

# Siili Solutions

## Company report

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This report is a summary translation of the report “Uuteen vuoteen astetta varovaisemmin askelin” published on 02/20/2023 at 8:52 am

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# A more cautious approach to the new year

We raise our target price for Siili Solutions to EUR 18.0 (previous 17.5) and lower our recommendation to Accumulate (previous Buy) driven by the share price rise. Q4 growth was good, but profitability was below expectations. Economic uncertainty was visible to some extent and there was matching challenges between demand and supply. We expect Siili's performance to continue improving steadily in the coming years, driven by international operations. The expected return (~15%) consisting of earnings growth, dividend yield and upside in multiples and attractive valuation (23e EV/EBIT 9x) support a positive view of the share. A fairly recent extensive report is available [here](#).

## Growth was good, although it slowed down slightly

Siili's revenue grew by 16% in Q4 to EUR 32.6 million, which exceeded our expectation slightly. Organic growth was at a good 10% level as expected, even though it decreased from the close on 20% levels in previous quarters. Siili used more outsourcing than planned, as it experienced some matching problems in meeting demand. Siili reports more extensively only on a half-yearly basis. International revenue grew by 34% in H2 as we believe Supercharge and Siili Auto continued to develop strongly also in Q4.

## Profitability improvement trend ended, but was still at a good/satisfactory level

Siili's EBITA was EUR 2.8 million in Q4 (Q4'21: 3.2 MEUR) which corresponds with an EBITA margin of 8.7% (Q4'21: 11.5%). Profitability was quite clearly below our estimate (11.0%), mainly due to weaker billable utilization and partly to higher use of subcontracting. We expect Siili to be able to raise billable utilization fairly quickly, but weaker profitability is likely to be reflected at least in early 2023. Due to one-off changes in the fair value of contingent consideration liabilities, financial expenses were well above expectations, which indicates that Supercharge has developed strongly. Thus, EPS was only EUR 0.08 in H2 and EUR 0.49 in full-year 2022. The Board of Directors proposed a dividend of EUR 0.20 per share, slightly below our estimate and corresponding to a dividend yield of >1%.

## Guidance enables several scenarios

2023 revenue is estimated to be EUR 125-145 million and the adjusted EBITA EUR 12-15.5 million, which indicates a 6-23% growth in revenue, 3-33% earnings growth or an EBITA margin of 9.6-12.4%. We lowered our earnings estimates a smidgen driven by weaker profitability and raised our dividend estimate a bit. We estimate revenue to grow by 11% to EUR 132 million in 2023 (organic 7 percentage points). In addition, we expect adjusted EBITA to increase to EUR 13.1 million or 10.0% of revenue, driven by international operations (2022: 9.8%). We estimate that 2024-2026 revenue will increase by 5-6% and adjusted EBITA will rise to 11.5%, which is slightly below the target levels (organic growth around 10% and EBITA % 12%). In addition, the company aims for some 10% inorganic growth per year. Our confidence in the M&A strategy is boosted by a long history that has been successful in recent years.

## Valuation is still attractive

Comparability of valuation multiples is complicated by the minority structures of Siili's acquisitions, but EV ratio calculations consider minorities. With our estimates Siili's adjusted EV/EBIT ratios for 2023 and 2024 are 9x and 8x, which are attractive. The expected return, consisting of 11% earnings growth, a 2% dividend yield and the upside in multiples exceeds the cost of equity. Key risks are related to economic uncertainty and its impact, as well as growth in international operations slowing down and acquisitions.

## Recommendation

**Accumulate**  
(previous Buy)

**EUR 18.00**  
(previous EUR 17.50)

**Share price:**  
16.20



## Key figures

	2022	2023e	2024e	2025e
<b>Revenue</b>	118	132	140	149
<b>growth-%</b>	19%	11%	6%	6%
<b>EBIT adj.</b>	11.6	13.1	14.8	16.4
<b>EBIT-% adj.</b>	9.8 %	10.0 %	10.6 %	11.0 %
<b>Net Income</b>	3.7	8.0	9.7	10.9
<b>EPS (adj.)</b>	1.01	1.15	1.36	1.51

<b>P/E (adj.)</b>	16.0	14.1	11.9	10.7
<b>P/B</b>	3.2	2.8	2.4	2.1
<b>Dividend yield-%</b>	1.2 %	1.9 %	2.3 %	2.8 %
<b>EV/EBIT (adj.)</b>	11.1	9.2	7.5	6.2
<b>EV/EBITDA</b>	8.6	7.3	6.1	5.1
<b>EV/S</b>	1.1	0.9	0.8	0.7

Source: Inderes

## Guidance

(New guidance)

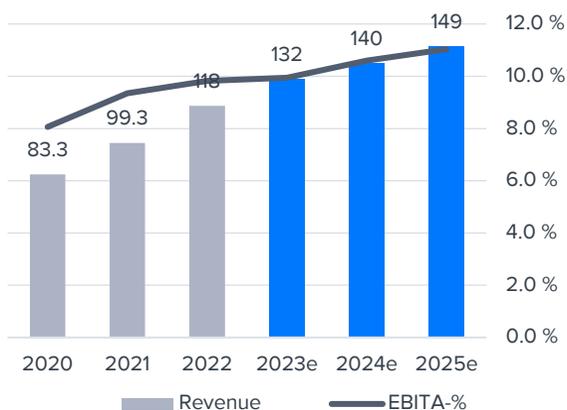
Siili expects revenue for 2023 to be EUR 125–145 million and adjusted EBITA EUR 12–15.5 million

### Share price



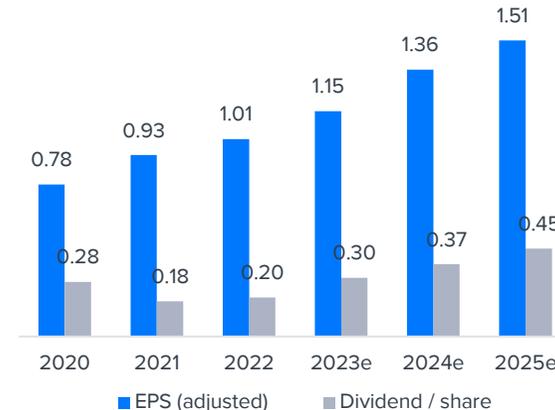
Source: Millistream Market Data AB

### Revenue and EBIT %



Source: Inderes

### EPS and dividend



Source: Inderes



### Value drivers

- Value creation through strong organic growth, driven especially by internationalization, but also by an attractive public sector
- Extremely good demand outlook in sector
- Success of the strategy and operating model
- M&A



### Risk factors

- Tightening competition for talent, attrition and wage inflation
- Attrition of the management team and its impact especially on Finnish operations
- Successful internationalization
- Growth management
- Successful acquisitions
- Organization's ability to renew itself
- The economic situation creates uncertainty also in the IT services market

Valuation	2023e	2024e	2025e
Share price	16.2	16.2	16.2
Number of shares, millions	8.13	8.13	8.13
Market cap	132	132	132
EV	121	111	101
P/E (adj.)	14.1	11.9	10.7
P/E	16.5	13.5	12.0
P/FCF	11.3	10.4	9.4
P/B	2.8	2.4	2.1
P/S	1.0	0.9	0.9
EV/Sales	0.9	0.8	0.7
EV/EBITDA	7.3	6.1	5.1
EV/EBIT (adj.)	9.2	7.5	6.2
Payout ratio (%)	30.5 %	30.9 %	33.5 %
Dividend yield-%	1.9 %	2.3 %	2.8 %

Source: Inderes

# Growth was good, but softness in profitability in Q4

## Growth was good, although it slowed down slightly

Siili's revenue grew by 16% in Q4 to EUR 32.6 million, which exceeded our EUR 32.3 million expectation slightly. Growth was supported by the Haallas acquisition and we believe organic growth was at a good 10% level, even though it decreased from the nearly 20% level in previous quarters. The number of employees at the end of Q4 was 1,045, compared to 994 at the end of Q3'22. Without the Haallas acquisition, net recruitment was neutral after a long period of strong recruitment. Siili used more outsourcing than planned, as it experienced some matching problems in meeting continued strong demand. Siili commented that attrition decreased clearly in the full year. Revenue for the full year increased by 19% to EUR 118.3 million, and organic growth was very good at 15%.

International revenue grew by 34% in H2 as Supercharge and Siili Auto continued to develop strongly. The share of international business was 27%. Finnish operations grew by 13%, which includes the Haallas acquisition. We expect international operations to drive growth more strongly also next year, especially Supercharge. Siili commented that the

steady growth and profitability development of VALA continued.

Siili has still not seen any significant slowdown in demand in its own business. Siili also performs better than average in terms of its customer portfolio, which focuses on the finance, insurance and public sectors. The positive demand outlook was good news, as some companies in the sector already see clearer demand challenges. However, Siili commented that it is constantly alert and that the deteriorating economic picture can, e.g., affect Siili Auto's demand quite quickly as it did when COVID hit.

## Long profitability improvement trend ended

In Q4, Siili's EBITA was EUR 2.8 million (Q4'21: 3.2 MEUR) which corresponds with an EBITA margin of 8.7% (Q4'21: 11.5%). Profitability was quite clearly below our estimate (11.0%), which we believe was mainly due to weaker billable utilization and partly to higher use of subcontracting. Siili expects this to be a transient phase. We believe Siili can raise billable utilization fairly quickly, but the weaker profitability is likely to be reflected at least in early 2023. Full year EBITA% was 9.8%, strengthening from the year before (9.3%), but slightly below the 10% target. Financial expenses were

well above our estimates due to EUR 3.6 million in changes in the fair value of contingent consideration liabilities which we have adjusted to maintain comparability. The change in the fair value also indicates that Supercharge has developed strongly. We do, however, not use earnings per share (P/E) in valuation due to recognition of minority holdings in the income statement and balance sheet. EPS was only EUR 0.08 in H2 and EUR 0.49 in full-year 2022.

## Dividend and cash

The Board of Directors proposes a dividend of EUR 0.20 per share, which corresponds to some 43% of the profit for the financial period. The proposal was below our EUR 0.25 estimate, but we believe the company has good preconditions to carry out acquisitions that create shareholder value.

The company has a hefty net cash position of EUR 25 million, but some of this is a provision for the implementation of mutual options for Supercharge and VALA with a value of EUR 18 million in Q4. Roughly one-third of this could mature for redemption next year, one-third in 2025 and the final third in 2026. We discussed this in more detail in our [extensive report](#).

Estimates	H2'21	H2'22	H2'22e	H2'22e	Consensus	Difference (%)	2022	
MEUR / EUR	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. inderes	Actualized
Revenue	50.5	59.5	59.2				0%	118
EBITA (adj.)	5.0	5.2	5.9				-12%	11.6
EBIT	4.2	4.4	5.0				-12%	10.1
PTP	3.7	1.2	4.1				-71%	1.2
EPS (adj.)	0.54	0.52	0.54				-4%	1.02
EPS (reported)	0.45	0.08	0.43				-82%	0.49
DPS	0.18	0.20	0.25				-20%	0.20
Revenue growth-%	28.7 %	17.6 %	17.1 %				0.5 pp	19.2 %
EBITA-%	9.9 %	8.7 %	10.0 %				-1.2 %	9.8 %

Source: Inderes

# We lowered earnings estimates a bit but raised dividend estimates

## Estimate revisions 2022e-2024e

- We lowered profitability estimates slightly driven by uncertainty and Q4
- At the same time, we raised our dividend estimates a bit, which were at the lower end of the target (around 30% of result)

## Estimates

- We estimate revenue to grow by 11% to EUR 132 million in 2023 supported by the acquisition (organic 7 percentage points). In addition, we expect adjusted EBITA to increase to EUR 13.1 million or 10.0% of revenue, driven by international operations (2022: 9.8%).
- We estimate that 2024-2026 revenue will increase by 5-6% and adjusted EBITA will rise to 11.5%, which is slightly below target levels (organic growth around 10% and EBITA %).
- The company aims for some 10% inorganic growth per year. Our confidence in the M&A strategy is boosted by a long history that has been successful in recent years. Naturally, we have not included any potential new acquisitions in the estimates.

## Operational earnings drivers 2022-2026e:

### Sources of growth

Organic growth

- Recruitment
- Billable utilization
- Customer prices
- Acquisitions; 1) International expansion; 2) expansion of expertise portfolio; and 3) depending on the structuring, main ownership or full acquisition

### Profitability

- Profitability potential is driven by an increase in the share of international operations
- Increased profitability in Finnish operations when company moves from talent resourcer to solution supplier

## Targets 2023- 2026:

- 20% growth in revenue, share of organic growth about half
- In terms of profitability, EBITA % target is 12% of revenue
- The company aims to pay 30-70% of the profit for the financial period as dividend

Estimate revisions MEUR / EUR	2022	2022	Change	2023e	2023e	Change	2024e	2024e	Change
	Estimate	Actualized	%	Old	New	%	Old	New	%
Revenue	118	118	0%	133	132	-1%	143	140	-2%
EBITDA	15.5	14.9	-4%	16.5	16.5	0%	18.1	18.2	0%
EBIT (exc. NRIs)	12.3	11.6	-6%	13.7	13.1	-4%	14.9	14.8	-1%
EBIT	10.7	10.1	-6%	12.0	11.4	-5%	13.2	13.1	-1%
PTP	8.4	5.4	-35%	10.6	10.0	-5%	12.0	12.2	1%
EPS (excl. NRIs)	1.05	1.01	-4%	1.25	1.15	-8%	1.39	1.36	-2%
DPS	0.25	0.20	-20%	0.30	0.30	0%	0.35	0.37	6%

Source: Inderes

# Valuation still attractive

## Valuation level and peer group

Due to Siili's relatively homogeneous peer group the peers give the share a pretty good reference framework for pricing and also steer market behavior. In the peer group, we have used Inderes' estimates for the companies we cover, considers goodwill amortization and improves comparability between Finnish IT service companies.

In Siili's estimates we adjust the intangible PPA depreciation of acquisitions (~1.7 MEUR p.a.). We consider the adjustments justified due to comparability and because they have no cash flow effect.

The minority shares from the VALA Group and Supercharge acquisitions makes the comparability of Siili's valuation multiples more difficult. Therefore, we primarily use EV-based multiples as they consider the value of minorities both in the result and net debt.

With our estimates Siili's adjusted EV/EBIT ratios for 2023-24 are 9x and 8x, or 25% below Finnish peers. In absolute terms, the multiples are attractive. The multiples are also attractive in relative terms, as we generally feel the sector is cheap considering the strong growth outlook. Uncertainty in customer demand seems to have increased slightly in the sector in general in H2'22 and early 2023.

## Components of the expected return for the share

We examine the expected returns for Siili's share from the viewpoint of earnings growth, dividend yield and the accepted valuation multiple.

We estimate that the company has preconditions to reach annual earnings growth of around 10% (from 2023e level) in coming years driven by revenue and increased profitability.

With our dividend estimates the dividend yield is 2%. Strong cash flow provides good preconditions for relatively high distribution of profits, but we believe the company will strive for inorganic growth as well. In our estimates the payout ratio is ~30% of the result.

We find the expected return consisting of earnings growth (~10%), dividend yield (~2%), and the upside in the multiples, attractive (~15%) and above the cost of equity.

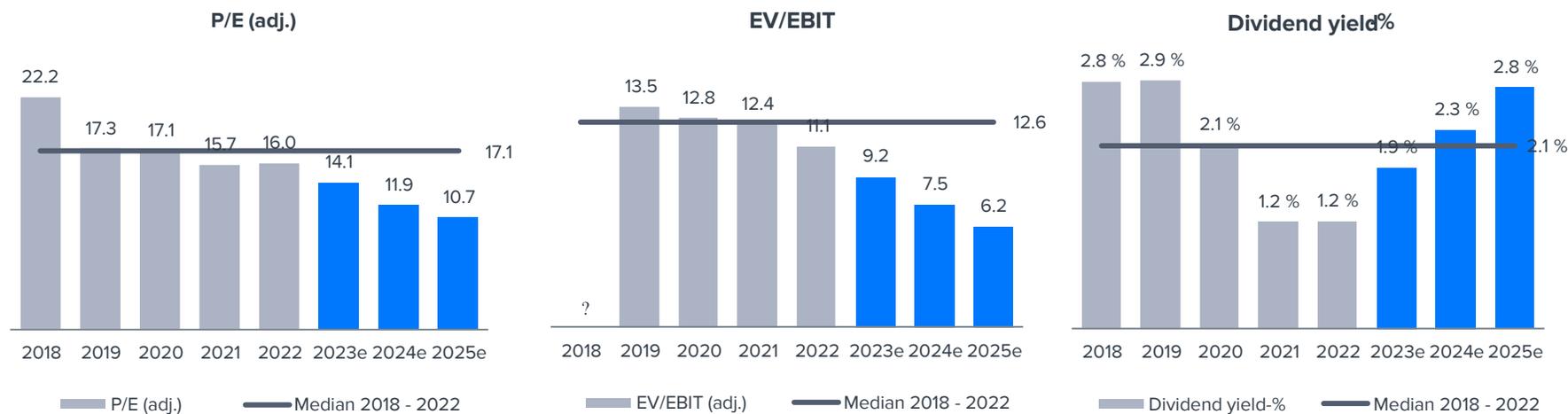
Valuation	2023e	2024e	2025e
Share price	16.2	16.2	16.2
Number of shares, millions	8.13	8.13	8.13
Market cap	132	132	132
EV	121	111	101
P/E (adj.)	14.1	11.9	10.7
P/E	16.5	13.5	12.0
P/FCF	11.3	10.4	9.4
P/B	2.8	2.4	2.1
P/S	1.0	0.9	0.9
EV/Sales	0.9	0.8	0.7
EV/EBITDA	7.3	6.1	5.1
EV/EBIT (adj.)	9.2	7.5	6.2
Payout ratio (%)	30.5 %	30.9 %	33.5 %
Dividend yield-%	1.9 %	2.3 %	2.8 %

Source: Inderes

# Valuation table

Valuation	2018	2019	2020	2021	2022	2023e	2024e	2025e	2026e
Share price	8.10	9.12	13.3	14.6	16.1	16.2	16.2	16.2	16.2
Number of shares, millions	7.00	7.00	7.00	7.02	7.66	8.13	8.13	8.13	8.13
Market cap	57	64	93	102	131	132	132	132	132
EV		70	86	115	129	121	111	101	90
P/E (adj.)	22.2	17.3	17.1	15.7	16.0	14.1	11.9	10.7	9.4
P/E	35.9	25.0	21.1	20.0	32.9	16.5	13.5	12.0	10.4
P/FCF	neg.	neg.	4.8	neg.	20.4	11.3	10.4	9.4	8.7
P/B	2.9	3.1	4.3	4.1	3.2	2.8	2.4	2.1	1.9
P/S	0.8	0.8	1.1	1.0	1.1	1.0	0.9	0.9	0.8
EV/Sales		0.9	1.0	1.2	1.1	0.9	0.8	0.7	0.6
EV/EBITDA		9.8	9.5	9.6	8.6	7.3	6.1	5.1	4.2
EV/EBIT (adj.)		13.5	12.8	12.4	11.1	9.2	7.5	6.2	5.0
Payout ratio (%)	102%	71%	45%	25%	43%	30%	31%	33%	32%
Dividend yield-%	2.8 %	2.9 %	2.1 %	1.2 %	1.2 %	1.9 %	2.3 %	2.8 %	3.1 %

Source: Inderes



# Peer group valuation

Peer group valuation	Market cap	EV	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%	
Company	MEUR	MEUR	2023e	2024e	2023e	2024e	2023e	2024e	2023e	2024e	2023e	2024e
Digia*	164	177	9.4	8.3	7.7	6.9	1.0	0.9	11.5	10.5	3.1	3.3
Digital Workforce*	48	34		25.8		21.4	1.2	0.9		42.3		
Gofore*	412	386	14.8	12.6	13.7	11.5	2.1	1.8	19.3	17.5	1.5	1.7
Loihde*	77	44	14.7	7.7	9.3	5.7	0.3	0.3	28.3	16.8	1.6	2.4
Innofactor*	47	56	9.6	8.4	6.5	5.8	0.7	0.7	11.1	10.1	5.4	6.2
Netum Group*	44	46	12.8	10.3	11.9	9.8	1.3	1.2	15.6	13.1	3.8	4.0
Nixu*	95	96	25.0	18.3	18.7	14.9	1.4	1.3	35.5	25.4		
Solteq*	26	57	66.3	16.1	9.1	6.7	0.8	0.8		30.8		2.2
Tietoevry*	3531	4112	10.0	9.2	8.6	7.9	1.3	1.2	11.6	10.8	5.0	5.2
Vincit*	75	61	7.2	5.6	6.6	5.2	0.6	0.5	11.0	9.0	5.3	5.7
Witted Megacorp*	58	47	30.2	9.1	29.3	9.0	0.6	0.5	37.6	14.6		
Bouvet	596	617	15.8	14.6	13.3	12.5	2.0	1.8	19.9	18.4	4.6	4.8
Enea	196	228	21.6	18.4	8.5	8.1	2.6	2.5	26.5	22.6		
Knowit	539	639	16.5	13.4	9.3	8.9	1.0	0.9	17.7	14.9	3.5	3.6
Netcompany Group	1849	2099	18.4	15.5	14.5	12.5	2.6	2.3	21.3	17.9	0.6	1.0
<b>Silli Solutions (Inderes)</b>	<b>132</b>	<b>121</b>	<b>9.2</b>	<b>7.5</b>	<b>7.3</b>	<b>6.1</b>	<b>0.9</b>	<b>0.8</b>	<b>14.1</b>	<b>11.9</b>	<b>1.9</b>	<b>2.3</b>
<b>Median all</b>			<b>15.3</b>	<b>12.6</b>	<b>9.3</b>	<b>8.9</b>	<b>1.2</b>	<b>0.9</b>	<b>19.3</b>	<b>16.8</b>	<b>3.6</b>	<b>3.6</b>
<b>Diff-% to median</b>			<b>-40%</b>	<b>-40%</b>	<b>-21%</b>	<b>-31%</b>	<b>-20%</b>	<b>-15%</b>	<b>-27%</b>	<b>-29%</b>	<b>-49%</b>	<b>-37%</b>
<b>Median Finnish</b>			<b>13.8</b>	<b>9.2</b>	<b>9.2</b>	<b>7.9</b>	<b>1.0</b>	<b>0.9</b>	<b>15.6</b>	<b>14.6</b>	<b>3.8</b>	<b>3.6</b>
<b>Diff-% to median</b>			<b>-33%</b>	<b>-18%</b>	<b>-20%</b>	<b>-23%</b>	<b>-6%</b>	<b>-11%</b>	<b>-10%</b>	<b>-18%</b>	<b>-51%</b>	<b>-37%</b>

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

# Income statement

Income statement	2020	Q1'21	Q2'21	Q3'21	Q4'21	H1'21	H2'21	2021	H1'22	H2'22	2022	H1'23e	H2'23e	2023e	2024e	2025e	2026e
Revenue	83.3	0.0	48.7	0.0	50.5	48.7	50.5	99.3	58.9	59.5	118	66.8	64.8	132	140	149	156
EBITDA	9.1	0.0	5.6	0.0	6.5	5.6	6.5	12.0	8.0	6.9	14.9	8.1	8.4	16.5	18.2	19.8	21.4
Depreciation	-3.8	0.0	-2.2	0.0	-2.3	-2.2	-2.3	-4.5	-2.3	-2.4	-4.8	-2.6	-2.6	-5.1	-5.1	-5.1	-5.2
EBIT (excl. NRI)	6.7	0.0	4.3	0.0	5.0	4.3	5.0	9.3	6.4	5.2	11.6	6.4	6.7	13.1	14.8	16.4	17.9
EBIT	5.3	0.0	3.4	0.0	4.2	3.4	4.2	7.6	5.7	4.4	10.1	5.6	5.8	11.4	13.1	14.7	16.2
Net financial items	1.0	0.0	-0.5	0.0	-0.6	-0.5	-0.6	-1.1	-1.5	-3.2	-4.7	-0.7	-0.7	-1.4	-1.0	-1.0	-0.4
PTP	6.3	0.0	2.7	0.0	3.7	2.7	3.7	6.4	4.2	1.2	5.4	4.9	5.1	10.0	12.2	13.7	15.8
Taxes	-1.9	0.0	-0.7	0.0	-0.5	-0.7	-0.5	-1.2	-1.1	-0.6	-1.7	-1.0	-1.0	-2.0	-2.4	-2.7	-3.2
Net earnings	4.4	0.0	2.0	0.0	3.1	2.0	3.1	5.1	3.1	0.6	3.7	3.9	4.1	8.0	9.7	10.9	12.6
EPS (adj.)	0.78	0.00	0.39	0.00	0.54	0.39	0.54	0.93	0.48	0.52	1.01	0.56	0.59	1.15	1.36	1.51	1.72
EPS (rep.)	0.63	0.00	0.29	0.00	0.45	0.29	0.45	0.73	0.41	0.08	0.49	0.48	0.51	0.98	1.20	1.34	1.55

Key figures	2020	Q1'21	Q2'21	Q3'21	Q4'21	H1'21	H2'21	2021	H1'22	H2'22	2022	H1'23e	H2'23e	2023e	2024e	2025e	2026e
Revenue growth-%	3.4 %	0.0 %	10.7 %	0.0 %	28.7 %	10.7 %	28.7 %	19.2 %	20.8 %	17.6 %	19.2 %	13.5 %	9.1 %	11.3 %	6.2 %	6.2 %	4.9 %
Adjusted EBIT growth-%			32.6 %		42.3 %	32.6 %	42.3 %	37.7 %	51.1 %	3.4 %	25.3 %	-0.5 %	29.1 %	12.7 %	13.1 %	10.7 %	9.1 %
EBITDA-%	10.9 %	0.0 %	11.4 %	0.0 %	12.8 %	11.4 %	12.8 %	12.1 %	13.6 %	11.6 %	12.6 %	12.2 %	13.0 %	12.6 %	13.0 %	13.3 %	13.7 %
Adjusted EBIT-%	8.1 %		8.8 %		9.9 %	8.8 %	9.9 %	9.3 %	11.0 %	8.7 %	9.8 %	9.6 %	10.3 %	10.0 %	10.6 %	11.0 %	11.5 %
Net earnings-%	5.3 %		4.1 %		6.2 %	4.1 %	6.2 %	5.2 %	5.3 %	1.1 %	3.2 %	5.8 %	6.3 %	6.1 %	7.0 %	7.4 %	8.1 %

Source: Inderes

# Balance sheet

Assets	2021	2022	2023e	2024e	2025e
<b>Non-current assets</b>	<b>41.1</b>	<b>47.4</b>	<b>45.7</b>	<b>44.0</b>	<b>42.3</b>
Goodwill	28.1	31.9	31.9	31.9	31.9
Intangible assets	6.8	9.3	7.7	6.1	4.5
Tangible assets	0.9	1.2	1.1	1.0	0.9
Associated companies	0.0	0.0	0.0	0.0	0.0
Other investments	0.0	0.0	0.0	0.0	0.0
Other non-current assets	5.2	4.9	4.9	4.9	4.9
Deferred tax assets	0.1	0.1	0.1	0.1	0.1
<b>Current assets</b>	<b>40.4</b>	<b>58.7</b>	<b>63.7</b>	<b>71.8</b>	<b>78.5</b>
Inventories	0.0	0.0	0.0	0.0	0.0
Other current assets	0.0	0.1	0.1	0.1	0.1
Receivables	20.0	22.2	24.7	26.3	27.9
Cash and equivalents	20.4	36.3	38.9	45.4	50.5
<b>Balance sheet total</b>	<b>81.5</b>	<b>106</b>	<b>109</b>	<b>116</b>	<b>121</b>

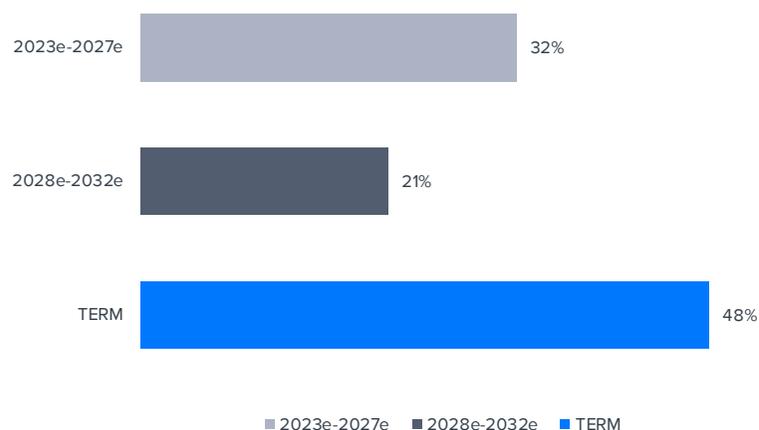
Source: Inderes

Liabilities & equity	2021	2022	2023e	2024e	2025e
<b>Equity</b>	<b>24.9</b>	<b>40.3</b>	<b>46.7</b>	<b>54.0</b>	<b>61.9</b>
Share capital	0.1	0.1	0.1	0.1	0.1
Retained earnings	12.2	14.3	20.7	28.0	35.9
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	0.0	0.0	0.0	0.0	0.0
Other equity	12.6	25.9	25.9	25.9	25.9
Minorities	0.0	0.0	0.0	0.0	0.0
<b>Non-current liabilities</b>	<b>29.7</b>	<b>31.5</b>	<b>29.9</b>	<b>26.9</b>	<b>21.9</b>
Deferred tax liabilities	1.5	1.8	1.8	1.8	1.8
Provisions	0.0	0.1	0.1	0.1	0.1
Long term debt	28.2	29.6	28.0	25.0	20.0
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
<b>Current liabilities</b>	<b>27.0</b>	<b>34.3</b>	<b>32.8</b>	<b>34.9</b>	<b>37.0</b>
Short term debt	4.7	4.8	0.0	0.0	0.0
Payables	22.3	29.5	32.8	34.9	37.0
Other current liabilities	0.0	0.0	0.0	0.0	0.0
<b>Balance sheet total</b>	<b>81.5</b>	<b>106</b>	<b>109</b>	<b>116</b>	<b>121</b>

# DCF calculation

DCF model	2022	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	TERM
Revenue growth-%	19.2 %	11.3 %	6.2 %	6.2 %	4.9 %	4.0 %	4.0 %	4.0 %	4.0 %	4.0 %	2.1 %	2.1 %
EBIT-%	8.6 %	8.7 %	9.4 %	9.9 %	10.4 %	9.0 %	9.0 %	9.0 %	9.0 %	9.0 %	8.5 %	8.5 %
<b>EBIT (operating profit)</b>	<b>10.1</b>	<b>11.4</b>	<b>13.1</b>	<b>14.7</b>	<b>16.2</b>	<b>14.6</b>	<b>15.2</b>	<b>15.8</b>	<b>16.4</b>	<b>17.1</b>	<b>16.5</b>	
+ Depreciation	4.8	5.1	5.1	5.1	5.2	4.4	4.1	4.0	3.9	3.8	3.9	
- Paid taxes	-1.4	-2.0	-2.4	-2.7	-3.2	-2.9	-3.1	-3.2	-3.3	-3.4	-3.3	
- Tax, financial expenses	-1.0	-0.4	-0.3	-0.2	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	
+ Tax, financial income	0.0	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Change in working capital	4.9	0.8	0.5	0.5	0.4	0.4	0.4	0.4	0.4	0.4	0.2	
<b>Operating cash flow</b>	<b>17.5</b>	<b>15.1</b>	<b>16.1</b>	<b>17.4</b>	<b>18.6</b>	<b>16.4</b>	<b>16.7</b>	<b>17.0</b>	<b>17.4</b>	<b>17.9</b>	<b>17.4</b>	
+ Change in other long-term liabilities	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-11.1	-3.4	-3.4	-3.4	-3.5	-3.5	-3.5	-3.6	-3.6	-3.6	-4.3	
<b>Free operating cash flow</b>	<b>6.4</b>	<b>11.7</b>	<b>12.7</b>	<b>14.0</b>	<b>15.1</b>	<b>12.9</b>	<b>13.1</b>	<b>13.4</b>	<b>13.8</b>	<b>14.2</b>	<b>13.1</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	6.4	11.7	12.7	14.0	15.1	12.9	13.1	13.4	13.8	14.2	13.1	187
<b>Discounted FCFF</b>		<b>10.8</b>	<b>10.8</b>	<b>10.8</b>	<b>10.8</b>	<b>8.4</b>	<b>7.8</b>	<b>7.3</b>	<b>6.9</b>	<b>6.5</b>	<b>5.5</b>	<b>78.1</b>
Sum of FCFF present value		164	153	142	131	120	112	104	96.9	90.0	83.5	78.1
<b>Enterprise value DCF</b>		<b>164</b>										
- Interesting bearing debt		-34.4										
+ Cash and cash equivalents		36.3										
-Minorities		0.0										
-Dividend/capital return		0.0										
<b>Equity value DCF</b>		<b>166</b>										
<b>Equity value DCF per share</b>		<b>20.4</b>										

Cash flow distribution



## Wacc

Tax-% (WACC)	20.0 %
Target debt ratio (D/(D+E))	10.0 %
Cost of debt	6.0 %
Equity Beta	1.30
Market risk premium	4.80%
Liquidity premium	1.00%
Risk free interest rate	2.5 %
<b>Cost of equity</b>	<b>9.7 %</b>
<b>Weighted average cost of capital (WACC)</b>	<b>9.2 %</b>

Source: Inderes

# Summary

Income statement	2020	2021	2022	2023e	2024e	Per share data	2020	2021	2022	2023e	2024e
Revenue	83.3	99.3	118.3	131.7	139.8	EPS (reported)	0.63	0.73	0.49	0.98	1.20
EBITDA	9.1	12.0	14.9	16.5	18.2	EPS (adj.)	0.78	0.93	1.01	1.151	1.363
EBIT	5.3	7.6	10.1	11.4	13.1	OCF / share	2.22	0.43	2.28	1.85	1.98
PTP	6.3	6.4	5.4	10.0	12.2	FCF / share	2.79	-2.28	0.84	1.44	1.56
Net Income	4.4	5.1	3.7	8.0	9.7	Book value / share	3.08	3.54	5.26	5.74	6.64
Extraordinary items	-1.4	-1.7	-1.5	-1.7	-1.7	Dividend / share	0.28	0.18	0.20	0.30	0.37
Balance sheet	2020	2021	2022	2023e	2024e	Growth and profitability	2020	2021	2022	2023e	2024e
Balance sheet total	61.4	81.5	106.1	109.4	115.7	Revenue growth-%	3%	19%	19%	11%	6%
Equity capital	21.6	24.9	40.3	46.7	54.0	EBITDA growth-%	29%	32%	24%	11%	10%
Goodwill	18.8	28.1	31.9	31.9	31.9	EBIT (adj.) growth-%	31%	38%			27%
Net debt	-6.3	12.5	-2.0	-10.9	-20.4	EPS (adj.) growth-%	47%	19%	9%	14%	18%
Cash flow	2020	2021	2022	2023e	2024e	EBITDA-%	10.9 %	12.1 %	12.6 %	12.6 %	13.0 %
EBITDA	9.1	12.0	14.9	16.5	18.2	EBIT (adj.)-%	8.1 %	9.3 %	9.8 %	10.0 %	10.6 %
Change in working capital	7.0	-6.8	4.9	0.8	0.5	EBIT-%	6.4 %	7.6 %	8.6 %	8.7 %	9.4 %
Operating cash flow	15.5	3.0	17.5	15.1	16.1	ROE-%	20.9 %	22.1 %	11.5 %	18.4 %	19.3 %
CAPEX	-0.6	-19.0	-11.1	-3.4	-3.4	ROI-%	26.5 %	15.9 %	15.4 %	15.8 %	17.5 %
Free cash flow	19.5	-16.0	6.4	11.7	12.7	Equity ratio	35.2 %	30.5 %	38.0 %	42.7 %	46.6 %
Valuation multiples	2020	2021	2022	2023e	2024e	Gearing	-29.1%	50.2 %	-4.8 %	-23.3 %	-37.7 %
EV/S	1.0	1.2	1.1	0.9	0.8						
EV/EBITDA (adj.)	9.5	9.6	8.6	7.3	6.1						
EV/EBIT (adj.)	12.8	12.4	11.1	9.2	7.5						
P/E (adj.)	17.1	15.7	16.0	14.1	11.9						
P/E	4.3	4.1	3.2	2.8	2.4						
Dividend-%	2.1 %	1.2 %	1.2 %	1.9 %	2.3 %						

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
28-02-18	Reduce	12.50 €	12.05 €
05-04-18	Accumulate	11.80 €	10.25 €
15-08-18	Accumulate	12.50 €	11.20 €
19-10-18	Accumulate	9.80 €	8.50 €
22-02-19	Accumulate	9.80 €	9.04 €
28-02-19	Accumulate	9.40 €	8.68 €
02-05-19	Accumulate	9.60 €	9.00 €
15-08-19	Accumulate	9.60 €	8.66 €
14-10-19	Accumulate	10.00 €	9.26 €
28-02-20	Buy	11.00 €	8.96 €
31-03-20	Accumulate	9.00 €	7.72 €
29-04-20	Accumulate	9.70 €	8.46 €
12-08-20	Buy	12.00 €	10.15 €
28-10-20	Accumulate	12.50 €	11.70 €
07-12-20	Accumulate	13.00 €	12.15 €
18-12-20	Accumulate	13.00 €	12.10 €
22-02-21	Accumulate	17.00 €	15.90 €
30-04-21	Reduce	17.50 €	17.86 €
19-08-21	Accumulate	17.00 €	15.88 €
28-10-21	Accumulate	17.00 €	15.10 €
21-02-22	Accumulate	16.00 €	14.00 €
29-04-22	Buy	17.50 €	14.75 €
19-08-22	Accumulate	17.50 €	15.85 €
28-10-22	Accumulate	17.50 €	14.80 €
17-11-22	Buy	17.50 €	13.90 €
20-02-23	Accumulate	18.00 €	16.20 €



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