

Alma Media

Company report

04/24/2023 08:47



Petri Gostowski
+358 40 821 5982
petri.gostowski@inderes.fi

✓ Inderes corporate customer

This report is a summary translation of the report "Toimitus vastasi tilausta" published on 4/24/2023 at 8:47 am

inde
res.

The delivery matched the subscription

Alma Media's Q1 figures were well in line with our expectations and we did not make any significant changes to our short- or medium-term estimates. In the short term, considering the economic development and consumer's reduced purchasing power, the company's demand drivers are sticky, which together with cost inflation puts pressure on the result. However, this has already been reflected in the share's valuation, and in the weaker than expected economic scenario we also rely on the company's ability to defend its performance by adjusting costs. Therefore, we reiterate our EUR 10.5 target price and Accumulate recommendation.

Q1 figures were in line with our expectations

Alma Media's revenue decreased by 1% in Q1, which was fully in line with our expectations. Also at segment level, the development was in line with our expectations, as Career continued to grow with the still tight East European labor market. Correspondingly, the demand for Consumer and Talent was depressed, in particular, by the deceleration of advertising, which was, however, expected. Alma Media's adjusted EBIT was EUR 17.0 million in Q1, which was also in line with our estimate. This corresponds to a fairly good adjusted EBIT margin of 22.6%, which nevertheless decreased from a very strong level in the comparison period due to increased costs (Q1'22: 25.7%). At segment level, Career's growth offset the upward pressure in costs, while the lack of high-margin advertising cut a slice of Consumer's profitability in Q1. However, at Group level, this was compensated by Talent that reached slightly better profitability than we expected.

We made minor revisions to our estimates

Alma Media reiterated its guidance for 2023 according to which its revenue (2022: 309 MEUR) and adjusted EBIT (73.4 MEUR) will be at the same level as in 2022 or will fall from the 2022 level. The guidance being repeated was quite expected and our estimates that expected a drop in revenue of about 1% and 8% in adjusted EBIT, are practically unchanged after the Q1 report. Our EPS estimates that decreased by some 2-5% for 2023-2025 are driven by the increases in financial cost estimates. In the short term, Alma Media's earnings outlook is weakened by the economic growth outlook, which, in turn, is depressed by the prospects for recruitment and advertising. In connection with the Q1 result, the company seemed somewhat optimistic about the gradually improving operating environment this year. Although we are still skeptical about the economic growth outlook and thus the demand drivers, considering the historical track record, flexible elements in the cost structure and already ongoing measures, we are confident about the company's ability to defend its performance with substantial adjustment measures if necessary.

Risk/return ratio is turning attractive

With declining 2023 earnings, the share's P/E and EV/EBIT ratios are 15x and 13x. We do not find these absolute valuation multiples too demanding as a whole and especially with the 2024 earnings improvement the corresponding ratios turn moderate (P/E 14x and EV/EBIT 12x) given the strong operating cash flow profile. These are also well below the median levels of the past five years. The moderate overall valuation picture is supported by the sum of the parts calculation and our DCF model (EUR 10.7-11.8 per share). We feel the valuation level together with the base return from a good 5% dividend yield makes the risk/return ratio attractive.

Recommendation

Accumulate
(previous Accumulate)

EUR 10.50
(previous EUR 10.50)

Share price:
9.04



Key figures

	2022	2023e	2024e	2025e
Revenue	309	307	311	317
growth-%	12%	-1%	1%	2%
EBIT adj.	73.4	67.4	70.1	72.9
EBIT-% adj.	23.8 %	22.0 %	22.5 %	23.0 %
Net Income	72.4	47.8	51.6	53.8
EPS (adj.)	0.72	0.59	0.63	0.66

P/E (adj.)	13.1	15.3	14.3	13.7
P/B	3.8	3.4	3.2	3.0
Dividend yield-%	4.7 %	5.1 %	5.3 %	5.4 %
EV/EBIT (adj.)	12.5	12.9	12.1	11.3
EV/EBITDA	9.5	10.4	9.8	9.3
EV/S	3.0	2.8	2.7	2.6

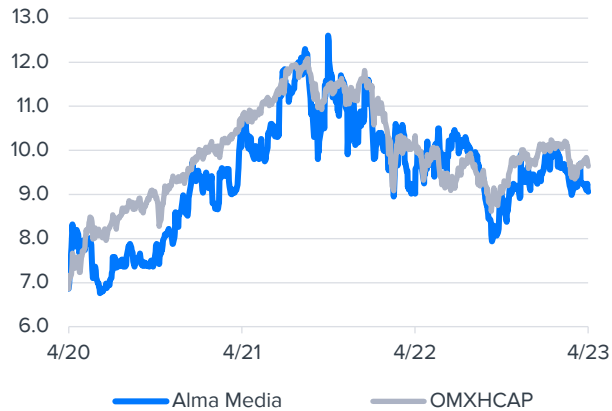
Source: Inderes

Guidance

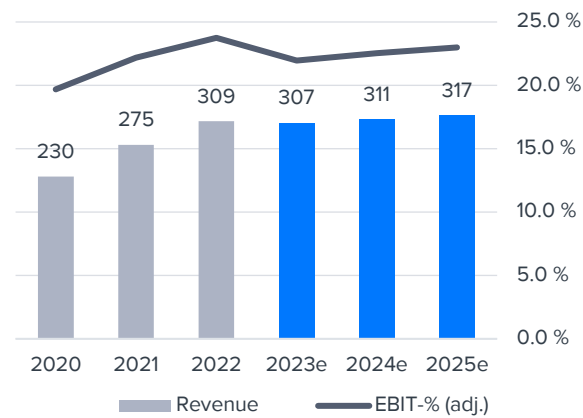
(Unchanged)

In 2023, Alma Media expects its full-year revenue (2022: 309 MEUR) and adjusted EBIT (2022: 73.4 MEUR) to remain at the 2022 level or to decrease from it.

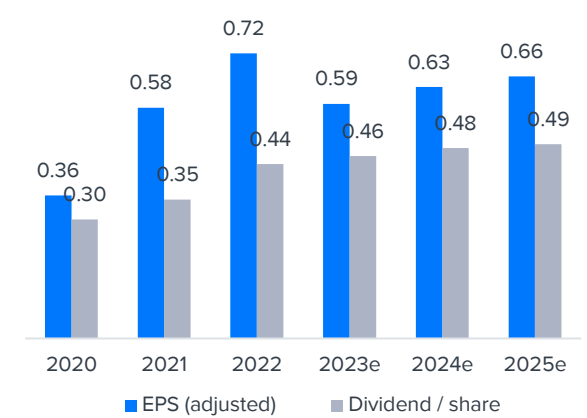
Share price



Revenue and EBIT %



EPS and dividend



Value drivers

- Profitable growth in digital businesses
- Positive long-term market trends of marketplace businesses
- Stable profitability development and good cash flow of media businesses
- M&A transaction option that is positive considering the track record



Risk factors

- Cyclicalities especially in advertising and recruitment business
- Accelerated revolution in media and decrease in print media
- Competitive risks posed by new technologies
- Possible changes in competitive position and dynamics

Valuation	2023e	2024e	2025e
Share price	9.04	9.04	9.04
Number of shares, millions	82.1	82.1	82.1
Market cap	743	743	743
EV	866	846	826
P/E (adj.)	15.3	14.3	13.7
P/E	15.6	14.4	13.8
P/B	3.4	3.2	3.0
P/S	2.4	2.4	2.3
EV/Sales	2.8	2.7	2.6
EV/EBITDA	10.4	9.8	9.3
EV/EBIT (adj.)	12.9	12.1	11.3
Payout ratio (%)	79.1%	76.4%	74.8%
Dividend yield-%	5.1%	5.3%	5.4%

Source: Inderes

The delivery matched the subscription in Q1

Career continued to grow, Consumer and Talent contracted slightly

Alma Media's revenue decreased by 1% in Q1, which was in line with our expectations. Career's revenue, which was still supported by increased invoicing, grew by 4% from the comparison period, being slightly below our growth estimates of close on 7%. Consumer's revenue decreased by 2% as expected, although advertising sales fell clearly and more than we expected. This was offset by a slight growth in marketplaces, which was in strong performance in this operating environment.

Talent's revenue declined slightly less than we expected as it fell by 5% from the comparison period. This was mainly due to the divestment of telemarketing in the Baltic region, and media sales (incl. Content and advertising) as a whole were on par with the comparison period.

Expected profitability development

On Group level, Alma Media's profitability development was well in line with expectations, as the company's adjusted EBIT in Q1 was 22.6%, which was a bit above our estimate. Thus, Alma Media's adjusted EBIT was EUR 17.0 million in Q1, which was in line with our and consensus forecasts.

On segment level, Career's profitability was slightly stronger than we expected, as, despite strong inflation and increased development and marketing investments in Eastern Europe, costs increased more moderately than we expected. Correspondingly, Consumer's profitability took a little more of a hit than we expected, which, we believe was largely the result of reduced higher margin (digital) advertising. Talent's profitability development was in line with our expectations.

On the lower lines, Q1 EPS was EUR 0.14 due to higher financial costs than expected. In addition to increased interest rates, this was based on an estimated aggregate effect of some EUR 0.5 million

from exchange rates and change in the fair value of the interest rate derivative.

Cash flow was good and the financial position is comfortable

In Q1, Alma Media generated EUR 20.6 million in operating cash flow and organic investments amounted to EUR 2.6 million. Thus, the company's free cash flow was EUR 18 million, which is a rather strong level. The development of Q1 cash flow was supported by the release of working capital and we expect that advances should decrease this year as growth slows down. Thus, we expect working capital commitment to somewhat slow down cash flow development during the rest of the year, but this does not change the company's strong overall cash flow profile.

Alma's net debt at the end of Q1 was EUR 128 million and the company's net debt/previous 12 months EBITDA was 1.5x. Thus, the company's financial position that strengthened clearly last year has remained very good.

Estimates	Q1'22	Q1'23	Q1'23e	Q1'23e	Consensus		Difference (%)	2023e
MEUR / EUR	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. Inderes	Inderes
Revenue	76.2	75.2	75.7	75.6	74.7	- 76.3	-1%	307
EBIT (adj.)	19.6	17.0	16.9	17.0	16.9	- 17.2	0%	67.4
EBIT	19.8	16.5	16.8	17.0	16.8	- 17.2	-2%	66.5
PTP	20.1	14.6	16.2	16.5	16.2	- 16.6	-10%	60.5
EPS (reported)	0.19	0.14	0.15	0.16	0.15	- 0.16	-10%	0.58
Revenue growth-%	31.3 %	-1.4 %	-0.7 %	-0.8 %	-2.0 %	- 0.1 %	-0.7 pp	-0.6 %
EBIT-% (adj.)	25.7 %	22.6 %	22.4 %	22.5 %	22.6 %	- 22.5 %	0.2 pp	22.0 %

Estimates: Inderes & Infront (consensus, 3 estimates)

Q1 did not provide drivers for estimate changes

Estimate changes 2023-2025e

- The Q1 report that met expectations did not give rise to any essential estimate changes and the recent generally subdued financial news flow has not deviated much from our underlying estimate assumptions. Therefore, we only made minor adjustments to our Group-level operational estimates.
- On segment level, estimate changes were largely directed at Talent, where we raised our short- and medium-term earnings estimates slightly in line with the profitability level of Q1 that held its own better than expected. Similarly, for Consumer, we made roughly similar downward revisions, as we cut our short-term estimates for revenue from high-margin advertising sales a smidgen.
- Below the operational items, we raised our financial cost estimates slightly for the next few years, which depressed our EPS estimate a bit.

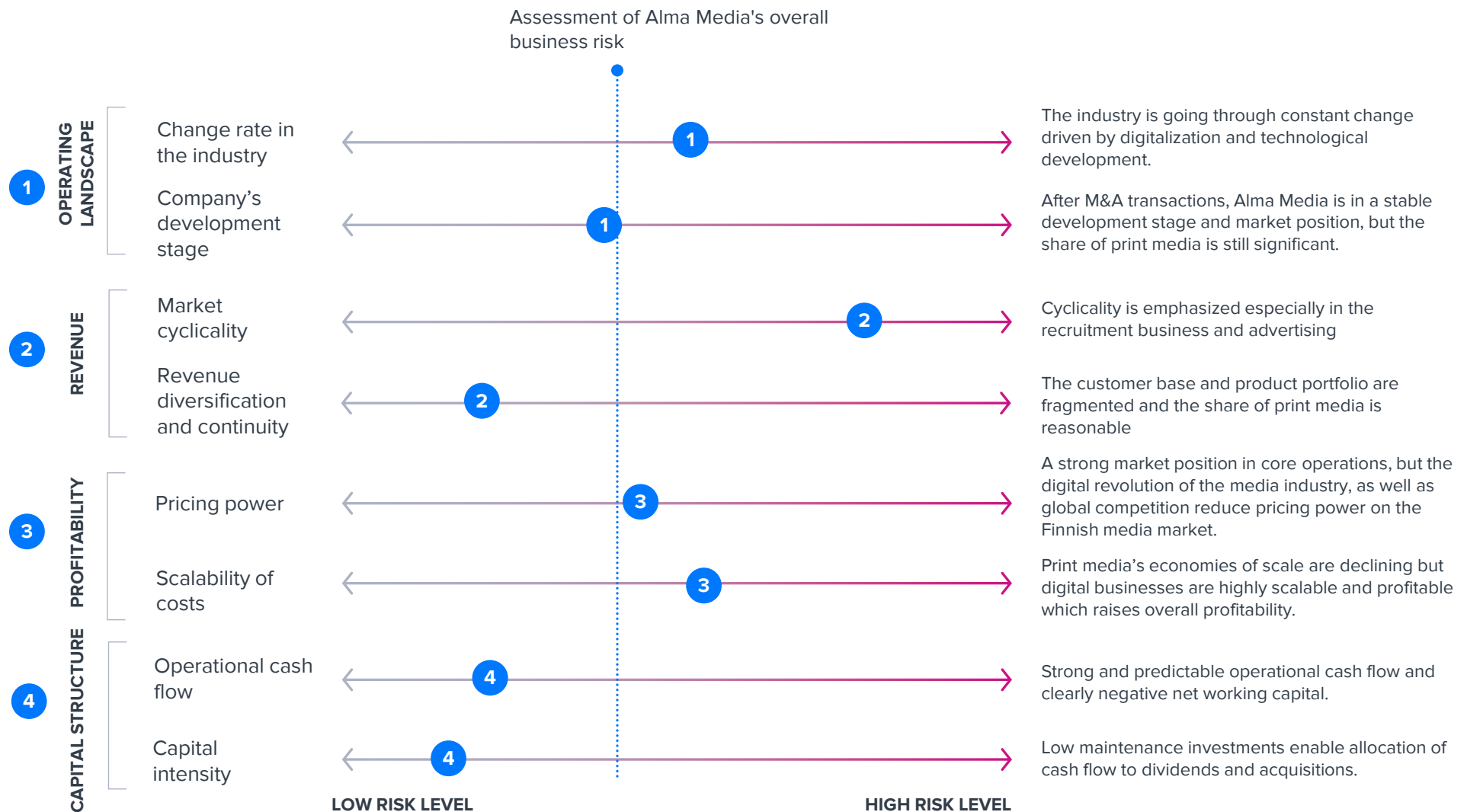
Operational earnings drivers 2023-2024e:

- We expect 2023 revenue to fall by nearly 1%, while adjusted EBIT is expected to fall by some 8%. This reflects on one hand the generally hefty earnings leverage thanks to high profitability and especially the slight decrease in Consumer's advertising that we expect.
- Considering recent financial news flow, we believe a more negative demand scenario is also possible, but, on the other hand, in light of Alma Media's cost structure, historical track record and ongoing measures we are confident that the company's cost structure is flexible downward even considerably if necessary. We, therefore, believe that the company has very good preconditions to defend its performance even if the economy enters recession.
- In 2024, we expect revenue to make an upturn thanks to Consumer's marketplaces and advertising picking up and reflecting the growth in Talent's digital income. In our estimates this compensates for print media that continues shrinking. We expect Career to grow slightly.
- Revenue growth, together with better revenue distribution, supports the profitability level we expect for 2024, which rises to 22.5% (vs. 2023e 22.0%).

Estimate revisions	2023e	2023e	Change	2024e	2024e	Change	2025e	2025e	Change
MEUR / EUR	Old	New	%	Old	New	%	Old	New	%
Revenue	306	307	0%	311	311	0%	317	317	0%
EBIT (exc. NRIs)	67.2	67.4	0%	70.3	70.1	0%	73.1	72.9	0%
EBIT	66.7	66.5	0%	69.8	69.6	0%	72.6	72.4	0%
PTP	64.3	60.5	-6%	67.4	66.1	-2%	70.6	68.9	-2%
EPS (excl. NRIs)	0.62	0.59	-5%	0.65	0.63	-2%	0.68	0.66	-2%
DPS	0.46	0.46	0%	0.48	0.48	0%	0.49	0.49	0%

Source: Inderes

Risk profile of Alma Media's business model



Valuation image has remained unchanged

Earnings-based valuation is fairly reasonable

Based on our Alma Media estimates, the adjusted P/E ratio for 2023 is around 15x and the corresponding adjusted EV/EBIT ratio is 13x. We believe the earnings-based valuation multiples for the current year are reasonable in absolute terms, especially considering the temporary earnings drop we expect in 2023. With the 2024 earnings improvement, the corresponding multiples fall to 14x and 12x, which we consider moderate given Alma Media's strong cash flow profile. These valuation multiples are also clearly below the median levels of the previous five years (2018-2022 average P/E 18x and EV/EBIT 14x).

As digital revenue with high profitability and strong cash flow has grown (in particular marketplace businesses and digital advertising and services), we believe that the increase of Alma Media's acceptable valuation level relative to historical valuation multiples has largely been justified in recent years. At the same time, however, it should be noted that the significant increase in interest rates clearly above the zero-level seen in recent years has been clearly reflected in general stock market valuation levels through increased required returns. Thus, we do not believe it is currently justified to rely on accepted valuation levels of recent years even though we still see upside in the absolute valuation level.

With our estimates, the share offers an average dividend yield of good 5% over the next few years. This forms a nice basis for the expected return of the next few years.

Relative valuation and sum-of-the-parts model

In relative terms, the share's earnings-based valuation multiples are moderate especially when benchmarked against the marketplace peer group (p. 8).

We believe that Alma Media should be valued at a discount to the companies in the peer group of marketplace businesses that have a greater market and growth potential. In addition, the different growth and profitability prospects of the businesses and how these are linked to general economic and cyclical development must be considered. Thus, we use the peer group as a benchmark primarily in our sum-of-the-parts calculation where we, due to the aforementioned factors, apply a discount to Alma Media relative to the valuation multiples of the peers.

The value of our updated sum-of-the-parts calculation is EUR 11.8 per share. Our sum-of-the-parts model is described in more detail [in our extensive report](#). We believe the valuation multiples of the platform companies in the extensive peer group are, on the whole, reasonable as they have fallen considerably with rising interest rates from 2021 levels.

The share value based on our DCF calculation that reflects the longer-term potential, is EUR 10.7 per share. We believe the sum of the parts model and DCF calculation support our view of the valuation picture turning attractive and still support gradual purchases, even though cyclical risks remain present.

Valuation	2023e	2024e	2025e
Share price	9.04	9.04	9.04
Number of shares, millions	82.1	82.1	82.1
Market cap	743	743	743
EV	866	846	826
P/E (adj.)	15.3	14.3	13.7
P/E	15.6	14.4	13.8
P/B	3.4	3.2	3.0
P/S	2.4	2.4	2.3
EV/Sales	2.8	2.7	2.6
EV/EBITDA	10.4	9.8	9.3
EV/EBIT (adj.)	12.9	12.1	11.3
Payout ratio (%)	79.1 %	76.4 %	74.8 %
Dividend yield-%	5.1 %	5.3 %	5.4 %

Source: Inderes

Investment profile

1.

Growth in digital businesses and excellent profitability

2.

Stable and profitable core operations that generate strong cash flow

3.

Cyclicality raises the risk profile of the business

4.

Strong cash flow helps lower gearing quickly and brings leeway for acquisitions

5.

Share's expected return relies heavily on growth, dividends, and acquisitions that accelerate earnings growth

Potential



- Organic growth potential in high profitability digital businesses
- Excellent cash flow and high ROIC
- M&A transaction option that is positive considering the track record

Risks



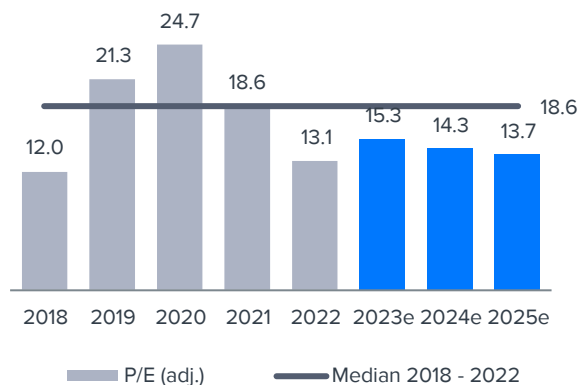
- Cyclicality
- Structural decrease in print media income and arising needs for adjustment
- Changes in the competitive position
- Changes in technology

Valuation table

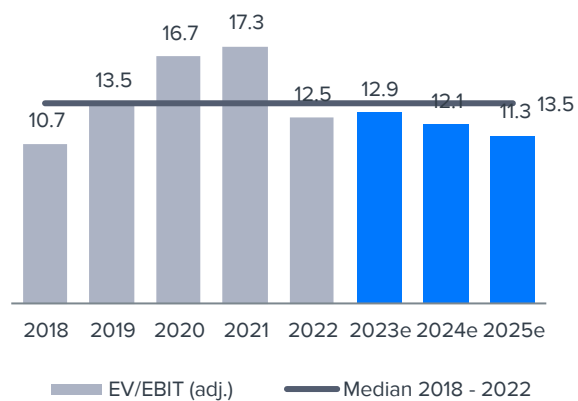
Valuation	2018	2019	2020	2021	2022	2023e	2024e	2025e	2026e
Share price	5.54	7.96	8.92	10.8	9.40	9.04	9.04	9.04	9.04
Number of shares, millions	82.3	82.3	82.3	82.4	82.2	82.2	82.2	82.2	82.2
Market cap	456	655	734	891	773	743	743	743	743
EV	616	666	756	1059	920	867	847	827	805
P/E (adj.)	12.0	21.3	24.7	18.6	13.1	15.3	14.3	13.7	13.0
P/E	10.9	21.3	26.7	20.4	10.7	15.6	14.4	13.8	13.0
P/B	2.8	3.8	4.0	5.4	3.8	3.4	3.2	3.0	2.8
P/S	1.3	2.6	3.2	3.2	2.5	2.4	2.4	2.3	2.3
EV/Sales	1.7	2.7	3.3	3.8	3.0	2.8	2.7	2.6	2.5
EV/EBITDA	8.0	9.3	12.8	14.4	9.5	10.4	9.8	9.3	9.0
EV/EBIT (adj.)	10.7	13.5	16.7	17.3	12.5	12.9	12.1	11.3	10.8
Payout ratio (%)	69.0 %	106.8 %	89.9 %	66.1 %	50.0 %	79.2 %	76.5 %	74.9 %	70.0 %
Dividend yield-%	6.3 %	5.0 %	3.4 %	3.2 %	4.7 %	5.1 %	5.3 %	5.4 %	5.4 %

Source: Inderes

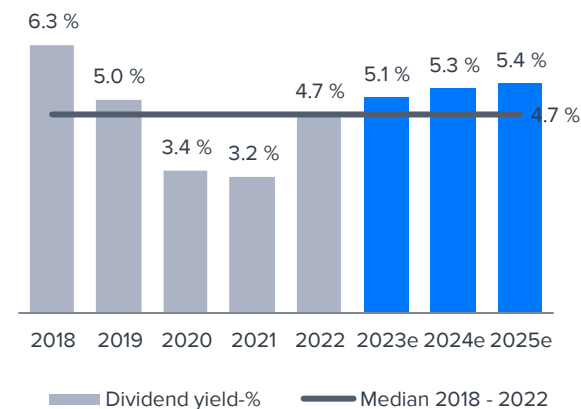
P/E (adj.)



EV/EBIT (adj.)



Dividend yield-%



Peer group valuation

Peer group valuation	Market cap	EV	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%		P/B
Company	MEUR	MEUR	2023e	2024e	2023e	2024e	2023e	2024e	2023e	2024e	2023e	2024e	2023e
Alma Media	750	894	13.2	12.2	10.5	9.9	2.9	2.8	14.3	13.2	4.8	5.3	3.4
Agora SA	365		1.4	2.1	2.0	2.9							0.5
Future PLC	1534	2092	7.2	6.8	6.2	5.9	2.3	2.2	7.5	7.0	0.3	0.4	1.2
Gannett Co Inc	240	1212	17.2	17.1	4.8	5.0	0.5	0.5	95.3	50.3			0.4
Lagardere SA	3176	7011	14.7	13.6	9.6	8.4	0.9	0.9	11.7	10.6	5.8	5.6	2.7
Arnoldo Mondadori Editore SpA	517	684	7.7	7.4	4.9	4.8	0.7	0.7	8.6	8.2	5.6	5.5	1.8
New York Times Co	5913	5599	22.0	19.2	17.2	15.2	2.6	2.4	31.4	27.3	1.1	1.1	4.0
Rizzoli Corriere della Sera Mediagroup SpA	402	580	6.3	6.0	4.1	4.0	0.7	0.7	7.7	7.0	7.8	7.8	1.0
Sanoma Oyj	1313	2144	14.7	13.8	6.3	5.9	1.6	1.5	22.0	14.4	4.7	5.3	2.0
TX Group AG	1141	1216	13.3	9.7	6.7	5.5	1.2	1.2	12.1	9.7	6.2	4.1	0.4
Promotora de Informaciones SA	267	1171	13.9	11.0	7.3	6.4	1.3	1.3					
Vocento SA	87	175	12.6	9.8	5.3	4.7	0.5	0.5	14.0	10.0	3.4	2.9	0.4
Auto Trader Group PLC	6488	6561	18.7	17.1	18.0	16.6	11.7	10.8	24.3	22.7	1.4	1.5	10.2
Carsales.Com Ltd	5332	6020	27.3	21.4	23.4	18.6	12.9	10.2	31.2	27.1	2.6	2.9	2.8
Moneysupermarket.Com Group PLC	1526	1599	13.6	12.1	11.3	10.2	3.4	3.2	16.6	15.0	4.8	5.0	6.0
REA Group Ltd	11420	11619	34.0	28.4	28.8	24.5	15.7	13.9	48.3	39.8	1.1	1.4	12.6
Rightmove PLC	5353	5318	18.2	16.9	17.8	16.5	13.1	12.2	23.4	21.5	1.5	1.6	69.7
Schibsted ASA	3623	4046	44.9	24.1	18.9	15.5	3.0	2.9	44.4	26.8	1.2	1.3	1.5
Scout24 SE	4202	4322	19.1	16.6	15.7	14.0	8.8	7.9	24.9	21.6	1.9	2.1	2.9
Seek Ltd	5372	6172	22.5	21.1	17.9	16.8	8.0	7.8	34.2	31.8	1.9	2.2	3.3
Stroeer SE & Co KgaA	2767	3929	16.3	13.6	7.2	6.4	2.1	2.0	17.3	14.1	4.4	4.8	5.8
Adevinta ASA	8365	10297	25.9	19.1	16.0	13.4	5.7	5.0	32.2	24.8		0.0	1.0
Alma Media (Inderes)	743	867	12.9	12.1	10.4	9.8	2.8	2.7	15.3	14.3	5.1	5.3	3.4
Average		3867	17.5	14.4	11.5	10.2	4.3	3.9	26.2	20.1	3.5	3.3	3.2
Median		3037	14.7	13.6	9.6	8.4	2.4	2.3	22.0	15.0	3.4	2.9	2.3
Diff-% to median			-13%	-12%	8%	16%	17%	18%	-31%	-5%	48%	86%	48%

Source: Refinitiv / Inderes

Income statement

Income statement	2020	2021	Q1'22	Q2'22	Q3'22	Q4'22	2022	Q1'23	Q2'23e	Q3'23e	Q4'23e	2023e	2024e	2025e	2026e
Revenue	230	275	76.2	79.3	74.6	78.7	309	75.3	78.8	73.9	78.8	307	311	317	326
Alma Career	62.7	82.2	26.7	28.4	27.3	27.4	109.8	27.7	29.0	26.1	27.1	110	111.1	114	119
Alma Talent	95.1	99.7	25.2	24.1	22.2	25.0	96.5	23.9	23.9	22.7	25.3	95.8	96.1	96.9	97.9
Alma Consumer	69.8	94.5	24.8	27.1	25.5	26.7	104	24.2	26.3	25.5	26.9	103	105	108	110
Other and eliminations	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	0.0
NRIs	2.5	-0.9	-0.4	-0.4	-0.3	-0.5	-1.6	-0.5	-0.4	-0.4	-0.4	-1.7	-1.0	-1.0	-1.1
EBITDA	58.9	73.5	24.1	30.2	23.5	19.4	97.2	20.8	22.3	21.4	19.2	83.7	86.5	88.9	89.7
Depreciation	-15.8	-16.7	-4.3	-4.3	-4.3	-4.4	-17.2	-4.3	-4.3	-4.3	-4.3	-17.2	-16.9	-16.5	-14.9
EBIT (excl. NRI)	45.3	61.1	19.6	19.2	19.3	15.2	73.4	17.0	18.1	17.2	15.0	67.4	70.1	72.9	74.8
EBIT	43.1	56.8	19.8	25.9	19.3	15.0	80.0	16.5	18.0	17.1	14.9	66.5	69.6	72.4	74.8
Alma Career	20.6	30.0	12.3	11.8	10.0	8.4	42.5	11.0	11.5	9.2	8.2	39.9	40.7	42.4	43.5
Alma Talent	16.2	20.6	5.5	4.3	4.9	5.1	19.7	4.8	4.6	4.5	4.8	18.7	19.1	19.4	19.8
Alma Consumer	15.0	23.9	5.0	6.7	6.8	5.9	24.4	4.0	5.3	6.5	5.6	21.4	22.8	23.6	24.6
Other and eliminations	-6.5	-13.4	-3.2	-3.5	-2.4	-4.1	-13.2	-2.9	-3.3	-3.0	-3.5	-12.7	-12.5	-12.5	-12.5
NRIs	-2.3	-4.3	0.2	6.6	0.0	-0.3	6.6	-0.5	-0.1	-0.1	-0.1	-0.9	-0.5	-0.5	-0.5
Net financial items	-1.0	-1.4	0.4	1.4	0.7	3.7	6.3	-1.9	-1.5	-1.5	-1.5	-6.4	-4.0	-3.9	-2.2
PTP	42.2	56.3	20.0	27.5	20.3	19.0	86.9	14.6	16.6	15.8	13.6	60.5	66.1	68.9	73.1
Taxes	-9.0	-12.1	-4.0	-4.2	-4.0	-2.3	-14.5	-2.9	-3.6	-3.4	-2.9	-12.8	-14.1	-14.7	-15.6
Minority interest	-5.7	-0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.4	-0.4	-0.4
Net earnings	27.5	43.6	16.0	23.4	16.3	16.7	72.4	11.7	13.0	12.4	10.6	47.8	51.6	53.8	57.1
EPS (adj.)	0.36	0.58	0.19	0.12	0.20	0.21	0.72	0.15	0.16	0.15	0.13	0.59	0.63	0.66	0.69
EPS (rep.)	0.33	0.53	0.19	0.28	0.20	0.20	0.88	0.14	0.16	0.15	0.13	0.58	0.63	0.65	0.69

Key figures	2020	2021	Q1'22	Q2'22	Q3'22	Q4'22	2022	Q1'23	Q2'23e	Q3'23e	Q4'23e	2023e	2024e	2025e	2026e
Revenue growth-%	-8.0 %	19.6 %	31.3 %	10.7 %	10.1 %	0.9 %	12.1 %	-1.3 %	-0.7 %	-0.8 %	0.2 %	-0.6 %	1.5 %	1.8 %	2.7 %
Adjusted EBIT growth-%		34.8 %	77.1 %	15.9 %	8.0 %	-1.9 %	20.1 %	-13.2 %	-6.0 %	-10.5 %	-1.4 %	-8.2 %	4.1 %	3.9 %	2.7 %
EBITDA-%	25.6 %	26.7 %	31.6 %	38.0 %	31.5 %	24.6 %	31.5 %	27.7 %	28.2 %	29.0 %	24.4 %	27.3 %	27.8 %	28.0 %	27.5 %
Adjusted EBIT-%	19.7 %	22.2 %	25.7 %	24.3 %	25.8 %	19.4 %	23.8 %	22.6 %	22.9 %	23.3 %	19.1 %	22.0 %	22.5 %	23.0 %	23.0 %
Net earnings-%	11.9 %	15.8 %	21.0 %	29.5 %	21.8 %	21.2 %	23.4 %	15.6 %	16.5 %	16.7 %	13.5 %	15.6 %	16.6 %	17.0 %	17.5 %

Source: Inderes

Balance sheet

Assets	2021	2022	2023e	2024e	2025e
Non-current assets	432	429	423	418	413
Goodwill	295	294	294	294	294
Intangible assets	91	87	84	80	76
Tangible assets	35	34	31	29	28
Associated companies	7.7	4.2	4.2	4.2	4.2
Other investments	0.0	0.0	0.0	0.0	0.0
Other non-current assets	3.6	8.8	8.8	8.8	8.8
Deferred tax assets	0.7	0.6	0.6	0.6	0.6
Current assets	86.1	66.2	69.4	69.9	70.8
Inventories	0.7	0.7	0.6	0.6	0.6
Other current assets	2.0	0.1	0.1	0.1	0.1
Receivables	32	35	35	36	36
Cash and equivalents	52	30	33	33	34
Balance sheet total	518	495	492	487	483

Source: Inderes

Liabilities & equity	2021	2022	2023e	2024e	2025e
Equity	167	206	217	231	246
Share capital	45	45	45	45	45
Retained earnings	91.2	132	143	157	171
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	7.7	7.7	7.7	7.7	7.7
Other equity	19	20	20	20	20
Minorities	3	2	2	2	2
Non-current liabilities	263	191	177	157	137
Deferred tax liabilities	19	17	17	17	17
Provisions	0.0	0.0	0.0	0.0	0.0
Long term debt	227	164	150	130	110
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	17.1	10.2	10.2	10.2	10.2
Current liabilities	89	98	98	99	100
Short term debt	8	10	10	10	10
Payables	76	81	81	82	83
Other current liabilities	5.3	7	7.0	7.0	7.0
Balance sheet total	518	495	492	487	483

DCF calculation

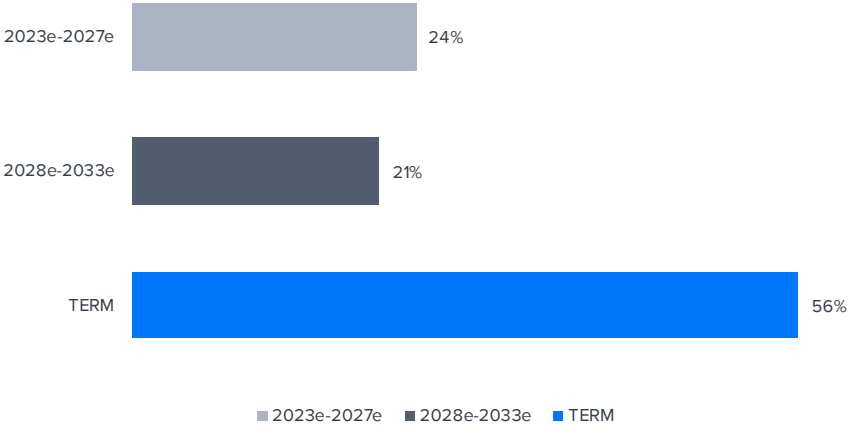
DCF model	2022	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	TERM
Revenue growth-%	12.1 %	-0.6 %	1.5 %	1.8 %	2.7 %	2.5 %	2.5 %	2.5 %	2.5 %	2.5 %	2.5 %	2.5 %	2.5 %
EBIT-%	25.9 %	21.7 %	22.4 %	22.8 %	23.0 %	23.0 %	23.0 %	23.5 %	23.5 %	23.5 %	23.5 %	23.5 %	23.5 %
EBIT (operating profit)	80.0	66.5	69.6	72.4	74.8	76.8	78.7	82.4	84.5	86.6	88.8	91.0	
+ Depreciation	17.2	17.2	16.9	16.5	14.9	12.8	12.2	12.0	11.4	11.4	11.5	11.5	
- Paid taxes	-16.2	-12.8	-14.1	-14.7	-15.6	-16.1	-16.6	-17.4	-17.9	-18.3	-18.8	-19.3	
- Tax, financial expenses	1.1	-1.4	-0.9	-0.8	-0.5	-0.4	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	
+ 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	0.0	
- Change in working capital	5.0	-0.4	0.7	0.8	1.3	1.2	1.2	1.2	1.3	1.3	1.3	1.4	
Operating cash flow	87.0	69.1	72.2	74.1	74.9	74.3	75.2	77.9	79.0	80.7	82.5	84.3	
+ Change in other long-term liabilities	-6.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-17	-11	-11.3	-11.5	-11.5	-11.5	-11.5	-11.5	-11.5	-11.5	-11.5	-11.7	
Free operating cash flow	63	58	60.9	62.6	63.4	62.8	63.7	66.4	67.5	69.2	71.0	72.6	
+/- Other	10.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	73	58	60.9	62.6	63.4	62.8	63.7	66.4	67.5	69.2	71.0	72.6	1344
Discounted FCFF		55	53.4	50.9	47.6	43.7	41.0	39.6	37.2	35.3	33.6	31.8	588
Sum of FCFF present value		1057	1002	949	898	850	806	765	726	689	653	620	588
Enterprise value DCF		1057											
- Interesting bearing debt		-174											
+ Cash and cash equivalents		30											
-Minorities		-4											
-Dividend/capital return		-36											
Equity value DCF		880											
Equity value DCF per share		10.7											

WACC

Tax-% (WACC)	20.0 %
Target debt ratio (D/(D+E))	20.0 %
Cost of debt	4.5 %
Equity Beta	1.4
Market risk premium	4.75%
Liquidity premium	0.00%
Risk free interest rate	2.5 %
Cost of equity	9.2 %
Weighted average cost of capital (WACC)	8.0 %

Source: Inderes

Cash flow distribution



Summary

Income statement	2020	2021	2022	2023e	2024e	Per share data	2020	2021	2022	2023e	2024e
Revenue	230	275	309	307	311	EPS (reported)	0.33	0.53	0.88	0.58	0.63
EBITDA	58.9	73.5	97.2	83.7	86.5	EPS (adj.)	0.36	0.58	0.72	0.59	0.63
EBIT	43.1	56.8	80.0	66.5	69.6	OCF / share	0.71	1.00	1.06	0.84	0.88
PTP	42.2	56.3	86.9	60.5	66.1	FCF / share	1.32	-1.28	0.89	0.70	0.74
Net Income	95.5	43.6	72.4	47.8	51.6	Book value / share	2.23	1.99	2.49	2.63	2.80
Extraordinary items	-2.2	-4.3	6.6	-0.9	-0.5	Dividend / share	0.30	0.35	0.44	0.46	0.48
Balance sheet	2020	2021	2022	2023e	2024e	Growth and profitability	2020	2021	2022	2023e	2024e
Balance sheet total	333.9	518.4	495.2	492.5	487.4	Revenue growth-%	-8%	20%	12%	-1%	1%
Equity capital	204.5	166.5	205.9	217.5	231.3	EBITDA growth-%	-18%	25%	32%	-14%	3%
Goodwill	150.7	294.5	294.4	294.4	294.4	EBIT (adj.) growth-%	-8%	35%	20%	-8%	4%
Net debt	-6.3	182.7	143.7	126.6	106.6	EPS (adj.) growth-%	-3%	61%	24%	-18%	7%
Cash flow	2020	2021	2022	2023e	2024e	EBITDA-%	25.6 %	26.7 %	31.5 %	27.3 %	27.8 %
EBITDA	58.9	73.5	97.2	83.7	86.5	EBIT (adj.)-%	19.7 %	22.2 %	23.8 %	22.0 %	22.5 %
Change in working capital	8.5	14.0	5.0	-0.4	0.7	EBIT-%	18.7 %	20.6 %	25.9 %	21.7 %	22.4 %
Operating cash flow	58.7	82.1	87.0	69.1	72.2	ROE-%	15.4 %	25.1 %	39.3 %	22.7 %	23.1 %
CAPEX	-30.8	-190.3	-17.5	-11.3	-11.3	ROI-%	17.4 %	17.8 %	20.6 %	17.7 %	18.7 %
Free cash flow	109.0	-105.4	73.1	57.8	60.9	Equity ratio	63.7 %	34.7 %	45.8 %	48.7 %	52.5 %
						Gearing	-3.1 %	109.7 %	69.8 %	58.2 %	46.1 %
Valuation multiples	2020	2021	2022	2023e	2024e						
EV/S	3.3	3.8	3.0	2.8	2.7						
EV/EBITDA (adj.)	12.8	14.4	9.5	10.4	9.8						
EV/EBIT (adj.)	16.7	17.3	12.5	12.9	12.1						
P/E (adj.)	24.7	18.6	13.1	15.3	14.3						
P/B	4.0	5.4	3.8	3.4	3.2						
Dividend-%	3.4 %	3.2 %	4.7 %	5.1 %	5.3 %						

Source: Inderes

Disclaimer and recommendation history

The information presented in Inderes reports is obtained from several different public sources that Inderes considers to be reliable. Inderes aims to use reliable and comprehensive information, but Inderes does not guarantee the accuracy of the presented information. Any opinions, estimates and forecasts represent the views of the authors. Inderes is not responsible for the content or accuracy of the presented information. Inderes and its employees are also not responsible for the financial outcomes of investment decisions made based on the reports or any direct or indirect damage caused by the use of the information. The information used in producing the reports may change quickly. Inderes makes no commitment to announcing any potential changes to the presented information and opinions.

The reports produced by Inderes are intended for informational use only. The reports should not be construed as offers or advice to buy, sell or subscribe investment products. Customers should also understand that past performance is not a guarantee of future results. When making investment decisions, customers must base their decisions on their own research and their estimates of the factors that influence the value of the investment and take into account their objectives and financial position and use advisors as necessary. Customers are responsible for their investment decisions and their financial outcomes.

Reports produced by Inderes may not be edited, copied or made available to others in their entirety, or in part, without Inderes' written consent. No part of this report, or the report as a whole, shall be transferred or shared in any form to the United States, Canada or Japan or the citizens of the aforementioned countries. The legislation of other countries may also lay down restrictions pertaining to the distribution of the information contained in this report. Any individuals who may be subject to such restrictions must take said restrictions into account.

Inderes issues target prices for the shares it follows. The recommendation methodology used by Inderes is based on the share's 12-month expected total shareholder return (including the share price and dividends) and takes into account Inderes' view of the risk associated with the expected returns. The recommendation policy consists of four tiers: Sell, Reduce, Accumulate and Buy. As a rule, Inderes' investment recommendations and target prices are reviewed at least 2–4 times per year in connection with the companies' interim reports, but the recommendations and target prices may also be changed at other times depending on the market conditions. The issued recommendations and target prices do not guarantee that the share price will develop in line with the estimate. Inderes primarily uses the following valuation methods in determining target prices and recommendations: Cash flow analysis (DCF), valuation multiples, peer group analysis and sum of parts analysis. The valuation methods and target price criteria used are always company-specific and they may vary significantly depending on the company and (or) industry.

Inderes' recommendation policy is based on the following distribution relative to the 12-month risk-adjusted expected total shareholder return.

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

Accumulate The 12-month risk-adjusted expected shareholder return of the share is attractive

Reduce The 12-month risk-adjusted expected shareholder return of the share is weak

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

The assessment of the 12-month risk-adjusted expected total shareholder return based on the above-mentioned definitions is company-specific and subjective. Consequently, similar 12-month expected total shareholder returns between different shares may result in different recommendations, and the recommendations and 12-month expected total shareholder returns between different shares should not be compared with each other. The counterpart of the expected total shareholder return is Inderes' view of the risk taken by the investor, which varies considerably between companies and scenarios. Thus, a high expected total shareholder return does not necessarily lead to positive performance when the risks are exceptionally high and, correspondingly, a low expected total shareholder return does not necessarily lead to a negative recommendation if Inderes considers the risks to be moderate.

The analysts who produce Inderes' research and Inderes employees cannot have 1) shareholdings that exceed the threshold of significant financial gain or 2) shareholdings exceeding 1% in any company subject to Inderes' research activities. Inderes Oyj can only own shares in the target companies it follows to the extent shown in the company's model portfolio investing real funds. All of Inderes Oyj's shareholdings are presented in itemised form in the model portfolio. Inderes Oyj does not have other shareholdings in the target companies analysed. The remuneration of the analysts who produce the analysis are not directly or indirectly linked to the issued recommendation or views. Inderes Oyj does not have investment bank operations.

Inderes or its partners whose customer relationships may have a financial impact on Inderes may, in their business operations, seek assignments with various issuers with respect to services provided by Inderes or its partners. Thus, Inderes may be in a direct or indirect contractual relationship with an issuer that is the subject of research activities. Inderes and its partners may provide investor relations services to issuers. The aim of such services is to improve communication between the company and the capital markets. These services include the organisation of investor events, advisory services related to investor relations and the production of investor research reports.

More information about research disclaimers can be found at www.inderes.fi/research-disclaimer.

Inderes has made an agreement with the issuer and target of this report, which entails compiling a research report.

Recommendation history (>12 mo)

Date	Recommendation	Target	Share price
16-02-20	Reduce	8.80 €	8.70 €
12-03-20	Reduce	6.80 €	6.54 €
26-03-20	Reduce	6.50 €	6.50 €
12-06-20	Accumulate	8.00 €	7.10 €
20-07-20	Accumulate	8.00 €	7.06 €
23-10-20	Accumulate	8.50 €	7.84 €
13-01-21	Reduce	9.50 €	9.54 €
18-02-21	Reduce	9.00 €	9.14 €
08-03-21	Accumulate	10.00 €	9.50 €
13-04-21	Accumulate	10.00 €	9.22 €
22-04-21	Accumulate	11.00 €	10.46 €
28-05-21	Accumulate	10.50 €	9.80 €
19-07-21	Accumulate	12.50 €	11.80 €
22-07-21	Reduce	12.00 €	11.60 €
17-09-21	Reduce	11.50 €	10.90 €
22-10-21	Reduce	12.00 €	12.48 €
17-02-22	Accumulate	11.00 €	10.00 €
14-03-22	Reduce	11.00 €	10.60 €
25-04-22	Accumulate	11.00 €	9.58 €
13-06-22	Reduce	11.00 €	10.50 €
21-07-22	Reduce	11.00 €	10.30 €
21-10-22	Accumulate	10.50 €	9.10 €
17-02-23	Accumulate	10.50 €	9.63 €
24-04-23	Accumulate	10.50 €	9.04 €



Inderes connects investors and listed companies. We help over 400 listed companies to better serve their investors. Our community is home to over 70 000 active investors. Our social objective is to democratize information in the financial markets.

We build solutions for listed companies that enable seamless and effective investor relations. Majority of our revenue comes from services to listed companies, including Commissioned Research, Virtual Events, AGM services, and IR technology and consultation.

Inderes is listed on Nasdaq First North growth market and operates in Finland, Sweden, Norway and Denmark.

Inderes Oyj

Itämerentori 2

FI-00180 Helsinki, Finland

+358 10 219 4690

Award-winning research at [inderes.fi](https://www.inderes.fi)



**STARMINE
ANALYST AWARDS
FROM REFINITIV**



THOMSON REUTERS
ANALYST AWARDS



Juha Kinnunen
2012, 2016, 2017, 2018, 2019, 2020



Mikael Rautanen
2014, 2016, 2017, 2019



Sauli Vilén
2012, 2016, 2018, 2019, 2020



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



Olli Koponen
2020



Joni Grönqvist
2019, 2020



Erkki Vesola
2018, 2020



Petri Gostowski
2020



Atte Riikola
2020

**Research belongs
to everyone.**