

Professional Business Support Services

Key data

Price (EUR)*	10.4
Country	Finland
Bloomberg	TNOM.FH
Reuters	TNOM.HE
Free float	59.6%
Market cap (EURm)	445
Net debt (current Y/E) (EURm)	34
No. of shares (m)	42.8
Next event	Q4: 3-Feb

\* Price as at 16:36 CET on 26 October 2020

CEO	Otto-Pekka Huhtala
CFO	Antti Aho

Company description

Talenom is an accountancy company operating in Finland and since 2019 also in 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

	20E	21E	22E
Sales	0.0%	1.0%	1.0%
EBITDA	0.8%	-0.6%	0.3%
EBIT (adj.)	1.8%	1.7%	1.7%
EPS (adj.)	n.m.	n.m.	n.m.

Source: Danske Bank Equity Research estimates

Analyst(s)

Panu Laitinmäki

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<https://research.danskebank.com>

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

# Talenom

## New drivers for growth

The main news in Talenom's Q3 report was the release of a new concept for smaller customers, which includes free bookkeeping tools and banking services. Talenom's updated vision indicates ambitions for international expansion beyond Sweden. We continue to see Talenom as a strong long-term growth case. The first-ever Capital Markets Day on 11 November is a potential share price driver.

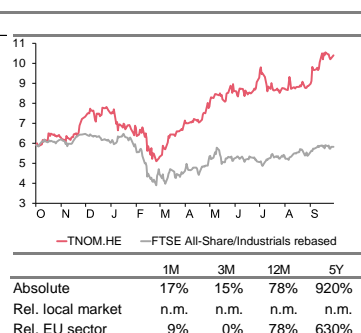
- Impact on the investment case.** Q3 was largely as we had expected, but the bigger news was the release of a new concept for smaller customers. Talenom will target even the smallest customers by offering free-to-use bookkeeping tools. The platform is scalable and as the customers grow, they can move up all the way to Talenom's current services, where it takes care of all of the customer's financial routines. The entry-level offering resembles what Fortnox offers, in our view. Talenom will also offer banking services to its customers, including IBAN accounts and cards (provided by an unnamed partner). Talenom updated its long-term vision and now aims to provide unbeatable accounting and banking services for SMEs, and export this expertise to Europe. In our view, the CEO's recent purchase of 25,000 shares indicates management confidence in the long-term outlook of the company.
- Q3 20 review.** Sales grew by 10% y/y (12% in Q2), of which we estimate around 6% was organic. COVID-19 has slowed new customer acquisition, but overall the impacts seem manageable. EBIT increased by 34% y/y and EBIT margin reached 21.5% (17.4% a year ago), which is a good achievement given that acquired companies had much lower margins.
- Estimate changes.** We have made small changes, increasing 2021-22E sales by 1% and EBIT by 2% mainly due to recent acquisitions. We expect growth to accelerate in 2021-22E.
- Valuation.** The share has performed well (+78% in 12M) which has increased near-term multiples (2020E EV/EBIT 37x; 2021E 31x). However, TNOM does not stand out from other growth companies, neither is valuation a reason to turn negative given the credible outlook for long-term growth, in our view. We increase our 12M fair value range to EUR9-11 (EUR8-10).

### Key financials

Year-end Dec (EUR)	2018	2019	2020E	2021E	2022E
Revenues (m)	48.9	58.0	65.6	75.5	87.6
Revenues growth	18.0%	18.6%	13.2%	15.1%	16.0%
EBITDA (m)	13.7	18.9	23.4	27.0	30.4
EBIT adj. (m)	8.5	10.4	13.0	15.7	18.5
EBIT growth	65.9%	21.8%	24.7%	20.9%	18.1%
Pre-tax profit (m)	8.0	9.6	12.1	15.0	17.8
EPS adj.	0.16	0.18	0.22	0.28	0.33
DPS	0.09	0.13	0.13	0.14	0.15
Dividend yield	2.9%	1.7%	1.3%	1.3%	1.4%
FCFE yield (pre-IFRS16)	2.5%	1.7%	0.6%	2.4%	2.6%
EBIT margin (adj.)	17.5%	18.0%	19.8%	20.8%	21.1%
Net debt/EBITDA (x)	1.3	1.5	1.4	1.1	0.9
ROIC	20.0%	18.5%	17.9%	20.0%	22.1%
EV/sales (x)	3.0	5.9	7.4	6.3	5.4
EV/EBITDA (adj.) (x)	10.9	18.2	20.6	17.8	15.7
EV/EBITA (adj.) (x)	17.4	33.1	37.2	30.6	25.7
EV/EBIT (adj.) (x)	17.4	33.1	37.2	30.6	25.7
P/E (adj.) (x)	20.5	40.9	46.6	37.5	31.5

Source: Company data, Danske Bank Equity Research estimates

### Price performance



Source: FactSet

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## Q3 20 review

Talenom's Q3 was broadly as we had expected, with just EUR0.2m deviations in revenues and EBIT. Sales growth was 10% (12% in Q2), of which we estimate 6% was organic and 3-4% was driven by the recent acquisitions. The organic growth was similar to Q2, when Talenom commented that growth was around 50/50 organic and M&A. Talenom said that the volume-based revenue, which took a dip in Q2, had recovered to pre-COVID levels, without quantifying how much it was. Talenom commented that new customer acquisition is not yet at pre-COVID levels, and the pace of organic growth in the coming quarters depends largely on the impact of COVID on the sales processes (moving from physical to remote meetings has slowed down customer acquisition somewhat – even though the impact was smaller than feared in the spring).

EBIT increased by 34% y/y. The EBIT margin reached 21.5%, compared to 17.4% in Q3 19. The increase was driven by higher efficiency: personnel costs' share of revenue continued to decline. Talenom also indicated that it had cut costs because COVID-19 reduced the pace of growth. We note that Talenom's 9M 2020 performance has been impressive, with EBIT margin increasing to 21.5% from 20.8%, even though the acquired companies have had lower margins than Talenom itself.

Table 1: Q3 20 deviation table

EURm	Actual	Danske	Diff %	Consensus FactSet		Q3 19
	Q3 20	Q3 20		Q3 20	Diff %	
<b>Sales</b>	<b>14.8</b>	<b>15.0</b>	<b>-1%</b>	<b>15.3</b>	<b>-3%</b>	<b>13.5</b>
EBITDA	5.8	5.5	6%	5.2	12%	4.5
<b>EBIT</b>	<b>3.1</b>	<b>2.9</b>	<b>8%</b>	<b>2.8</b>	<b>12%</b>	<b>2.4</b>
Pre-tax profit	2.9	2.7	10%	2.6	13%	2.2
Net profit	2.3	2.1	9%	2.1	10%	1.7
Sales growth	10.0%	11.0%		13.4%		16.5%
EBITDA growth	30.3%	23.4%		16.8%		34.1%
EBITDA margin	39.1%	36.7%		34.0%		33.0%
EBIT-margin	21.2%	19.4%		18.3%		17.4%

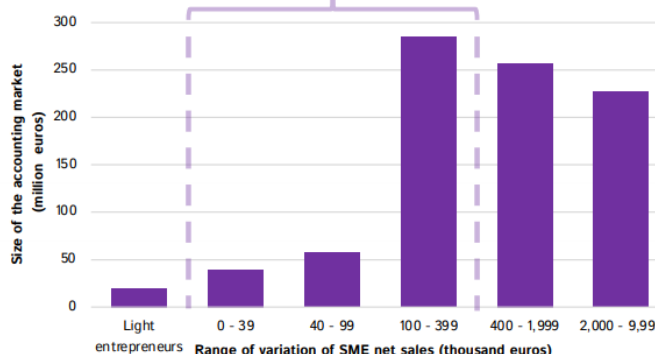
Source: Company data, FactSet, Danske Bank Equity Research estimates

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## Solution for small customers and banking services

As mentioned above, Talenom announced its new concept for targeting even smaller customers. Talenom has historically focused on serving customers with c.EUR 0.4m-10m revenues, with the 'sweet spot' having been in customers with EUR0.4m-2.0m revenues, and most customer acquisition efforts have been focused on that segment.

Figure 1 : Talenom's estimate of accounting services market segments in Finland, EURm



Source: Talenom Q3 20 presentation

However, Talenom has not served a large part of the market, because customers with less than EUR0.4m in revenues have not generally been profitable enough. There have been two challenges: how to produce the service profitably (automation has pretty much solved this problem), and how to target the customers efficiently. Direct sales are not feasible for this segment with a large number of small customers.

Talenom's new solution is called TiliJaska in Finland, which is a new platform that is scalable from light entrepreneurs all the way up to publicly listed companies. At the most basic level, Talenom offers a free system for light entrepreneurs who might send just a few invoices a month. If the company grows, it can move to 'Tilijaska Free', which is a free accounting service that allows the customer to do bookkeeping by themselves. When the company grows further, it can move to TiliJaska Pro and choose to buy some services from Talenom when a DIY model no longer works. Further up, the customer might move to Talenom's current premium service, where Talenom takes care of all the financial routines for a customer company. The service is a 'freemium' model, where the basic service does not cost anything.

Talenom will also start providing banking services, including IBAN accounts and cards. These will be provided by a 'banking-as-a-service' partner bank, which was not named. In our view, the banking services' role seems to be in customer attraction (creating a 'one-stop-shop' for SMEs) rather than being a significant earnings contributor in itself. Talenom's core will still be offering accounting services, and the free-to-use-tools are mainly a distribution channel for its services, we understand.

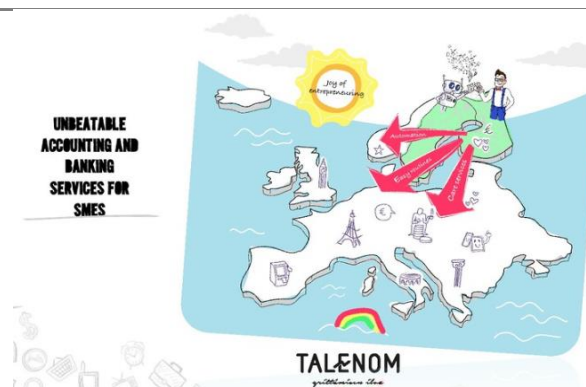
Talenom believes that this solution is unique even on a European scale, and it has revised the long-term vision. Talenom now aims to offer unbeatable accounting and banking services to SMEs. The company wants to export its expertise to other European countries. Talenom gave no timeline for international expansion beyond Sweden, but the CEO commented that Talenom is looking at other markets. The model for entering a new market would be similar to Sweden: acquiring one company and then learning about the market with a local presence.

Overall, Talenom sees that regulatory changes create room for a player like Talenom which is quick to adapt and has the required digital infrastructure. The changes include a new EU directive, which enables the public sector to require electronic invoices and is likely to drive the

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market towards e-invoicing further. In addition, PSD2 opens up a new market because Talenom can access its customers' bank accounts directly. The Basel directives discourage traditional banks to finance SMEs, which in turn creates an opening for a new player like Talenom. Talenom's international ambitions are clear in the updated vision, as shown in the figure.

Figure 2 : Talenom's updated vision



Source: Talenom Q3 20 presentation

### Estimate changes

We have made only minor 2020 estimate changes, because the Q3 report was broadly as we had expected and Talenom kept its guidance unchanged. Talenom still sees EUR64-68m in revenue and EUR12-14m of EBIT in 2020. Our estimates are close to the mid-points of these ranges. In 2021-22, we have increased estimates slightly based on the recent acquisitions.

Talenom made three notable acquisitions in 2020: Niva Ekonomi AB in Sweden (May 2020), Frivision AB in Sweden (September 2020) and Larsen & Co in Finland (September 2020). These combined add c.7% to Talenom's revenues (Q3 20 LTM). Therefore, acquisitions are a notable driver for revenue growth in the coming quarters. In our estimates, we assume that organic growth remains at c.6% in Q4 20 but accelerates gradually in 2021.

We estimate EBIT margin to increase from 19.8% in 2020E to 20.8% in 2021E driven by operating leverage and organic revenue growth.

Table 2 : Quarterly estimates

EURm	2018	Q1 19	Q2 19	Q3 19	Q4 19	2019	Q1 20	Q2 20	Q3 20	Q4 20E	2020E	2021E
<b>Sales</b>	<b>48.9</b>	<b>14.8</b>	<b>14.8</b>	<b>13.5</b>	<b>14.9</b>	<b>58.0</b>	<b>17.4</b>	<b>16.5</b>	<b>14.8</b>	<b>16.9</b>	<b>65.6</b>	<b>75.5</b>
Growth y/y	18.0%	16.1%	17.7%	21.1%	19.6%	18.5%	17.4%	11.8%	10.0%	13.5%	13.2%	15.1%
Personnel costs	-26.2	-7.3	-7.7	-7.1	-7.8	-29.9	-8.6	-8.8	-7.3	-8.6	-33.2	-37.5
% of sales	-53.6%	-49.7%	-52.2%	-52.3%	-52.4%	-51.6%	-49.5%	-53.0%	-48.9%	-51.0%	-50.6%	-49.7%
Materials and services	-2.6	-0.8	-0.8	-0.8	-1.3	-3.6	-1.0	-0.3	-0.6	-1.2	-3.1	-4.2
Other costs	-7.1	-1.4	-1.3	-1.4	-1.8	-5.9	-1.5	-1.3	-1.2	-2.0	-6.1	-7.1
<b>EBITDA</b>	<b>13.7</b>	<b>5.4</b>	<b>5.1</b>	<b>4.5</b>	<b>4.0</b>	<b>19.0</b>	<b>6.2</b>	<b>6.2</b>	<b>5.8</b>	<b>5.2</b>	<b>23.4</b>	<b>27.0</b>
EBITDA margin	28.0%	36.4%	34.4%	33.0%	27.1%	32.7%	36.0%	37.5%	39.1%	30.6%	35.7%	35.7%
D&A	-5.1	-1.9	-1.9	-2.1	-2.5	-8.5	-10.3	-11.3	-2.7	-2.7	-10.4	-11.3
<b>EBIT</b>	<b>8.5</b>	<b>3.4</b>	<b>3.2</b>	<b>2.4</b>	<b>1.5</b>	<b>10.4</b>	<b>3.7</b>	<b>3.6</b>	<b>3.1</b>	<b>2.5</b>	<b>13.0</b>	<b>15.7</b>
EBIT margin	17.5%	23.3%	21.4%	17.4%	10.1%	18.0%	21.4%	21.8%	21.2%	14.9%	19.8%	20.8%
Net financials	-0.6	-0.2	-0.2	-0.2	-0.2	-0.8	-0.2	-0.2	-0.2	-0.2	-0.8	-0.7
<b>Pre-tax profit</b>	<b>8.0</b>	<b>3.2</b>	<b>3.0</b>	<b>2.2</b>	<b>1.3</b>	<b>9.6</b>	<b>3.5</b>	<b>3.4</b>	<b>2.9</b>	<b>2.3</b>	<b>12.1</b>	<b>15.0</b>
Taxes	-1.6	-0.6	-0.7	-0.5	-0.2	-2.0	-0.7	-0.7	-0.6	-0.5	-2.5	-3.0
Tax rate	20.1%	18.5%	23.1%	20.9%	17.3%	20.4%	20.1%	21.2%	21.1%	20.0%	20.6%	20.0%
<b>Net income</b>	<b>6.4</b>	<b>2.6</b>	<b>2.3</b>	<b>1.7</b>	<b>1.0</b>	<b>7.6</b>	<b>2.8</b>	<b>2.7</b>	<b>2.3</b>	<b>1.9</b>	<b>9.6</b>	<b>12.0</b>

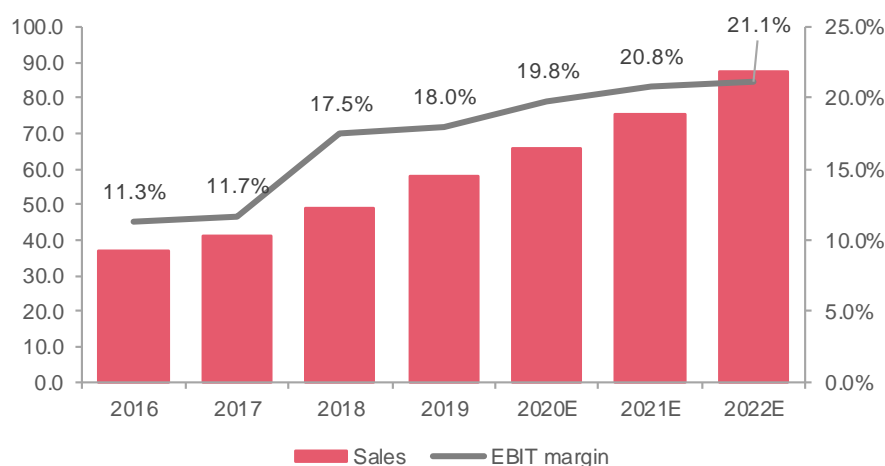
Source: Company data, Danske Bank Equity Research estimates

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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 growth recently and we expect this to continue in the coming years. Despite the strong growth phase, the EBIT margin increased to 18.5% in 2019. Although the shares have performed well, valuation multiples for 2020-21E still look reasonable compared to companies with similar characteristics, in our view. We discussed our view on Talenom in detail in our longer report, *Talenom – A winning growth model in accounting services, 16 January 2020*.

Chart 1: 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.

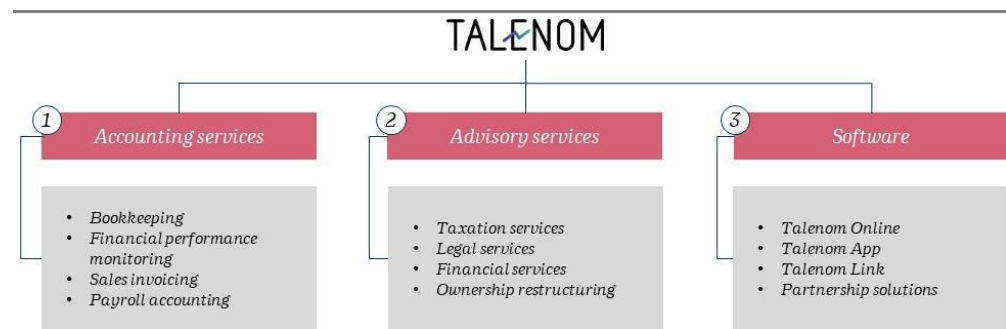
Talenom's main strategic choices include separation of service production and sales force (which is not typical in this industry) as well as a focus on organic growth instead of M&A. Talenom produces most of its services in two centralised service centres. It has invested heavily in development of its 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 as of H1 19. The value-added services, including

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

Figure 3. Overview of Talenom's service offering

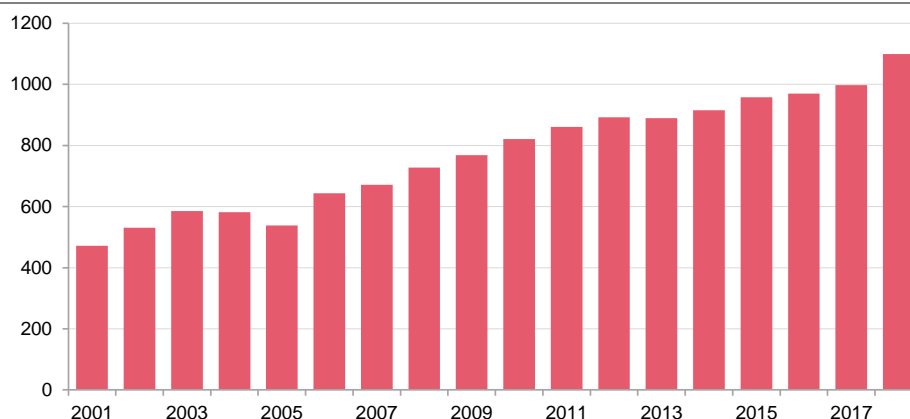


Source: Company data, Danske Bank Equity Research

### Defensive but growing market

The Finnish accounting services market has shown healthy growth (4.3% CAGR from 2003 to 2018) and low cyclicity. 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.

Chart 2. Value of Finnish accounting services market (EURm), 2001-18E



Source: Statistics Finland

### Sweden is a long-term opportunity

Talenom entered Sweden in April 2019 through a small acquisition (5% of group sales). We believe that the Swedish accounting services market offers similar growth potential to Finland, as it is fragmented and not very advanced in digitalisation. We believe that Talenom is still in a 'learning phase' and Sweden's contribution to growth in the next one to two years is likely to remain small. However, it remains a long-term option and we view it as positive that Talenom has taken its first steps in internationalisation early, long before the limits of growth in Finland.

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have been reached. We believe that news related to Sweden (more M&A or acceleration of organic growth) is a potential share price driver.

### Valuation

We have increased our 12M valuation range for Talenom to EUR9.00-11.00 (was EUR8.00-10.00). We apply higher multiples due to higher market multiples for Talenom's peers and growth stocks in general in a low-interest rate environment. Given Talenom's good outlook for continued growth, we do not see triggers for de-rating of multiples, even though the valuation looks high relative to Talenom's own history. At the mid-point of the range, Talenom would be valued at a c.20% premium to Enento (formerly known as Asiakastieto) on 2021-22E EV/EBIT, but at c.33-35% discounts to Nordic SaaS software companies.

There are no perfect peers for Talenom, which shares some similarities with Nordic SaaS software companies like Admicom, but 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.

Asiakastieto and its peer Karnov are relevant valuation benchmarks in our view, combining stability of business and high margins. Asiakastieto'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.

Table 3: Valuation range

Share price, EUR					
2020E	8.0	9.0	10.0	11.0	12.0
EV/Sales (x)	5.8	6.4	7.1	7.8	8.4
EV/EBITDA (x)	16.2	18.0	19.9	21.7	23.6
EV/EBIT (x)	29.2	32.5	35.9	39.2	42.5
P/E (x)	35.9	40.4	44.8	49.3	53.8
2021E	8.0	9.0	10.0	11.0	12.0
EV/Sales (x)	5.0	5.5	6.1	6.7	7.3
EV/EBITDA (x)	13.9	15.5	17.1	18.7	20.3
EV/EBIT (x)	24.0	26.7	29.5	32.2	35.0
P/E (x)	28.9	32.5	36.1	39.7	43.3
2022E	8.0	9.0	10.0	11.0	12.0
EV/Sales (x)	4.3	4.7	5.2	5.7	6.2
EV/EBITDA (x)	11.8	13.2	14.6	16.0	17.3
EV/EBIT (x)	20.1	22.4	24.8	27.1	29.4
P/E (x)	25.2	27.3	30.3	33.3	36.4

Source: Danske Bank Equity Research estimates

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Table 4: Relative valuation (1 of 2)

		Price	Mcap	EV/Sales			EV/EBITDA		
Ticker	Local	Local		2020E	2021E	2022E	2020E	2021E	2022E
Nordic information services									
Enento	ATG1V FH	35.0	840	6.6	6.0	5.5	18.7	15.8	13.8
Karnov	KAR SS	56.5	5,518	8.1	7.6	7.2	18.6	17.0	15.7
Nordic SaaS software									
Admicom	ADMCM FH	108.0	532	23.8	19.2		52.1	39.2	
Fortnox	FNOX SS	300.0	18,041	25.7	20.3	16.6	56.4	44.8	36.4
Lime	LIME SS	328.0	4,357	12.9	10.9	9.3	37.7	33.1	28.0
SimCorp	SIM DC	844.5	33,495	9.9	8.9	8.1	35.1	28.6	25.4
Median, Information services				7.4	6.8	6.3	18.7	16.4	14.8
Median, Software				18.4	15.1	9.3	44.9	36.2	28.0
Talenom	TNOM FH	10.35	447	5.8	6.4	5.6	18.2	18.6	15.9

Prices as at close on 23 October 2020, except for Talenom as at 26 October at 17:36 EET

Source: Company data, Danske Bank Equity Research estimates

Table 5: Relative valuation (2 of 2)

		Price	Mcap	EV/EBIT			P/E		
Ticker	Local	Local		2020E	2021E	2022E	2020E	2021E	2022E
Nordic information services									
Enento	ATG1V FH	35.0	840	30.2	24.1	20.4	36.1	27.9	23.7
Karnov	KAR SS	56.5	5,518	29.3	26.0	23.0	23.1	22.6	21.3
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Fortnox	FNOX SS	300.0	18,041	69.0	52.4	41.6	91.2	69.9	56.3
Lime	LIME SS	328.0	4,357	55.8	46.8	37.9	63.0	54.3	44.8
SimCorp	SIM DC	844.5	33,495	40.4	31.9	28.1	51.6	41.6	36.6
Median, Information services				29.7	25.1	21.7	29.6	25.2	22.5
Median, Software				58.3	45.1	37.9	66.6	52.7	42.2
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## Risks

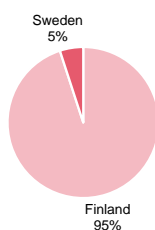
- **COVID-19.** The impacts could be bigger and longer-lasting than we estimate. These could materialise both through slower-than-estimated revenue growth if the pace of Talenom's new customer acquisition remains lower for longer, as well as through customer bankruptcies, which so far have not increased 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.
- **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.

## Not for US distribution



## Company summary

### Sales breakdown by geographical area



### Sales breakdown by division

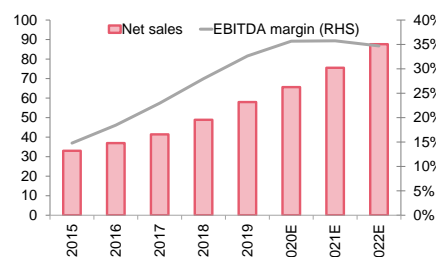
### Company information

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

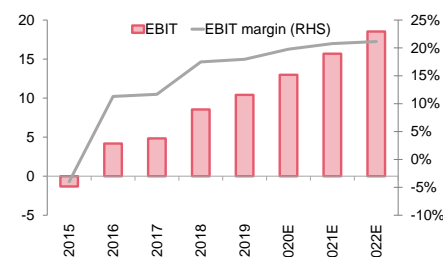
### Main shareholders

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%

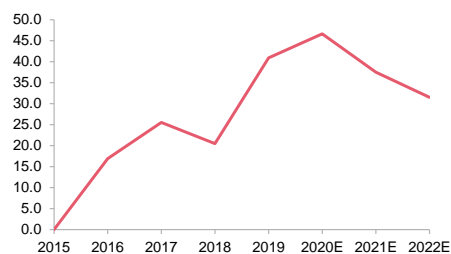
### Net sales and EBITDA margin (EURm)



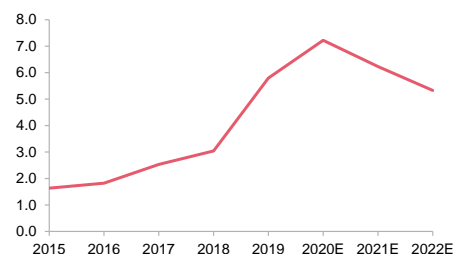
### EBIT and EBIT margin (EURm)



### 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	2013	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E
Net sales			33.0	37.0	41.4	48.9	58.0	65.6	75.5	87.6
Cost of sales & operating costs			-28.4	-30.5	-32.3	-35.9	-39.0	-42.2	-48.5	-57.2
<b>EBITDA</b>			<b>4.9</b>	<b>6.8</b>	<b>9.5</b>	<b>13.7</b>	<b>18.9</b>	<b>23.4</b>	<b>27.0</b>	<b>30.4</b>
EBITDA, adj.			4.9	6.8	9.5	13.7	18.9	23.4	27.0	30.4
Depreciation			-6.2	-2.6	-4.7	-5.1	-8.5	-10.4	-11.3	-11.9
<b>EBITA</b>			<b>-1.3</b>	<b>4.2</b>	<b>4.8</b>	<b>8.5</b>	<b>10.4</b>	<b>13.0</b>	<b>15.7</b>	<b>18.5</b>
<b>EBIT incl. EO, bef. ass.</b>			<b>-1.3</b>	<b>4.2</b>	<b>4.8</b>	<b>8.5</b>	<b>10.4</b>	<b>13.0</b>	<b>15.7</b>	<b>18.5</b>
EBIT, adj.			-0.3	4.2	5.2	8.5	10.4	13.0	15.7	18.5
Financial items, net	0.0	0.0	-1.1	-0.6	-0.5	-0.6	-0.8	-0.8	-0.7	-0.7
<b>Pre-tax profit</b>			<b>-2.5</b>	<b>3.6</b>	<b>4.3</b>	<b>8.0</b>	<b>9.6</b>	<b>12.1</b>	<b>15.0</b>	<b>17.8</b>
Taxes			0.0	-0.7	-0.9	-1.6	-2.0	-2.5	-3.0	-3.6
<b>Net profit, rep.</b>			<b>-2.4</b>	<b>2.9</b>	<b>3.4</b>	<b>6.4</b>	<b>7.6</b>	<b>9.6</b>	<b>12.0</b>	<b>14.2</b>
Net profit, adj.			-1.5	2.9	3.7	6.4	7.6	9.6	12.0	14.2

## CASH FLOW

EURm	2013	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E
EBITDA			4.9	6.8	9.5	13.7	18.9	23.4	27.0	30.4
Change in working capital			0.1	-0.1	0.5	-0.5	1.4		1.9	0.6
Net interest paid			-0.8	0.0	0.1	0.1	0.1	-0.8	-0.7	-0.7
Taxes paid			0.0	0.0	-0.4	-1.1	-2.4	-2.5	-3.0	-3.6
Other operating cash items			0.0	0.1	0.1	0.1	0.3			
<b>Cash flow from operations</b>			<b>4.1</b>	<b>6.8</b>	<b>9.9</b>	<b>12.2</b>	<b>18.3</b>	<b>20.1</b>	<b>25.1</b>	<b>26.7</b>
Capex			-8.4	-5.2	-7.4	-8.4	-11.3	-13.3	-14.3	-15.2
Div to min										
<b>Free cash flow</b>			<b>-4.3</b>	<b>1.6</b>	<b>2.4</b>	<b>3.8</b>	<b>7.1</b>	<b>6.8</b>	<b>10.8</b>	<b>11.5</b>
Disposals/(acquisitions)				-0.4		-0.5	-1.8	-4.4		
<b>Free cash flow to equity</b>			<b>-4.3</b>	<b>1.2</b>	<b>2.4</b>	<b>3.3</b>	<b>5.2</b>	<b>2.4</b>	<b>10.8</b>	<b>11.5</b>
Dividend paid				-0.5	-1.4	-2.2	-3.8	-5.2	-5.6	-6.0
Share buybacks			0.0							
New issue common stock			6.6			-0.2				
Incr./(decr.) in debt			2.1	-1.0		1.0				
Minorities & other financing CF			-0.6	-0.7	-0.5	-0.9	0.4	0.1	-1.8	-1.8
<b>Cash flow from financing</b>			<b>8.1</b>	<b>-2.2</b>	<b>-1.9</b>	<b>-2.3</b>	<b>-3.4</b>	<b>-5.1</b>	<b>-7.4</b>	<b>-7.9</b>
Disc. ops & other										
<b>Incr./(decr.) in cash</b>			<b>3.8</b>	<b>-1.0</b>	<b>0.5</b>	<b>1.0</b>	<b>1.9</b>	<b>-2.7</b>	<b>3.4</b>	<b>3.6</b>

## BALANCE SHEET

EURm	2013	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E
Cash & cash equivalents			5.4	4.3	4.9	5.9	7.8	5.1	8.5	12.1
Inventory										
Trade receivables			4.4	4.8	5.5	5.5	6.5	7.5	8.7	10.1
Other current assets				0.1	0.0	0.0				
Goodwill			18.4	18.4	18.4	18.4	20.7	20.7	20.7	20.7
Other intangible assets			9.8	6.7	7.8	10.5	14.9	14.9	14.9	14.9
Fixed tangible assets			2.1	2.5	2.5	2.2	2.6	7.2	12.0	17.2
Associated companies										
Other non-current assets			0.4	5.2	6.8	8.7	10.4	10.4	10.4	10.4
<b>Total assets</b>			<b>40.5</b>	<b>42.0</b>	<b>45.9</b>	<b>51.2</b>	<b>71.3</b>	<b>74.5</b>	<b>84.1</b>	<b>94.5</b>
<b>Shareholders' equity</b>			<b>9.9</b>	<b>11.7</b>	<b>13.9</b>	<b>18.7</b>	<b>23.6</b>	<b>28.0</b>	<b>34.4</b>	<b>42.6</b>
Of which minority interests										
Current liabilities			7.1	7.5	8.9	8.6	10.7	11.5	14.5	16.5
Interest-bearing debt			23.5	22.7	22.6	23.6	30.0	30.0	30.0	30.0
Pension liabilities										
Oth non-curr. liabilities				0.4	0.4	0.3	0.5	0.5	0.5	0.5
<b>Total liabilities</b>			<b>30.6</b>	<b>30.6</b>	<b>32.0</b>	<b>32.5</b>	<b>47.8</b>	<b>50.7</b>	<b>53.9</b>	<b>56.2</b>
<b>Total liabilities and equity</b>			<b>40.5</b>	<b>42.3</b>	<b>45.9</b>	<b>51.2</b>	<b>71.3</b>	<b>78.7</b>	<b>88.3</b>	<b>98.7</b>
Net debt			18.1	18.4	17.8	17.7	22.2	24.9	21.5	17.9

Source: Company data, Danske Bank Equity Research estimates

## Summary tables

PER SHARE DATA	2013	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E
No. of shares, fully diluted (y.e.) (m)			40.9	40.9	40.9	41.2	41.8	43.2	43.2	43.2
No. of shares, fully diluted (avg.) (m)			40.9	40.9	40.9	41.1	41.5	43.2	43.2	43.2
EPS (EUR)			-0.06	0.07	0.08	0.16	0.18	0.22	0.28	0.33
EPS adj. (EUR)			-0.04	0.07	0.09	0.16	0.18	0.22	0.28	0.33
DPS (EUR)			0.01	0.03	0.05	0.09	0.13	0.13	0.14	0.15
CFFO/share (EUR)			0.1	0.2	0.2	0.3	0.4	0.5	0.6	0.6
Book value/share (EUR)			0.24	0.29	0.34	0.45	0.56	0.65	0.80	0.99
MARGINS AND GROWTH	2013	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E
EBITDA margin			14.8%	18.5%	23.0%	28.0%	32.6%	35.7%	35.7%	34.7%
EBITA margin			-4.0%	11.3%	11.7%	17.5%	18.0%	19.8%	20.8%	21.1%
EBIT margin			-4.0%	11.3%	11.7%	17.5%	18.0%	19.8%	20.8%	21.1%
EBIT adj margin			-1.0%	11.3%	12.4%	17.5%	18.0%	19.8%	20.8%	21.1%
Sales growth				12.0%	12.1%	18.0%	18.6%	13.2%	15.1%	16.0%
EBITDA growth				39.9%	39.4%	43.8%	38.3%	23.8%	15.3%	12.6%
EBITA growth				n.m.	15.9%	76.5%	21.8%	24.7%	20.9%	18.1%
EPS adj growth				n.m.	28.3%	70.2%	18.3%	21.6%	24.3%	19.0%
PROFITABILITY	2013	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E
ROIC (after tax, incl. GW, adj.)			-2.4%	11.5%	13.2%	20.0%	18.5%	17.9%	20.0%	22.1%
ROIC (after tax, excl. GW, adj.)			-6.8%	31.2%	32.5%	43.2%	32.4%	27.8%	29.6%	31.9%
ROE (adj.)			-29.4%	26.8%	29.0%	39.0%	36.0%	37.3%	38.4%	37.0%
ROIC (adj.) - WACC			-9.9%	3.9%	5.6%	12.4%	10.9%	10.3%	12.4%	14.6%
MARKET VALUE	2013	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E
Share price (EUR)			0.88	1.20	2.13	3.18	7.50	10.4	10.4	10.4
No. shares reduced by buybacks (m)			40.9	40.9	40.9	41.2	41.8	43.2	43.2	43.2
Mkt cap used in EV (m)			36	49	87	131	314	449	449	449
Net debt, year-end (m)			18	18	18	18	31	34	30	27
MV of min/ass and oth (m)			0	0	0	0	0	0	0	0
Enterprise value (m)			54	67	105	149	344	483	480	476
VALUATION	2013	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E
EV/sales (x)			1.64	1.82	2.53	3.04	5.94	7.36	6.35	5.43
EV/EBITDA (x)			11.1	9.9	11.0	10.9	18.2	20.6	17.8	15.7
EV/EBITA (x)			n.m.	16.1	21.7	17.4	33.1	37.2	30.6	25.7
EV/EBIT (x)			n.m.	16.1	20.4	17.4	33.1	37.2	30.6	25.7
P/E (reported) (x)			n.m.	16.9	25.5	20.5	40.9	46.6	37.5	31.5
P/E (adj.) (x)			n.m.	16.9	23.4	20.5	40.9	46.6	37.5	31.5
P/BV (x)			3.61	4.19	6.25	7.00	13.3	16.0	13.1	10.5
EV/invested capital (x)			5.6	5.7	7.8	8.2	10.2	11.7	10.8	9.7
Dividend yield			1.33%	2.78%	2.50%	2.89%	1.67%	1.25%	1.35%	1.44%
Total yield (incl. buybacks)			1.34%	2.78%	2.50%	2.89%	1.67%	1.25%	1.35%	1.44%
FCFE-yield			-12.13%	3.27%	2.79%	2.90%	2.26%	1.51%	2.40%	2.56%
FINANCIAL RATIOS	2013	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E
Net debt/EBITDA (x)			3.7	2.7	1.9	1.3	1.5	1.4	1.1	0.9
Net debt/equity (x), year-end			1.8	1.6	1.3	0.9	1.2	1.2	0.9	0.6
Dividend payout ratio			n.m.	46.9%	63.9%	59.1%	68.2%	58.3%	50.5%	45.5%
Interest coverage (x)				7.2	8.1	13.5				
Cash conversion (FCF/net profit)			n.m.	55.3%	71.2%	59.8%	93.0%	70.2%	90.1%	80.8%
Capex/sales			25.6%	14.1%	17.9%	17.2%	19.4%	20.3%	19.0%	17.4%
NWC/sales			-8.2%	-7.1%	-8.3%	-6.4%	-7.2%	-6.0%	-7.7%	-7.3%
QUARTERLY P&L			Q1 19	Q2 19	Q3 19	Q4 19	Q1 20	Q2 20	Q3 20	Q4 20E
Sales (m)			14.8	14.8	13.5	14.9	17.4	16.5	14.8	16.9
EBITDA (m)			5.4	5.1	4.5	4.0	6.2	6.2	5.8	5.2
EBIT before non-recurring items (m)			3.4	3.2	2.4	1.5	3.7	3.6	3.1	2.5
Net profit (adj.) (m)			2.6	2.3	1.7	1.0	2.8	2.7	2.3	1.9
EPS (adj.) (EUR)			0.76	0.33	0.25	0.15	0.06	0.06	0.05	0.04
EBITDA margin			36.4%	34.4%	33.0%	27.1%	36.0%	37.5%	39.1%	30.6%
EBIT margin (adj.)			23.3%	21.4%	17.4%	10.1%	21.4%	21.8%	21.2%	14.9%

Source: Company data, Danske Bank Equity Research estimates

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