

Professional Business Support Services

Key data

Price (EUR)*	14.5
Country	Finland
Bloomberg	TNOM.FH
Reuters	TNOM.HE
Free float	59.6%
Market cap (EURm)	621
Net debt (current Y/E) (EURm)	38
No. of shares (m)	42.8
Next event	Q2: 2-Aug

* Price as at 17:06 CET on 26 April 2021

CEO	Otto-Pekka Huhtala
CFO	Antti Aho

Company description

Talenom is an accounting services company operating in Finland and Sweden. Talenom offers a wide range of accountancy and other services including tax and legal advisory and financial management tools for SMEs. Talenom has ca. 700 employees and 40 locations. Talenom has ca. 5% market share in the fragmented Finnish market. In June 2015, Talenom was listed on the Helsinki First North Growth Market and in June 2017 to the main list of Nasdaq Helsinki.

Ownership structure

Harri Tahkola	20.1%
Markus Tahkola	11.7%
Danske Invest Finnish Equity Fund	4.4%
Conficap	4.3%
Ilmarinen	4.2%

Source: Company data

Estimate changes

	21E	22E	23E
Sales	5.7%	4.7%	3.8%
EBITDA	2.0%	1.0%	-0.9%
EBIT (adj.)	3.6%	3.2%	2.9%
EPS (adj.)	n.m.	n.m.	n.m.

Source: Danske Bank Equity Research estimates

Analyst(s)

Panu Laitinmäki

Find our research here:

<https://research.danskebank.com>

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

Talenom

Heading for fastest growth ever

Talenom reported Q1 results close to our expectations. We expect organic growth to accelerate in coming quarters and the many acquisitions to drive reported sales to the fastest-ever growth in 2021E (24% y/y). The growth case appears well on track but much is already priced in and the high valuation (42x 2021E EBIT) limits upside potential in our view.

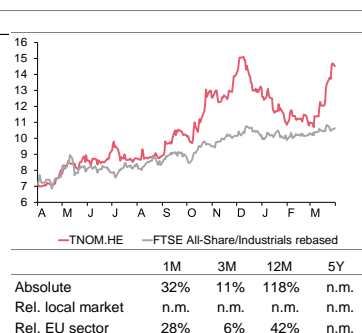
- **Impact on the investment case.** We conclude that risks around Talenom's growth seem lower than we feared at the beginning of the year. Q1 organic growth was in line with our estimates (5-6%) and customer bankruptcies do not seem to have escalated. We expect acceleration in organic growth from Q2 due to easier comps, recovery in transaction-based revenues and gradually improving new customer acquisition. At the same time, Talenom has made several acquisitions in 2021 and is targeting more, which should keep reported sales growth at a high level (and consensus estimates on a rising trend). The growth case appears to be well on track and we estimate 24% y/y sales growth in 2021.
- **Q1 21 review.** Sales grew by 17% y/y, of which around one-third was organic. EBIT margin increased slightly y/y to 21.7%, due to higher automation in Finland offsetting the burden from lower-margin acquisitions. Talenom repeated the guidance given two weeks ago.
- **Estimate changes.** We have included the recent acquisitions in our estimates, which increases our 2021-22E sales by 5-6% and EBIT by 3-4%. The acquisitions come with lower margins and we expect EBIT margins to decline y/y in Q2-Q4 21. Our underlying organic growth estimates remain largely unchanged: we expect 7% in 2021 and 12% in 2022.
- **Valuation.** The shares have been strong (+32% in a month), probably driven by the recent guidance upgrade related to acquisitions in our view. Talenom now trades in line with Admicom on 2021E EV/EBIT and at a 3% premium on 2022E (Admicom based on FactSet consensus). Given lower scalability and lower EBIT margins (Admicom 2021E: 45%; Talenom: 20%), Talenom's valuation looks high to us. Even though bolt-on M&A at low multiples could provide upside to our current estimates, we struggle to see meaningful upside potential for the shares in the next 12 months. We raise our 12M fair value range to EUR12-14 (from EUR10-12).

Key financials

Year-end Dec (EUR)	2019	2020	2021E	2022E	2023E
Revenues (m)	58.0	65.2	81.0	91.5	103
Revenues growth	18.6%	12.4%	24.3%	13.0%	12.0%
EBITDA (m)	18.9	23.3	27.5	31.7	35.8
EBIT adj. (m)	10.4	12.9	15.8	18.5	21.0
EBIT growth	21.8%	23.7%	22.5%	17.1%	13.7%
Pre-tax profit (m)	9.6	12.0	15.1	17.8	20.3
EPS adj.	0.18	0.22	0.28	0.33	0.37
DPS	0.13	0.15	0.16	0.17	0.18
Dividend yield	1.7%	1.0%	1.1%	1.2%	1.2%
FCFE yield (pre-IFRS16)	1.7%	0.9%	0.2%	2.0%	2.5%
EBIT margin (adj.)	18.0%	19.8%	19.5%	20.2%	20.5%
Net debt/EBITDA (x)	1.5	1.2	1.4	1.1	0.8
ROIC	18.9%	18.0%	18.5%	19.1%	20.8%
EV/sales (x)	5.9	10.4	8.3	7.3	6.5
EV/EBITDA (adj.) (x)	18.1	29.2	24.4	21.1	18.5
EV/EBITA (adj.) (x)	20.9	34.2	27.0	23.1	20.1
EV/EBIT (adj.) (x)	32.9	52.8	42.6	36.2	31.6
P/E (adj.) (x)	40.9	67.9	52.4	44.7	39.1

Source: Company data, Danske Bank Equity Research estimates

Price performance



Source: FactSet

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Q1 21 – key conclusions

Talenom reported Q1 sales in line with our estimates but EBIT 7% above; compared to FactSet consensus, the results were in line. Sales growth was 17% y/y, of which Talenom said around one-third was organic and two-thirds driven by M&A. EBIT margin increased slightly y/y to 21.7% from 21.4%, driving EBIT up 19% y/y. Talenom said the EBIT margin increased in particular in Finland due to a higher degree of automation, but was burdened by M&A. Talenom repeated its guidance: 2021 sales EUR80-84m and EBIT EUR14-16m.

Deviation between Q1 21 results and estimates

EURm	Actual Q1 21	Danske Q1 21E	Diff %	Consensus FactSet Q1 21E	Diff %	Q1 20
Sales	20.3	20.2	0%	20.2	1%	17.4
EBITDA	7.2	7.1	2%	7.2	0%	6.2
EBIT	4.4	4.1	7%	4.4	0%	3.7
Pre-tax profit	4.2	3.9	9%	4.3	-1%	3.5
Net profit	3.3	3.1	7%	3.3	1%	2.8
EPS	0.08	0.07	11%	0.08	0%	0.06
Sales growth	17.0%	16.7%		16.4%		16.5%
EBITDA growth	15.2%	13.0%		15.3%		34.1%
EBITDA margin	35.4%	34.9%		35.6%		36.0%
EBIT-margin	21.7%	20.3%		21.8%		21.4%

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

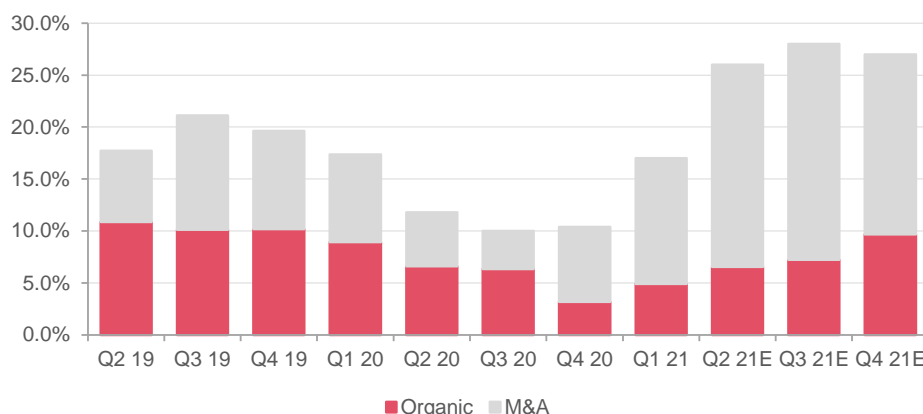
The organic growth of 5-6% was in line with our expectations. Talenom's organic growth has been lower in general during the pandemic due to slower sales processes and lower transaction-based revenues related to a lower number of payslips sent, especially in Q2 20. Going forward, acceleration looks likely with easy comps in Q2, likely recovery of transaction-based revenues and gradually improving new customer acquisition. Bankruptcies in Finland have not escalated and Talenom does not expect the situation to worsen significantly in 2021. The government subsidies have been generous and Talenom said that based on its data, its customers have on average more cash in their bank accounts than before the pandemic.

EBIT margin was strong in Q1, thanks to higher automation in Finland, but management highlighted that it included the burden from lower-margin acquisitions. Given that acquisitions will have even more impact on revenues from Q2 onwards, the margin expansion seems unlikely to continue near term. Talenom expects to continue making acquisitions at the same pace as recently, which means that we could see more guidance upgrades.

Our estimates for organic and M&A-driven revenue growth are shown in the following chart. We expect organic growth to improve gradually towards end-2021. The revenue impact from acquisitions will increase in Q2-Q3, we estimate.

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Sales growth, estimated contribution from organic and M&A



Source: Company data, Danske Bank Equity Research estimates

Estimate changes

We have increased our estimates due to the recently announced acquisitions, which we had not included in our estimates previously. We estimate 26-28% sales growth in Q2-Q4 21 and 13% in 2022 (of which 1% from M&A and 12% organic). We assume that the small customer concept TiliJaska will have a meaningful impact of a few percentage points on organic growth from 2022 onwards.

We expect EBIT margins to decline y/y in the coming quarters due to the burden from lower-margin acquisitions. All the companies acquired by Talenom have had lower margins than Talenom's own, with the exception of the most recent one, Balance-Team, which had a high 36% EBITDA margin (deriving from a strong position in a market niche and well-managed operations, according to the company).

Quarterly estimates

EURm	2019	Q1 20	Q2 20	Q3 20	Q4 20	2020	Q1 21	Q2 21E	Q3 21E	Q4 21E	2021E	2022E
Sales	58.0	17.4	16.5	14.8	16.5	65.2	20.3	20.8	19.0	20.9	81.0	91.5
Growth y/y	18.5%	17.4%	11.8%	10.0%	10.4%	12.4%	17.0%	26.0%	28.0%	27.0%	24.3%	13.0%
Personnel costs	-29.9	-8.6	-8.8	-7.3	-9.4	-33.9	-10.8	-11.2	-9.9	-12.1	-44.0	-48.8
% of sales	-51.6%	-49.5%	-53.0%	-48.9%	-56.8%	-52.1%	-53.2%	-54.0%	-51.9%	-57.8%	-54.3%	-53.3%
Materials and services	-3.6	-1.0	-0.3	-0.6	-0.6	-2.5	-0.5	-0.6	-0.7	-0.7	-2.5	-2.9
Other costs	-5.9	-1.5	-1.3	-1.2	-1.5	-5.6	-1.9	-1.7	-1.7	-2.0	-7.3	-8.2
EBITDA	19.0	6.2	6.2	5.8	5.0	23.3	7.2	7.3	6.8	6.2	27.5	31.7
EBITDA margin	32.7%	36.0%	37.5%	39.1%	30.7%	35.7%	35.4%	35.3%	36.0%	29.5%	34.0%	34.6%
D&A	-8.5	-2.5	-2.6	-2.7	-2.6	-10.4	-3.0	-3.0	-3.0	0.0	-11.8	-13.2
EBIT	10.4	3.7	3.6	3.1	2.4	12.9	4.4	4.4	3.8	3.2	15.8	18.5
EBIT margin	18.0%	21.4%	21.8%	21.2%	14.7%	19.8%	21.7%	20.9%	20.3%	15.2%	19.5%	20.2%
Net financials	-0.8	-0.2	-0.2	-0.2	-0.2	-0.9	-0.2	-0.2	-0.2	-0.2	-0.7	-0.7
Pre-tax profit	9.6	3.5	3.4	2.9	2.2	12.0	4.2	4.2	3.7	3.0	15.1	17.8
Taxes	-2.0	-0.7	-0.7	-0.6	-0.4	-2.4	-0.9	-0.8	-0.7	-0.6	-3.0	-3.6
Tax rate	20.4%	20.1%	21.2%	21.1%	18.4%	20.3%	21.2%	20.0%	20.0%	20.0%	20.0%	20.0%
Net income	7.6	2.8	2.7	2.3	1.8	9.6	3.3	3.4	2.9	2.4	12.0	14.2

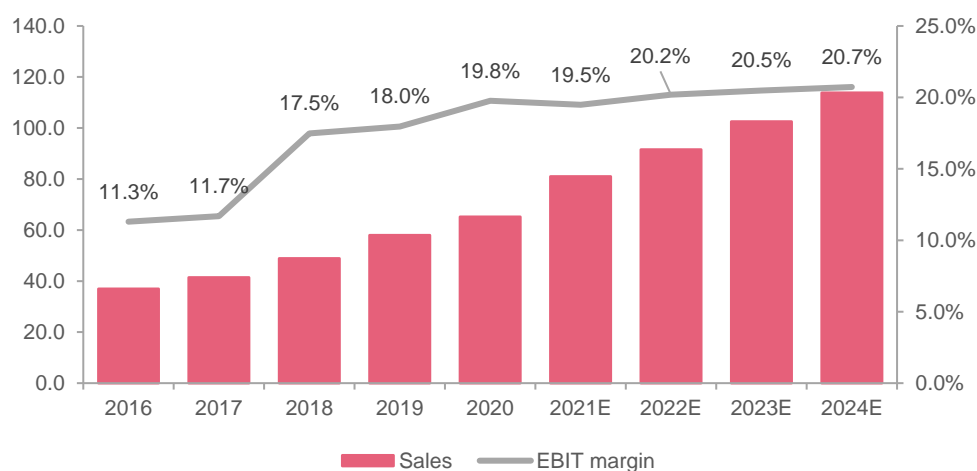
Source: Company data, Danske Bank Equity Research estimates

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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 and, since 2019, in Sweden and has a high share of recurring revenues and a scalable business model. Talenom has shown accelerating sales growth recently and we expect this to continue in the coming years. Despite the strong growth phase, the EBIT margin has increased, driven by higher automation. However, the shares have performed well and we believe the high valuation is beginning to limit upside potential near term. We discussed our view on Talenom in detail in our longer report, *Talenom – A winning growth model in accounting services*, 16 January 2020.

Talenom sales (EURm) and EBIT margin



Source: Company data, Danske Bank Equity Research estimates

Unique model in a conservative industry

Talenom is a Finnish accounting services provider whose strategy has the following three elements. 1) Talenom aims to provide easy and automated financial processes for customers, which are mainly smaller companies. 2) Talenom has automated the bookkeeping process, which improves profitability. 3) Talenom aims to provide more value-added services to its existing customers, including tax, legal and other advisory services.

The underlying logic is that through highly automated and efficient processes in basic service production, Talenom can offer more value-added services with existing resources, providing additional revenues and better customer satisfaction.

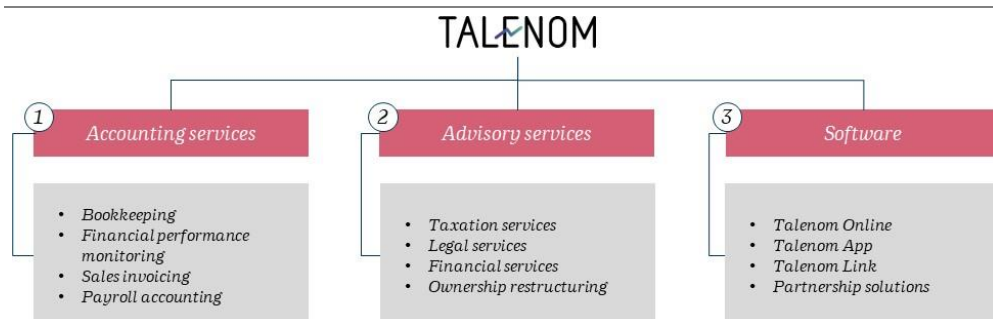
Talenom's main strategic choices include separation of service production and sales force (which is not typical in this industry), as well as a focus on organic growth instead of M&A. Talenom produces most of its services in two centralised service centres. It has invested heavily in development of its own software and automation of operations and has developed a scalable bookkeeping production line. This has improved profitability and releases personnel resources for value-added advisory services. Organic growth is seen by management as a better way to grow due to lower total cost and lower risks, 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 in 2020. The value-added services, including advisory and financial services, represented 4% of sales. Talenom has developed its own software but it

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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) and better efficiency for Talenom, which receives most of the accounting material in digital form.

Overview of Talenom's service offering

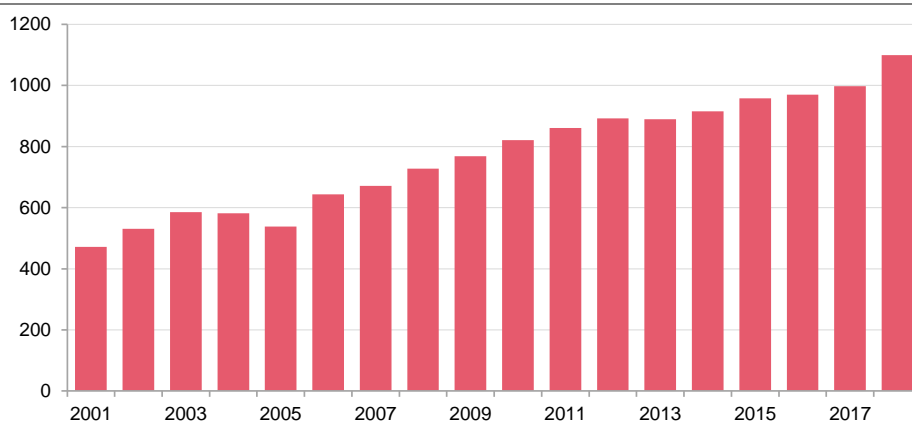


Source: Company data, Danske Bank Equity Research

Defensive but growing market

The Finnish accounting services market has shown healthy growth (4.3% CAGR from 2003 to 2018) and low cyclicalities. Demand has been resilient even in economic downturns, because bookkeeping is regulated and companies need to report their finances even in tough times. The market is highly fragmented with >4,000 companies and the top-5 having less than 30% of the market. The market is likely to consolidate as digitalisation puts pressure on smaller providers. In particular, the upcoming software upgrade cycles may drive many smaller entrepreneurs to retire or exit the business, which would be beneficial for Talenom's new customer acquisition.

Value of Finnish accounting services market (EURm), 2001-18



Source: Statistics Finland

Sweden is a long-term opportunity

Talenom entered Sweden in April 2019 through an acquisition and has built a larger presence in the country through several bolt-on acquisitions. We believe that the Swedish accounting services market offers similar growth potential to Finland, as it is fragmented and not very advanced in digitalisation. Profitability in Sweden remains lower than in Finland but Talenom is localising its software, which should enable similar profitability as in Finland in 2023 or 2024.

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Valuation

We increase our 12M valuation range for Talenom to EUR12.00-14.00 (previously EUR10.00-12.00). We apply higher multiples because the risks around Talenom's growth rate seem lower than we thought. Customer bankruptcies do not significantly threaten organic growth and the many bolt-on acquisitions are keeping reported sales growth at a high level (and consensus estimates on a rising trend). Talenom remains a growth case in our view and multiples decline if we take a longer perspective: we estimate 2025E EV/EBIT of 25x (2021E: 42x) and FCF yield of 3.6%, which are both close to peer Enento's 2021E multiples. Our DCF fair value is EUR15 (using a WACC of 6.9%, double-digit sales growth until 2035; terminal growth of 2% and terminal EBIT margin of 15%) but we acknowledge that DCF is very sensitive to changes in long-term growth and margin assumptions.

Our range implies that Talenom would be valued at c.10-20% discounts to Nordic SaaS software companies, but at c.40-60% premiums to Nordic information services companies on 2022E EV/EBIT. In our view, Talenom should be valued in between these two peer groups, as described below.

There are no perfect peers for Talenom, which shares some similarities with Nordic SaaS software companies like Admicom, but we believe deserves a discount to those companies due to lower scalability, as Talenom is a services company, not a software provider. However, given Talenom's increasing automation and new concept for small customers, which shares similarities with Fortnox products, the comparability to SaaS peers becomes even more relevant.

Enento and its peer Karnov are relevant valuation benchmarks in our view, combining stability of business and high margins. Enento's growth is much lower than Talenom's, but its cash flow is stronger, while cash flow and high investments can be seen as Talenom's main disadvantage, at least near term when the company is in a rapid growth phase. In our view, the following characteristics support relatively high multiples for Talenom.

- High revenue growth rate and a favourable long-term outlook for further growth (only 5-6% market share in a fragmented market).
- 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.

Valuation range

	Share price, EUR				
2021E	11.0	12.0	13.0	14.0	15.0
EV/Sales (x)	6.4	6.9	7.5	8.0	8.6
EV/EBITDA (x)	18.8	20.4	22.0	23.6	25.2
EV/EBIT (x)	32.8	35.6	38.4	41.2	43.9
P/E (x)	39.9	43.5	47.1	50.8	54.4
2022E	11.0	12.0	13.0	14.0	15.0
EV/Sales (x)	5.6	6.1	6.6	7.1	7.5
EV/EBITDA (x)	16.3	17.6	19.0	20.4	21.8
EV/EBIT (x)	27.9	30.3	32.6	35.0	37.4
P/E (x)	33.8	36.9	40.0	43.1	46.2

Source: Danske Bank Equity Research estimates

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Relative valuation (1 of 3)

		Price*	Mcap	EV/Sales (x)			EV/EBITDA (x)			
	Ticker	lcl ccy	lcl ccy m	2020	2021E	2022E	2020	2021E	2022E	
Nordic information services										
	Enento	ATG1V FH	33.6	808	6.3	5.8	5.3	17.6	15.7	13.5
	Karnov	KAR SS	51.2	5,010	8.4	6.9	6.5	19.8	15.9	14.6
Nordic SaaS software										
	Admicom	ADMCM FH	99.2	489	29.7	19.2	16.0	65.1	41.6	33.9
	Fortnox	FNOX SS	470.0	28,584	39.7	29.6	22.7	91.6	66.3	49.7
	Lime	LIME SS	398.8	5,297	16.0	13.2	11.3	44.6	38.3	32.2
	SimCorp	SIM DC	795.0	31,522	10.8	8.7	7.9	35.1	29.1	26.3
Median, Information services					7.4	6.4	5.9	18.7	15.8	14.0
Median, Software					22.9	16.2	13.7	54.8	39.9	33.0
	Talenom	TNOM FH	14.40	629	9.2	8.2	7.3	25.7	24.2	21.0

Prices as at close on 23 April 2021, except for Talenom as at 17:52 EET on 26 April 2021

Source: FactSet (prices and peer consensus), Danske Bank Equity Research (Talenom estimates)

Relative valuation (2 of 3)

Ticker		Price*	Mcap	EV/EBIT (x)			P/E (x)		
		lcl ccy	lcl ccy m	2020	2021E	2022E	2020	2021E	2022E
Nordic information services									
Enento	ATG1V FH	33.6	808	29.0	24.9	20.6	34.5	28.6	24.1
Karnov	KAR SS	51.2	5,010	34.1	24.4	22.0	19.6	19.9	18.6
Nordic SaaS software									
Admicom	ADMCM FH	99.2	489	68.6	42.7	34.7	64.0	54.8	45.1
Fortnox	FNOX SS	470.0	28,584	104.0	83.7	61.0	135.5	107.2	80.6
Lime	LIME SS	398.8	5,297	65.8	53.2	42.8	76.3	64.0	52.7
SimCorp	SIM DC	795.0	31,522	39.6	32.3	28.4	48.6	42.7	37.0
Median, Information services				30.3	31.6	24.6	21.3	27.0	24.3
Median, Software				67.2	48.0	38.7	70.2	59.4	48.9
Talenom	TNOM FH	14.40	629	46.4	42.3	35.9	59.3	52.2	44.3

Prices as at close on 23 April 2021, except for Talenom as at 17:52 EET on 26 April 2021

Source: FactSet (prices and peer consensus), Danske Bank Equity Research (Talenom estimates)

Compared to our chosen peer group, Talenom's sales growth is high but EBIT margins are low. In our view, one should focus on EBIT and not EBITDA in Talenom, because the capitalised software development and customer acquisition costs inflate reported EBITDA.

Relative valuation (3 of 3)

		Price	MCap	Sales growth (%)			EBITDA margin (%)			EBIT margin (%)			FCF yield (%)		
Ticker		lcl ccy*	lcl ccy	2020	2021E	2022E	2020	2021E	2022E	2020	2021E	2022E	2020	2021E	2022E
Nordic information services															
Asiakastieto	ATG1V FH	33.6	808	3.6%	7.0%	7.3%	35.7%	37.0%	39.4%	21.6%	23.3%	25.8%	3.8%	4.3%	5.0%
Karnov	KAR SS	51.2	5,010	1.9%	10.5%	3.9%	42.5%	43.7%	44.3%	24.7%	28.4%	29.4%	5.7%	5.5%	6.2%
Nordic software															
Admicom	ADMCM FH	99.2	489	40.4%	11.9%	18.4%	45.7%	46.1%	47.2%	43.4%	44.9%	46.2%	-0.4%	1.9%	2.3%
Fortnox	FNOX SS	470.0	28,584	30.5%	37.0%	28.8%	43.4%	44.6%	45.7%	38.2%	35.3%	37.2%	0.6%	0.4%	1.3%
Lime	LIME SS	398.8	5,297	17.0%	17.2%	15.2%	35.9%	34.6%	35.2%	24.3%	24.9%	26.5%	1.8%	1.2%	2.1%
SimCorp	SIM DC	795.0	31,522	-0.2%	8.1%	9.6%	30.7%	29.8%	30.1%	27.3%	26.9%	27.8%	2.1%	2.0%	2.1%
Median, Information services				3%	9%	6%	39.1%	40.3%	41.9%	23.2%	25.9%	27.6%	4.7%	4.9%	5.6%
Median, Software				24%	15%	17%	39.6%	39.6%	40.5%	32.7%	31.1%	32.5%	1.2%	1.6%	2.1%
Talenom	TNOM FH			12.4%	24.3%	13.0%	35.7%	34.0%	34.6%	19.8%	19.5%	20.2%	1.4%	0.9%	2.1%

Prices as at close on 23 April 2021, except for Talenom as at 17:52 EET on 26 April 2021

Source: FactSet (prices and peer consensus), Danske Bank Equity Research (Talenom estimates)

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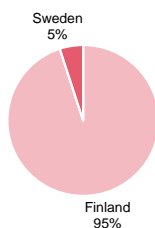
Risks

- **COVID-19.** The impacts could be bigger and longer-lasting than we estimate. These could materialise both through slower-than-estimated revenue growth if the pace of Talenom's new customer acquisition remains lower for longer, as well as through customer bankruptcies, which so far have not increased significantly.
- **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. We assume that Talenom is able to maintain its c.20% EBIT margin and even increase it gradually in the coming years, but margins could be lower than we estimate.
- **Risks related to internationalisation.** Talenom has since 2019 operated in Sweden, where it has built a presence through acquisitions and is now working to localise its software. The company also targets to enter new countries in addition to Finland and Sweden. 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, 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.
- **Balance sheet risk.** Talenom has capitalised significant amounts of its customer acquisition and development costs to the balance sheet. If it needs to write down these assets, loan covenants could be at risk (the company has equity ratio-based covenants, in addition to net debt / EBITDA covenant). We believe the risk of write-downs is low, however.

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Company summary

Sales breakdown by geographical area



Sales breakdown by division

n.a.

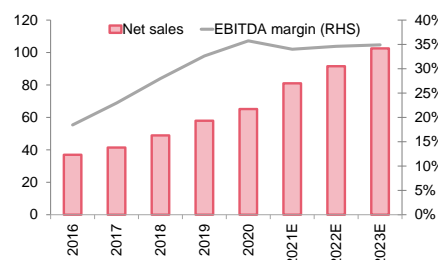
Company information

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

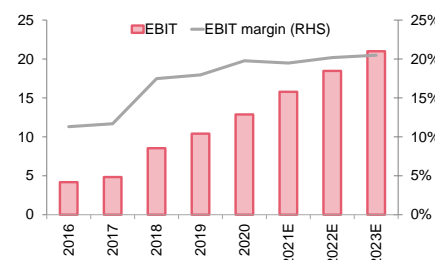
Main shareholders

Name	Votes (%)	Capital (%)
Harri Tahkola	20.1%	20.1%
Markus Tahkola	11.7%	11.7%
Danske Invest Finnish Equity Fund	4.4%	4.4%
Conficap	4.3%	4.3%
Ilmarinen	4.2%	4.2%

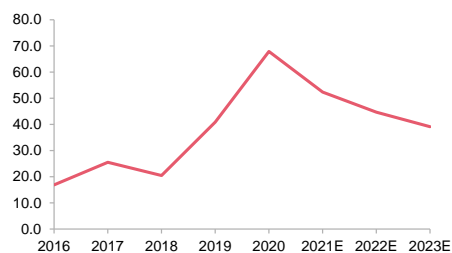
Net sales and EBITDA margin (EURm)



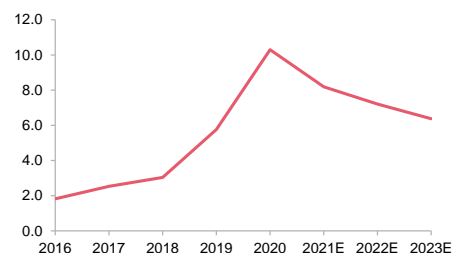
EBIT and EBIT margin (EURm)



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	81.0	91.5	103
Cost of sales & operating costs		-28.4	-30.5	-32.3	-35.9	-39.4	-42.0	-53.5	-59.9	-66.7
EBITDA		4.9	6.8	9.5	13.7	18.9	23.3	27.5	31.7	35.8
EBITDA, adj.		4.9	6.8	9.5	13.7	18.9	23.3	27.5	31.7	35.8
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	24.9	29.0	33.0
EBIT incl. EO, bef. ass.		-1.3	4.2	4.8	8.5	10.4	12.9	15.8	18.5	21.0
EBIT, adj.		-0.3	4.2	5.2	8.5	10.4	12.9	15.8	18.5	21.0
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	15.1	17.8	20.3
Taxes		0.0	-0.7	-0.9	-1.6	-2.0	-2.4	-3.0	-3.6	-4.1
Net profit, rep.		-2.4	2.9	3.4	6.4	7.6	9.6	12.0	14.2	16.2
Net profit, adj.		-1.5	2.9	3.7	6.4	7.6	9.6	12.0	14.2	16.2

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	27.5	31.7	35.8
Change in working capital		0.1	-0.1	0.5	-0.5	1.4	1.4	-0.8	3.8	3.0
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	-3.0	-3.6	-4.1
Other operating cash items		0.0	0.1	0.1	0.1	0.3	0.6	0.0		
Cash flow from operations		4.1	6.8	9.9	12.2	18.3	23.4	23.0	31.2	34.0
Capex		-8.4	-5.2	-7.4	-8.4	-11.3	-15.4	-17.2	-17.9	-18.2
Div to min										
Free cash flow		-4.3	1.6	2.4	3.8	7.1	8.1	5.8	13.3	15.8
Disposals/(acquisitions)			-0.4		-0.5	-1.8	-2.2	-5.0	-1.1	
Free cash flow to equity		-4.3	1.2	2.4	3.3	5.2	5.9	0.8	12.2	15.8
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	2.1	3.2	6.4

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	11.2	14.4	20.8
Inventory								0.8	0.9	1.0
Trade receivables		4.4	4.8	5.5	5.5	6.5	7.1	7.1	7.1	7.1
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	30.0	35.9	40.1
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	96.2	106	119
Shareholders' equity		9.9	11.7	13.9	18.7	23.6	32.2	37.7	44.9	53.7
Of which minority interests										
Current liabilities		7.1	7.5	8.9	8.6	10.7	13.3	13.3	17.2	20.3
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	63.5	67.6	70.9
Total liabilities and equity		40.5	42.3	45.9	51.2	71.3	84.9	101	112	125
Net debt		18.1	18.4	17.8	17.7	20.3	20.9	28.8	25.6	19.2

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	0.28	0.33	0.37
EPS adj. (EUR)		-0.04	0.07	0.09	0.16	0.18	0.22	0.28	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	0.5	0.7	0.8
Book value/share (EUR)		0.24	0.29	0.34	0.45	0.56	0.74	0.86	1.03	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%	34.0%	34.6%	34.9%
EBITA margin		-4.0%	11.3%	21.3%	26.6%	28.3%	30.5%	30.7%	31.6%	32.2%
EBIT margin		-4.0%	11.3%	11.7%	17.5%	18.0%	19.8%	19.5%	20.2%	20.5%
EBIT adj margin		-1.0%	11.3%	12.4%	17.5%	18.0%	19.8%	19.5%	20.2%	20.5%
Sales growth			12.0%	12.1%	18.0%	18.6%	12.4%	24.3%	13.0%	12.0%
EBITDA growth			39.9%	39.4%	43.8%	38.3%	23.1%	18.3%	15.0%	13.0%
EBITA growth			n.m.	n.m.	47.8%	26.1%	21.3%	25.1%	16.3%	13.9%
EPS adj growth			n.m.	28.3%	70.2%	18.3%	20.9%	25.1%	17.2%	14.2%
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%	18.5%	19.1%	20.8%
ROIC (after tax, excl. GW, adj.)		-6.8%	31.2%	32.5%	43.2%	33.6%	29.3%	28.1%	27.5%	29.3%
ROE (adj.)		-29.4%	26.8%	29.0%	39.0%	36.0%	34.4%	34.5%	34.4%	32.9%
ROIC (adj.) - WACC		-9.3%	4.6%	6.3%	13.0%	12.0%	11.1%	11.5%	12.2%	13.8%
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	14.5	14.5	14.5
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	635	635	635
Net debt, year-end (m)		18	18	18	18	29	30	38	35	29
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	672	669	663
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	8.30	7.31	6.47
EV/EBITDA (x)		11.1	9.9	11.0	10.9	18.1	29.2	24.4	21.1	18.5
EV/EBITA (x)		n.m.	16.1	11.9	11.4	20.9	34.2	27.0	23.1	20.1
EV/EBIT (x)		n.m.	16.1	20.4	17.4	32.9	52.8	42.6	36.2	31.6
P/E (reported) (x)		n.m.	16.9	25.5	20.5	40.9	67.9	52.4	44.7	39.1
P/E (adj.) (x)		n.m.	16.9	23.4	20.5	40.9	67.9	52.4	44.7	39.1
P/BV (x)		3.61	4.19	6.25	7.00	13.3	20.2	16.8	14.1	11.8
EV/invested capital (x)		5.6	5.7	7.8	8.2	10.7	17.5	12.8	11.8	11.2
Dividend yield		1.33%	2.78%	2.50%	2.89%	1.67%	1.00%	1.10%	1.17%	1.24%
Total yield (incl. buybacks)		1.34%	2.78%	2.50%	2.89%	1.67%	1.00%	1.10%	1.17%	1.24%
FCFE-yield		-12.13%	3.27%	2.79%	2.90%	2.26%	1.24%	0.92%	2.10%	2.49%
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	1.4	1.1	0.8
Net debt/equity (x), year-end		1.8	1.6	1.3	0.9	1.2	0.9	1.0	0.8	0.5
Dividend payout ratio		n.m.	46.9%	63.9%	59.1%	68.2%	67.7%	57.7%	52.3%	48.5%
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%	48.3%	93.7%	97.4%
Capex/sales		25.6%	14.1%	17.9%	17.2%	19.4%	23.6%	21.3%	19.5%	17.7%
NWC/sales		-8.2%	-7.1%	-8.3%	-6.4%	-7.2%	-9.6%	-6.7%	-10.1%	-11.9%
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	20.8	19.0	20.9	
EBITDA (m)		6.2	6.2	5.8	5.0	7.2	7.3	6.8	6.2	
EBIT before non-recurring items (m)		3.7	3.6	3.1	2.4	4.4	4.4	3.8	3.2	
Net profit (adj.) (m)		2.8	2.7	2.3	1.8	3.3	3.4	2.9	2.4	
EPS (adj.) (EUR)		0.06	0.06	0.05	0.04	0.08	0.08	0.07	0.06	
EBITDA margin		36.0%	37.5%	39.1%	30.7%	35.4%	35.3%	36.0%	29.5%	
EBIT margin (adj.)		21.4%	21.8%	21.2%	14.7%	21.7%	20.9%	20.3%	15.2%	

Source: Company data, Danske Bank Equity Research estimates

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