless, the share is reasonably priced with the 2024 result (adj. P/E 18x) and in particular with cash flows as investments decrease and depreciation increases (2024e EV/EBITDA 7x). Therefore, compared to its long-term potential, we still feel the share is cheap.

## Recommendation

**Accumulate**  
(previous Accumulate)  
**EUR 5.00**  
(previous EUR 4.20)

**Share price:**  
4.39



## Key figures

	2022	2023e	2024e	2025e
<b>Revenue</b>	83	78	91	106
<b>growth-%</b>	-5%	-6%	16%	17%
<b>EBIT adj.</b>	0.3	-2.2	9.2	13.3
<b>EBIT-% adj.</b>	0.4 %	-2.8 %	10.1 %	12.6 %
<b>Net Income</b>	0.3	-2.2	11.0	15.7
<b>EPS (adj.)</b>	0.01	-0.08	0.24	0.37

<b>P/E (adj.)</b>	>100	neg.	18.4	11.9
<b>P/B</b>	1.2	1.4	1.3	1.2
<b>Dividend yield-%</b>	1.3 %	1.1 %	2.7 %	5.1 %
<b>EV/EBIT (adj.)</b>	>100	neg.	16.4	9.6
<b>EV/EBITDA</b>	13.2	22.7	7.2	4.4
<b>EV/S</b>	1.8	2.1	1.7	1.2

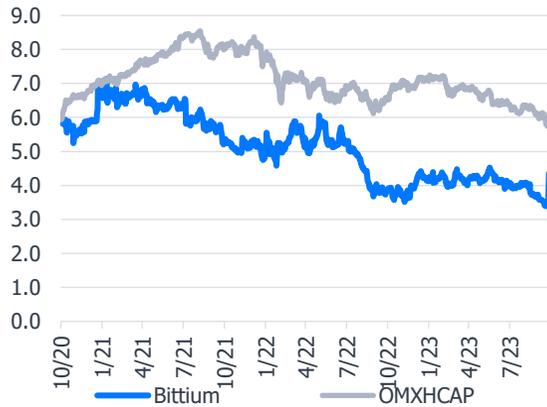
Source: Inderes

## Guidance

(Unchanged)

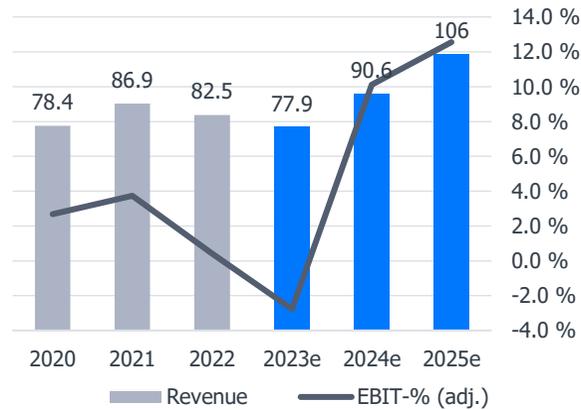
Bittium expects the net sales in 2023 to be at the same level or lower than in the previous year (2022: 82.5 MEUR) and the operating result to be lower than in the previous year (2022: 0.3 MEUR). Cash flow in 2023 is expected to be negative.

### Share price



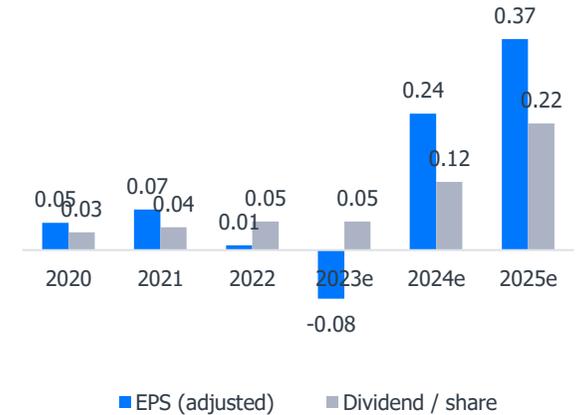
Source: Millstream Market Data AB

### Revenue and EBIT-%



Source: Inderes

### EPS and dividend



Source: Inderes



### Value drivers

- Achieving the profitability target (10% EBIT) and strong cash flow
- International growth of Defense products (especially Tough SDR)
- Profitable growth in Medical Technologies (new driver Respiro)
- Recovery of the service business into a cash-flow machine
- The sum of the parts clarifying and M&A transactions can be a significant value driver



### Risk factors

- Failure in the earnings turnaround and prolonged poor performance
- Uncertainty and potential earnings disappointments related to high growth forecasts
- Investors' patience weakening further
- Decrease in the acceptable valuation level

Valuation	2023e	2024e	2025e
Share price	4.39	4.39	4.39
Number of shares, million:	35.7	35.7	35.7
Market cap	157	157	157
EV	162	150	128
P/E (adj.)	neg.	18.4	11.9
P/E	neg.	14.2	10.0
P/B	1.4	1.3	1.2
P/S	2.0	1.7	1.5
EV/Sales	2.1	1.7	1.2
EV/EBITDA	22.7	7.2	4.4
EV/EBIT (adj.)	neg.	16.4	9.6
Payout ratio (%)	neg.	38.7 %	50.4 %
Dividend yield-%	1.1 %	2.7 %	5.1 %

Source: Inderes

# New strategy clarified the company's direction 1/2

## Three strategic focus areas

Bittium's updated strategy includes three key focus areas, which were largely in line with our expectations. They were summarized as follows:

- 1) change from a product development organization to a customer-centric, growth-oriented operating model through its segment organizations, which is a huge change process for the company. It is difficult to "measure" the development, but it seems that the personnel have been surprisingly well involved in the process. This is encouraging for the development of the company.
- 2) The company focuses strongly on its current products and increasing their market shares, and the development work focuses mainly on further improving the competitiveness and productivity of these products. With this, the company is seeking a clearer focus and thus savings. From the beginning, the company's new CEO has

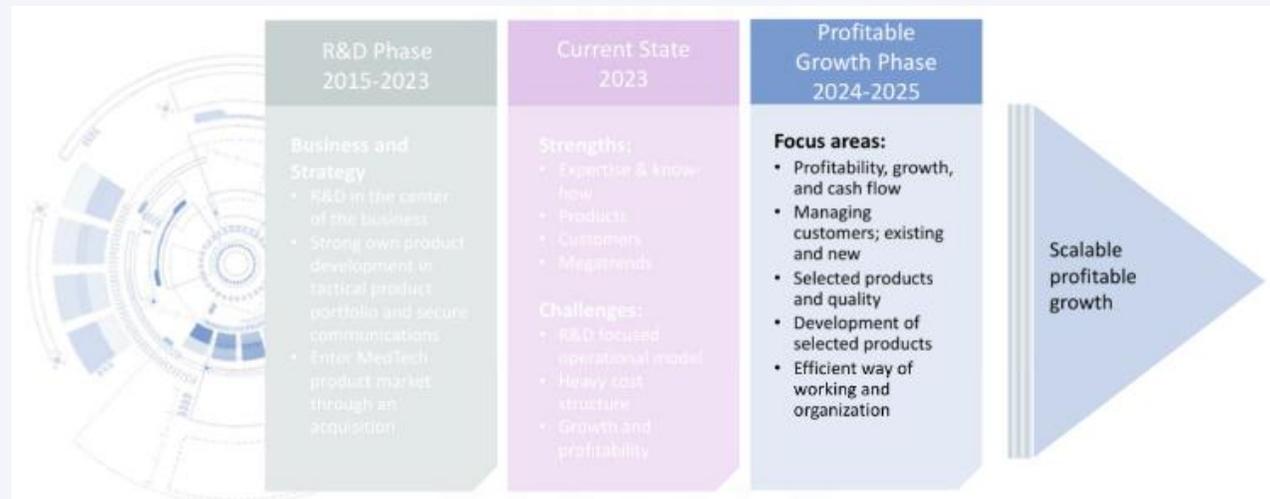
emphasized focus and efficiency improvement, so this was no surprise. From the outside, it is difficult to assess concrete changes because we do not know how fragmented the activities were in the past (we do know the outcome). However, we believe that results can be achieved through focus.

- 3) The company seeks to increase efficiency in its own operating methods and has notably streamlined its cost structure, which is expected to significantly improve the company's profitability and cash flow. We have already seen measures related to this, the most significant being the EUR 6 million savings program and change negotiations. We have the impression that a significant proportion of the redundancies were in Group administration, which was cut severely (employees over 120 -> over 50). Some of these are transfers to business operations, but the organization has still been significantly lightened.

## Businesses will become more independent

Bittium's three business segments are Medical focused on biosignal measuring and remote monitoring, Defense & Security that provides products and services for the defense and public authorities markets, and Engineering Services that provides product development services and wireless embedded solutions. The three focus areas mentioned above will be the main focus areas for all business segments during the next two-year strategy period.

At the beginning of 2022, Bittium began developing its operations toward more independent businesses. All businesses need similar technology expertise, but the customers and market dynamics of the businesses are very different. Therefore, it is important to make decisions close to the customer in an efficient and customer-oriented manner.



# New strategy clarified the company's direction 2/2

The previously centralized group functions are now largely divided into business segments to best meet the needs of each segment. The change enables the optimization and efficiency of more independent businesses. Bittium's goal is to start segment reporting based on the new structure at the latest from the beginning of 2024, after which visibility to the development of the various businesses improves significantly. This also enables a plausible sum of the parts analysis, generally better valuation and more accurate estimates as visibility improves.

## Huge investments completed

Between 2016 and 2023, Defense & Security and Medical have invested heavily in the development of their own products. On average, the company has invested approximately EUR 20 million annually in product development, which has been a staggering average of about 25% of the company's annual net sales.

In both product-oriented businesses, new product development projects have now been completed and entered the commercial phase. In the next few years, product development will focus on continuous improvement of the quality and functionalities of existing products, which is likely to mean a clearly declining R&D level (the company did not discuss this). At least relative to net sales, R&D investments will decrease, which supports the company's profitability and especially cash flow.

## High cost structure has already been cut

In the previous product development-oriented operating model, the cost structure has been extensive due to development projects. In addition, there was clearly room for improvement in the company's focus and overall efficiency was unsatisfactory.

In line with the updated strategy, the company will focus on significantly lightening its cost structure. This is supported by the change negotiations completed in the company already in the fall, which resulted in redundancies of 61 people and temporary lay-offs of 8 people. In addition, the company has initiated other efficiency measures, and the annual savings impact of the measures identified so far and partly already implemented is estimated to be some EUR 6 million. The company expects to achieve these in full during 2024 and, after discussions, we are very confident that this will be achieved. It was still unclear what the savings will consist of, but there are many streams and they form a significant flow. The work continues also next year

## Key products of Bittium's business areas



# Business areas: Medical

## Medical business segment

The Medical business segment consists of three business areas: 1) measuring and analyzing the electrical activity of the heart (ECG), 2) measuring and analyzing the electrical activity of the brain (EEG), and 3) measuring and analyzing sleep apnea at home. The offering of the Medical business segment focuses on remote monitoring solutions, and Bittium has proven strong technology expertise in biosignal processing.

## Growth prospects for remote monitoring are very good

The growth outlook in the sector is very good as the healthcare technology market is undergoing a significant change in patient care, especially outside hospitals. Prevention is focused on through early diagnostics, and patient discharge is sought at an earlier stage. These significantly increase effectiveness, reduce costs and

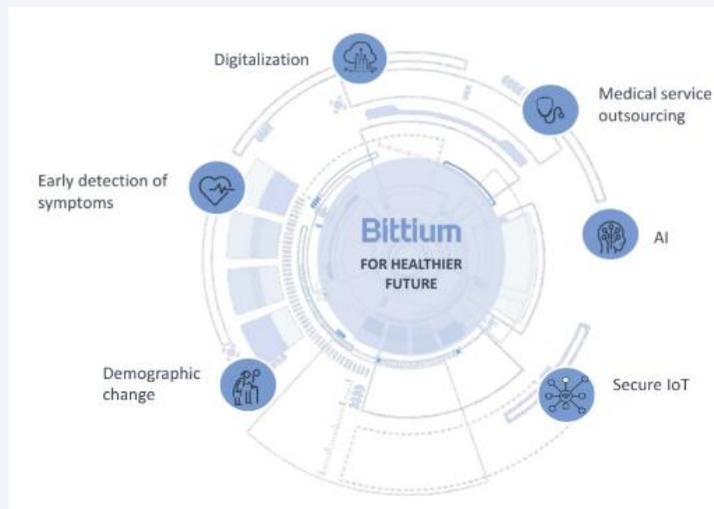
improve the care experience. The precondition for both prevention of health problems and early patient discharge is accurate monitoring and measurement at home through remote monitoring, which is why the growth outlook for remote monitoring is very good. Double-digit growth is expected for the sector far into the future.

## Market entry is sought especially through cooperation arrangements

In the Medical business, Bittium aims to be part of the growth of the industry by focusing on cooperation with existing international key customers (increasing market shares) and opening new customers. We believe the sales strategy is based primarily on obtaining larger partnerships, which enables Bittium to utilize their large sales and distribution power. Through Bittium's own sales machinery, growth is slow by default, but we believe that this will also continue.

An excellent example of successful cooperation in the Medical business is Preventice, which was acquired by the Boston Scientific Group. In the past, the Preventice cooperation offered the Faros product family (ECG) a breakthrough in the US market, which enabled the business to grow very quickly to its current size. Now, in the sleep apnea field, the ResMed cooperation can offer a similar breakthrough, but this cooperation does not involve similar obligations as Preventice for either party.

## Medical sector growth drivers



## Medical segment products and key customer segments



Source: Bittium CMD

# Business areas: Defense & Security

## Recurring net sales sought in the Medical segment

Particular focus areas are the competitiveness of existing products, improving productivity and quality, and improving operational efficiency. In addition, in the coming years, the company will focus on increasing recurring net sales in its product business both through software and various multi- and single-use products. A business based on continuous or recurring net sales is of course significantly more valuable than mere hardware sales, and through analysis software, income can be obtained from each treatment. Success in this would significantly increase the value of the Medical business.

## Defense & Security business segment

The Defense & Security business segment consists of three business areas: (1) Defense Products, (2) Defense Services, and (3) Security products and services. Bittium's

business consists of tactical communications solutions for the defense market and high-security communications solutions for authorities and the professional user market.

Bittium's strengths in the sector include the technological performance of equipment, where underlying waveform quality is used together with secure wireless technology integrated with equipment and software intended for military and authoritative use.

## The Defense market is experiencing a boom

Russia's invasion of Ukraine has increased defense budgets in various countries. Initially, purchases focused on "consumer goods" and existing equipment, but there has also been a growing interest in modernizing tactical communications systems. In tactical data transfer, defense forces of states and other authorities need networks where increasingly mobile network users can reliably and

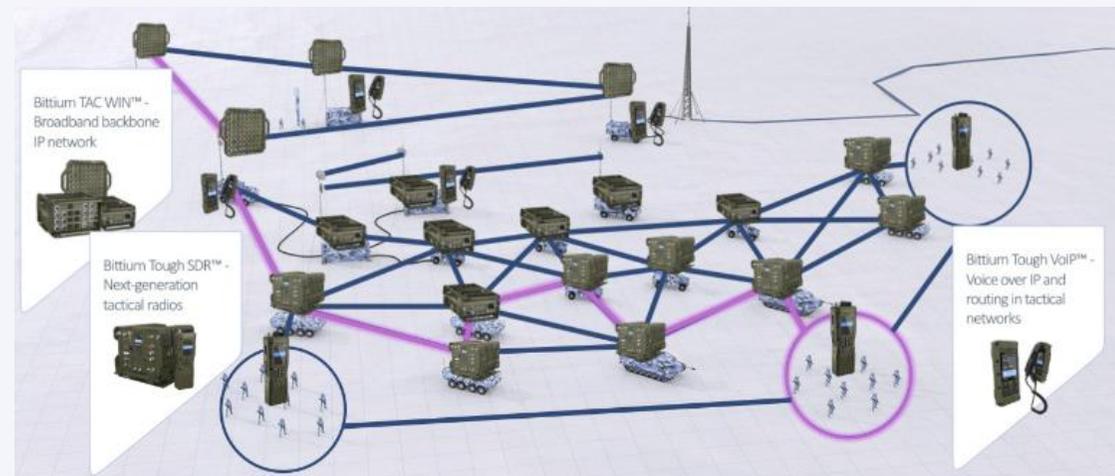
securely transfer ever larger amounts of data. The company also believes that Finland's NATO membership will have a positive impact on the demand for Bittium's defense and authoritative products, especially in NATO countries.

Bittium has previously stated that it is involved in several tendering processes but emphasized that the total duration of tendering may be several years. In connection with the Q3 report, the company expected results from the first tenders "in the following months or in the first half of next year". No further information was received on this during the CMD, so the situation surrounding tenders must be examined later.

## Growth enablers in the Defense segment



## The main products of the Defense segment in tactical communications



Source: Bittium CMD

# Business areas: Engineering Services

## Defense & Security products are in shape

Over the past few years, Bittium has made significant investments in expanding the segment's product portfolio. According to the company, the products and systems are now at a very competitive level internationally in terms of both coverage and technical characteristics. In the future, the company will focus on continuously improving the quality of existing products and developing their features.

In the segment, the company will focus heavily on key customers (Finland, Austria and Estonia), as well as international sales and marketing to reach new customers. The company's aim is to significantly grow its international product business and achieve an internationally significant position as a provider of tactical and high-security communications solutions.

In our view, Bittium's success is realistic in countries that do not have their own "defense operator". Domestic companies are strongly favored in the sector, which is understandable considering the use purpose of the products and systems. This is circumvented with local actors who could also provide support in crisis situations.

## Engineering Services business segment

In the Engineering Services business segment, Bittium offers its customers product development services and wireless connectivity solutions to develop products in a secure and evolving wireless environment. The company has focused its product development service offering around radio technology and embedded devices, and in these areas the company has world-class expertise.

In the future, the market will grow strongly, especially in the IoT sector, as with digitalization secure IoT (Internet of Things) is a significant development area in almost all

industries. Demand is generated by the growing need for companies to digitize their operations, collect data wirelessly and transfer it to cloud services, as well as remotely monitor and control devices and systems. The goal of Western companies to shift the focus of design and manufacturing increasingly, e.g., to Europe will, according to the company, create more demand for product development services.

In the coming years, Bittium will continue to grow its international customer base, especially in the Telecom and Industry IoT market segments. The company will also invest in developing partnerships with its current customers. Public references include, e.g., Nokia, iLOQ, Philips and GE Healthcare.

## Growth enablers in the Engineering Services segment



Source: Bittium CMD

## Engineering Services' product offering



# The CMD and recent news flow support the outlook

## CMD strengthened confidence in profitability development

During the CMD, there was in practice no discussion of future earnings development as the focus was understandably on the strategy and the change process. The key aspect related to the result was the management's strong confidence in achieving the company's financial targets in 2024. Bittium targets average annual net sales growth of over 10% and an operating profit level of 10%, and still expects that it will reach these targets in 2024.

There has been potential for strong performance improvements in the past, but the company has repeatedly failed in this. In the past, our view of the company has relied in particular on net sales growth, i.e., recent significant transactions that are not directly under the company's control. Now, the company will be put into shape to generate profit through increased efficiency and focus, which means it is more about internal change.

The new strategic focus areas, completed savings measures, strong focus on existing products, and changes made to improve efficiency and in the organizational structure convinced us that this time things will probably be different. Of course, a significant factor in the estimate increases is also the recent news flow, but in terms of profitability, we were convinced by the contents of the CMD.

## ResMed cooperation supports Respiro's growth

Last week, Bittium announced (read the [release](#)) that Bittium and ResMed will start collaboration in providing a comprehensive solution for sleep apnea testing and analysis for hospitals and care centers. In connection with this, the companies signed a distributor agreement that

gives ResMed the right to resell the advanced Home Sleep Apnea Test and Analysis Solution Bittium Respiro. The agreement does not contain exclusive rights and covers reselling right of the solution in the UK, Ireland, Switzerland, Finland, Norway and Sweden. The cooperation is relatively limited at the beginning, but if successful, it will bring Bittium huge sales power and give the Respiro comprehensive solution an important reference.

We consider the ResMed cooperation very positive for the Medical business and especially for Respiro, whose sales we believe have been low so far. In our view, the potential market for sleep apnea is about the same as for the Medical Technologies segment's by far most important Faros product family (ECG measuring devices and software). The strong growth of the Faros product family was enabled by the Preventice collaboration (now part of the Boston Scientific Group), and in theory, the ResMed collaboration can provide a starting point for sleep apnea.

We have raised our forecasts for Respiro's sales in the next few years, but are still cautious and, e.g., in 2024, we expect sales of "only" EUR 4 million. In 2025, Respiro could enter the US market, which would increase the potential sharply (FDA approval expected in late 2024). However, it is still too early to assess what sales might be like.

We emphasize that to our understanding the ResMed cooperation involves no binding obligations or, e.g., minimum purchases, so the agreement does not automatically imply additional net sales. On the other hand, there is no exclusive rights in the other direction either. A lot depends on what incentives ResMed has to promote Bittium Respiro's sales and on what priority they take it on. Visibility will improve over the next year.

## Bittium and the Finnish Defence Forces are preparing a framework agreement on tactical communications products

Bittium announced on Friday (read the [release](#)) that it is concluding a framework agreement with the Finnish Defence Forces on the purchase of Bittium TAC WIN software radio system products and Bittium Tough Comnode communications equipment. Although the framework agreement is still in preparation, we consider it highly probable that it will be finalized. The framework agreement would cover the period 2023-2028 and the procurement authorization would be at most EUR 51.6 million (excluding VAT). As a rule, the framework agreement will be used up to the maximum amount, which has been the case throughout history. This means that product deliveries to the Defence Forces will remain at approximately historical levels in the coming years.

We had previously estimated that the TAC WIN needs of the Defence Forces in particular had been largely met and that the pace of orders would slow down in the coming years, which means that the framework agreement had a slightly positive impact on our forecasts. Even though the forecasts did not rise much as a result, the framework agreement will, if implemented, provide an important "baseload" and thus confidence in the sustainability of the company's performance level.

# Earnings estimates for next few years rose clearly

## Earnings estimates for 2024-2025 rose by around 15%

The increase in forecasts was mainly driven by confidence in the effectiveness of efficiency measures and strong focus that will probably depress the cost structure more in the coming years than the EUR 6 million savings program. However, the ResMed cooperation and the new framework agreement with the Finnish Defence Forces provide significant support, which increased our estimate of product net sales in the coming years in particular. The gross margins of products are high, resulting in a significant earnings impact. This is likely to be seen already in Q4, which should be a strong quarter in terms of product deliveries.

Thanks to these, Bittium is also less dependent on significant growth of Tough SDR deliveries to the Finnish Defence Forces, which we feel was previously the most important growth driver for the coming years. The timing of the Tough SDR deliveries did not become clearer, but

volumes should rise clearly from the low level of the current year. We expect a Tough SDR order in early 2024 at the latest, after which visibility will improve.

The CMD provided no additional information on the possible defense radio orders to Austria either. However, Bittium's WAC WIN trunk network has been delivered to the country, through which Bittium's position in radio procurement is, in our view, strong. However, we do not expect large deliveries to Austria at least next year. In the longer term, however, Austria is critical for the internationalization of the defense business.

## There's a lot to do

We now expect the company to reach an EBIT margin of 10% in 2024 with a close call, while we previously estimated the margin to be 8.9%. We still consider it very possible that the target will be missed and that the EBIT margin will remain, e.g., in a range of 7-10%. However, we would be very surprised if Bittium did not achieve a strong

profitability and earnings improvement in 2024. The company has a lot to do in any case, but at least during the CMD there seemed to be enough enthusiasm and energy.

Estimate revisions	2023e	2023e	Change	2024e	2024e	Change	2025e	2025e	Change
MEUR / EUR	Vanha	Uusi	%	Old	New	%	Old	New	%
Revenue	77.9	77.9	0%	89.6	90.6	1%	103	106	2%
EBITDA	7.2	7.2	0%	19.8	21.0	6%	27.3	29.0	6%
EBIT (exc. NRIs)	-2.2	-2.2	0%	7.9	9.2	15%	11.6	13.3	14%
EBIT	-2.9	-2.9	0%	7.9	9.2	15%	11.6	13.3	14%
PTP	-3.7	-3.7	0%	7.3	8.5	17%	11.5	13.2	15%
EPS (excl. NRIs)	-0.08	-0.08	0%	0.20	0.24	17%	0.32	0.37	15%
DPS	0.05	0.05	0%	0.10	0.12	17%	0.19	0.22	15%

Source: Inderes

# The price rise devoured the biggest upside

## A quick rise from the bottom

Bittium's share has risen by some 26% in a week with the positive news flow. Previously, the price was at rock bottom but now expectations have been priced clearly more. Next year, the company has to generate a profit. At the same time, the strong price rise already devoured the largest upside in the share, at least in the short term. In absolute terms, we still consider the share price low if the company can seize its full potential in coming years. Now there are positive signs of this, even though there is no proof yet.

## The valuation is still reasonable if the earnings machine gets going

Of course, Bittium's valuation does not receive any support from the loss-making result in 2023, so we look at next year's valuation multiples. Then, we expect a level adjustment in earnings, when the share's adjusted P/E is approximately 18x and EV/EBITDA a moderate 7x. After the massive investments in recent years, the depreciation mass has increased, which is why the difference between the figures is considerable. On the other hand, as R&D investments probably decrease clearly in the next few years, we expect the company's cash flow profile to be very favorable. This strengthens both the expected return and the company's balance sheet.

In our opinion, the valuation is still very attractive relative to the company's potential, but this can only be achieved through actual evidence. With 2025 estimates the adjusted P/E is 12x and EV/EBITDA is only 4-5x. We feel this reflects Bittium's earnings potential with its current customers, but in the next few years, the company will have several opportunities for new openings through

defense tendering and new cooperation partners. We believe that these opportunities are very moderately priced in the share.

At the current low price level, we also believe that Bittium is a very potential acquisition target, which is an alternative way to realize fair value if the company fails to extract potential from its businesses.

## The sum of the parts will raise its head next year

We believe the fair value of the share (EUR 5.0-7.0) is higher than the current price, but this requires the company to perform reasonably in all businesses. In this respect we feel the message of the CMD was encouraging as expected and increased our confidence that Bittium can shake the label of "the eternal promise" and the sum of parts can begin to materialize next year.

A critical step here is naturally the segment-specific reporting, which gives us significantly better visibility to the development of different business operations. This also enables a plausible sum of the parts analysis, generally better valuation and more accurate estimates as visibility improves.

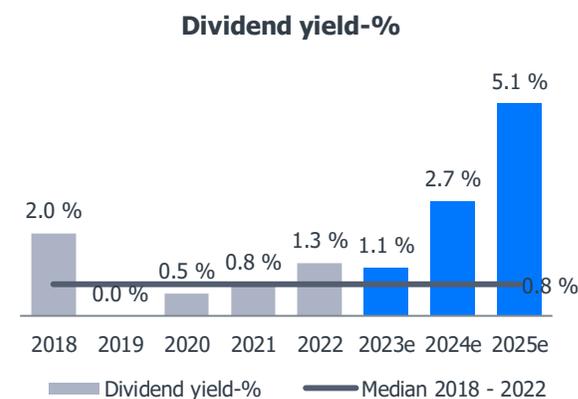
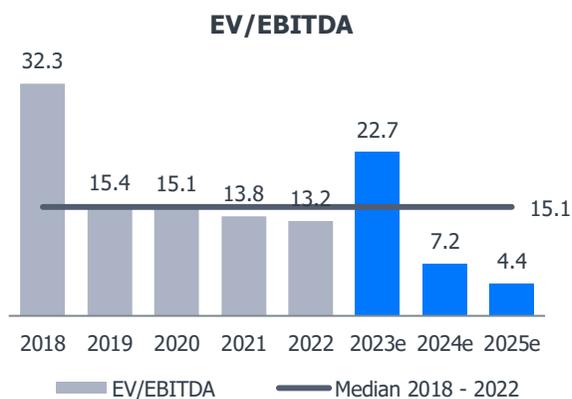
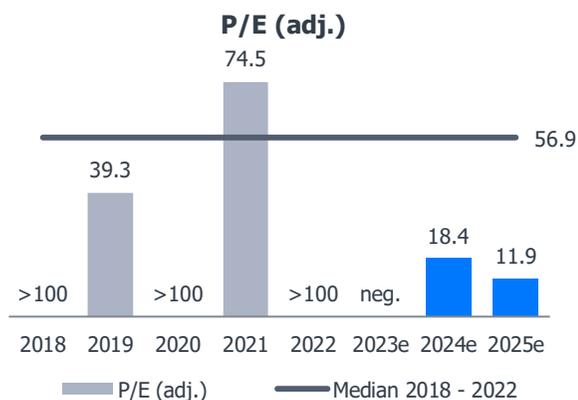
Valuation	2023e	2024e	2025e
Share price	4.39	4.39	4.39
Number of shares, million	35.7	35.7	35.7
Market cap	157	157	157
EV	162	150	128
P/E (adj.)	neg.	18.4	11.9
P/E	neg.	14.2	10.0
P/B	1.4	1.3	1.2
P/S	2.0	1.7	1.5
EV/Sales	2.1	1.7	1.2
EV/EBITDA	22.7	7.2	4.4
EV/EBIT (adj.)	neg.	16.4	9.6
Payout ratio (%)	neg.	38.7 %	50.4 %
Dividend yield-%	1.1 %	2.7 %	5.1 %

Source: Inderes

# Valuation table

Valuation	2018	2019	2020	2021	2022	2023e	2024e	2025e	2026e
Share price	7.61	6.50	5.79	5.30	3.98	4.39	4.39	4.39	4.39
Number of shares, millions	35.7	35.7	35.7	35.7	35.7	35.7	35.7	35.7	35.7
Market cap	272	232	207	189	142	157	157	157	157
EV	242	220	205	189	145	162	150	128	115
P/E (adj.)	>100	39.3	>100	74.5	>100	neg.	18.4	11.9	10.9
P/E	67.8	30.5	93.9	56.6	>100	neg.	14.2	10.0	10.9
P/B	2.5	2.1	1.8	1.6	1.2	1.4	1.3	1.2	1.1
P/S	4.3	3.1	2.6	2.2	1.7	2.0	1.7	1.5	1.3
EV/Sales	3.9	2.9	2.6	2.2	1.8	2.1	1.7	1.2	0.9
EV/EBITDA	32.3	15.4	15.1	13.8	13.2	22.7	7.2	4.4	3.7
EV/EBIT (adj.)	85.1	34.8	97.4	58.5	>100	neg.	16.4	9.6	7.3
Payout ratio (%)	133.7 %	0.0 %	50.5 %	42.8 %	615.6 %	neg.	38.7 %	50.4 %	70.0 %
Dividend yield-%	2.0 %	0.0 %	0.5 %	0.8 %	1.3 %	1.1 %	2.7 %	5.1 %	6.4 %

Source: Inderes



# Peer group valuation

Peer group valuation Company	Market cap MEUR	EV MEUR	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%		P/B 2023e
			2023e	2024e	2023e	2024e	2023e	2024e	2023e	2024e	2023e	2024e	
Etteplan	346	411	12.3	11.4	8.8	7.8	1.1	1.1	14.7	13.9	2.7	3.0	2.7
Tietoevry	2285	3229	9.0	8.4	7.9	6.9	1.1	1.1	8.8	8.5	7.8	8.0	1.3
Vincit	52	40	8.2	5.5	7.3	4.9	0.4	0.4	14.6	10.2	3.2	4.7	1.3
Invisio	629	615	27.5	22.7	23.0	19.1	5.9	5.1	39.6	30.7	1.1	1.4	11.0
Thales	29650	30542	14.6	12.7	10.6	9.5	1.7	1.5	17.7	15.9	2.3	2.5	3.9
L3Harris	30625	43043	16.0	14.2	12.8	11.5	2.4	2.2	13.9	12.9	2.7	3.0	1.7
Motorola Solutions	43004	48033	19.6	18.1	17.0	15.8	5.1	4.9	23.7	21.9	1.3	1.3	51.9
Elbit	7806	8680	20.0	18.2	15.8	14.5	1.6	1.5	27.4	24.1			
General Dynamics	61459	68929	16.4	14.2	13.7	12.1	1.7	1.6	18.9	16.0	2.2	2.4	3.3
Kongsberg	7275	7392	19.7	17.2	15.1	13.4	2.3	2.1	24.0	20.8	3.0	2.8	5.5
iRhythm Technologies	2260	2139			1810.1	76.4	4.6	3.9					11.9
Sectra	2010	1948	50.9	46.2	44.9	38.1	9.8	8.5	67.7	58.2	0.9	1.0	17.0
Masimo	4123	4848	17.0	15.0	13.4	11.5	2.4	2.3	24.1	21.2			2.0
Resmed	18722	19811	17.2	15.8	15.5	14.3	5.0	4.5	20.7	19.1	1.3	1.5	4.9
Nihon Kohden	1971	1682							19.8	18.5	1.2	1.6	1.8
<b>Bittium (Inderes)</b>	<b>157</b>	<b>162</b>	<b>-</b>	<b>16.4</b>	<b>22.7</b>	<b>7.2</b>	<b>2.1</b>	<b>1.7</b>	<b>-</b>	<b>18.4</b>	<b>1.1</b>	<b>2.7</b>	<b>1.4</b>
<b>Average</b>			<b>17.9</b>	<b>15.8</b>	<b>134.5</b>	<b>17.2</b>	<b>3.0</b>	<b>2.7</b>	<b>22.5</b>	<b>20.8</b>	<b>3.1</b>	<b>2.8</b>	<b>8.6</b>
<b>Median</b>			<b>16.7</b>	<b>14.6</b>	<b>13.7</b>	<b>12.1</b>	<b>2.3</b>	<b>2.1</b>	<b>19.8</b>	<b>18.8</b>	<b>2.3</b>	<b>2.5</b>	<b>3.6</b>
<b>Diff-% to median</b>				<b>12%</b>	<b>65%</b>	<b>-41%</b>	<b>-8%</b>	<b>-19%</b>		<b>-2%</b>	<b>-50%</b>	<b>11%</b>	<b>-61%</b>

Source: Refinitiv / Inderes

# Income statement

Income statement	2021	Q1'22	Q2'22	Q3'22	Q4'22	2022	Q1'23	Q2'23	Q3'23	Q4'23e	2023e	2024e	2025e	2026e
<b>Revenue</b>	<b>86.9</b>	<b>18.4</b>	<b>22.7</b>	<b>13.8</b>	<b>27.7</b>	<b>82.5</b>	<b>14.9</b>	<b>20.7</b>	<b>13.9</b>	<b>28.4</b>	<b>77.9</b>	<b>90.6</b>	<b>106</b>	<b>122</b>
Group	86.9	18.4	22.7	13.8	27.7	82.5	14.9	20.7	13.9	28.4	77.9	90.6	106	122
<b>EBITDA</b>	<b>13.7</b>	<b>1.6</b>	<b>3.4</b>	<b>0.2</b>	<b>5.8</b>	<b>11.0</b>	<b>-1.0</b>	<b>2.6</b>	<b>0.3</b>	<b>5.3</b>	<b>7.2</b>	<b>21.0</b>	<b>29.0</b>	<b>31.4</b>
Depreciation	-10.5	-2.6	-2.6	-2.6	-2.9	-10.7	-2.5	-2.3	-2.4	-2.8	-10.0	-11.8	-15.7	-15.5
<b>EBIT (excl. NRI)</b>	<b>3.2</b>	<b>-1.0</b>	<b>0.8</b>	<b>-2.4</b>	<b>2.9</b>	<b>0.3</b>	<b>-3.5</b>	<b>0.3</b>	<b>-2.1</b>	<b>3.1</b>	<b>-2.2</b>	<b>9.2</b>	<b>13.3</b>	<b>15.8</b>
<b>EBIT</b>	<b>3.2</b>	<b>-1.0</b>	<b>0.8</b>	<b>-2.4</b>	<b>2.9</b>	<b>0.3</b>	<b>-3.5</b>	<b>0.3</b>	<b>-2.1</b>	<b>2.4</b>	<b>-2.9</b>	<b>9.2</b>	<b>13.3</b>	<b>15.8</b>
Group	3.2	-1.0	0.8	-2.4	2.9	0.3	-3.5	0.3	-2.1	3.1	-2.2	9.2	13.3	15.8
Net financial items	-0.7	-0.2	-0.3	-0.2	-0.1	-0.8	-0.2	-0.2	-0.3	-0.2	-0.9	-0.6	-0.1	0.2
<b>PTP</b>	<b>2.5</b>	<b>-1.2</b>	<b>0.6</b>	<b>-2.6</b>	<b>2.8</b>	<b>-0.4</b>	<b>-3.7</b>	<b>0.1</b>	<b>-2.4</b>	<b>2.2</b>	<b>-3.7</b>	<b>8.5</b>	<b>13.2</b>	<b>16.0</b>
Taxes	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	-1.6
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
<b>Net earnings</b>	<b>2.5</b>	<b>-1.2</b>	<b>0.6</b>	<b>-2.6</b>	<b>2.8</b>	<b>-0.4</b>	<b>-3.7</b>	<b>0.1</b>	<b>-2.4</b>	<b>3.7</b>	<b>-2.2</b>	<b>11.0</b>	<b>15.7</b>	<b>14.4</b>
<b>EPS (adj.)</b>	<b>0.05</b>	<b>-0.03</b>	<b>0.02</b>	<b>-0.07</b>	<b>0.08</b>	<b>-0.01</b>	<b>-0.10</b>	<b>0.00</b>	<b>-0.07</b>	<b>0.08</b>	<b>-0.08</b>	<b>0.24</b>	<b>0.37</b>	<b>0.40</b>
<b>EPS (rep.)</b>	<b>0.07</b>	<b>-0.03</b>	<b>0.02</b>	<b>-0.07</b>	<b>0.08</b>	<b>-0.01</b>	<b>-0.10</b>	<b>0.00</b>	<b>-0.07</b>	<b>0.10</b>	<b>-0.06</b>	<b>0.31</b>	<b>0.44</b>	<b>0.40</b>
<b>Key figures</b>	<b>2021</b>	<b>Q1'22</b>	<b>Q2'22</b>	<b>Q3'22</b>	<b>Q4'22</b>	<b>2022</b>	<b>Q1'23</b>	<b>Q2'23</b>	<b>Q3'23</b>	<b>Q4'23e</b>	<b>2023e</b>	<b>2024e</b>	<b>2025e</b>	<b>2026e</b>
<b>Revenue growth-%</b>	10.8 %	7.7 %	0.0 %	-19.3 %	-7.9 %	-5.0 %	-18.6 %	-8.8 %	0.7 %	2.4 %	-5.6 %	16.4 %	16.7 %	15.0 %
<b>Adjusted EBIT growth-%</b>	54.3 %	-30.6 %	3.9 %	-1290%	-21.4 %	-89.5 %	245.6 %	-59.4 %	-11.8 %	7.1 %	-732.8 %	-526.0 %	44.9 %	19.1 %
<b>EBITDA-%</b>	15.8 %	8.7 %	15.1 %	1.4 %	21.0 %	13.4 %	-6.8 %	12.7 %	2.2 %	18.5 %	9.2 %	23.2 %	27.4 %	25.8 %
<b>Adjusted EBIT-%</b>	3.7 %	-5.6 %	3.5 %	-17.2 %	10.6 %	0.4 %	-23.6 %	1.6 %	-15.1 %	11.1 %	-2.8 %	10.1 %	12.6 %	13.0 %
<b>Net earnings-%</b>	2.9 %	-6.6 %	2.6 %	-18.8 %	10.2 %	-0.5 %	-24.9 %	0.6 %	-17.1 %	13.2 %	-2.9 %	12.2 %	14.8 %	11.8 %

Source: Inderes

# Balance sheet

Assets	2021	2022	2023e	2024e	2025e
<b>Non-current assets</b>	<b>85.8</b>	<b>85.0</b>	<b>87.0</b>	<b>84.7</b>	<b>76.0</b>
Goodwill	5.8	5.8	5.8	5.8	5.8
Intangible assets	49.9	50.1	52.1	50.3	42.4
Tangible assets	20.9	19.7	19.7	19.2	18.3
Associated companies	0.0	0.0	0.0	0.0	0.0
Other investments	1.4	1.1	1.1	1.1	1.1
Other non-current assets	1.1	0.9	0.9	0.9	0.9
Deferred tax assets	6.7	7.4	7.4	7.4	7.4
<b>Current assets</b>	<b>80.3</b>	<b>84.7</b>	<b>77.1</b>	<b>78.8</b>	<b>97.2</b>
Inventories	18.8	24.2	21.8	22.7	25.4
Other current assets	0.0	0.0	0.0	0.0	0.0
Receivables	39.4	41.4	37.4	38.1	37.0
Cash and equivalents	22.0	19.0	17.9	18.1	34.8
<b>Balance sheet total</b>	<b>166</b>	<b>170</b>	<b>164</b>	<b>164</b>	<b>173</b>

Source: Inderes

Liabilities & equity	2021	2022	2023e	2024e	2025e
<b>Equity</b>	<b>117</b>	<b>116</b>	<b>112</b>	<b>121</b>	<b>132</b>
Share capital	12.9	12.9	12.9	12.9	12.9
Retained earnings	76.8	75.6	71.6	80.8	92.2
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	1.1	1.3	1.3	1.3	1.3
Other equity	26.0	26.0	26.0	26.0	26.0
Minorities	0.0	0.0	0.0	0.0	0.0
<b>Non-current liabilities</b>	<b>25.0</b>	<b>26.4</b>	<b>26.3</b>	<b>15.9</b>	<b>10.1</b>
Deferred tax liabilities	0.2	0.2	0.2	0.2	0.2
Provisions	3.5	4.7	4.7	4.7	4.7
Interest bearing debt	21.1	21.3	21.3	10.8	5.0
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	0.2	0.2	0.2	0.2	0.2
<b>Current liabilities</b>	<b>24.3</b>	<b>27.5</b>	<b>25.9</b>	<b>26.6</b>	<b>30.6</b>
Interest bearing debt	1.2	1.1	2.6	1.2	1.0
Payables	23.1	26.4	23.4	25.4	29.6
Other current liabilities	0.0	0.0	0.0	0.0	0.0
<b>Balance sheet total</b>	<b>166</b>	<b>170</b>	<b>164</b>	<b>164</b>	<b>173</b>

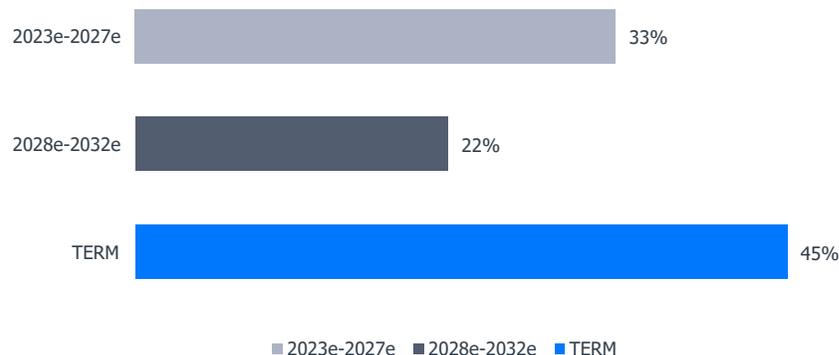
# DCF calculation

DCF model	2022	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	TERM
Revenue growth-%	-5.0 %	-5.6 %	16.4 %	16.7 %	15.0 %	13.0 %	11.0 %	9.0 %	6.0 %	5.0 %	3.0 %	3.0 %
EBIT-%	0.4 %	-3.7 %	10.1 %	12.6 %	13.0 %	13.5 %	13.0 %	12.0 %	11.0 %	10.0 %	10.0 %	10.0 %
<b>EBIT (operating profit)</b>	<b>0.3</b>	<b>-2.9</b>	<b>9.2</b>	<b>13.3</b>	<b>15.8</b>	<b>18.5</b>	<b>19.8</b>	<b>19.9</b>	<b>19.4</b>	<b>18.5</b>	<b>19.1</b>	
+ Depreciation	10.7	10.0	11.8	15.7	15.5	17.0	12.3	7.9	7.8	7.8	7.4	
- Paid taxes	-0.7	0.0	0.0	0.0	-1.6	-2.8	-4.1	-4.1	-4.0	-3.8	-3.9	
- 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	0.1	0.1	0.2	0.2	0.2	0.2	
- Change in working capital	-4.1	3.4	0.5	2.6	-3.7	-2.0	-1.2	-1.9	-2.5	-2.2	-1.4	
<b>Operating cash flow</b>	<b>6.3</b>	<b>10.6</b>	<b>21.5</b>	<b>31.6</b>	<b>26.1</b>	<b>30.7</b>	<b>27.0</b>	<b>22.0</b>	<b>20.8</b>	<b>20.4</b>	<b>21.3</b>	
+ Change in other long-term liabilities	1.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-9.2	-12.0	-9.5	-7.0	-6.0	-5.0	-5.0	-7.5	-7.9	-6.6	-8.3	
<b>Free operating cash flow</b>	<b>-1.8</b>	<b>-1.4</b>	<b>12.0</b>	<b>24.6</b>	<b>20.1</b>	<b>25.7</b>	<b>21.9</b>	<b>14.5</b>	<b>12.9</b>	<b>13.8</b>	<b>12.9</b>	
+/- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	-1.8	-1.4	12.0	24.6	20.1	25.7	21.9	14.5	12.9	13.8	12.9	197
<b>Discounted FCFF</b>		<b>-1.4</b>	<b>10.7</b>	<b>20.1</b>	<b>14.9</b>	<b>17.4</b>	<b>13.5</b>	<b>8.2</b>	<b>6.6</b>	<b>6.4</b>	<b>5.5</b>	<b>83.8</b>
Sum of FCFF present value		186	187	176	156	141	124	111	102	95.7	89.3	83.8
<b>Enterprise value DCF</b>		<b>186</b>										
- Interest bearing debt		-22.4										
+ Cash and cash equivalents		19.0										
-Minorities		0.0										
-Dividend/capital return		-1.8										
<b>Equity value DCF</b>		<b>181</b>										
<b>Equity value DCF per share</b>		<b>5.1</b>										

WACC	
Tax-% (WACC)	20.0 %
Target debt ratio (D/(D+E))	5.0 %
Cost of debt	4.0 %
Equity Beta	1.55
Market risk premium	4.75%
Liquidity premium	0.25%
Risk free interest rate	2.5 %
<b>Cost of equity</b>	<b>10.1 %</b>
<b>Weighted average cost of capital (WACC)</b>	<b>9.8 %</b>

Source: Inderes

## Cash flow distribution



# Summary

Income statement	2020	2021	2022	2023e	2024e	Per share data	2020	2021	2022	2023e	2024e
Revenue	78.4	86.9	82.5	<b>77.9</b>	<b>90.6</b>	EPS (reported)	0.06	0.09	0.01	<b>-0.06</b>	<b>0.31</b>
EBITDA	13.5	13.7	11.0	<b>7.2</b>	<b>21.0</b>	EPS (adj.)	0.05	0.07	0.01	<b>-0.08</b>	<b>0.24</b>
EBIT	2.1	3.2	0.3	<b>-2.9</b>	<b>9.2</b>	OCF / share	0.17	0.18	0.18	<b>0.30</b>	<b>0.60</b>
PTP	1.7	2.5	-0.4	<b>-3.7</b>	<b>8.5</b>	FCF / share	-0.29	-0.07	-0.05	<b>-0.04</b>	<b>0.33</b>
Net Income	2.2	3.3	0.3	<b>-2.2</b>	<b>11.0</b>	Book value / share	3.20	3.27	3.24	<b>3.13</b>	<b>3.39</b>
Extraordinary items	0.0	0.0	0.0	<b>-0.7</b>	<b>0.0</b>	Dividend / share	0.03	0.04	0.05	<b>0.05</b>	<b>0.12</b>
Balance sheet	2020	2021	2022	2023e	2024e	Growth and profitability	2020	2021	2022	2023e	2024e
Balance sheet total	158.0	166.1	169.7	<b>164.1</b>	<b>163.5</b>	Revenue growth-%	4%	11%	-5%	<b>-6%</b>	<b>16%</b>
Equity capital	114.2	116.9	115.8	<b>111.8</b>	<b>121.1</b>	EBITDA growth-%	-6%	2%	-20%	<b>-35%</b>	<b>193%</b>
Goodwill	5.8	5.8	5.8	<b>5.8</b>	<b>5.8</b>	EBIT (adj.) growth-%	-67%	54%	-90%	<b>-733%</b>	<b>-526%</b>
Net debt	-2.2	0.2	3.4	<b>5.9</b>	<b>-6.1</b>	EPS (adj.) growth-%	-71%	49%	-89%	<b>-1145%</b>	<b>-381%</b>
Cash flow	2020	2021	2022	2023e	2024e	EBITDA-%	17.2 %	15.8 %	13.4 %	<b>9.2 %</b>	<b>23.2 %</b>
EBITDA	13.5	13.7	11.0	<b>7.2</b>	<b>21.0</b>	EBIT (adj.)-%	2.7 %	3.7 %	0.4 %	<b>-2.8 %</b>	<b>10.1 %</b>
Change in working capital	-7.1	-6.3	-4.1	<b>3.4</b>	<b>0.5</b>	EBIT-%	2.7 %	3.7 %	0.4 %	<b>-3.7 %</b>	<b>10.1 %</b>
Operating cash flow	5.9	6.6	6.3	<b>10.6</b>	<b>21.5</b>	ROE-%	1.9 %	2.9 %	0.2 %	<b>-2.0 %</b>	<b>9.5 %</b>
CAPEX	-16.8	-9.2	-9.2	<b>-12.0</b>	<b>-9.5</b>	ROI-%	1.6 %	2.3 %	0.2 %	<b>-1.9 %</b>	<b>7.0 %</b>
Free cash flow	-10.5	-2.6	-1.8	<b>-1.4</b>	<b>12.0</b>	Equity ratio	73.1 %	72.4 %	70.1 %	<b>70.0 %</b>	<b>76.4 %</b>
						Gearing	-1.9 %	0.2 %	2.9 %	<b>5.3 %</b>	<b>-5.0 %</b>
Valuation multiples	2020	2021	2022	2023e	2024e						
EV/S	2.6	2.2	1.8	<b>2.1</b>	<b>1.7</b>						
EV/EBITDA (adj.)	15.1	13.8	13.2	<b>22.7</b>	<b>7.2</b>						
EV/EBIT (adj.)	97.4	58.5	>100	<b>neg.</b>	<b>16.4</b>						
P/E (adj.)	>100	74.5	>100	<b>neg.</b>	<b>18.4</b>						
P/B	1.8	1.6	1.2	<b>1.4</b>	<b>1.3</b>						
Dividend-%	0.5 %	0.8 %	1.3 %	<b>1.1 %</b>	<b>2.7 %</b>						

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	Share price
11/18/2019	Accumulate	7.20 €	6.44 €
12/30/2019	Buy	7.20 €	6.04 €
1/24/2020	Reduce	7.20 €	7.13 €
2/14/2020	Reduce	6.50 €	6.50 €
2/27/2020	Accumulate	6.50 €	5.87 €
4/15/2020	Accumulate	5.90 €	5.61 €
5/4/2020	Accumulate	6.00 €	5.58 €
8/7/2020	Accumulate	7.00 €	6.43 €
10/14/2020	Reduce	7.00 €	7.39 €
11/2/2020	Reduce	6.00 €	5.92 €
11/30/2020	Accumulate	5.50 €	5.24 €
1/25/2021	Reduce	6.80 €	7.00 €
2/12/2021	Accumulate	6.80 €	6.43 €
4/30/2021	Accumulate	7.30 €	6.83 €
8/9/2021	Accumulate	6.40 €	5.81 €
10/25/2021	Reduce	6.00 €	5.73 €
1/5/2022	Accumulate	6.00 €	5.25 €
2/11/2022	Accumulate	5.50 €	5.12 €
5/2/2022	Reduce	5.50 €	5.40 €
8/10/2022	Accumulate	5.50 €	4.99 €
10/24/2022	Accumulate	4.40 €	3.78 €
2/13/2023	Accumulate	4.50 €	4.08 €
4/28/2023	Accumulate	4.50 €	4.00 €
8/7/2023	Accumulate	4.50 €	3.95 €
9/18/2023	Accumulate	4.20 €	3.80 €
10/23/2023	Accumulate	4.20 €	3.48 €
10/31/2023	Accumulate	5.00 €	4.39 €



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