

Professional Business Support Services

Key data

Price (EUR)*	16.7
Country	Finland
Bloomberg	TNOM.FH
Reuters	TNOM.HE
Free float	59.6%
Market cap (EURm)	731
Net debt (current Y/E) (EURm)	36
No. of shares (m)	43.7
Next event	Q3: 1-Nov

* Price as at close on 2 August 2021

CEO	Otto-Pekka Huhtala
CFO	Antti Aho

Company description

Talenom is an accounting services company operating in Finland, Sweden and Spain. Talenom offers a wide range of accountancy and other services including tax and legal advisory, banking services and financial management tools for SMEs. Talenom has over 900 employees and 55 locations, and provides accounting through its proprietary in-house software. The company is headquartered in Oulu, Finland.

Ownership structure

Harri Tahkola	18.6%
Markus Tahkola	11.0%
Danske Invest Finnish Equity Fund	4.7%
Conficap	4.2%
Evli Suomi Pieniyhtiöt	3.9%

Source: Company data

Estimate changes

	21E	22E	23E
Sales	2.5%	2.5%	2.0%
EBITDA	-1.2%	0.4%	-0.1%
EBIT (adj.)	-2.1%	0.6%	0.1%
EPS (adj.)	n.m.	n.m.	n.m.

Source: Danske Bank Equity Research estimates

Analyst(s)

Daniel Lepistö

Panu Laitinmäki

Find our research here:

<https://research.danskebank.com>

Important disclosures and certifications are contained from page 12 of this report

Talenom

Growth story continues, valuation problematic

Talenom reported 30% y/y sales growth in Q2 21. Organic growth continued to recover and represented one third of total growth in the period. In our view, there is scope for a guidance upgrade in H2 21 if the momentum in organic growth is sustained. However, Talenom is trading close to all-time high multiples of EV/EBIT 41.2x for 2022E, which limits the near-term upside potential. We raise our 12M fair value range to EUR14-16.

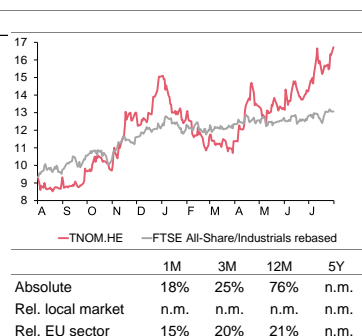
- **Impact on the investment case.** Talenom reported Q2 21 sales of EUR21.4m (30% growth y/y and 1% above FactSet consensus). EBIT was EUR4.1m (15% growth y/y, 6% below consensus). The momentum in Talenom's organic growth continued, with the new customer acquisition already recovering to pre-pandemic levels in late spring. EBIT of EUR4.1m missed consensus estimates by 6%, burdened by acquisitions. However, management commented that excluding M&A, operating profitability in the core market, Finland, increased y/y due to higher level of automation and higher consultancy sales. Overall, we find the recovering organic growth positive for Talenom's investment case, and do not see the miss in relative profitability as a major issue for the company.
- **Upbeat comments about freemium platform TiliJaska.** Talenom's management gave a brief update on the situation with the freemium software platform TiliJaska, aimed at small SMEs. The platform now has around 1,200 users and full-scale marketing is set to start in the autumn. Early signs point towards 60-80% conversion rates from free to paid service. We see TiliJaska as a very promising pocket of organic growth for the firm, raising our confidence in Talenom's long-term organic growth profile.
- **Estimate changes.** We raise our 2021 sales estimates to account for the two recent acquisitions made in July, and strengthening organic growth for H2 21. We trim our EBIT estimates due to the higher than anticipated effect from the acquisitions.
- **Valuation.** Talenom's share has been trading close to all-time high prices recently. We raise our fair value range to EUR14-16 (from EUR13-15) due to higher estimates. The current valuation is high at 2022E EV/sales of 8.2x, EV/EBIT of 41.2x and P/E of 51.1x, and as these multiples are in line with pure SaaS companies, we find Talenom's current valuation difficult to justify.

Key financials

Year-end Dec (EUR)	2019	2020	2021E	2022E	2023E
Revenues (m)	58.0	65.2	83.0	93.8	105
Revenues growth	18.6%	12.4%	27.4%	13.0%	12.0%
EBITDA (m)	18.9	23.3	27.2	31.8	35.9
EBIT adj. (m)	10.4	12.9	15.4	18.6	21.1
EBIT growth	21.8%	23.7%	19.9%	20.4%	13.3%
Pre-tax profit (m)	9.6	12.0	14.7	17.9	20.3
EPS adj.	0.18	0.22	0.27	0.33	0.37
DPS	0.13	0.15	0.16	0.17	0.18
Dividend yield	1.7%	1.0%	1.0%	1.0%	1.1%
FCFE yield (pre-IFRS16)	1.7%	0.9%	0.4%	1.5%	1.9%
EBIT margin (adj.)	18.0%	19.8%	18.6%	19.8%	20.0%
Net debt/EBITDA (x)	1.5	1.2	1.3	1.1	0.9
ROIC	18.9%	18.0%	18.3%	19.5%	20.5%
EV/sales (x)	5.9	10.4	9.2	8.2	7.3
EV/EBITDA (adj.) (x)	18.1	29.2	28.2	24.1	21.2
EV/EBIT (adj.) (x)	20.9	34.2	31.2	26.3	23.0
EV/EBIT (adj.) (x)	32.9	52.8	49.6	41.2	36.2
P/E (adj.) (x)	40.9	67.9	61.7	51.1	44.9

Source: Company data, Danske Bank Equity Research estimates

Price performance



Source: FactSet

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Q2 21 key conclusions

Talenom reported Q2 21 sales of EUR21.4m, 1% above FactSet consensus estimates. EBIT was EUR4.1m and missed consensus by 6%. The EBIT margin was clearly below consensus at 19.4% (20.9% expected). Talenom restated its guidance: the company expects net sales of EUR80-84m and EBIT of EUR14-16m. Talenom did not upgrade its guidance with the recent acquisitions made in July, so on our estimates the company should be above the midpoint of the sales guidance. This creates the possibility of a guidance upgrade if the good momentum in organic growth continues in H2 21, in our view.

Table 1 : Deviation between Q2 21 results and estimates

EURm	Actual	Danske	Diff %	Consensus (FactSet)		Q2 20
	Q2 21	Q2 21E		Q2 21E	Diff %	
Sales	21.4	20.8	3%	21.1	1%	16.5
EBITDA	7.2	7.3	-2%	7.3	-1%	6.2
EBIT	4.1	4.4	-5%	4.4	-6%	3.6
Net profit	3.1	3.4	-9%	3.4	-10%	2.7
EPS	0.07	0.08	-10%	0.08	-13%	0.06
Sales growth	29.6%	26.0%		27.9%		16.5%
EBITDA growth	16.4%	18.7%		18.0%		34.1%
EBITDA margin	33.7%	35.3%		34.6%		37.5%
EBIT-margin	19.4%	20.9%		20.9%		21.8%

Source: Company data, FactSet consensus, Danske Bank Equity Research estimates

Overall, we found the Q2 results positive. Organic growth has clearly started its recovery and the current outlook is that Talenom's new customer acquisition is at pre-pandemic levels. Good momentum in the sales effort boost our confidence in our organic growth expectations for the coming years. The recent acquisition in Spain was just the first step in a long process of learning the new market, and Talenom sees no further acquisitions in Spain for 2021. Sweden has come to the phase where the localisation of Talenom's own software begins. Talenom has begun to convert its customers to its own software and, if successful, we could start to see Sweden's profitability increase slowly towards Finnish levels.

As it seems that the effect of the pandemic has largely passed, Talenom can focus fully on bringing new customers in and starting to market its TiliJaska freemium platform. Management made some upbeat comments about the TiliJaska platform, as the current number of users (of TiliJaska and Talenom's Light Entrepreneur service) is already 1,200 in total (we had expected 900 by Q2). As full-scale marketing for TiliJaska now is now set to start in Q3, we would expect some additional cost pressure on top of that caused by the recent acquisitions.

Management said that in the current small sample, the conversion rate from free to paid service is currently estimated to be around 60-80%, and the large majority buy the year-end tax report and the financial statements (EUR250 upwards) from Talenom, and move to the paid VAT service after that. This would translate into possible average ARPUs of EUR500-1,000 annually. In our view, TiliJaska is a very promising pocket of growth for Talenom, as in order to maintain its high organic growth rate, the company needs to win a continuously increasing number of new customers (if the average billing stays the same).

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Our updated TiliJaska scenario is as follows:

Table 2: TiliJaska freemium platform scenario (Finland)

	2021E	2022E	2023E	2024E	2025E
Freemium customers	2500	5000	8000	12000	15000
Conversion %	70%	70%	70%	70%	70%
ARPU (EUR)	250	500	500	500	500
TOTAL (EURm)	0.4	1.8	2.8	4.2	5.3
Talenom revenue	83.0	93.8	105.1	116.6	128.3
Share of freemium sales	0.5%	1.9%	2.7%	3.6%	4.1%
Current sales growth estimate %	27.4%	13.0%	12.0%	11.0%	10.0%
Organic growth (excl. Freemium)	7.2%	11.1%	9.3%	7.4%	5.9%
Micro firms in Finland	275000	277750	280528	283333	286166
Penetration	0.9%	1.8%	2.9%	4.2%	5.2%

Source: Danske Bank Equity Research estimates

With an updated 60-80% conversion of freemium customers to paid, EUR500 ARPU for paid customers, and an estimated 5% penetration of micro firms in Finland by 2025E, we arrive at revenues of EUR5.3m from TiliJaska (Finland) in 2025E. This would amount to almost half of the total organic growth estimated for 2025E. This scenario does not account for any upcoming markets, such as Sweden, where TiliJaska (or KontoKalle) will be next piloted and launched.

Estimate changes

We have increased our 2021 sales estimate due to inclusion of the two recent acquisitions announced in July and higher confidence of good momentum in organic growth for H2 21E. Moreover, we decreased our EBIT estimates for the year, due to the Q2 21 miss in margins and expectation of higher marketing spend due to the launch of TiliJaska later this year.

Table 3: Quarterly estimates

EURm	2019	Q1 20	Q2 20	Q3 20	Q4 20	2020	Q1 21	Q2 21	Q3 21E	Q4 21E	2021E	2022E
Sales	58.0	17.4	16.5	14.8	16.5	65.2	20.3	21.4	19.6	21.7	83.0	93.8
Growth y/y	18.5%	17.4%	11.8%	10.0%	10.4%	12.4%	17.0%	29.6%	32.0%	32.0%	27.4%	13.0%
Personnel costs	-29.9	-8.6	-8.8	-7.3	-9.4	-33.9	-10.8	-11.5	-10.6	-12.4	-45.2	-50.0
% of sales	-51.6%	-49.5%	-53.0%	-48.9%	-56.8%	-52.1%	-53.2%	-54.0%	-53.9%	-56.8%	-54.5%	-53.3%
Materials and services	-3.6	-1.0	-0.3	-0.6	-0.6	-2.5	-0.5	-0.8	-0.7	-0.8	-2.9	-3.2
Other costs	-5.9	-1.5	-1.3	-1.2	-1.5	-5.6	-1.9	-2.0	-2.0	-2.0	-7.8	-8.8
EBITDA	19.0	6.2	6.2	5.8	5.0	23.3	7.2	7.2	6.3	6.7	27.4	31.8
EBITDA margin	32.7%	36.0%	37.5%	39.1%	30.7%	35.7%	35.4%	33.7%	32.4%	30.7%	33.0%	33.9%
D&A	-8.5	-2.5	-2.6	-2.7	-2.6	-10.4	-2.8	-3.1	-3.1	-3.1	-11.8	-13.2
EBIT	10.4	3.7	3.6	3.1	2.4	12.9	4.4	4.1	3.3	3.6	15.4	18.6
EBIT margin	18.0%	21.4%	21.8%	21.2%	14.7%	19.8%	21.7%	19.4%	16.8%	16.6%	18.6%	19.8%
Net financials	-0.8	-0.2	-0.2	-0.2	-0.2	-0.9	-0.2	-0.3	-0.3	-0.3	-0.7	-0.7
Pre-tax profit	9.6	3.5	3.4	2.9	2.2	12.0	4.2	3.8	3.0	3.3	14.7	17.9
Taxes	-2.0	-0.7	-0.7	-0.6	-0.4	-2.4	-0.9	-0.8	-0.6	-0.7	-2.9	-3.6
Tax rate	20.4%	20.1%	21.2%	21.1%	18.4%	20.3%	21.2%	20.4%	20.0%	20.0%	20.0%	20.0%
Net income	7.6	2.8	2.7	2.3	1.8	9.6	3.3	3.1	2.4	2.7	11.8	14.3

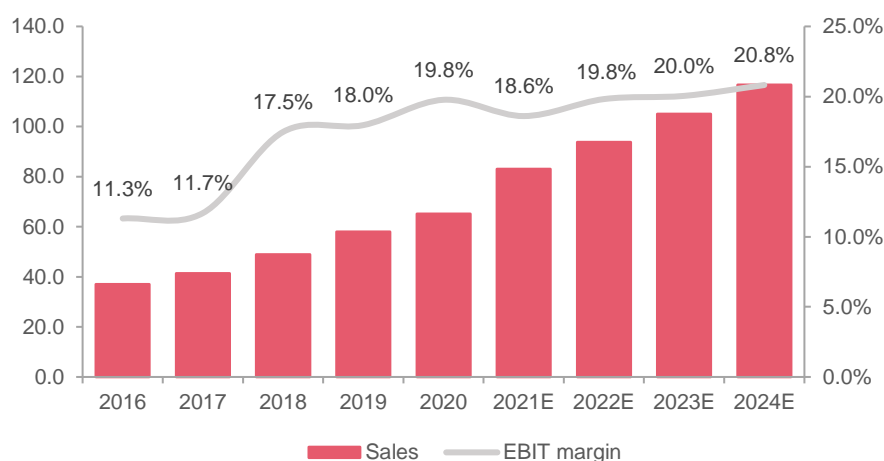
Source: Company data, Danske Bank Equity Research estimates

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Executive summary

We see Talenom as a growth case driven by market share gains in fragmented and non-cyclical end-markets in accounting services. The company operates in Finland, Sweden and most recently Spain. Over 90% of Talenom's revenue is recurring and we expect the company to maintain its organic sales CAGR of over 10% during the coming years. The company's current appetite for M&A is driven both by Talenom's international expansion strategy and the company's ability to convert acquired local (Finnish) businesses to its current profitability level, due to its largely automated in-house accounting software. In our view, Talenom will continue to acquire smaller accounting firms mostly for their existing customer bases, which is set to drive revenues near term but keep the company's profitability expansion modest. We discussed our view on Talenom in detail in our longer report, *Talenom: A winning growth model with inorganic support*, 16 June 2021.

Chart 1: Talenom sales (EURm) and EBIT margin



Source: Company data, Danske Bank Equity Research estimates

Differentiating model in a conservative industry

Talenom is a Finnish accounting service provider whose strategy has the following three elements. 1) Talenom aims to provide easy and automated financial accounting for customers, which are mainly smaller companies. 2) Talenom has its own in-house software, which has largely automated the bookkeeping process, improving profitability and eliminating Talenom's dependence on third-party accounting software firms. 3) With increased automation, Talenom aims to provide more value-added services to its existing customers, including hourly-paid financial consulting and other tax, legal and advisory services.

Talenom's own accounting software has been developed for over 10 years and the high automation increases process efficiency, which significantly improves accountant productivity, enabling faster processes and for accountants to oversee more firms than previously. Moreover, the streamlined accounting process enables Talenom to create value through M&A, as the company is able to convert acquired local companies to Talenom's own profitability within three years, according to management estimates. This allows Talenom to purchase recurring revenue with low risk and keep its sales growth up even in times of weakening organic growth.

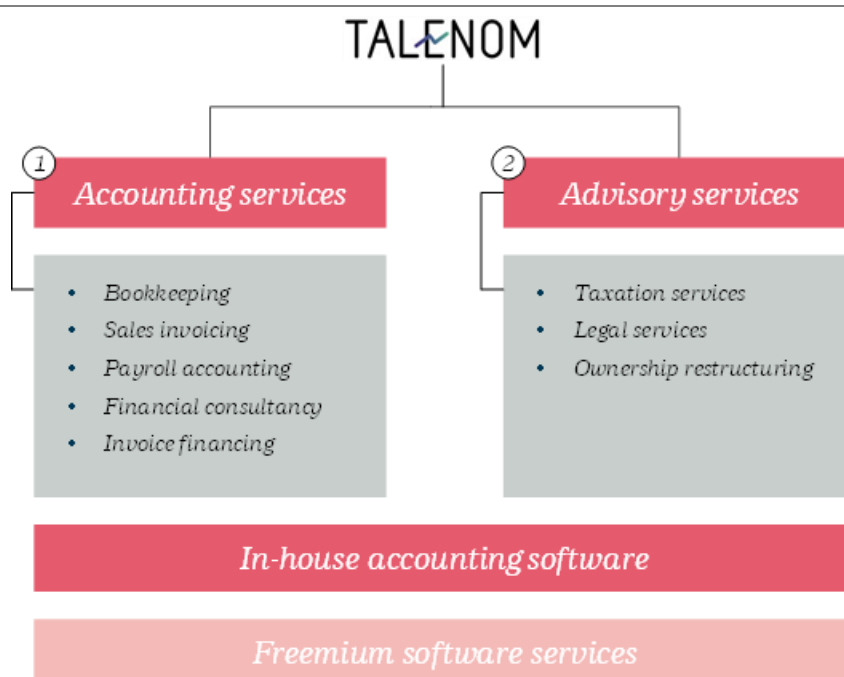
Talenom's main strategic choices include investing heavily in own software development and automation of operations and it has developed a scalable bookkeeping production line, with dedicated teams for different industries. This has improved company profitability and releases people for value-added consultancy work. Organic growth is seen by management as the best

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way to grow due to lower total cost, but the significant sales force (up to 15% of personnel) burdens the cash flow (the costs are partly capitalised so they are not fully visible in the income statement). Talenom's core business is stable with >90% recurring revenues, low customer churn and long contracts.

Talenom's service offering is described below. Traditional accounting services, including bookkeeping, represented 96% of sales as of 2020. Other services, including tax and legal advisory and other financial services represented 4% of sales. Talenom has developed its own software but it does not sell it separately. The software is used by Talenom's own customers and Talenom internally. Therefore, Talenom has no revenues related to software sales. The main advantage of own software is better service for customers (easy-to-use tools), a high level of automation and better efficiency for Talenom, which receives most of the accounting material in digital form.

Figure 1. Overview of Talenom's service offering



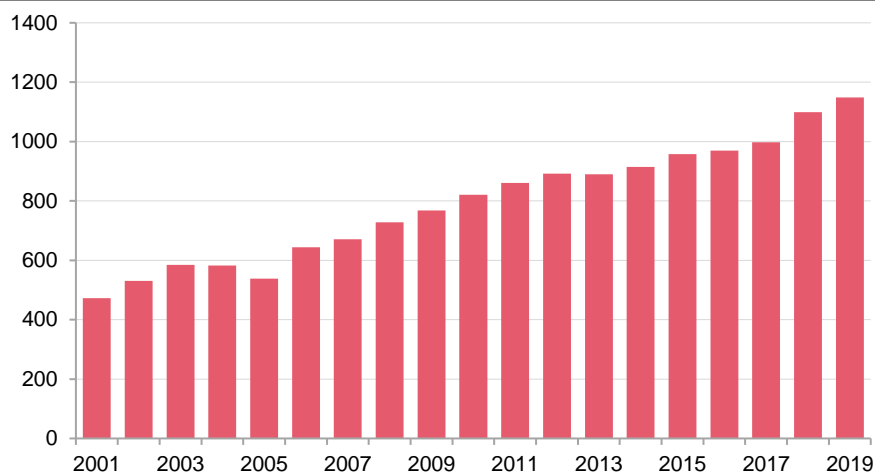
Source: Company data

Defensive but growing market

The Finnish accounting service market has grown steadily for more than 15 years, according to data from Statistics Finland. The average annual growth (CAGR) from 2001 to 2019 was 5%. Growth rates were steeper in 2018-19 but in our view, the Finnish accounting service market will keep growing at a pace of around 4% CAGR in the near future, due to the growing amount of value-added services to SME clients and modest price inflation in bookkeeping services and software costs. The Finnish accounting service market is highly fragmented and the number of companies has been slowly declining in recent years due to ongoing consolidation in the industry. In 2019 there were around 4,100 companies (Statistics Finland).

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Chart 2. Value of Finnish accounting services market (EURm), 2001-19



Source: Statistics Finland

A clear benefit for Talenom in terms of the estimated Finnish total addressable market is that Talenom is able to address almost the full market due to its own software, in contrast to traditional accounting service firms that rely on external software and pure accounting software providers that do not provide accounting services. As Talenom's customer focus is on the SME segment with a slight tilt towards mid- and small-sized firms (EUR0.1-10m sales), the total serviceable market for Talenom is around EUR900m in Finland, by our estimates.

International expansion carries on

Talenom entered Sweden in April 2019 through the acquisition of Stockholm-based Wakers Consulting. Talenom's aim is to use Wakers as a platform for further growth in Sweden. Since the initial acquisition in Sweden, Talenom has acquired seven small accounting firms in the country, and we estimate Sweden to account for approximately 15% of group revenues in 2021E. Talenom communicates that profitability in Sweden is set to remain lower than in Finland due to software localisation and process ramp-up, which should enable similar profitability as in Finland by 2023-24.

In July, Talenom announced its expansion into the Spanish market, starting a three to five year process to gain a foothold for its service concept in the country. Talenom has been monitoring Spain for a long time, and considers it an attractive opportunity as the accounting market there is accelerating towards digitalisation. According to the company, Spain is one of the largest accounting service markets in Europe, with a market size of EUR10bn, and over 3m companies, of which 99% are SMEs, and thus of an ideal size for Talenom.

As Talenom starts its expansion into the Spanish market, it has simultaneously progressed in Sweden to the point that it is ready to begin the localisation of its in-house software. This means that the next key step for the company is to start lifting Sweden's operating profitability to Finland's levels. This is one key factor to keep eye on in the future, as if Talenom is able to confidently progress with its own software in Sweden, it is a clear positive sign for the success of the company's international expansion strategy.

Valuation

We increase our 12M valuation range for Talenom to EUR14.00-16.00 (previously EUR13.00-15.00). We apply higher multiples because the risks around Talenom's long-term growth rate have decreased due to the good momentum in organic growth. In our view, TiliJaska is set to

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back up organic growth in the medium term and the many bolt-on acquisitions are keeping reported sales growth at a high level (and consensus estimates on a rising trend).

Our range implies that Talenom would be valued at a slight discount to Nordic SaaS software companies and at c.70% premium to Nordic information services companies on 2022E EV/EBIT. Talenom currently trades above our target range, as it is difficult to argue for Talenom being valued at a premium against its pure software peers over a 12M horizon. Long-term, Talenom has several good structural drivers that support its current high valuation.

Talenom shares some similarities with Nordic SaaS software companies like Fortnox and Admicom, but as Talenom is a services company and not a pure software provider, it has structurally lower scalability in its business and should deserve a discount against pure software players. On the other hand, given Talenom's increasing automation (and scalability), significantly higher total addressable market (than for example Admicom has) and new concept for small customers, which shares similarities with Fortnox products, the comparability to SaaS peers becomes more relevant. The following key factors support the relatively high multiples for Talenom, in our view.

- High revenue growth rate and a favourable long-term outlook for further growth (only 5-6% market share in a fragmented market in Finland and under 1% in Sweden and new market Spain completely untapped).
- High margins with potential to improve further along with higher revenue.
- Low risks in current customer base (>90% recurring revenues, on average 10-year customer contracts, low churn) and non-cyclical end-markets.

Table 4 : Valuation range

		Share price, EUR				
		13.0	14.0	15.0	16.0	17.0
2021E						
EV/Sales (x)	7.3	7.8	8.3	8.9	9.4	
EV/EBITDA (x)	22.0	23.6	25.2	26.8	28.4	
EV/EBIT (x)	39.1	41.9	44.8	47.6	50.4	
P/E (x)	48.2	51.9	55.6	59.4	63.1	
2022E						
EV/Sales (x)	6.4	6.9	7.3	7.8	8.3	
EV/EBITDA (x)	18.9	20.3	21.7	23.0	24.4	
EV/EBIT (x)	32.3	34.7	37.0	39.4	41.7	
P/E (x)	39.7	42.8	45.9	48.9	52.0	

Source: Danske Bank Equity Research estimates

Table 5 Relative valuation (1 of 2)

		Price*	Mcap	EV/Sales (x)			EV/EBITDA (x)		
Ticker		(lcy ccy)	(lcy ccym)	2020	2021E	2022E	2020	2021E	2022E
Nordic information services									
Enento	ATG1V FH	38.5	925	6.3	6.4	5.9	17.6	17.4	15.0
Karnov	KAR SS	51.5	5,039	8.4	6.9	6.4	19.8	16.0	14.5
Nordic SaaS software									
Admicom	ADMCM FH	93.5	461	29.7	17.8	14.9	65.1	38.0	32.1
Fortnox	FNOX SS	461.8	28,158	39.7	28.9	22.1	83.0	69.7	50.9
Lime	LIME SS	399.4	5,305	16.0	13.4	11.0	44.9	39.3	31.8
SimCorp	SIM DC	871.6	34,602	10.8	9.5	8.6	35.1	31.7	28.9
Median, Information services				7.4	6.7	6.1	18.7	16.7	14.8
Median, Software				22.9	15.3	13.0	55.0	38.6	32.0
Talenom	TNOM FH	16.7	731	9.2	9.2	8.1	25.7	28.0	24.0

*Prices as at close on 1 August 2021, except for Talenom as at 2 August 2021.

Source: FactSet, Danske Bank Equity Research estimates

Table 6: Relative valuation (2 of 2)

		Price*	Mcap	EV/EBIT (x)			P/E (x)		
Ticker		(lcy ccy)	(lcy ccym)	2020	2021E	2022E	2020	2021E	2022E
Nordic information services									
Enento	ATG1V FH	38.5	925	28.9	27.4	22.7	39.5	32.0	27.3
Karnov	KAR SS	51.5	5,039	30.1	24.6	21.7	19.6	19.9	18.4
Nordic SaaS software									
Admicom	ADMCM FH	93.5	461	68.6	39.3	32.9	60.3	51.2	43.4
Fortnox	FNOX SS	461.8	28,158	104.0	86.7	61.9	133.2	111.2	80.5
Lime	LIME SS	399.4	5,305	66.2	63.4	50.0	72.8	64.1	50.8
SimCorp	SIM DC	871.6	34,602	39.6	35.6	31.8	53.3	46.2	40.7
Median, Information services					29.5	26.0	22.2	29.5	22.8
Median, Software				67.4	51.3	41.5	66.5	57.7	47.1
Talenom	TNOM FH	16.7	731	46.4	49.6	41.1	59.3	62.0	51.1

*Prices as at close on 1 August 2021, except for Talenom as at 2 August 2021.

Source: FactSet, Danske Bank Equity Research estimates

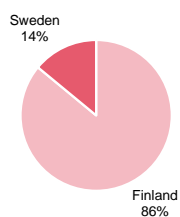
Risks

- **Competition and organic growth.** The market is fragmented and barriers to entry are low, because provision of bookkeeping services is not regulated. This could result in price erosion and make it more difficult for Talenom to continue to grow organically through new customer acquisition, if competitors are willing to accept lower prices to keep their customers.
- **EBIT margins.** Talenom has made several acquisitions in the past year and is targeting more. The acquired companies typically have much lower margins than Talenom, which burdens margins initially. In addition, its growth efforts (such as the new concept for small customers) burden margins.
- **Risks related to internationalisation.** Talenom has operated in Sweden since 2019 and from July 2021 in Spain. Risks in international expansion are higher than in Talenom's core business in Finland, of which it has decades of experience. Even though we believe Talenom can be successful in Sweden and Spain, we note that there is not yet evidence that it can replicate the success of Finland (i.e. fast organic growth through new customer acquisition).
- **Technology risk.** Talenom's competitive advantage in our view is the proprietary software enabling efficiency of operations. Competitors could catch up with Talenom's technology or new competitors could enter the market with disruptive solutions that could reduce bookkeeping companies' share of the total value chain.

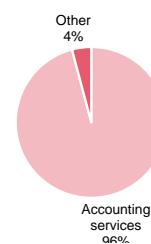
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Company summary

Sales breakdown by geographical area



Sales breakdown by division



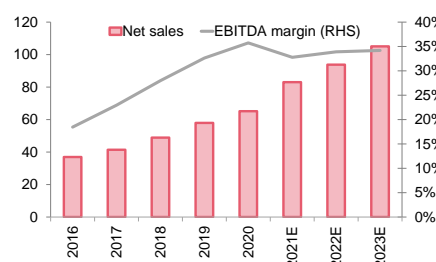
Company information

Talenom
Yrtyipellontie 2, 90230 Oulu
Finland
www.talenom.fi

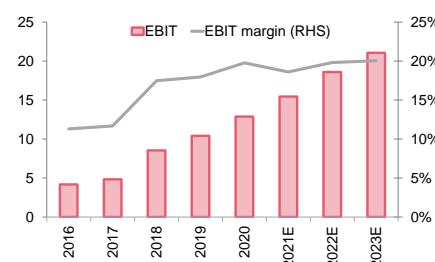
Main shareholders

Name	Votes (%)	Capital (%)
Harri Tahkola	18.6%	18.6%
Markus Tahkola	11.0%	11.0%
Danske Invest Finnish Equity Fund	4.7%	4.7%
Conficap	4.2%	4.2%
Evli Suomi Pienyhtiöt	3.9%	3.9%

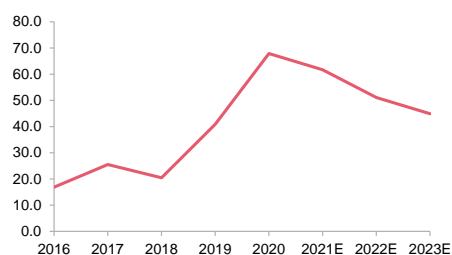
Net sales and EBITDA margin (EURm)



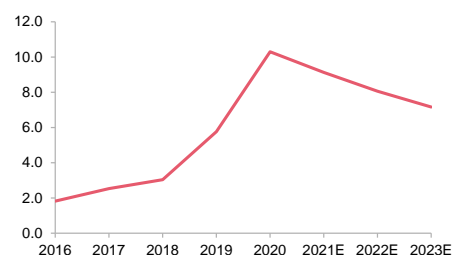
EBIT and EBIT margin (EURm)



P/E NTM (x)



EV/sales NTM (x)



Source: FactSet, Company data, Danske Bank Equity Research estimates

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Summary tables

INCOME STATEMENT

Year end Dec, EURm	2014	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E
Net sales		33.0	37.0	41.4	48.9	58.0	65.2	83.0	93.8	105
Cost of sales & operating costs		-28.4	-30.5	-32.3	-35.9	-39.4	-42.0	-55.8	-62.0	-69.1
EBITDA		4.9	6.8	9.5	13.7	18.9	23.3	27.2	31.8	35.9
EBITDA, adj.		4.9	6.8	9.5	13.7	18.9	23.3	27.2	31.8	35.9
Depreciation		-6.2	-2.6	-0.7	-0.7	-2.5	-3.4	-2.6	-2.7	-2.8
EBITA		-1.3	4.2	8.8	13.0	16.4	19.9	24.6	29.1	33.1
EBIT incl. EO, bef. ass.		-1.3	4.2	4.8	8.5	10.4	12.9	15.4	18.6	21.1
EBIT, adj.		-0.3	4.2	5.2	8.5	10.4	12.9	15.4	18.6	21.1
Financial items, net	0.0	-1.1	-0.6	-0.5	-0.6	-0.8	-0.9	-0.7	-0.7	-0.7
Pre-tax profit		-2.5	3.6	4.3	8.0	9.6	12.0	14.7	17.9	20.3
Taxes		0.0	-0.7	-0.9	-1.6	-2.0	-2.4	-2.9	-3.6	-4.1
Net profit, rep.		-2.4	2.9	3.4	6.4	7.6	9.6	11.8	14.3	16.3
Net profit, adj.		-1.5	2.9	3.7	6.4	7.6	9.6	11.8	14.3	16.3

CASH FLOW

EURm	2014	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E
EBITDA		4.9	6.8	9.5	13.7	18.9	23.3	27.2	31.8	35.9
Change in working capital		0.1	-0.1	0.5	-0.5	1.4	1.4	1.4	0.8	0.9
Net interest paid		-0.8	0.0	0.1	0.1	0.1	0.1	-0.7	-0.7	-0.7
Taxes paid		0.0	0.0	-0.4	-1.1	-2.4	-1.9	-2.9	-3.6	-4.1
Other operating cash items		0.0	0.1	0.1	0.1	0.3	0.6			
Cash flow from operations		4.1	6.8	9.9	12.2	18.3	23.4	24.9	28.3	32.0
Capex		-8.4	-5.2	-7.4	-8.4	-11.3	-15.4	-17.1	-18.0	-18.8
Div to min										
Free cash flow		-4.3	1.6	2.4	3.8	7.1	8.1	7.8	10.4	13.2
Disposals/(acquisitions)			-0.4		-0.5	-1.8	-2.2	-5.3		
Free cash flow to equity		-4.3	1.2	2.4	3.3	5.2	5.9	2.6	10.4	13.2
Dividend paid			-0.5	-1.4	-2.2	-3.8		-6.6	-7.0	-7.4
Share buybacks		0.0								
New issue common stock		6.6			-0.2					
Incr./(decr.) in debt		2.1	-1.0		1.0			10.0		
Minorities & other financing CF		-0.6	-0.7	-0.5	-0.9	0.4	-4.6	-2.2	-2.0	-2.0
Cash flow from financing		8.1	-2.2	-1.9	-2.3	-3.4	-4.6	1.3	-9.0	-9.4
Disc. ops & other										
Incr./(decr.) in cash		3.8	-1.0	0.5	1.0	1.9	1.3	3.8	1.4	3.8

BALANCE SHEET

EURm	2014	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E
Cash & cash equivalents		5.4	4.3	4.9	5.9	7.8	9.1	12.9	14.3	18.1
Inventory										
Trade receivables		4.4	4.8	5.5	5.5	6.5	7.1	9.0	10.2	11.4
Other current assets			0.1	0.0	0.0					
Goodwill		18.4	18.4	18.4	18.4	20.7	24.0	24.0	24.0	24.0
Other intangible assets		9.8	6.7	7.8	10.5	14.9	22.9	29.9	35.9	40.6
Fixed tangible assets		2.1	2.5	2.5	2.2	2.6	2.5	2.8	3.6	4.8
Associated companies										
Other non-current assets		0.4	5.2	6.8	8.7	10.4	11.4	11.4	11.4	11.4
Total assets		40.5	42.0	45.9	51.2	71.3	84.9	99.0	109	120
Shareholders' equity		9.9	11.7	13.9	18.7	23.6	32.2	37.4	44.7	53.5
Of which minority interests										
Current liabilities		7.1	7.5	8.9	8.6	10.7	13.3	16.7	18.7	20.8
Interest-bearing debt		23.5	22.7	22.6	23.6	28.1	30.0	40.0	40.0	40.0
Pension liabilities										
Oth non-curr. liabilities			0.4	0.4	0.3	0.5	1.3	1.3	1.3	1.3
Total liabilities		30.6	30.6	32.0	32.5	47.8	52.8	66.9	69.1	71.4
Total liabilities and equity		40.5	42.3	45.9	51.2	71.3	84.9	104	114	125
Net debt		18.1	18.4	17.8	17.7	20.3	20.9	27.1	25.7	21.9

Source: Company data, Danske Bank Equity Research estimates

Summary tables

PER SHARE DATA	2014	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E
No. of shares, fully diluted (y.e.) (m)		40.9	40.9	40.9	41.2	41.8	43.2	43.7	43.7	43.7
No. of shares, fully diluted (avg.) (m)		40.9	40.9	40.9	41.1	41.5	43.2	43.5	43.7	43.7
EPS (EUR)		-0.06	0.07	0.08	0.16	0.18	0.22	0.27	0.33	0.37
EPS adj. (EUR)		-0.04	0.07	0.09	0.16	0.18	0.22	0.27	0.33	0.37
DPS (EUR)		0.01	0.03	0.05	0.09	0.13	0.15	0.16	0.17	0.18
CFFO/share (EUR)		0.1	0.2	0.2	0.3	0.4	0.5	0.6	0.6	0.7
Book value/share (EUR)		0.24	0.29	0.34	0.45	0.56	0.74	0.86	1.02	1.23
MARGINS AND GROWTH	2014	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E
EBITDA margin		14.8%	18.5%	23.0%	28.0%	32.6%	35.7%	32.8%	33.9%	34.2%
EBITA margin		-4.0%	11.3%	21.3%	26.6%	28.3%	30.5%	29.6%	31.0%	31.5%
EBIT margin		-4.0%	11.3%	11.7%	17.5%	18.0%	19.8%	18.6%	19.8%	20.0%
EBIT adj margin		-1.0%	11.3%	12.4%	17.5%	18.0%	19.8%	18.6%	19.8%	20.0%
Sales growth			12.0%	12.1%	18.0%	18.6%	12.4%	27.4%	13.0%	12.0%
EBITDA growth			39.9%	39.4%	43.8%	38.3%	23.1%	16.9%	16.9%	13.0%
EBITA growth			n.m.	n.m.	47.8%	26.1%	21.3%	23.4%	18.4%	13.9%
EPS adj growth			n.m.	28.3%	70.2%	18.3%	20.9%	22.3%	20.7%	13.8%
PROFITABILITY	2014	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E
ROIC (after tax, incl. GW, adj.)		-2.4%	11.5%	13.2%	20.0%	18.9%	18.0%	18.3%	19.5%	20.5%
ROIC (after tax, excl. GW, adj.)		-6.8%	31.2%	32.5%	43.2%	33.6%	29.3%	28.1%	28.2%	28.8%
ROE (adj.)		-29.4%	26.8%	29.0%	39.0%	36.0%	34.4%	33.9%	34.8%	33.1%
ROIC (adj.) - WACC		-9.3%	4.6%	6.3%	13.0%	12.0%	11.1%	11.4%	12.6%	13.6%
MARKET VALUE	2014	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E
Share price (EUR)		0.88	1.20	2.13	3.18	7.50	15.1	16.7	16.7	16.7
No. shares reduced by buybacks (m)		40.9	40.9	40.9	41.2	41.8	43.2	43.7	43.7	43.7
Mkt cap used in EV (m)		36	49	87	131	314	650	731	731	731
Net debt, year-end (m)		18	18	18	18	29	30	36	35	31
MV of min/ass and oth (m)		0	0	0	0	0	0	0	0	0
Enterprise value (m)		54	67	105	149	343	680	767	765	762
VALUATION	2014	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E
EV/sales (x)		1.64	1.82	2.53	3.04	5.91	10.44	9.24	8.16	7.25
EV/EBITDA (x)		11.1	9.9	11.0	10.9	18.1	29.2	28.2	24.1	21.2
EV/EBITA (x)		n.m.	16.1	11.9	11.4	20.9	34.2	31.2	26.3	23.0
EV/EBIT (x)		n.m.	16.1	20.4	17.4	32.9	52.8	49.6	41.2	36.2
P/E (reported) (x)		n.m.	16.9	25.5	20.5	40.9	67.9	61.7	51.1	44.9
P/E (adj.) (x)		n.m.	16.9	23.4	20.5	40.9	67.9	61.7	51.1	44.9
P/BV (x)		3.61	4.19	6.25	7.00	13.3	20.2	19.5	16.3	13.6
EV/invested capital (x)		5.6	5.7	7.8	8.2	10.7	17.5	15.2	13.5	12.3
Dividend yield		1.33%	2.78%	2.50%	2.89%	1.67%	1.00%	0.96%	1.02%	1.08%
Total yield (incl. buybacks)		1.34%	2.78%	2.50%	2.89%	1.67%	1.00%	0.96%	1.02%	1.08%
FCFE-yield		-12.13%	3.27%	2.79%	2.90%	2.26%	1.24%	1.07%	1.42%	1.81%
FINANCIAL RATIOS	2014	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E
Net debt/EBITDA (x)		3.7	2.7	1.9	1.3	1.5	1.2	1.3	1.1	0.9
Net debt/equity (x), year-end		1.8	1.6	1.3	0.9	1.2	0.9	1.0	0.8	0.6
Dividend payout ratio		n.m.	46.9%	63.9%	59.1%	68.2%	67.7%	59.0%	52.0%	48.3%
Interest coverage (x)			7.2	8.1	13.5					
Cash conversion (FCF/net profit)		n.m.	55.3%	71.2%	59.8%	93.0%	84.3%	66.4%	72.6%	81.3%
Capex/sales		25.6%	14.1%	17.9%	17.2%	19.4%	23.6%	20.6%	19.2%	17.9%
NWC/sales		-8.2%	-7.1%	-8.3%	-6.4%	-7.2%	-9.6%	-9.2%	-9.1%	-8.9%
QUARTERLY P&L		Q1 20	Q2 20	Q3 20	Q4 20	Q1 21	Q2 21E	Q3 21E	Q4 21E	
Sales (m)		17.4	16.5	14.8	16.5	20.3	21.4	19.6	21.7	
EBITDA (m)		6.2	6.2	5.8	5.0	7.2	7.2	6.3	6.7	
EBIT before non-recurring items (m)		3.7	3.6	3.1	2.4	4.4	4.1	3.3	3.6	
Net profit (adj.) (m)		2.8	2.7	2.3	1.8	3.3	3.1	2.4	2.7	
EPS (adj.) (EUR)		0.06	0.06	0.05	0.04	0.08	0.07	0.06	0.06	
EBITDA margin		36.0%	37.5%	39.1%	30.7%	35.4%	33.7%	32.4%	30.7%	
EBIT margin (adj.)		21.4%	21.8%	21.2%	14.7%	21.7%	19.4%	16.8%	16.6%	

Source: Company data, Danske Bank Equity Research estimates

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