

Talenom

Company report

3/19/2024



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✓ Inderes corporate customer

This report is a summary translation of the report “Osake on laskenut houkuttelevalla tasolla” published on 3/19/2024 at 7:45 am EET.

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The share has fallen to attractive levels

We reiterate our EUR 6.3 target price for Talenom but raise our recommendation to Buy (previous Reduce) after the share price drop. We understand that the year has started as expected and the introduction of own software in Sweden has progressed as planned. Although the 2024 valuation multiples appear quite high (2024e P/E 28x) given the company's still weak performance relative to potential, the valuation will become attractive as the profitability of the international business improves in the coming years (2026e P/E 13x).

The share has fallen to attractive levels

The share has fallen 17% since our last update, making the valuation attractive again. We have not made any changes to our forecasts. The valuation multiples for 2024 still look quite high (2024e P/E 28x and EV/EBIT 21x), but the result remains weak with the EBIT of the international businesses in the red. The value of the Swedish and Spanish businesses is thus not reflected in the earnings multiples, although we see significant potential in these businesses in the medium term. Our SOTP calculation (value EUR 6.3/share) now indicates a clear undervaluation, even if the value of Sweden and Spain is determined on the basis of the book value of the countries (around EUR 1.4/share). The next few years will show whether Talenom's business model will eventually work in Sweden, too. If a reasonable part of Finland's success story could be replicated abroad, the share would be very cheap. For example, in our 2026 forecast, where we expect a decent performance in Sweden, Talenom's P/E is only 13x.

Finland to achieve record results this year despite recession

Talenom has a strong position in the fragmented Finnish accounting industry, where the company has a clear technological competitive edge thanks to the automated accounting production line. This is evidenced by Finland's superior efficiency and manifold profitability compared to the sector (EBITDA in Finland 36-40%). This year the recession means that organic growth in the Finnish business is bound to be slow, but the company is now prepared for a difficult market and is likely to deliver a record result despite the downturn. The hybrid strategy, in which the company has combined the development of its own software and its own service, is quite unique in the industry. We predict that the growth of the Finnish core business directed at the SME sector will slow to 5-10% as the market share rises, but the expansion to the small company sector and continuous development of automation will continue to offer opportunities for the success story to continue. For Finland, we accept a 2024e EV/EBIT ratio of 16x in the SOTP calculation.

Sweden to set the direction for international business in the coming years

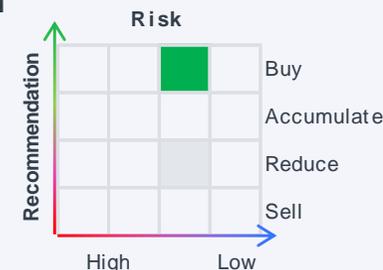
In recent years, Talenom has grown aggressively through acquisitions in Sweden and Spain. We forecast revenue in Sweden to be some 29 MEUR and in Spain (incl. Italy) around 16 MEUR in 2024, accounting for more than one third of the group's revenue. In Sweden, the company is facing a critical year, as the introduction of own systems is progressing strongly this year. The full benefits will be visible three years from now, when in theory Sweden's profitability should be close to Finland's. Our forecasts are much more moderate, but the improvements from current levels will be significant. In Spain, the strategy is different and the benefits should be more straightforward, but in both cases the company must succeed in organic growth. Although there is considerable uncertainty surrounding the international business, the company's earnings growth outlook for the next few years is excellent from the weak starting level. If the company succeeds in proving its operating model abroad, the values of the businesses will be significantly higher than the book values and Talenom's profitability would recover to an excellent level.

Recommendation

Buy
(previous Reduce)

EUR 6.30
(previous EUR 6.30)

Share price:
5.18



Key figures

| | 2023 | 2024e | 2025e | 2026e |
|-------------------------|-------|--------|--------|--------|
| Revenue | 122 | 135 | 152 | 173 |
| growth-% | 19% | 11% | 12% | 13% |
| EBIT adj. | 11.1 | 15.3 | 21.4 | 27.8 |
| EBIT-% adj. | 9.1 % | 11.3 % | 14.0 % | 16.1 % |
| Net Income | 3.4 | 8.6 | 13.4 | 18.5 |
| EPS (adj.) | 0.14 | 0.19 | 0.29 | 0.40 |
| P/E (adj.) | 43.2 | 27.6 | 17.9 | 13.0 |
| P/B | 5.0 | 4.3 | 4.0 | 3.5 |
| Dividend yield-% | 3.1 % | 3.9 % | 4.1 % | 4.2 % |
| EV/EBIT (adj.) | 32.1 | 20.9 | 15.2 | 11.5 |
| EV/EBITDA | 11.2 | 8.5 | 7.2 | 6.1 |
| EV/S | 2.9 | 2.4 | 2.1 | 1.8 |

Source: Inderes

Guidance

(Unchanged)

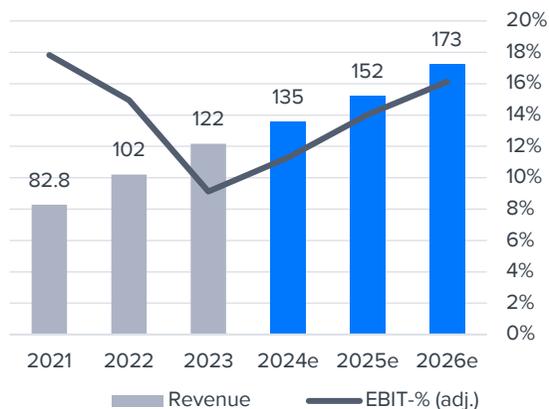
Talenom estimates that 2024 revenue will be about 130-140 MEUR, EBITDA 34-40 MEUR and EBIT 14-17 MEUR.

Share price



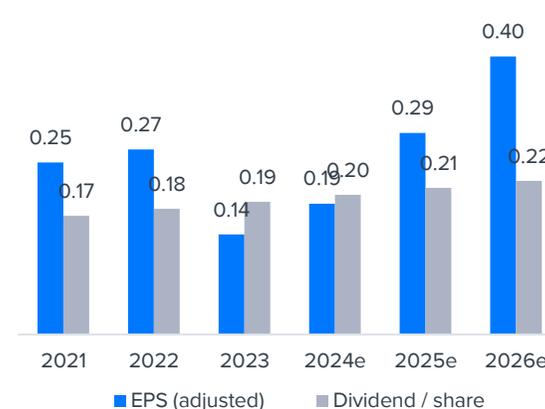
Source: Millstream Market Data AB

Revenue and EBIT-%



Source: Inderes

EPS and dividend



Source: Inderes



Value drivers

- Strong earnings growth after the acquisition-driven growth phase
- Clear competitive advantages contribute to increasing the market share
- Growth of Swedish and Spanish businesses and significant profitability improvement
- Fragmented market is transforming, which opens new opportunities
- Business model that utilizes economies of scale strengthens with growth
- In the long term, expansion elsewhere in Europe



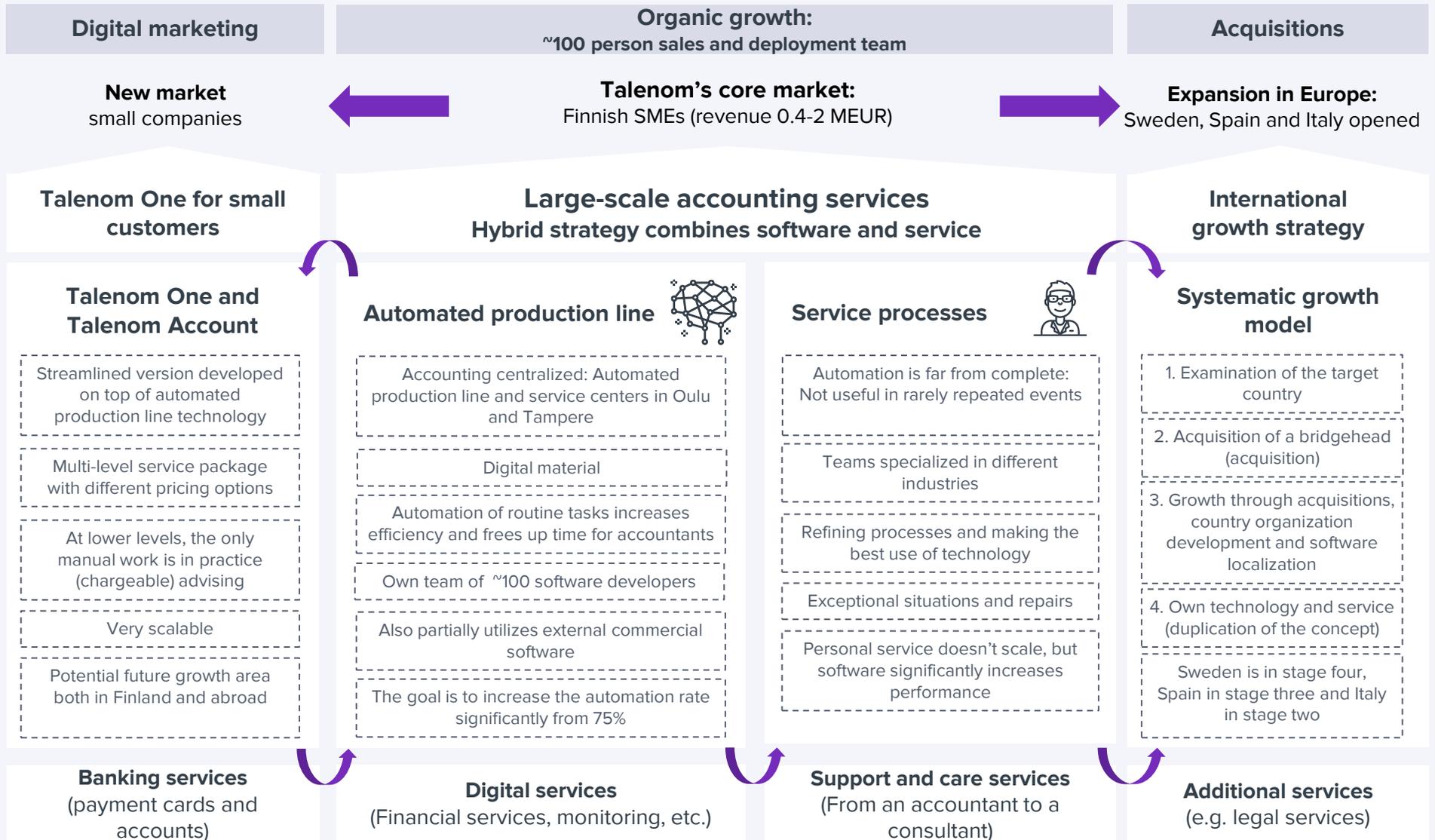
Risk factors

- Failure to improve efficiency and profitability in Sweden
- Failure in internationalization
- Competitive advantage relies on technology, whose development tends to be fast
- Potential drop in customer retention
- Potential tightening competition in digital financial management
- Transformation can bring new challengers to the industry
- Risks associated with the balance sheet have increased

| Valuation | 2024e | 2025e | 2026e |
|----------------------------|-------|-------|-------|
| Share price | 5.18 | 5.18 | 5.18 |
| Number of shares, millions | 45.9 | 46.4 | 46.4 |
| Market cap | 238 | 241 | 241 |
| EV | 320 | 324 | 319 |
| P/E (adj.) | 27.6 | 17.9 | 13.0 |
| P/E | 27.6 | 17.9 | 13.0 |
| P/B | 4.3 | 4.0 | 3.5 |
| P/S | 1.8 | 1.6 | 1.4 |
| EV/Sales | 2.4 | 2.1 | 1.8 |
| EV/EBITDA | 8.5 | 7.2 | 6.1 |
| EV/EBIT (adj.) | 20.9 | 15.2 | 11.5 |
| Payout ratio (%) | 107% | 72.7% | 55.3% |
| Dividend yield-% | 3.9% | 4.1% | 4.2% |

Source: Inderes

Talenom's company description in a nutshell



Investment profile

- 1. Strong growth, which if successful strengthens the company's economies of scale**
- 2. Profitability scaling as automation progresses abroad**
- 3. Very strong position in Finland in a defensive market**
- 4. International growth has increased opportunities and risks**
- 5. Generally reasonable risk profile**

Potential



- Good organic growth will continue thanks to clear competitive advantages, acquisitions will support growth in the future
- Very well-positioned in the industry's transition, which is accelerated by digital transformation and automation
- Profitability is scaled up relatively well by the automated accounting line
- Talenom's competitive advantages are strengthened with scale
- Potential success of the small customer concept both in Finland and internationally

Risks



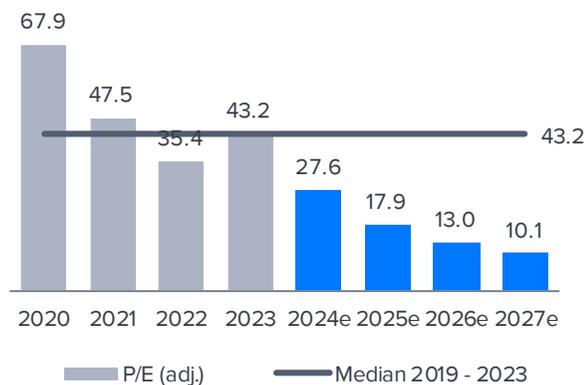
- Risks associated with expanding to new areas: Failure in internationalization or acquisitions
- Competitive situation is becoming more tense and the transition potentially attracts new challengers
- In the long term, possible price erosion in the industry
- Any earnings disappointments and their negative impact on the acceptable valuation of the share

Valuation table

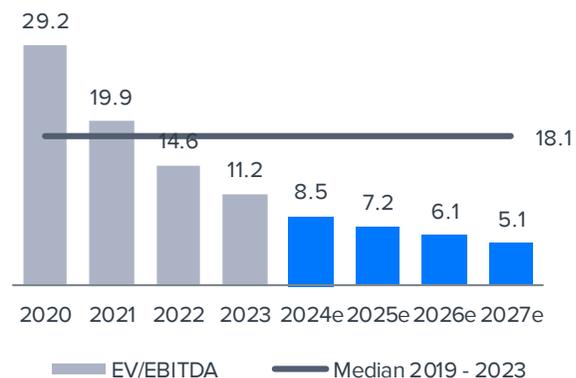
| Valuation | 2019 | 2020 | 2021 | 2022 | 2023 | 2024e | 2025e | 2026e | 2027e |
|----------------------------|--------|--------|--------|--------|---------|----------------|---------------|---------------|---------------|
| Share price | 7.50 | 15.1 | 11.7 | 9.39 | 6.20 | 5.18 | 5.18 | 5.18 | 5.18 |
| Number of shares, millions | 41.7 | 43.2 | 43.8 | 44.5 | 45.4 | 45.9 | 46.4 | 46.4 | 46.4 |
| Market cap | 313 | 650 | 512 | 420 | 282 | 238 | 241 | 241 | 241 |
| EV | 342 | 679 | 552 | 475 | 357 | 320 | 324 | 319 | 305 |
| P/E (adj.) | 41.1 | 67.9 | 47.5 | 35.4 | 43.2 | 27.6 | 17.9 | 13.0 | 10.1 |
| P/E | 41.1 | 67.9 | 47.5 | 35.4 | 83.8 | 27.6 | 17.9 | 13.0 | 10.1 |
| P/B | 13.3 | 20.2 | 11.5 | 7.5 | 5.0 | 4.3 | 4.0 | 3.5 | 2.9 |
| P/S | 5.4 | 10.0 | 6.2 | 4.1 | 2.3 | 1.8 | 1.6 | 1.4 | 1.2 |
| EV/Sales | 5.9 | 10.4 | 6.7 | 4.6 | 2.9 | 2.4 | 2.1 | 1.8 | 1.6 |
| EV/EBITDA | 18.1 | 29.2 | 19.9 | 14.6 | 11.2 | 8.5 | 7.2 | 6.1 | 5.1 |
| EV/EBIT (adj.) | 32.8 | 52.7 | 37.4 | 31.1 | 32.1 | 20.9 | 15.2 | 11.5 | 9.0 |
| Payout ratio (%) | 68.4 % | 67.7 % | 69.0 % | 68.3 % | 256.8 % | 106.6 % | 72.7 % | 55.3 % | 48.7 % |
| Dividend yield-% | 1.7 % | 1.0 % | 1.5 % | 1.9 % | 3.1 % | 3.9 % | 4.1 % | 4.2 % | 4.8 % |

Source: Inderes

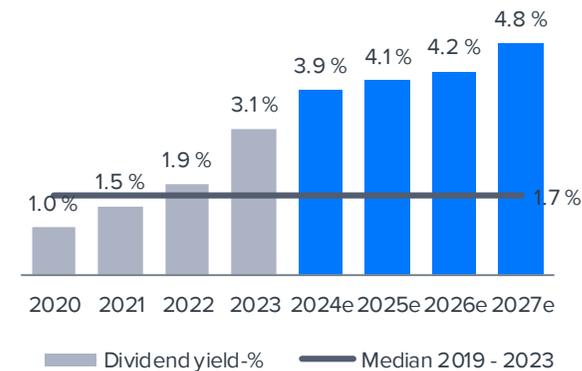
P/E (adj.)



EV/EBITDA



Dividend yield-%



Peer group valuation

| Peer group valuation | Market cap | EV | EV/EBIT | | EV/EBITDA | | EV/S | | P/E | | Dividend yield-% | |
|--------------------------|------------|------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|------------------|------------|
| Company | MEUR | MEUR | 2024e | 2025e | 2024e | 2025e | 2024e | 2025e | 2024e | 2025e | 2024e | 2025e |
| Aallon Group | 33 | 33 | 10.5 | 9.3 | 6.5 | 5.9 | 1.0 | 0.9 | 13.2 | 12.6 | 2.7 | 2.8 |
| Fortnox | 4232 | 4200 | 53.5 | 41.3 | 38.2 | 34.0 | 23.0 | 18.4 | 68.4 | 52.7 | 0.3 | 0.4 |
| Admicom | 216 | 206 | 17.6 | 15.3 | 17.3 | 15.0 | 5.9 | 5.3 | 22.5 | 20.2 | 1.5 | 1.7 |
| ECIT | 211 | 317 | 10.4 | 9.1 | 6.6 | 6.0 | 1.0 | 1.0 | 13.8 | 11.7 | 0.9 | 0.9 |
| Administer | 36 | 47 | | 23.7 | 10.5 | 6.8 | 0.6 | 0.6 | 62.5 | 15.2 | 2.2 | 3.8 |
| Xero | 12372 | 12372 | 100 | 65 | 46 | 36 | 13.1 | 11.2 | 140 | 86 | | |
| Enento | 408 | 548 | 15.7 | 13.3 | 9.8 | 8.9 | 3.5 | 3.4 | 19.9 | 15.7 | 5.8 | 6.1 |
| Fondia | 27 | 23 | 9.3 | 7.4 | 7.2 | 6.2 | 0.8 | 0.7 | 13.9 | 11.3 | 4.8 | 5.6 |
| Vincit | 43 | 32 | 7.3 | 4.9 | 6.0 | 4.4 | 0.3 | 0.3 | 13.9 | 9.1 | 5.8 | 6.5 |
| Gofore | 341 | 317 | 12.2 | 9.6 | 10.5 | 8.5 | 1.6 | 1.4 | 16.3 | 13.3 | 2.3 | 2.7 |
| Etteplan | 339 | 397 | 11.1 | 9.2 | 7.6 | 6.5 | 1.0 | 0.9 | 13.4 | 11.4 | 2.8 | 3.7 |
| Talenom (Inderes) | 238 | 320 | 20.9 | 15.2 | 8.5 | 7.2 | 2.4 | 2.1 | 27.6 | 17.9 | 3.9 | 4.1 |
| Average | | | 24.8 | 18.9 | 15.1 | 12.6 | 4.7 | 4.0 | 36.1 | 23.6 | 2.9 | 3.4 |
| Median | | | 11.7 | 9.6 | 9.8 | 6.8 | 1.0 | 1.0 | 16.3 | 13.3 | 2.5 | 3.3 |
| Diff-% to median | | | 79% | 59% | -14% | 7% | 129% | 117% | 69% | 35% | 54% | 24% |

Source: Refinitiv / Inderes

Income statement

| Income statement | 2022 | Q1'23 | Q2'23 | Q3'23 | Q4'23 | 2023 | Q1'24e | Q2'24e | Q3'24e | Q4'24e | 2024e | 2025e | 2026e | 2027e |
|-------------------------|-------------|-------------|-------------|--------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Revenue | 102 | 31.3 | 32.4 | 28.3 | 29.7 | 122 | 35.7 | 36.1 | 30.9 | 32.8 | 135 | 152 | 173 | 194 |
| Finland | 81.0 | 23.4 | 23.3 | 20.7 | 21.0 | 88.4 | 23.6 | 23.8 | 20.9 | 21.9 | 90.1 | 97.5 | 106 | 115 |
| Sweden | 19.4 | 6.7 | 7.3 | 5.9 | 6.1 | 26.0 | 7.9 | 8.2 | 6.2 | 6.9 | 29.2 | 32.9 | 37.9 | 43.6 |
| Other countries | 1.7 | 1.2 | 1.8 | 2.8 | 3.1 | 8.8 | 4.1 | 4.1 | 3.8 | 4.1 | 16.1 | 21.9 | 28.5 | 35.6 |
| EBITDA | 32.4 | 8.4 | 8.9 | 7.6 | 7.0 | 31.9 | 10.2 | 10.5 | 8.5 | 8.6 | 37.8 | 44.8 | 52.7 | 59.7 |
| Depreciation | -17.1 | -4.9 | -5.2 | -8.4 | -5.4 | -23.9 | -5.6 | -5.6 | -5.6 | -5.6 | -22.5 | -23.4 | -24.9 | -25.8 |
| EBIT (excl. NRI) | 15.3 | 3.5 | 3.7 | 2.4 | 1.6 | 11.1 | 4.5 | 4.9 | 2.9 | 3.0 | 15.3 | 21.4 | 27.8 | 33.9 |
| EBIT | 15.3 | 3.5 | 3.7 | -0.8 | 1.6 | 7.9 | 4.5 | 4.9 | 2.9 | 3.0 | 15.3 | 21.4 | 27.8 | 33.9 |
| Finland | 16.0 | 4.1 | 4.0 | 3.5 | 3.0 | 14.6 | 5.0 | 5.2 | 3.6 | 3.7 | 17.6 | 21.0 | 24.7 | 27.6 |
| Sweden | -0.1 | 0.2 | -0.1 | -0.7 | -1.6 | -2.2 | -0.2 | -0.1 | -0.4 | -0.3 | -1.0 | 0.7 | 2.5 | 4.4 |
| Other countries | -0.6 | -0.6 | -0.5 | -0.4 | -0.5 | -1.9 | -0.3 | -0.3 | -0.4 | -0.4 | -1.4 | -0.4 | 0.6 | 1.9 |
| Non-allocated | 0.0 | -0.3 | 0.2 | -3.2 | 0.7 | -2.5 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Net financial items | -0.7 | -0.7 | -0.8 | -1.1 | -1.1 | -3.7 | -1.0 | -1.1 | -1.0 | -1.0 | -4.1 | -4.1 | -4.1 | -3.3 |
| PTP | 14.6 | 2.7 | 2.9 | -1.9 | 0.5 | 4.3 | 3.5 | 3.8 | 1.9 | 2.0 | 11.2 | 17.2 | 23.7 | 30.6 |
| Taxes | -2.8 | -0.7 | -0.7 | 0.2 | 0.3 | -0.9 | -0.8 | -0.9 | -0.4 | -0.5 | -2.6 | -3.8 | -5.2 | -6.7 |
| Minority interest | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Net earnings | 11.8 | 2.1 | 2.2 | -1.7 | 0.8 | 3.4 | 2.7 | 2.9 | 1.4 | 1.6 | 8.6 | 13.4 | 18.5 | 23.8 |
| EPS (adj.) | 0.27 | 0.05 | 0.05 | 0.03 | 0.02 | 0.14 | 0.06 | 0.06 | 0.03 | 0.03 | 0.19 | 0.29 | 0.40 | 0.51 |
| EPS (rep.) | 0.27 | 0.05 | 0.05 | -0.04 | 0.02 | 0.07 | 0.06 | 0.06 | 0.03 | 0.03 | 0.19 | 0.29 | 0.40 | 0.51 |

| Key figures | 2022 | Q1'23 | Q2'23 | Q3'23 | Q4'23 | 2023 | Q1'24e | Q2'24e | Q3'24e | Q4'24e | 2024e | 2025e | 2026e | 2027e |
|-------------------------------|--------|---------|---------|---------|---------|---------|--------|--------|--------|--------|--------|--------|--------|--------|
| Revenue growth-% | 23.3 % | 24.2 % | 20.1 % | 20.0 % | 12.8 % | 19.2 % | 13.9 % | 11.5 % | 9.1 % | 10.4 % | 11.3 % | 12.4 % | 13.3 % | 12.3 % |
| Adjusted EBIT growth-% | 3.4 % | -28.9 % | -28.6 % | -22.3 % | -27.4 % | -27.2 % | 31.3 % | 33.1 % | 19.5 % | 89.1 % | 37.7 % | 39.6 % | 30.4 % | 21.8 % |
| EBITDA-% | 31.7 % | 26.7 % | 27.3 % | 27.0 % | 23.7 % | 26.2 % | 28.5 % | 29.1 % | 27.4 % | 26.3 % | 27.9 % | 29.4 % | 30.5 % | 30.8 % |
| Adjusted EBIT-% | 15.0 % | 11.0 % | 11.3 % | 8.4 % | 5.4 % | 9.1 % | 12.7 % | 13.5 % | 9.2 % | 9.2 % | 11.3 % | 14.0 % | 16.1 % | 17.5 % |
| Net earnings-% | 11.6 % | 6.6 % | 6.7 % | -6.0 % | 2.8 % | 2.8 % | 7.6 % | 8.0 % | 4.6 % | 4.7 % | 6.4 % | 8.8 % | 10.7 % | 12.3 % |

Source: Inderes

Balance sheet

| Assets | 2022 | 2023 | 2024e | 2025e | 2026e |
|----------------------------|-------------|-------------|-------------|-------------|-------------|
| Non-current assets | 123 | 145 | 155 | 164 | 170 |
| Goodwill | 55.0 | 66.6 | 70.6 | 74.6 | 76.6 |
| Intangible assets | 54.2 | 62.7 | 67.3 | 71.5 | 74.9 |
| Tangible assets | 2.8 | 4.7 | 5.5 | 6.1 | 6.5 |
| Associated companies | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other investments | 0.3 | 0.2 | 0.2 | 0.2 | 0.2 |
| Other non-current assets | 9.9 | 9.4 | 9.6 | 9.8 | 10.0 |
| Deferred tax assets | 0.4 | 1.5 | 1.5 | 1.5 | 1.5 |
| Current assets | 30.5 | 29.2 | 32.5 | 36.6 | 41.5 |
| Inventories | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other current assets | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Receivables | 14.5 | 19.0 | 21.1 | 23.8 | 26.9 |
| Cash and equivalents | 16.0 | 10.3 | 11.4 | 12.8 | 14.5 |
| Balance sheet total | 156 | 176 | 187 | 198 | 209 |

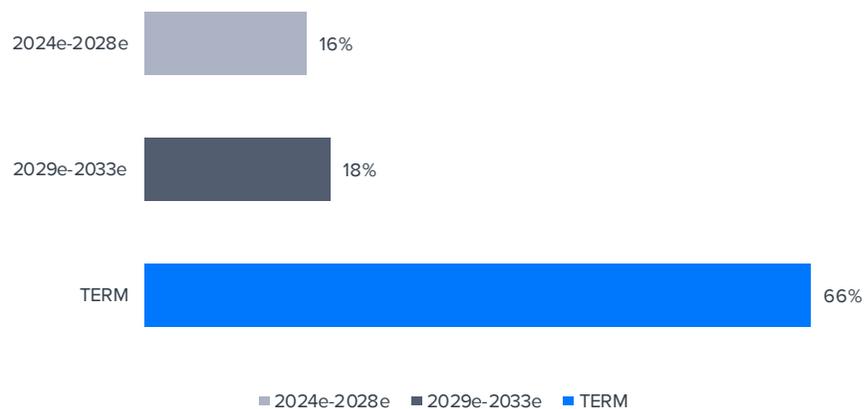
Source: Inderes

| Liabilities & equity | 2022 | 2023 | 2024e | 2025e | 2026e |
|--------------------------------|-------------|-------------|-------------|-------------|-------------|
| Equity | 56.0 | 55.8 | 55.8 | 60.0 | 68.8 |
| Share capital | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| Retained earnings | 29.1 | 24.9 | 24.8 | 29.1 | 37.8 |
| 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 | 26.9 | 30.9 | 30.9 | 30.9 | 30.9 |
| Minorities | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Non-current liabilities | 62.3 | 81.4 | 81.9 | 88.7 | 85.9 |
| Deferred tax liabilities | 3.0 | 4.3 | 4.3 | 4.3 | 4.3 |
| Provisions | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Interest bearing debt | 56.4 | 76.4 | 76.9 | 83.7 | 81.0 |
| Convertibles | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other long term liabilities | 2.8 | 0.6 | 0.6 | 0.6 | 0.6 |
| Current liabilities | 38.0 | 38.5 | 49.0 | 49.8 | 54.0 |
| Interest bearing debt | 13.7 | 9.0 | 16.2 | 12.9 | 12.2 |
| Payables | 24.3 | 29.4 | 32.8 | 36.8 | 41.8 |
| Other current liabilities | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Balance sheet total | 156 | 176 | 187 | 198 | 209 |

DCF calculation

| DCF model | 2023 | 2024e | 2025e | 2026e | 2027e | 2028e | 2029e | 2030e | 2031e | 2032e | 2033e | TERM |
|---|--------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|------------|
| Revenue growth-% | 19.2 % | 11.3 % | 12.4 % | 13.3 % | 12.3 % | 10.0 % | 7.0 % | 5.0 % | 5.0 % | 5.0 % | 3.0 % | 3.0 % |
| EBIT-% | 6.5 % | 11.3 % | 14.0 % | 16.1 % | 17.5 % | 17.0 % | 16.0 % | 15.5 % | 15.0 % | 15.0 % | 15.0 % | 15.0 % |
| EBIT (operating profit) | 7.9 | 15.3 | 21.4 | 27.8 | 33.9 | 36.3 | 36.5 | 37.1 | 37.7 | 39.6 | 40.8 | |
| + Depreciation | 23.9 | 22.5 | 23.4 | 24.9 | 25.8 | 27.1 | 28.2 | 29.7 | 31.0 | 4.5 | 4.2 | |
| - Paid taxes | -0.7 | -2.6 | -3.8 | -5.2 | -6.7 | -7.3 | -7.4 | -7.6 | -7.8 | -8.3 | -8.5 | |
| - Tax, financial expenses | -0.8 | -1.0 | -0.9 | -0.9 | -0.8 | -0.7 | -0.6 | -0.6 | -0.5 | -0.5 | -0.5 | |
| + Tax, financial income | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | |
| - Change in working capital | 0.6 | 1.2 | 1.4 | 1.7 | 1.8 | 1.7 | 1.3 | 1.0 | 1.0 | 1.1 | 0.7 | |
| Operating cash flow | 31.1 | 35.4 | 41.5 | 48.3 | 54.1 | 57.1 | 58.0 | 59.6 | 61.4 | 36.5 | 36.7 | |
| + Change in other long-term liabilities | -2.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | |
| - Gross CAPEX | -43.5 | -30.2 | -31.2 | -30.2 | -27.5 | -35.7 | -33.4 | -33.4 | -35.0 | -8.7 | -7.1 | |
| Free operating cash flow | -14.6 | 5.2 | 10.4 | 18.1 | 26.6 | 21.4 | 24.6 | 26.2 | 26.4 | 27.7 | 29.6 | |
| +/- Other | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | |
| FCFF | -14.6 | 5.2 | 10.4 | 18.1 | 26.6 | 21.4 | 24.6 | 26.2 | 26.4 | 27.7 | 29.6 | 563 |
| Discounted FCFF | | 4.9 | 9.0 | 14.5 | 19.6 | 14.6 | 15.4 | 15.1 | 14.1 | 13.6 | 13.4 | 256 |
| Sum of FCFF present value | | 390 | 385 | 376 | 361 | 342 | 327 | 312 | 297 | 283 | 269 | 256 |
| Enterprise value DCF | | 390 | | | | | | | | | | |
| - Interest bearing debt | | -85.5 | | | | | | | | | | |
| + Cash and cash equivalents | | 10.3 | | | | | | | | | | |
| -Minorities | | 0.0 | | | | | | | | | | |
| -Dividend/capital return | | 0.0 | | | | | | | | | | |
| Equity value DCF | | 315 | | | | | | | | | | |
| Equity value DCF per share | | 6.8 | | | | | | | | | | |

Cash flow distribution

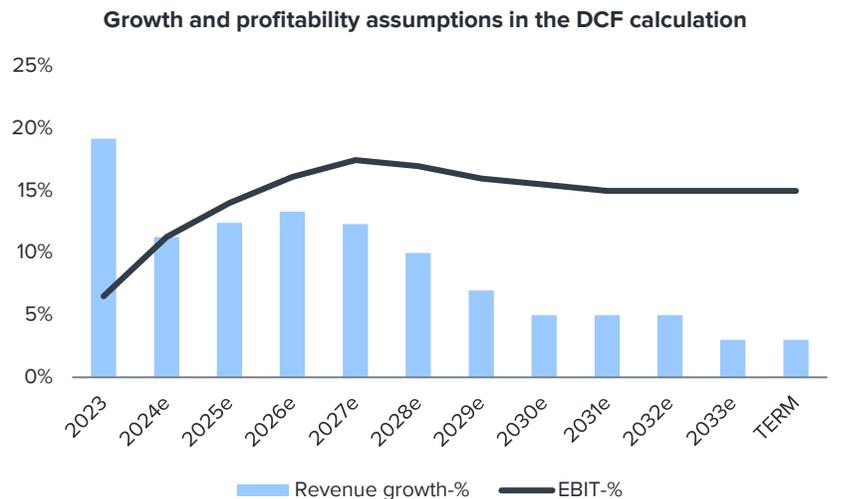
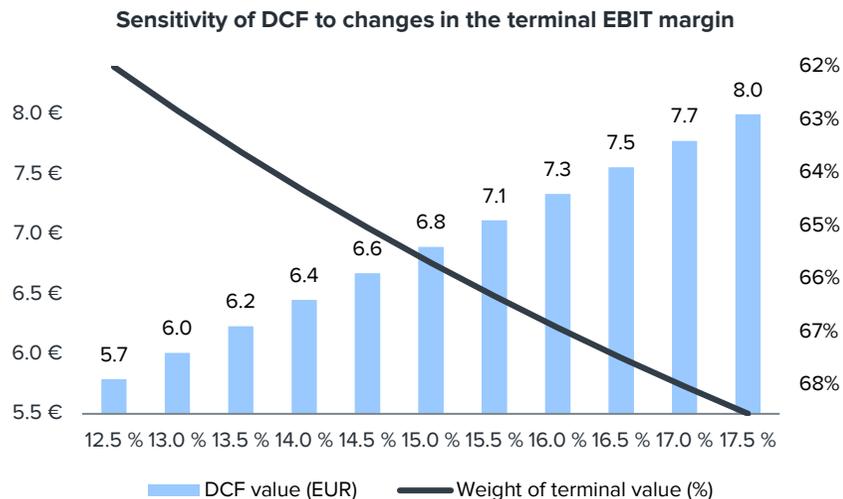
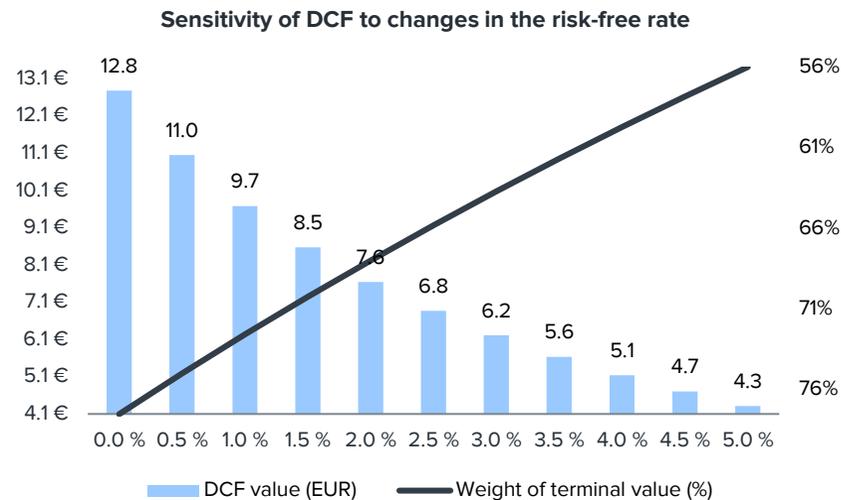
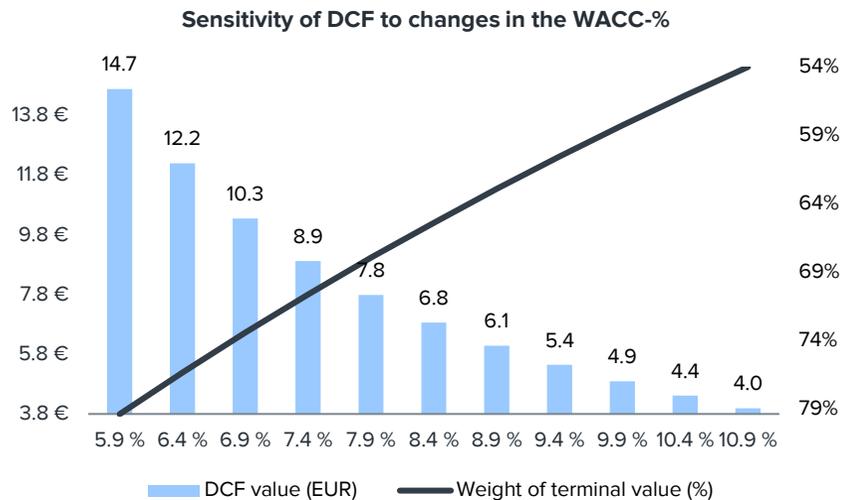


WACC

| | |
|--|--------------|
| Tax-% (WACC) | 22.0 % |
| Target debt ratio (D/(D+E)) | 15.0 % |
| Cost of debt | 4.5 % |
| Equity Beta | 1.30 |
| Market risk premium | 4.75% |
| Liquidity premium | 0.60% |
| Risk free interest rate | 2.5 % |
| Cost of equity | 9.3 % |
| Weighted average cost of capital (WACC) | 8.4 % |

Source: Inderes

DCF sensitivity calculations and key assumptions in graphs



Source: Inderes. Note that the weight of the terminal value (%) is shown on an inverse scale for clarity.

Summary

| Income statement | 2021 | 2022 | 2023 | 2024e | 2025e | Per share data | 2021 | 2022 | 2023 | 2024e | 2025e |
|---------------------------|-------|-------|-------|-------|-------|--------------------------|--------|--------|---------|---------|---------|
| Revenue | 82.8 | 102.1 | 121.7 | 135.5 | 152.3 | EPS (reported) | 0.25 | 0.27 | 0.07 | 0.19 | 0.29 |
| EBITDA | 27.7 | 32.4 | 31.9 | 37.8 | 44.8 | EPS (adj.) | 0.25 | 0.27 | 0.14 | 0.19 | 0.29 |
| EBIT | 14.8 | 15.3 | 7.9 | 15.3 | 21.4 | OCF / share | 0.66 | 0.68 | 0.68 | 0.77 | 0.89 |
| PTP | 14.0 | 14.6 | 4.3 | 11.2 | 17.2 | FCF / share | -0.26 | -0.31 | -0.32 | 0.11 | 0.22 |
| Net Income | 10.8 | 11.8 | 3.4 | 8.6 | 13.4 | Book value / share | 1.02 | 1.26 | 1.23 | 1.21 | 1.29 |
| Extraordinary items | 0.0 | 0.0 | -3.2 | 0.0 | 0.0 | Dividend / share | 0.17 | 0.18 | 0.19 | 0.20 | 0.21 |
| Balance sheet | 2021 | 2022 | 2023 | 2024e | 2025e | Growth and profitability | 2021 | 2022 | 2023 | 2024e | 2025e |
| Balance sheet total | 117.7 | 156.3 | 175.7 | 186.7 | 198.5 | Revenue growth-% | 27% | 23% | 19% | 11% | 12% |
| Equity capital | 44.7 | 56.0 | 55.8 | 55.8 | 60.0 | EBITDA growth-% | 19% | 17% | -2% | 18% | 19% |
| Goodwill | 37.3 | 55.0 | 66.6 | 70.6 | 74.6 | EBIT (adj.) growth-% | 15% | 3% | -27% | 38% | 40% |
| Net debt | 39.2 | 54.1 | 75.2 | 81.7 | 83.8 | EPS (adj.) growth-% | 11% | 8% | -46% | 31% | 54% |
| Cash flow | 2021 | 2022 | 2023 | 2024e | 2025e | EBITDA-% | 33.4 % | 31.7 % | 26.2 % | 27.9 % | 29.4 % |
| EBITDA | 27.7 | 32.4 | 31.9 | 37.8 | 44.8 | EBIT (adj.)-% | 17.8 % | 15.0 % | 9.1 % | 11.3 % | 14.0 % |
| Change in working capital | 3.3 | 0.2 | 0.6 | 1.2 | 1.4 | EBIT-% | 17.8 % | 15.0 % | 6.5 % | 11.3 % | 14.0 % |
| Operating cash flow | 28.9 | 30.4 | 31.1 | 35.4 | 41.5 | ROE-% | 28.1 % | 23.4 % | 6.0 % | 15.4 % | 23.2 % |
| CAPEX | -41.9 | -44.9 | -43.5 | -30.2 | -31.2 | ROI-% | 18.0 % | 13.9 % | 6.1 % | 10.6 % | 14.1 % |
| Free cash flow | -11.3 | -13.8 | -14.6 | 5.2 | 10.4 | Equity ratio | 38.2 % | 35.9 % | 31.8 % | 29.9 % | 30.3 % |
| Valuation multiples | 2021 | 2022 | 2023 | 2024e | 2025e | Gearing | 87.7 % | 96.6 % | 134.7 % | 146.5 % | 139.6 % |
| EV/S | 6.7 | 4.6 | 2.9 | 2.4 | 2.1 | | | | | | |
| EV/EBITDA (adj.) | 19.9 | 14.6 | 11.2 | 8.5 | 7.2 | | | | | | |
| EV/EBIT (adj.) | 37.4 | 31.1 | 32.1 | 20.9 | 15.2 | | | | | | |
| P/E (adj.) | 47.5 | 35.4 | 43.2 | 27.6 | 17.9 | | | | | | |
| P/B | 11.5 | 7.5 | 5.0 | 4.3 | 4.0 | | | | | | |
| Dividend-% | 1.5 % | 1.9 % | 3.1 % | 3.9 % | 4.1 % | | | | | | |

Source: Inderes

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| | |
|------------|--|
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| 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 |

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Recommendation history (>12 mo)

The company made 1/5 split on 2/25/2020, share and target prices adjusted

| Date | Recommendation | Target | Share price |
|------------|----------------|---------|-------------|
| 7/24/2019 | Accumulate | 6.00 € | 5.68 € |
| 7/30/2019 | Accumulate | 6.33 € | 6.02 € |
| 10/22/2019 | Accumulate | 6.33 € | 5.67 € |
| 1/8/2020 | Reduce | 7.33 € | 7.42 € |
| 2/4/2020 | Reduce | 7.00 € | 6.97 € |
| 2/26/2020 | Accumulate | 6.80 € | 6.40 € |
| 4/1/2020 | Reduce | 6.00 € | 5.88 € |
| 4/28/2020 | Accumulate | 7.50 € | 7.14 € |
| 6/15/2020 | Reduce | 8.20 € | 8.20 € |
| 8/4/2020 | Reduce | 9.00 € | 9.32 € |
| 10/27/2020 | Reduce | 10.00 € | 10.20 € |
| 11/19/2020 | Reduce | 12.00 € | 12.20 € |
| 2/9/2021 | Reduce | 12.00 € | 12.50 € |
| 3/2/2021 | Accumulate | 12.00 € | 11.15 € |
| 4/27/2021 | Reduce | 14.00 € | 14.12 € |
| 8/3/2021 | Reduce | 16.00 € | 16.72 € |
| 10/1/2021 | Accumulate | 15.00 € | 13.98 € |
| 11/2/2021 | Accumulate | 15.50 € | 14.50 € |
| 12/17/2021 | Accumulate | 13.50 € | 11.92 € |
| 2/9/2022 | Buy | 12.00 € | 9.84 € |
| 4/13/2022 | Buy | 12.00 € | 9.99 € |
| 4/27/2022 | Buy | 12.00 € | 10.00 € |
| 8/3/2022 | Reduce | 12.50 € | 12.30 € |
| 10/26/2022 | Reduce | 9.50 € | 9.39 € |
| 2/1/2023 | Reduce | 9.00 € | 9.09 € |
| 3/27/2023 | Accumulate | 9.00 € | 7.69 € |
| 4/21/2023 | Accumulate | 8.80 € | 7.88 € |
| 7/24/2023 | Accumulate | 8.00 € | 6.96 € |
| 10/13/2023 | Buy | 6.00 € | 4.65 € |
| 10/23/2023 | Buy | 6.00 € | 4.70 € |
| 12/28/2023 | Accumulate | 6.50 € | 6.03 € |
| 2/2/2024 | Reduce | 6.30 € | 6.20 € |
| 3/19/2024 | Buy | 6.30 € | 5.18 € |



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