

MULTITUDE

19.06.2025 07.55 EEST



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INDERES CORPORATE CUSTOMER

COMPANY REPORT



Risk/reward turned weaker after risen valuation

Multitude’s stock has continued its positive trend after its strong Q1 results. The earnings-based valuation is not expensive, but with the risen balance sheet-based valuation, the expectations of the future sustainable returns on equity have elevated clearly. We feel the valuation has reached a neutral level (P/B 1.0x) and thus the risk/reward ratio has somewhat weakened, and we believe that the best buying opportunities have been left behind. We reiterate our EUR 7.0 target price but lower our recommendation to Reduce (was Accumulate).

Solid profit improvement track record over recent years

Multitude has stayed on a strong earnings growth track after the sharp earnings drop during the COVID-19 pandemic in 2020-2021. The company set ambitious three-year financial targets in late 2021 and managed to execute them yearly during 2022-2024. Given the guidance for 2025 (net profit to reach 24-26 MEUR), the net profit will reach an all-time high level this year (considering perpetual interest close to an all-time high).

The profit improvements of recent years have come both from decreased cost/income-% and impairment loss-% of which the latter has been an especially significant driver in the last quarters. This has resulted from improved underwriting processes and improved asset quality (higher share of secured loans). In general, we don’t see growth of topline as an issue for the company, but profitable growth with modest risk management is clearly harder. All in all, that is something that the company has been successful with in the past quarters.

Smaller business units developing into profit drivers

In conjunction with the Q1’25 results, Multitude gave business-level targets for 2025. The company expects at least 5% EBT growth from Consumer Banking, double-digit growth and reaching profitability in H2 for SME Banking, and an EBT level of 4-5 MEUR for Wholesale Banking. We find the Consumer

Banking target to be very doable, but SME Banking and Wholesale Banking targets are clearly more challenging.

In Q1’25, Consumer Banking made an EBIT of 8.6 MEUR (Q1’24: 6.1 MEUR) and thus practically generated all of the Group’s profit. SME Banking’s profitability development has been weak in the past years, but the trend is positive (-0.6 MEUR vs. Q1’24: -3.1 MEUR). Wholesale Banking has managed to turn profitable (0.3 MEUR vs. Q1’24: 0.0 MEUR) despite its early-stage phase. The company has also been very positive regarding the outlook of the business. We would find it very positive for the investment case if the profitability targets of the smaller units were realized, as the Group would gain new profit drivers and diversify profit generation in general.

Valuation has reached a neutral level

In our view, Multitude’s acceptable ratio is currently in the range of 0.85-1.15x, derived from assumptions about sustainable return on equity and cost of equity. Treating the perpetual bonds on the balance sheet as debt, Multitude’s current P/B is around 1.0x, which is in the mid-range, suggesting a rather neutral valuation in our view. The balance sheet –based valuation is also at a slight premium compared to the peers (although so is the ROE-% of Multitude). With earnings multiples, the valuation isn’t expensive (2025e P/E 8x), but considering that clearly lower risk larger banks also trade below P/E 10x, the multiple isn’t that attractive. Also, the Lea Bank stake (24.5%) needs to be taken into account in the valuation, but given the recent slight share price drop in Lea Bank, there is no meaningful hidden value in the balance sheet regarding the investment. Overall, we believe the business momentum on Multitude will continue strong, but given the stock’s YTD return of slightly below 60% (including the dividend) we believe that this has already been priced in to a large extent.

Recommendation

Reduce
(prev. Accumulate)

Target price:
7,00 EUR
(prev. 7,00 EUR)

Share price:
7,26 EUR

Business risk



Valuation risk



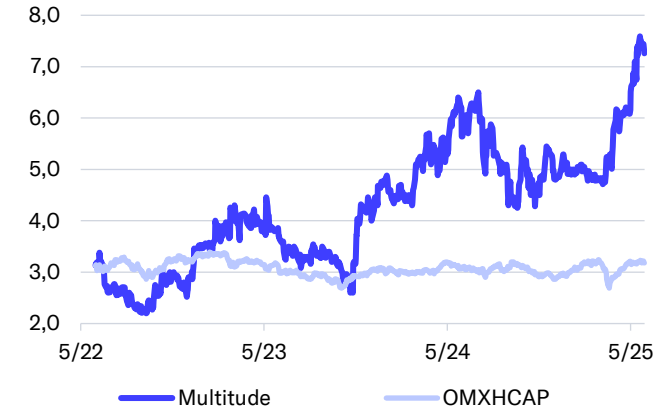
| | 2024 | 2025e | 2026e | 2027e |
|----------------------------|--------|--------|--------|--------|
| Total net operating income | 219,0 | 228,0 | 240,5 | 253,8 |
| growth-% | 7 % | 4 % | 5 % | 6 % |
| Total operating costs | -96,4 | -99,3 | -103,6 | -106,6 |
| Cost/income ratio | 44,0 % | 43,6 % | 43,1 % | 42,0 % |
| EBT | 23,2 | 29,4 | 35,3 | 39,4 |
| Net income | 20,2 | 25,4 | 30,0 | 32,9 |
| EPS (adj.) | 0,66 | 0,93 | 1,17 | 1,30 |
| P/E (adj.) | 7,3 | 7,8 | 6,2 | 5,6 |
| P/B | 0,7 | 1,0 | 0,9 | 0,8 |
| Dividend yield-% | 9,1 % | 4,0 % | 4,8 % | 5,2 % |

Guidance

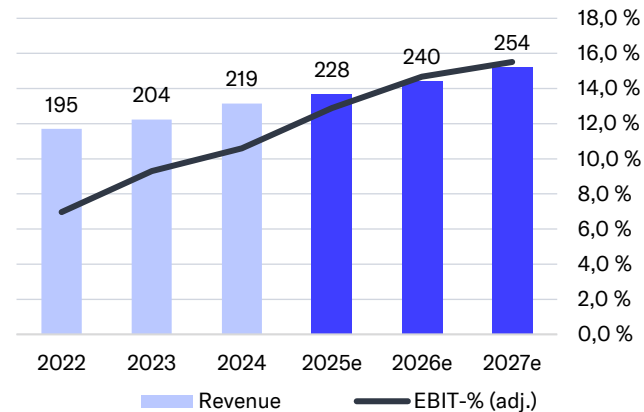
(Unchanged)

Multitude expect to reach net profit of 24-26 MEUR in 2025 and 30 MEUR in 2026.

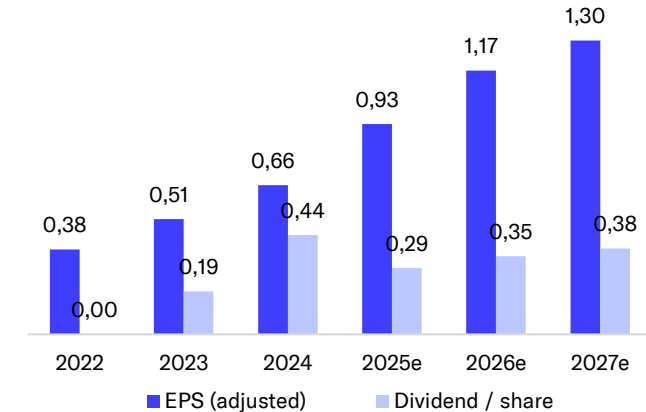
Share price



Revenue and EBIT-% (adj.)



EPS and DPS



Value drivers

- Organic growth potential is good due to the large market and low market share
- Cost structure scales with growth
- Partnerships can be a good way to target new customer segments
- Potential acquisitions to strengthen the product portfolio and market position

Risk factors

- Regulatory changes to, for example, interest rate caps can change the working environment
- Economic cycles have a direct impact on banks' lending and funding activities
- Increased competition in the digital banking/lending industry
- The loan portfolio consists mostly of high risk (unsecured) loans

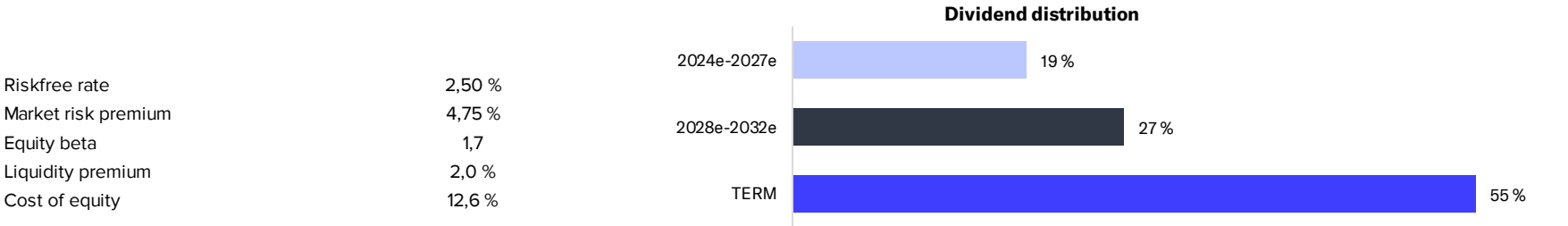
| Valuation | 2025e | 2026e | 2027e |
|----------------------------|--------|--------|--------|
| Share price | 7,26 | 7,26 | 7,26 |
| Number of shares, millions | 21,6 | 21,6 | 21,6 |
| Market cap | 157 | 157 | 157 |
| P/E (adj.) | 7,8 | 6,2 | 5,6 |
| P/E | 7,8 | 6,2 | 5,6 |
| P/B | 1,0 | 0,9 | 0,8 |
| ROE-% | 12,8 % | 14,0 % | 14,0 % |
| Payout ratio (%) | 25,0 % | 25,0 % | 25,0 % |

Valuation table

| Valuation | 2020 | 2021 | 2022 | 2023 | 2024 | 2025e | 2026e | 2027e | 2028e |
|----------------------------|-------|-------|-------|--------|--------|--------|--------|--------|--------|
| Share price | 5,06 | 3,83 | 2,86 | 4,46 | 4,85 | 7,26 | 7,26 | 7,26 | 7,26 |
| Number of shares, millions | 21,6 | 21,6 | 21,6 | 21,6 | 21,6 | 21,6 | 21,6 | 21,6 | 21,6 |
| Market cap | 109 | 83 | 62 | 96 | 105 | 157 | 157 | 157 | 157 |
| P/E (adj.) | >100 | neg. | 7,6 | 8,7 | 7,3 | 7,8 | 6,2 | 5,6 | 5,2 |
| P/E | >100 | neg. | 7,6 | 8,7 | 7,3 | 7,8 | 6,2 | 5,6 | 5,2 |
| P/B | 0,9 | 0,7 | 0,5 | 0,7 | 0,7 | 1,0 | 0,9 | 0,8 | 0,7 |
| ROE-% | 0,4 % | 1,5 % | 6,7 % | 9,0 % | 10,7 % | 12,8 % | 14,0 % | 14,0 % | 13,9 % |
| Payout ratio (%) | 0,0 % | 0,0 % | 0,0 % | 25,0 % | 47,1 % | 25,0 % | 25,0 % | 25,0 % | 25,0 % |
| Dividend yield-% | 0,0 % | 0,0 % | 0,0 % | 4,3 % | 9,1 % | 4,0 % | 4,8 % | 5,2 % | 5,5 % |

Source: Inderes

| | 2024 | 2025e | 2026e | 2027e | 2028e | 2029e | 2030e | 2031e | 2032e | TERM |
|--|------|-------|-------|-------|-------|-------|-------|-------|-------|------|
| Net profit (MEUR) | 20,3 | 25,4 | 30,0 | 32,9 | 32,7 | 33,1 | 33,9 | 34,8 | 35,6 | |
| Perpetual interest | -6,0 | -5,3 | -5,4 | -5,4 | -4,9 | -4,9 | -4,9 | -4,9 | -4,9 | |
| Profit after perpetual interest (MEUR) | 14,3 | 20,1 | 24,6 | 27,5 | 27,8 | 28,2 | 29,0 | 29,9 | 30,7 | |
| Dividend (per share) | 0,44 | 0,29 | 0,35 | 0,38 | 0,53 | 0,61 | 0,71 | 0,88 | 0,99 | 9,5 |
| Payout ratio (% of net profit) | 47 % | 25 % | 25 % | 25 % | 35 % | 40 % | 45 % | 55 % | 60 % | |
| Discounted dividends | 0,47 | 0,28 | 0,29 | 0,28 | 0,35 | 0,36 | 0,36 | 0,40 | 0,40 | 3,85 |
| Discounted cumulative dividends | 7,04 | 6,57 | 6,30 | 6,01 | 5,72 | 5,38 | 5,02 | 4,66 | 4,25 | 3,85 |
| Equity value per share | 7,0 | | | | | | | | | |



Peer group valuation

| Peer group valuation Company | Market cap MEUR | P/E | | Dividend yield-% | | P/B |
|---------------------------------|--------------------|--------------|--------------|------------------|--------------|--------------|
| | | 2025e | 2026e | 2025e | 2026e | 2025e |
| Alisa Pankki | 13 | 12,7 | 7,6 | | | 0,6 |
| Resurs Holding | 9 | 9,5 | 8,1 | 7,4 | 8,3 | 0,6 |
| Norion Bank | 7 | 7,0 | 6,6 | 7,1 | 10,7 | 0,9 |
| Morrow Bank | 11 | 10,8 | 8,5 | 15,0 | 6,4 | 1,1 |
| TF Bank | 12 | 12,5 | 9,6 | 2,2 | 3,1 | 2,5 |
| Instabank | 8 | 8,0 | 6,5 | 6,3 | 10,4 | 0,9 |
| Multitude (Inderes) | 157 | 7,8 | 6,2 | 4,0 | 4,8 | 0,8 |
| Average | | 10,1 | 7,8 | 7,6 | 7,8 | 1,1 |
| Median | | 10,1 | 7,9 | 7,1 | 8,3 | 0,91 |
| Diff-% to median | | -23 % | -21 % | -43 % | -42 % | -15 % |

Source: Refinitiv / Inderes

Income statement

| Income statement | 2023 | Q1'24 | Q2'24 | Q3'24 | Q4'24 | 2024 | Q1'25 | Q2'25e | Q3'25e | Q4'25e | 2025e | 2026e | 2027e | 2028e |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|---------------|---------------|---------------|
| Total net operating income | 204 | 55,5 | 53,5 | 52,3 | 57,7 | 219 | 55,9 | 56,6 | 57,6 | 57,9 | 228,0 | 240,5 | 253,8 | 265,2 |
| Consumer Banking (Net interest income) | 185 | 48,2 | 46,9 | 45,5 | 47,0 | 188 | 45,4 | 46,2 | 46,3 | 46,2 | 184,2 | 189,7 | 198,0 | 205,2 |
| SME Banking (Net interest income) | 19,3 | 6,1 | 6,3 | 6,3 | 6,8 | 25,5 | 6,8 | 6,9 | 7,2 | 7,3 | 28,2 | 31,1 | 33,8 | 36,4 |
| Wholesale Banking (Net interest income) | 3,8 | 1,3 | 1,4 | 1,7 | 2,8 | 7,2 | 1,9 | 1,8 | 2,3 | 2,6 | 8,7 | 12,7 | 14,7 | 15,9 |
| Other income | -4,2 | 0,0 | -1,0 | -1,3 | 1,1 | -1,3 | 1,8 | 1,6 | 1,7 | 1,7 | 6,9 | 7,0 | 7,3 | 7,7 |
| Total operating costs | -96,4 | -24,3 | -24,3 | -24,6 | -26,1 | -99,3 | -25,4 | -26,0 | -25,6 | -26,6 | -103,6 | -106,6 | -110,0 | -113,2 |
| Impairment losses | -89,3 | -28,3 | -23,8 | -21,5 | -22,8 | -96,4 | -22,2 | -23,9 | -24,3 | -24,7 | -95,1 | -98,6 | -104,4 | -109,6 |
| EBT (exl. NRI) | 19,0 | 3,0 | 5,4 | 6,2 | 8,6 | 23,2 | 8,3 | 6,6 | 7,7 | 6,7 | 29,4 | 35,3 | 39,4 | 42,3 |
| EBT | 19,0 | 3,0 | 5,4 | 6,2 | 8,6 | 23,2 | 8,3 | 6,6 | 7,7 | 6,7 | 29,4 | 35,3 | 39,4 | 42,3 |
| Taxes | -2,6 | -0,4 | -0,7 | -0,7 | -1,1 | -3,0 | -1,1 | -0,9 | -1,1 | -0,9 | -4,0 | -5,3 | -6,5 | -7,6 |
| Net earnings | 16,4 | 2,6 | 4,7 | 5,5 | 7,5 | 20,2 | 7,2 | 5,7 | 6,7 | 5,8 | 25,4 | 30,0 | 32,9 | 34,7 |
| Interest on perpetual loans | -5,4 | -1,0 | -1,9 | -1,6 | -1,4 | -5,9 | -1,2 | -1,4 | -1,4 | -1,4 | -5,3 | -5,4 | -5,4 | -5,4 |
| EPS (adj.) | 0,51 | 0,07 | 0,13 | 0,18 | 0,28 | 0,66 | 0,28 | 0,20 | 0,25 | 0,20 | 0,93 | 1,17 | 1,30 | 1,40 |

| Key numbers | 2023 | Q1'24 | Q2'24 | Q3'24 | Q4'24 | 2024 | Q1'25 | Q2'25e | Q3'25e | Q4'25e | 2025e | 2026e | 2027e | 2028e |
|---|--------|--------|---------|--------|---------|--------|---------|--------|--------|---------|--------|--------|--------|--------|
| Net operating income growth-% | 4,6 % | 14,3 % | 6,1 % | 1,4 % | 8,0 % | 7,4 % | 0,6 % | 5,8 % | 10,2 % | 0,5 % | 4,1 % | 5,5 % | 5,5 % | 4,5 % |
| EBT growth-% | 39,7 % | -6,5 % | -18,4 % | 6,7 % | 156,0 % | 22,2 % | 177,1 % | 23,0 % | 25,0 % | -22,2 % | 26,6 % | 20,2 % | 11,5 % | 7,4 % |
| Cost-to-income-% | 47,3 % | 43,7 % | 45,4 % | 47,1 % | 45,3 % | 45,3 % | 45,4 % | 46,0 % | 44,4 % | 45,9 % | 45,4 % | 44,3 % | 43,3 % | 42,7 % |
| ROE-% (from net profit) | 9,0 % | 5,6 % | 10,1 % | 11,7 % | 15,9 % | 10,8 % | 14,7 % | 11,6 % | 13,5 % | 11,4 % | 12,7 % | 14,0 % | 14,1 % | 13,7 % |
| ROE-% (from profit after perpetual interest) | 8,2 % | 4,4 % | 8,0 % | 11,0 % | 16,7 % | 10,0 % | 15,9 % | 11,4 % | 13,9 % | 11,2 % | 13,0 % | 14,5 % | 14,6 % | 14,0 % |
| Total capital ratio* | 17,3 % | | 18,5 % | | | 17,8 % | | 17,3 % | | | 19,1 % | 19,6 % | 20,3 % | 21,0 % |

Source: Inderes

Balance sheet

| Assets | 2023 | 2024 | 2025e | 2026e | 2027e |
|------------------------------|--------------|---------------|---------------|---------------|---------------|
| Cash and cash equivalents | 283,7 | 249,5 | 293,9 | 226,7 | 233,6 |
| Loans to customers | 575,9 | 649,9 | 672,6 | 712,6 | 748,0 |
| Debt investments | 62,1 | 112,6 | 170,0 | 195,5 | 215,0 |
| Intangible assets | 29,5 | 32,9 | 33,7 | 33,7 | 33,7 |
| Other investments and assets | 39,6 | 53,8 | 78,0 | 82,7 | 86,8 |
| Total assets | 990,9 | 1098,7 | 1248,2 | 1251,1 | 1317,2 |

Source: Inderes

| Liabilities & equity | 2023 | 2024 | 2025e | 2026e | 2027e |
|-------------------------------------|--------------|--------------|---------------|---------------|---------------|
| Share capital | 40,1 | 40,2 | 40,2 | 40,2 | 40,2 |
| Retained earnings | 87,3 | 98,2 | 109,1 | 127,3 | 147,3 |
| Unrestricted equity reserve | 14,7 | 14,7 | 14,7 | 14,7 | 14,7 |
| Perpetual bonds | 45,0 | 45,0 | 45,0 | 45,0 | 45,0 |
| Other equity | -3,5 | -4,4 | -3,7 | -3,7 | -3,7 |
| Total equity | 183,6 | 193,7 | 205,2 | 223,5 | 243,5 |
| Deposits from customers | 732,4 | 800,8 | 908,0 | 890,7 | 935,0 |
| Debt securities | 47,8 | 76,9 | 102,0 | 102,0 | 102,0 |
| Lease liabilities | 5,0 | 5,1 | 4,5 | 4,8 | 5,0 |
| Other liabilities | 22,1 | 22,2 | 28,5 | 30,2 | 31,7 |
| Total liabilities | 807,2 | 905,0 | 1042,9 | 1027,6 | 1073,7 |
| Total equity and liabilities | 991 | 1099 | 1248 | 1251 | 1317 |

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

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Recommendation history (>12 mo)

| Date | Recommendation | Target | Share price |
|------------|----------------|--------|-------------|
| 20.12.2024 | Accumulate | 5,70 € | 4,81 € |
| 27.3.2025 | Accumulate | 5,70 € | 4,76 € |
| 4.4.2025 | Accumulate | 6,20 € | 5,18 € |
| 23.5.2025 | Accumulate | 7,00 € | 6,55 € |
| 19.6.2025 | Reduce | 7,00 € | 7,26 € |



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