

Alma Media

Company report

10/19/2023 23:15



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

✓ Inderes corporate customer

This report is a summary translation of the report “Vakuuttavaa kannattavuuden puolustamista” published on 10/19/2023 at 23:15 pm EEST

**inde
res.**

Convincingly defending profitability

Alma Media's Q3 result was better than we expected, which was another demonstration of the company's ability to manage costs and thus adapt to a weaker operating environment. The company's performance is at an excellent level, which is positive now that the operating environment is weak and risks related to short-term economic development and thus uncertainty related to demand development is high. Our forecasts for the current year increased, but we did not revise the forecasts for the next few years much. Therefore, we reiterate our Accumulate recommendation and EUR 10.0 target price for the moderately valued Alma Media.

Q3 result was better than we expected as efficiency measures bit convincingly

Alma Media's revenue decreased by good 1% in Q3, as expected. Development at segment level was also in line with our expectations in the big picture. Demand is currently slowed down especially in the media business, which in particular reflects the shrinking advertising market in line with economic development and consumers' weak purchasing power. Despite the decrease in revenue, Alma Media achieved stronger adjusted EBIT of EUR 20.5 million in Q3 than in the comparison period. This 27.9% adjusted EBIT margin is also an excellent level for the company in the seasonally strong Q3 and an indication that the efficiency measures the company has implemented are biting. At segment level, this was particularly evident in Career, where the larger-than-usual advertising campaign in the comparison period was not repeated and the company has reduced sales and marketing costs more broadly. The good profitability development was also backed by Talent and Consumer, although the latter in particular suffers from a sharp decline in high-margin advertising income.

Our 2023 earnings estimates rose, coming years practically unchanged

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 company also expects the demand for recruitment services to remain at least at the level of the comparison period in Q4, but the recovery in advertising to be delayed until next year. Our 2023 revenue estimate decreased marginally to EUR 304 million, but, reflecting a lower cost structure than we expected, our 2023 adjusted EBIT estimate increased by 3%, i.e. almost to the previous year's level of EUR 72.5 million. Thus, we expect the company to raise its 2023 guidance to a form that indicates a result at previous year's level if there are no surprises in the operating environment in Q4. The changes in earnings estimates for the coming years were very marginal at 0-1%.

We find the valuation moderate, we do not consider Otava's bid consideration attractive

With the actual result, we find the valuation of Alma Media's share moderate as the adjusted (LTM) P/E and EV/EBIT ratios are approximately 12x. In our view, Alma Media's strong return on capital, good cash flow performance and long-term growth outlook support a higher valuation. In the short term, however, we believe earnings growth will be hard to achieve due to a weak operating environment. We do not expect the market to re-assess the valuation level in the short term, as risks related to economic development are elevated and there has been no change in interest rates, at least so far. However, we feel the attractive valuation combined with a good dividend yield of around 5.5% on average supports additional purchases.

Recommendation

Accumulate

(previous Accumulate)

EUR 10.00

(previous EUR 10.00)

Share price:

8.62



Key figures

	2022	2023e	2024e	2025e
Revenue	309	304	302	308
growth-%	12%	-2%	-1%	2%
EBIT adj.	73.4	72.5	69.5	72.8
EBIT-% adj.	23.8 %	23.9 %	23.0 %	23.7 %
Net Income	72.4	56.7	51.1	53.8
EPS (adj.)	0.72	0.65	0.63	0.66

P/E (adj.)	13.1	13.2	13.7	13.1
P/B	3.8	3.1	3.0	2.8
Dividend yield-%	4.7 %	5.3 %	5.6 %	5.7 %
EV/EBIT (adj.)	12.5	11.5	11.8	10.9
EV/EBITDA	9.5	9.3	9.5	8.9
EV/S	3.0	2.7	2.7	2.6

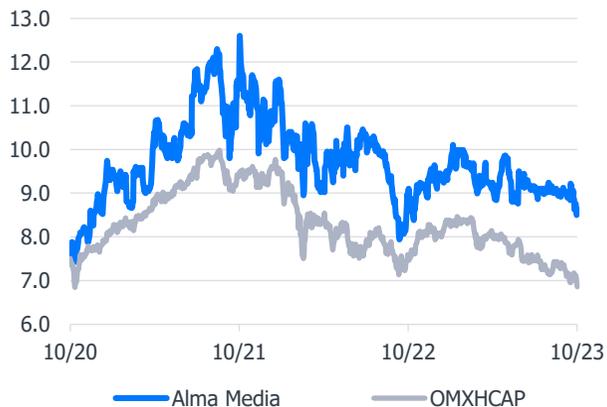
Source: Inderes

Guidance

(Unchanged)

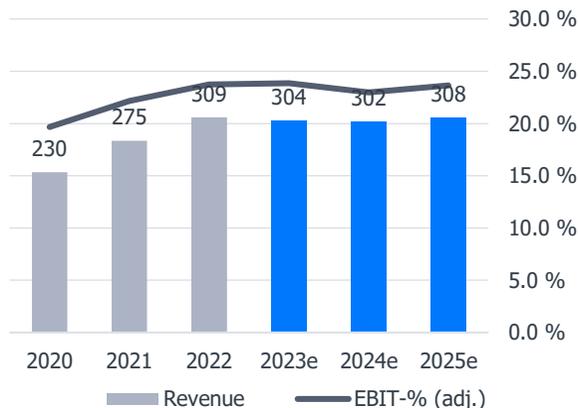
In 2023, Alma Media expects its full-year revenue (2022: 309 MEUR) and adjusted EBIT (2022: 73.4 MEUR) to remain at the 2022 level or to decrease from it.

Share price



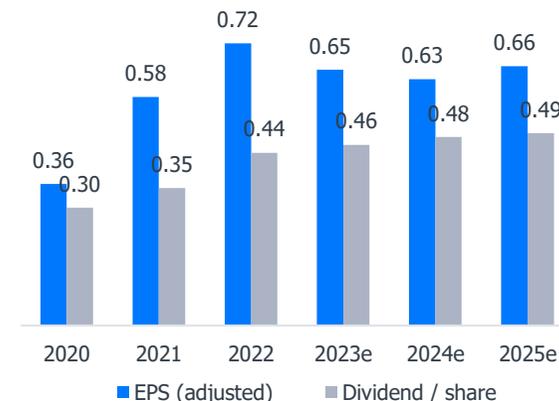
Source: Millstream Market Data AB

Revenue and EBIT-%



Source: Inderes

EPS and dividend



Source: Inderes



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

- Cyclicity 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	8.62	8.62	8.62
Number of shares, million:	82.2	82.2	82.2
Market cap	709	709	709
EV	835	818	796
P/E (adj.)	13.2	13.7	13.1
P/E	12.5	13.9	13.2
P/B	3.1	3.0	2.8
P/S	2.3	2.3	2.3
EV/Sales	2.7	2.7	2.6
EV/EBITDA	9.3	9.5	8.9
EV/EBIT (adj.)	11.5	11.8	10.9
Payout ratio (%)	66.7 %	77.2 %	74.9 %
Dividend yield-%	5.3 %	5.6 %	5.7 %

Source: Inderes

Costs decreased more than revenue

Career's development was stable, Consumer and Talent contracted roughly as expected

Alma Media's revenue decreased by good 1% in Q3, which was in line with our expectations. Career's revenue reached the level of the comparison period, as the weakness especially in Finland and the Baltic was offset by growth in Croatia and Slovakia. The largest market, i.e. the Czech Republic, developed steadily.

Consumer's revenue decreased by 3%, or slightly more than we expected, reflecting the significant decline in advertising. This also dampens Talent's development, where revenue, however, only decreased slightly (-3%) in line with our expectations. This was partly due to inorganic growth, but also continued growth in digital services and content income.

Costs under stricter control than we expected

Alma Media's profitability development was stronger than we expected, as the company achieved an adjusted EBIT margin of 27.9% in Q3. The change in the Group's total

costs, reflecting successful cost management, was -4% from the comparison period.

Costs decreased most in Career, where they fell by close on 11% from the comparison period, when a major marketing campaign was arranged. However, timing factors alone did not explain the strong profitability of the segment, as the campaign was not repeated this year, when the company as a whole has reduced sales and marketing costs. Talent also managed to reduce its costs and improve its profitability, while Consumer's profitability decreased. Consumer now suffers from a decline in high profitability advertising income, but despite this, it generated rather good profitability (Q3'23: 23.4%).

Cash flow has been depressed by working capital commitment as expected

By the end of Q3'23, Alma has accumulated EUR 43.4 million in operating cash flow, which clearly lags behind the comparison period (61.6 MEUR). This is due to working capital development, which in turn is caused by

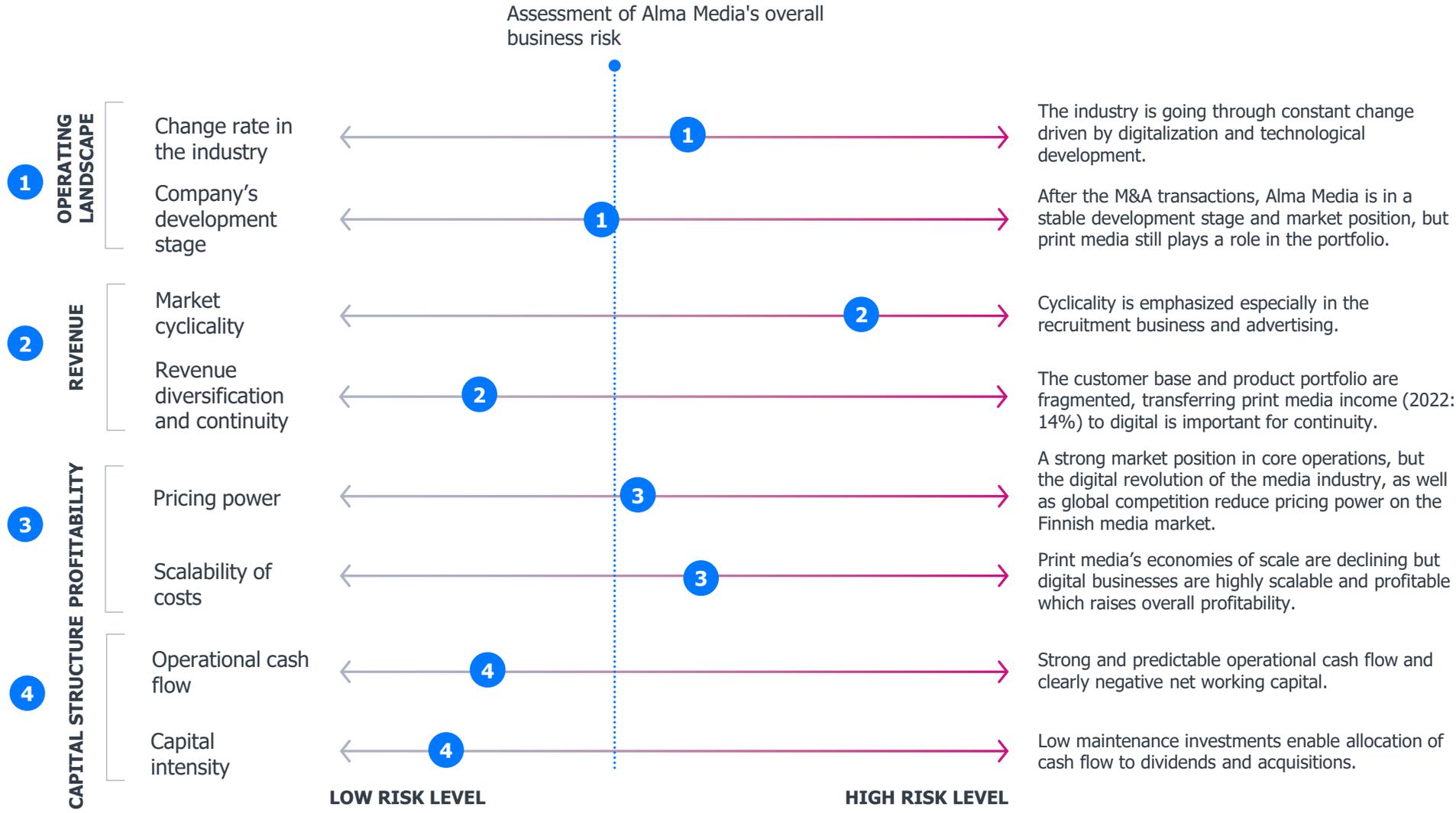
lower advance payments in Career reflecting customers' purchasing behavior. Organically, the company has invested EUR 7.2 million and thus the free cash flow (after lease liability payments) was EUR 30.3 million at the end of Q3. This year will be weaker than usual due to working capital development and slightly elevated investments, but this does not change the overall picture of a good long-term cash flow profile.

Alma had EUR 151 million in interest-bearing net debt at the end of Q3 and the company's net debt/previous 12 months EBITDA was 1.8x. Thus, the company's financial position is very good.

Estimates MEUR / EUR	Q3'22	Q3'23	Q3'23e	Q3'23e	Consensus		Difference (%)	2023e
	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. inderes	Inderes
Revenue	74.5	73.4	73.8	74.7	73.0	- 78.1	-1%	304
EBIT (adj.)	19.3	20.5	18.3	17.7	16.5	- 18.5	12%	72.5
EBIT	19.3	20.8	18.1	17.7	17.6	- 17.7	15%	72.7
PTP	202	19.7	16.8	-	-	-	17%	71.1
EPS (reported)	0.20	0.19	0.16	0.16	0.14	- 0.18	18%	0.69
Revenue growth-%	10.1 %	-1.5 %	-0.9 %	0.3 %	-2.0 %	- 4.8 %	-0.6 pp	-1.6 %
EBIT-% (adj.)	25.9 %	27.9 %	24.7 %	23.7 %	22.6 %	- 23.7 %	3.2 pp	23.9 %

Source: Inderes & Vara Research (consensus, 4 estimates)

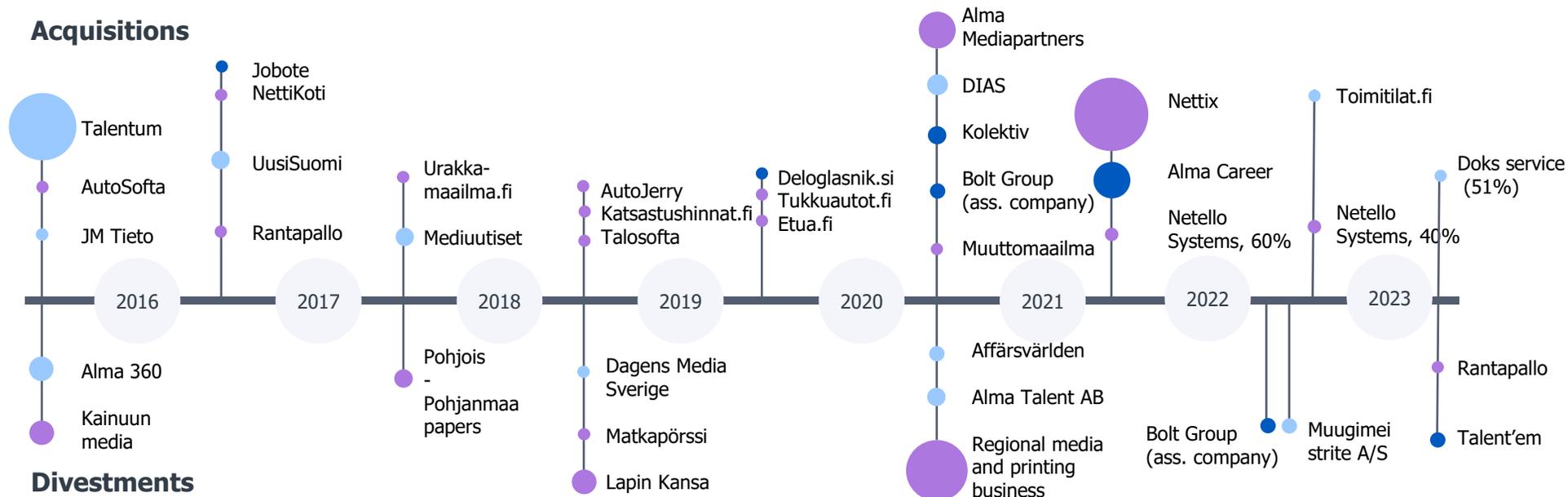
Risk profile of Alma Media's business model



Source: Inderes

M&A

Acquisitions



Divestments

● Career ● Talent ● Consumer

Source: Alma Media

Business activities' M&A strategy

Career

- Importance of M&A strategic
- M&A transactions focus on strengthening and complementing value chains, and expanding into new markets
- We believe partnerships and consolidation are possible if opportunities open up

Talent

- Role of M&A transactions is complementing
- Focus of M&A transactions on developing the portfolio and strengthening the growth of digital services
- Possibly small "precision" acquisitions in areas with high synergies with core operations and that create cost efficient growth like B2B service business

Consumer

- Importance of M&A strategic
- Target areas of acquisitions primarily those with high synergies with core businesses and that complement the value chain
- In marketplaces the playing field for possible consolidation is mainly the Nordic countries

Source: Inderes, updated 06/2023

2023 earnings estimates increased

Estimate revisions 2023e-2025e

- We did not make any material changes to our revenue forecast for 2023, but our adjusted EBIT estimate increased to EUR 72.5 million reflecting Q3's outcome and the marginally increased Q4 earnings estimate
- We made slight revisions to our Q4'23 earnings estimates in all segments, Career's increased earnings estimate compensated for the slightly reduced Consumer and Talent estimates
- The revenue estimates for the next few years were slightly reduced by the forecast changes we made to Career for early 2024, as we expect recruitment revenue to contract moderately in H1'24, despite its encouraging invoicing development at the end of Q3. We also lowered our forecasts for Consumer's media services revenue slightly for the next few years
- Despite a 2% decrease in revenue forecasts for the next few years, our earnings estimates remained almost unchanged, as the decrease in cost estimates and, consequently, the increase in profitability forecasts were relatively higher.

Operational earnings drivers 2023-2025e:

- Our estimate expects revenue to decline by 1.5% in 2023 to EUR 304 million and adjusted EBIT to decrease by good 1% to EUR 72.5 million. We do not know the range of the current verbal guidance, but we feel that our current forecasts correspond to a revenue and adjusted EBIT at last year's level. Therefore, we expect the company to raise its guidance toward the end of the year if there are no major changes in the operating environment or Q4's advertising sales are not significantly weaker than in Q3
- In 2024, we expect revenue to be almost at a standstill, as we expect the advertising market to only turn to growth in H2'24 and Career's revenue to contract, especially in H1'24, reflecting invoicing development. Considering this and still higher inflation than usual, we expect next year's adjusted operating result to fall by 4% before the result turns to growth in 2025. Then the driving force for earnings growth is the improved revenue structure driven by growth in advertising and marketplaces.

Estimate revisions MEUR / EUR	2023e	2023e	Change	2024e	2024e	Change	2025e	2025e	Change
	Old	New	%	Old	New	%	Old	New	%
Revenue	305	304	0%	308	302	-2%	313	308	-2%
EBIT (exc. NRIs)	70.1	72.5	3%	70.5	69.5	-1%	73.1	72.8	0%
EBIT	69.9	72.7	4%	70.0	69.0	-1%	72.6	72.3	0%
PTP	68.2	71.1	4%	66.3	65.4	-1%	68.9	68.9	0%
EPS (excl. NRIs)	0.63	0.65	3%	0.64	0.63	-1%	0.66	0.66	0%
DPS	0.46	0.46	0%	0.48	0.48	0%	0.49	0.49	0%

Source: Inderes

Investment profile

- 1.** Growth in digital businesses and excellent profitability
- 2.** Stable and profitable core operations that generate good cash flow
- 3.** Cyclicalities raises the risk profile of the business
- 4.** Strong cash flow helps lower gearing quickly and brings leeway for acquisitions
- 5.** We expect the company to continue with acquisitions that shape income sources and strengthen 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



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

Valuation 1/2

Valuation methods

When valuing the share, we currently place most weight on the share’s expected total return based on the forecasts for the next few years (earnings growth + dividends + expected changes in valuation multiples). In addition, we approach the valuation with the cash flow model (DCF). In the valuation, we favor the EV/EBIT ratio that reflects the balance sheet structure and the P/E ratio.

We do not give much weight to the relative valuation, because there are no clear peers available for Alma Media’s business structure. The best peer for Alma Media would be Schibsted, involved in both marketplace and media businesses but its valuation and valuation multiples are currently confounded by the special situation related to the Adevinva holding, which is why we believe it is not suitable for relative valuation.

Share’s expected total return

We believe the role of dividend is crucial in the expected return of the share. With our estimate, the dividend yield is 5.5% on average for the next few years.

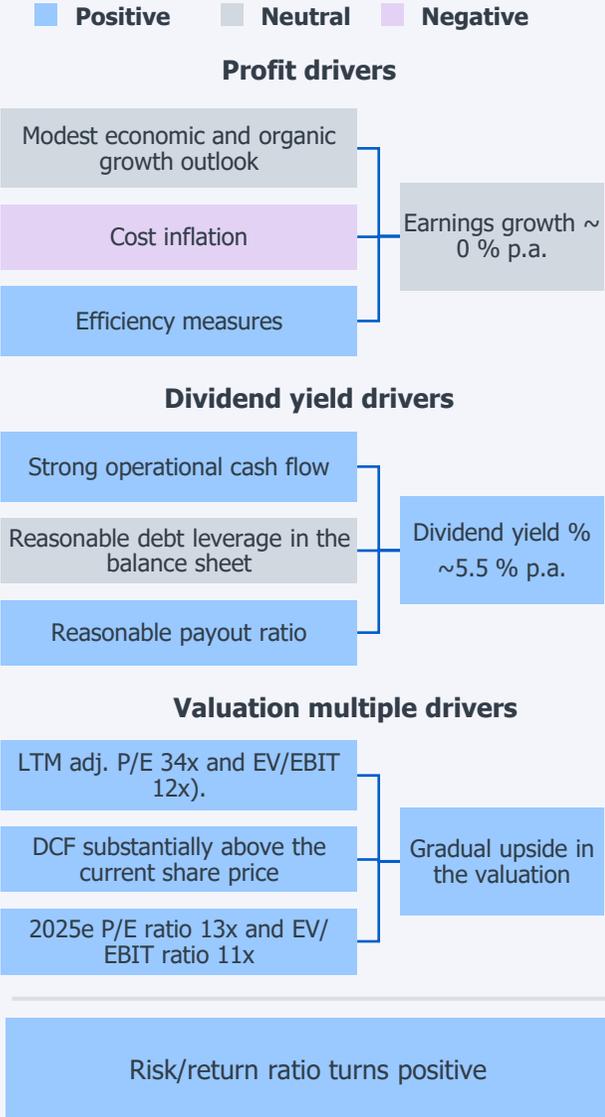
We predict that organic earnings growth in the coming years will be weak from the strong 2022 level. Our 2025 EBIT estimates are broadly in line with the 2022 outcome, as higher financing costs erode the net result. Thus, earnings growth does not provide a driver for the expected return during the review period.

Alma Media’s adjusted earnings-based valuation multiples for the previous 12 months are approximately 12x (adj. P/E 11x, EV/EBIT ratio). We find these earnings-based valuation multiples moderate in absolute terms relative to Alma Media’s rather good capital performance,

excellent cash conversion of the businesses and the ability to generate free cash flow as a result of moderate investment needs. Considering these factors, the EV/EBIT ratio based on our 2025 estimates falls to 11x and the corresponding P/E ratio is 13x, which we consider attractive as a whole.

Short-term valuation multiples can also be compared to Alma Media’s historical valuation multiples, which have averaged 14x for the EV/EBIT ratio and 18x for the P/E ratio. The valuation multiples for the previous five years were set in the zero interest rate period, after which acceptable valuation levels have decreased considerably due to increased interest rates. Thus, we do not expect investors to price the share in the current interest rate environment with the same multiples as in the previous five years. It should be noted, however, that Alma Media’s business has also changed considerably as the relative share of digital business has increased, which has also increased business profitability, return on capital and cash flow. We feel these factors support an increase in the acceptable valuation level. Thus, we believe that the rise in required returns and the change in business portfolio are clearly driving the acceptable valuation in opposite directions.

TSR drivers Q1’23 LTM-2025e



Valuation 2/2

In our view, the acceptable valuation has risen close to the five-year average levels with the change in the business portfolio. Thus, we feel there is upside in the absolute valuation multiples from the current level. Therefore, the expected return consisting of the upside in the valuation and the dividend yield turn the risk/return ratio positive in our opinion.

DCF

We feel that the applicability of the DCF calculation in Alma Media's valuation is reasonable, and it reflects the company's long-term ability to create value. On the other hand, we feel its applicability is to some extent weakened by the partial cyclical nature of demand.

Our DCF model indicates a share value of EUR 10.9. In our DCF model, revenue growth is in the medium and long-term driven by the growth in digital businesses, but the growth is slightly slowed down by the decreasing print media. Our revenue growth estimate for 2026-2032 is 2.5% on average. As the digital businesses grow, the company's relative profitability and return on capital remain, however, relatively stable. In the long term, the EBIT margin is 23-23.5%, which is in line with the profitability achieved in recent history, but below the company's own target level. Thus, long-term profitability expectations do not seem too demanding considering Alma Media's track record.

In the model, the weight of the terminal period in the value of cash flows is on a reasonable 56 % level. The weighted average cost of capital (WACC) we use in the cash flow model is 8.0 %, with the cost of equity being higher at 9.2 %.

Valuation	2023e	2024e	2025e
Share price	8.62	8.62	8.62
Number of shares, million	82.2	82.2	82.2
Market cap	709	709	709
EV	835	818	796
P/E (adj.)	13.2	13.7	13.1
P/E	12.5	13.9	13.2
P/B	3.1	3.0	2.8
P/S	2.3	2.3	2.3
EV/Sales	2.7	2.7	2.6
EV/EBITDA	9.3	9.5	8.9
EV/EBIT (adj.)	11.5	11.8	10.9
Payout ratio (%)	66.7 %	77.2 %	74.9 %
Dividend yield-%	5.3 %	5.6 %	5.7 %

Source: Inderes

Kassavirtamallin herkkyyks tuottovaateen muutokselle

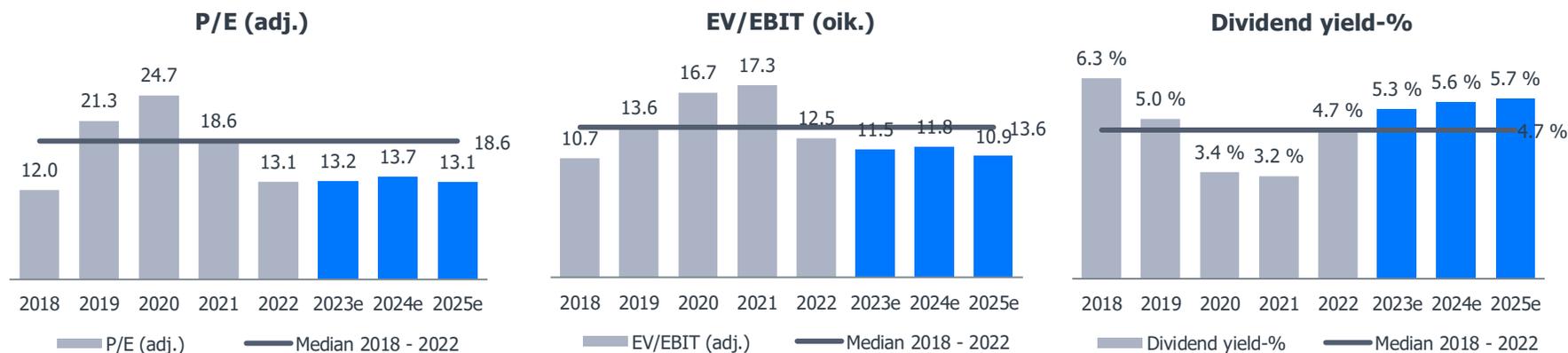


Source: Inderes

Valuation table

Valuation	2018	2019	2020	2021	2022	2023e	2024e	2025e	2026e
Share price	5.54	7.96	8.92	10.8	9.40	8.62	8.62	8.62	8.62
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	709	709	709	709
EV	616	669	756	1059	920	835	818	796	772
P/E (adj.)	12.0	21.3	24.7	18.6	13.1	13.2	13.7	13.1	12.3
P/E	10.9	21.3	26.7	20.4	10.7	12.5	13.9	13.2	12.3
P/B	2.8	3.8	4.0	5.4	3.8	3.1	3.0	2.8	2.6
P/S	1.3	2.6	3.2	3.2	2.5	2.3	2.3	2.3	2.2
EV/Sales	1.7	2.7	3.3	3.8	3.0	2.7	2.7	2.6	2.4
EV/EBITDA	8.0	9.4	12.8	14.4	9.5	9.3	9.5	8.9	8.3
EV/EBIT (adj.)	10.7	13.6	16.7	17.3	12.5	11.5	11.8	10.9	10.2
Payout ratio (%)	69.0 %	106.8 %	89.9 %	66.1 %	50.0 %	66.7 %	77.2 %	74.9 %	70.0 %
Dividend yield-%	6.3 %	5.0 %	3.4 %	3.2 %	4.7 %	5.3 %	5.6 %	5.7 %	5.7 %

Source: Inderes



Peer group valuation

Peer group valuation Company	Market cap MEUR	EV MEUR	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%		P/B 2023e
			2023e	2024e	2023e	2024e	2023e	2024e	2023e	2024e	2023e	2024e	
Alma Media	700	862	12.4	12.0	9.9	9.7	2.8	2.8	12.8	12.9	5.0	5.6	3.1
Agora SA	279		1.7	2.8	2.0	3.3							0.4
Future PLC	1169	1679	5.6	5.6	5.2	5.2	1.8	1.8	6.1	6.0	0.4	0.5	1.8
Gannett Co Inc	359	1320	11.6	10.7	4.7	5.0	0.5	0.5	14.1	24.4			0.6
Lagardere SA	2667	6903	13.8	12.6	9.4	8.2	0.9	0.8	9.9	8.8	6.9	6.9	2.1
Arnoldo Mondadori Editore SpA	544	812	8.6	8.5	5.5	5.5	0.9	0.9	8.5	8.1	5.6	5.8	1.8
New York Times Co	6576	6182	22.1	19.1	16.8	15.3	2.7	2.5	28.9	26.9	1.0	1.1	4.2
Rizzoli Corriere della Sera Mediagroup SpA	365	573	6.1	5.7	4.0	3.9	0.7	0.7	7.0	6.4	8.6	8.6	0.9
TX Group AG	995	1271	35.2	16.2	7.4	5.7	1.2	1.2	12.5	9.1	5.9	2.8	0.4
Promotora de Informaciones SA	358	1145	13.6	11.1	7.2	6.4	1.2	1.2		10.8			
Vocento SA	79	182	15.5	11.2	5.4	4.7	0.5	0.5	25.2	12.6	7.1	3.0	0.4
Auto Trader Group PLC	6651	6711	19.3	17.3	18.2	16.5	11.8	10.7	24.9	23.0	1.4	1.4	10.4
Carsales.Com Ltd	6646	7307	34.2	25.9	28.9	21.5	15.9	11.4	39.9	34.1	2.0	2.3	3.6
Moneysupermarket.Com Group PLC	165	1708	13.4	12.4	11.3	10.4	3.5	3.3	16.9	15.5	4.6	4.8	6.2
REA Group Ltd	12642	12734	39.5	31.3	33.1	26.9	17.9	15.1	56.4	45.4	1.0	1.3	14.4
Rightmove PLC	5357	5317	17.7	16.7	17.3	16.5	12.8	11.9	23.4	22.0	1.6	1.7	79.4
Schibsted ASA	4494	5109	48.1	31.2	24.2	19.6	3.8	3.5		33.8	0.9	1.0	1.9
Scout24 SE	4845	5069	21.2	18.0	17.6	15.4	9.9	8.8	27.0	23.4	1.8	2.0	3.4
Seek Ltd	4904	5639	21.1	22.9	16.9	17.7	7.5	7.7	32.1	35.2	2.0	2.0	3.0
Stroeer SE & Co KgaA	2449	4093	15.6	13.1	7.3	6.6	2.2	2.0	15.7	12.6	4.7	5.4	5.1
Adevinta ASA	10584	12542	31.7	23.5	19.0	16.1	6.9	6.1	41.7	30.8		0.1	1.3
Alma Media (Inderes)	709	835	11.5	11.8	9.3	9.5	2.7	2.7	13.2	13.7	5.3	5.6	3.1
Average		4318	18.0	14.8	12.4	11.0	5.3	4.7	22.4	19.4	3.7	3.2	7.5
Median		4093	15.5	12.9	9.7	8.9	2.7	2.5	20.1	15.5	3.3	2.3	3.0
Diff-% to median			-26%	-8%	-4%	6%	3%	7%	-34%	-11%	62%	139%	5%

Source: Refinitiv / Inderes

Income statement

Income statement	2020	2021	Q1'22	Q2'22	Q3'22	Q4'22	2022	Q1'23	Q2'23	Q3'23	Q4'23e	2023e	2024e	2025e	2026e
Revenue	230	275	76.2	79.3	74.6	78.7	309	75.3	78.2	73.4	76.9	304	302	308	317
Alma Career	62.7	82.2	26.7	28.4	27.3	27.4	109.8	27.7	28.5	27.4	27.5	111	109.1	112	117
Alma Talent	95.1	99.7	25.2	24.1	22.2	25.0	96.5	23.9	23.4	21.4	23.7	92.5	92.7	93.4	94.2
Alma Consumer	69.8	94.5	24.8	27.1	25.5	26.7	104	24.2	26.3	24.7	25.8	101	101	104	107
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	0.0	-0.1	-0.2	-0.8	-1.0	-1.0	-1.1
EBITDA	58.9	73.5	24.1	30.2	23.5	19.4	97.2	20.8	24.3	25.2	19.8	90.0	86.3	89.8	92.7
Depreciation	-15.8	-16.7	-4.3	-4.3	-4.3	-4.4	-17.2	-4.3	-4.5	-4.3	-4.3	-17.4	-17.3	-17.4	-17.0
EBIT (excl. NRI)	45.3	61.1	19.6	19.2	19.3	15.2	73.4	17.0	19.4	20.5	15.6	72.5	69.5	72.8	75.7
EBIT	43.1	56.8	19.8	25.9	19.3	15.0	80.0	16.5	19.9	20.8	15.5	72.7	69.0	72.3	75.7
Alma Career	20.6	30.0	12.3	11.8	10.0	8.4	42.5	11.0	12.3	12.0	9.2	44.6	42.5	44.2	46.0
Alma Talent	16.2	20.6	5.5	4.3	4.9	5.1	19.7	4.8	4.7	5.2	4.7	19.5	19.4	19.6	19.9
Alma Consumer	15.0	23.9	5.0	6.7	6.8	5.9	24.4	4.0	5.6	5.8	5.0	20.5	20.1	21.6	22.8
Other and eliminations	-6.5	-13.4	-3.2	-3.5	-2.4	-4.1	-13.2	-2.9	-3.3	-2.5	-3.4	-12.0	-12.5	-12.5	-12.5
NRIs	-2.3	-4.3	0.2	6.6	0.0	-0.3	6.6	-0.5	0.5	0.3	-0.1	0.2	-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	2.9	-1.5	-1.5	-2.0	-4.0	-4.0	-2.2
PTP	42.2	56.3	20.0	27.5	20.3	19.0	86.9	14.6	22.8	19.7	14.1	71.1	65.4	68.9	74.0
Taxes	-9.0	-12.1	-4.0	-4.2	-4.0	-2.3	-14.5	-2.9	-4.1	-4.3	-3.0	-14.3	-14.0	-14.7	-15.8
Minority interest	-5.7	-0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	0.0	-0.1	-0.4	-0.4	-0.4
Net earnings	27.5	43.6	16.0	23.4	16.3	16.7	72.4	11.7	18.7	15.2	11.1	56.7	51.1	53.8	57.8
EPS (adj.)	0.36	0.58	0.19	0.12	0.20	0.21	0.72	0.15	0.18	0.18	0.14	0.65	0.63	0.66	0.70
EPS (rep.)	0.33	0.53	0.19	0.28	0.20	0.20	0.88	0.14	0.23	0.19	0.13	0.69	0.62	0.65	0.70

Key figures	2020	2021	Q1'22	Q2'22	Q3'22	Q4'22	2022	Q1'23	Q2'23	Q3'23	Q4'23e	2023e	2024e	2025e	2026e
Revenue growth-%	-8.0 %	19.6 %	31.3 %	10.7 %	10.1 %	0.9 %	12.1 %	-1.3 %	-1.4 %	-1.5 %	-2.3 %	-1.6 %	-0.6 %	1.9 %	2.8 %
Adjusted EBIT growth-%		34.8 %	77.1 %	15.9 %	8.0 %	-1.9 %	20.1 %	-13.2 %	0.6 %	6.6 %	2.3 %	-1.2 %	-4.2 %	4.9 %	3.9 %
EBITDA-%	25.6 %	26.7 %	31.6 %	38.0 %	31.5 %	24.6 %	31.5 %	27.7 %	31.1 %	34.3 %	25.7 %	29.6 %	28.6 %	29.1 %	29.3 %
Adjusted EBIT-%	19.7 %	22.2 %	25.7 %	24.3 %	25.8 %	19.4 %	23.8 %	22.6 %	24.7 %	28.0 %	20.3 %	23.9 %	23.0 %	23.7 %	23.9 %
Net earnings-%	11.9 %	15.8 %	21.0 %	29.5 %	21.8 %	21.2 %	23.4 %	15.6 %	23.9 %	20.7 %	14.4 %	18.7 %	16.9 %	17.5 %	18.3 %

Source: Inderes

Balance sheet

Assets	2021	2022	2023e	2024e	2025e
Non-current assets	432	429	427	424	420
Goodwill	295	294	294	294	294
Intangible assets	91	87	87	85	82
Tangible assets	35	34	32	31	30
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	66.0	65.6	66.9
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	35	35
Cash and equivalents	52	30	30	30	31
Balance sheet total	518	495	493	489	487

Source: Inderes

Liabilities & equity	2021	2022	2023e	2024e	2025e
Equity	167	206	226	240	254
Share capital	45	45	45	45	45
Retained earnings	91.2	132	152	166	180
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	178	159	138
Deferred tax liabilities	19	17	17	17	17
Provisions	0.0	0.0	0.0	0.0	0.0
Interest bearing debt	227	164	150	131	111
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	89	91	95
Interest bearing debt	8	10	10	11	11
Payables	76	81	71	72	77
Other current liabilities	5.3	7	7.0	7.0	7.0
Balance sheet total	518	495	493	489	487

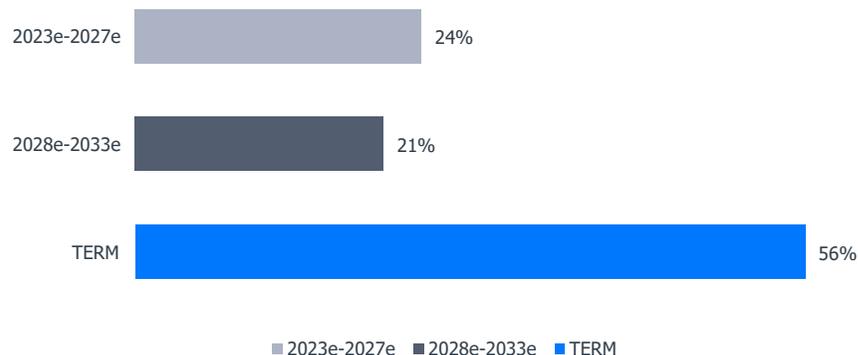
DCF calculation

DCF model	2022	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	TERM
Revenue growth-%	12.1 %	-1.6 %	-0.6 %	1.9 %	2.8 %	2.5 %	2.5 %	2.5 %	2.5 %	2.5 %	2.5 %	2.5 %	2.5 %
EBIT-%	25.9 %	23.9 %	22.8 %	23.5 %	23.9 %	23.0 %	23.0 %	23.5 %	23.5 %	23.5 %	23.5 %	23.5 %	23.5 %
EBIT (operating profit)	80.0	72.7	69.0	72.3	75.7	74.6	76.5	80.1	82.1	84.2	86.3	88.4	
+ Depreciation	17.2	17.4	17.3	17.4	17.0	16.6	15.3	14.5	14.4	14.4	14.5	14.5	
- Paid taxes	-16.2	-14.3	-14.0	-14.7	-15.8	-15.6	-16.1	-16.9	-17.4	-17.8	-18.2	-18.7	
- Tax, financial expenses	1.1	-0.4	-0.9	-0.9	-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	-9.4	1.3	3.8	4.3	1.1	1.2	1.2	1.2	1.2	1.3	1.3	
Operating cash flow	87.0	66.0	72.8	78.0	80.7	76.4	76.5	78.6	80.1	81.8	83.5	85.2	
+ 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	-15	-14.5	-14.0	-14.0	-14.5	-14.5	-14.5	-14.5	-14.5	-14.5	-14.5	
Free operating cash flow	63	51	58.3	64.0	66.7	61.9	62.0	64.1	65.6	67.3	69.0	70.7	
+/- 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	51	58.3	64.0	66.7	61.9	62.0	64.1	65.6	67.3	69.0	70.7	1308
Discounted FCFF		50	53.1	54.0	52.1	44.7	41.5	39.7	37.6	35.7	33.9	32.1	594
Sum of FCFF present value		1069	1018	965	911	859	815	773	733	696	660	626	594
Enterprise value DCF		1069											
- Interest bearing debt		-174											
+ Cash and cash equivalents		30											
-Minorities		-4											
-Dividend/capital return		-36											
Equity value DCF		892											
Equity value DCF per share		10.9											

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	304	302	EPS (reported)	0.33	0.53	0.88	0.69	0.62
EBITDA	58.9	73.5	97.2	90.0	86.3	EPS (adj.)	0.36	0.58	0.72	0.65	0.63
EBIT	43.1	56.8	80.0	72.7	69.0	OCF / share	0.71	1.00	1.06	0.80	0.89
PTP	42.2	56.3	86.9	71.1	65.4	FCF / share	1.32	-1.28	0.89	0.62	0.71
Net Income	95.5	43.6	72.4	56.7	51.1	Book value / share	2.23	1.99	2.49	2.74	2.90
Extraordinary items	-2.2	-4.3	6.6	0.2	-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	492.7	489.5	Revenue growth-%	-8%	20%	12%	-2%	-1%
Equity capital	204.5	166.5	205.9	226.5	239.7	EBITDA growth-%	-18%	25%	32%	-7%	-4%
Goodwill	150.7	294.5	294.4	294.4	294.4	EBIT (adj.) growth-%	-8%	35%	20%	-1%	-4%
Net debt	-6.3	182.7	143.7	130.1	112.7	EPS (adj.) growth-%	-3%	61%	24%	-9%	-4%
Cash flow	2020	2021	2022	2023e	2024e	EBITDA-%	25.6 %	26.7 %	31.5 %	29.6 %	28.6 %
EBITDA	58.9	73.5	97.2	90.0	86.3	EBIT (adj.)-%	19.7 %	22.2 %	23.8 %	23.9 %	23.0 %
Change in working capital	8.5	14.0	5.0	-9.4	1.3	EBIT-%	18.7 %	20.6 %	25.9 %	23.9 %	22.8 %
Operating cash flow	58.7	82.1	87.0	66.0	72.8	ROE-%	15.4 %	25.1 %	39.3 %	26.4 %	22.1 %
CAPEX	-30.8	-190.3	-17.5	-15.0	-14.5	ROI-%	17.4 %	17.8 %	20.6 %	19.1 %	18.0 %
Free cash flow	109.0	-105.4	73.1	51.0	58.3	Equity ratio	63.7 %	34.7 %	45.8 %	50.7 %	54.2 %
						Gearing	-3.1 %	109.7 %	69.8 %	57.5 %	47.0 %
Valuation multiples	2020	2021	2022	2023e	2024e						
EV/S	3.3	3.8	3.0	2.7	2.7						
EV/EBITDA (adj.)	12.8	14.4	9.5	9.3	9.5						
EV/EBIT (adj.)	16.7	17.3	12.5	11.5	11.8						
P/E (adj.)	24.7	18.6	13.1	13.2	13.7						
P/B	4.0	5.4	3.8	3.1	3.0						
Dividend-%	3.4 %	3.2 %	4.7 %	5.3 %	5.6 %						

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
2/16/2020	Reduce	8.80 €	8.70 €
3/12/2020	Reduce	6.80 €	6.54 €
3/26/2020	Reduce	6.50 €	6.50 €
6/12/2020	Accumulate	8.00 €	7.10 €
7/20/2020	Accumulate	8.00 €	7.06 €
10/23/2020	Accumulate	8.50 €	7.84 €
1/13/2021	Reduce	9.50 €	9.54 €
2/18/2021	Reduce	9.00 €	9.14 €
3/8/2021	Accumulate	10.00 €	9.50 €
4/13/2021	Accumulate	10.00 €	9.22 €
4/22/2021	Accumulate	11.00 €	10.46 €
5/28/2021	Accumulate	10.50 €	9.80 €
7/19/2021	Accumulate	12.50 €	11.80 €
7/22/2021	Reduce	12.00 €	11.60 €
9/17/2021	Reduce	11.50 €	10.90 €
10/22/2021	Reduce	12.00 €	12.48 €
2/17/2022	Accumulate	11.00 €	10.00 €
3/14/2022	Reduce	11.00 €	10.60 €
4/25/2022	Accumulate	11.00 €	9.58 €
6/13/2022	Reduce	11.00 €	10.50 €
7/21/2022	Reduce	11.00 €	10.30 €
10/21/2022	Accumulate	10.50 €	9.10 €
2/17/2023	Accumulate	10.50 €	9.63 €
4/24/2023	Accumulate	10.50 €	9.04 €
6/10/2023	Accumulate	10.00 €	8.92 €
7/20/2023	Accumulate	10.00 €	9.14 €
10/19/2023	Accumulate	10.00 €	8.62 €



Connecting investors and companies

Inderes connects investors and listed companies. We help over 400 Nordic listed companies to better serve their shareholders. 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.**