



Date and time of decision to initiate recommendation: 13 May 2022, 12:00 CET

## Finnish market done; pan-Nordic next

After creating a dominant position in the commissioned equity research and virtual events markets in Finland, Inderes aims to take its platform to all Nordic countries. The Nordic market opportunity is much larger than the Finnish one, making the company's long-term growth potential attractive. Near-term growth is supported by 2021 IPO activity. We initiate coverage on Inderes with a fair value range of EUR 35-39.

### Key Data (2022E)

Price (EUR)	37.50
Reuters	INDERES.HE
Bloomberg	INDERES.FH
Market cap (EURm)	61
Market cap (USDm)	65
Net debt (EURm)	(5)
Net gearing	(73%)
Net debt/EBITDA (x)	(2.1)
Shares fully dil. (m)	1.6
Avg daily turnover (m)	0.1
Free float	76%

### Investor services on a unique platform

Inderes acts as an information intermediary between listed companies and investors. The company has been built on commissioned equity research and other IR-related services, such as virtual events and IR solutions. Inderes has developed a dominant position in the Finnish commissioned research market with roughly two-thirds of listed companies paying for its research. The company's edge is its *inderes.fi* platform, which has a wide and active investor audience.

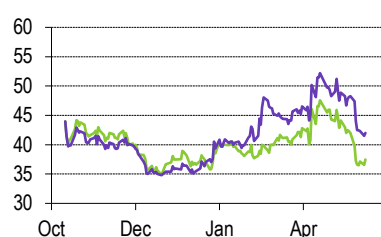
### Expanding the successful platform to the Nordics supports the growth track

Inderes has delivered a solid 33% organic CAGR since 2015 by taking significant market share in Finland and introducing new services. It has recently taken essential strategic steps in terms of geographical expansion. We estimate that the Nordic market potential is around 7x that of the Finnish market. If greenfield expansion in Sweden and the strategic partnership with HCA Capital are successful, we believe the company should be able to grow at a double-digit rate even beyond 2025.

### Valuing large growth opportunity with hidden profitability in mature domains

Inderes' near-term multiples are demanding, but growth should remain strong thanks to Nordic expansion. Our valuation approach uses a low capital cost for the stable Finnish commissioned research revenue, implying high risk for Nordic growth. We set our fair value range at EUR 35-39, based 60/40 on our DCF analysis and peer group multiple benchmarking.

### Share Price (12M)



Absolute (green) / Relative to Finland (purple).

Marketing communication commissioned by:  
Inderes

### Financials (EUR)

Year end: Dec	2020	2021	2022E	2023E	2024E
Revenues (m)	9	12	14	16	18
Adj. EBIT	1	2	2	3	4
Pre-tax profit (m)	2	2	2	3	4
EPS	0.00	0.79	0.92	1.39	2.11
Adj. EPS	0.00	0.79	0.92	1.39	2.11
DPS	0.00	0.80	0.70	1.00	1.50
Revenue growth (%)	76.3	35.4	20.7	12.9	14.5
Adj. EBIT growth (%)	74.8	41.7	(4.8)	51.2	52.5
Adj. EPS growth (%)	n.m.	n.m.	15.6	51.2	52.5
Adj. EBIT margin (%)	15.9	16.6	13.1	17.5	23.4
ROE (%)	67.4	29.8	22.1	30.5	38.8
ROCE (%)	75.5	43.8	27.1	37.4	47.8
PER (x)		47.3	40.9	27.1	17.7
Free cash flow yield (%)		4.8	2.0	3.7	5.6
Dividend yield (%)		2.1	1.9	2.7	4.0
P/BV (x)		9.18	8.93	7.67	6.25
EV/Sales (x)		4.59	3.93	3.41	2.88
EV/Adj. EBITDA (x)	0.0	22.3	23.9	16.4	10.9
EV/Adj. EBIT (x)	0.0	27.6	30.0	19.5	12.3
Operating cash flow/EV (%)		5.7	3.4	4.8	7.1
Net debt/EBITDA (x)	(0.50)	(2.90)	(2.19)	(1.91)	(1.69)

Source for all data on this page: SEB (estimates), Inderes and Millstream/Thomson Reuters (prices)

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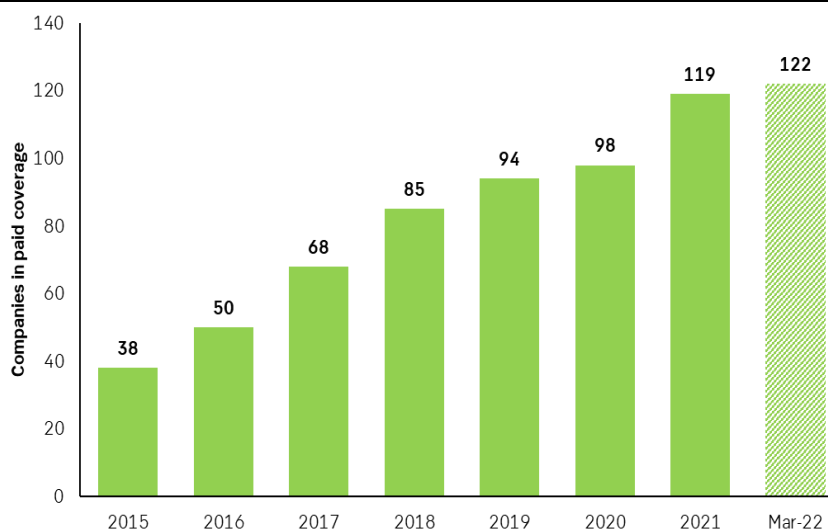
# Investment case

## Growth story on solid foundations

### Finnish commissioned research creating solid foundations

With coverage of 77% of the listed companies on the Finnish stock exchange, Inderes is a clear leader in the Finnish equity research market. The company's *inderes.fi* platform, with 76,000 active users, provides a clear competitive edge in terms of reach among Finnish retail investors. Among the covered companies, some 122 pay for Inderes' research, creating a solid base for close to EUR 5m in annually recurring revenue and solid profitability and cash flow. No other players in the market have such strong distribution in the retail investor channel, which makes the service a 'must have' for many listed companies that wish to improve the market's awareness of their investment story. This is also visible in the low churn if natural causes (delistings or mergers) are excluded.

### Commissioned research contracts trend<sup>1</sup>



<sup>1</sup>) Based on Inderes reports and SEB estimates based on Inderes data

Source: Inderes

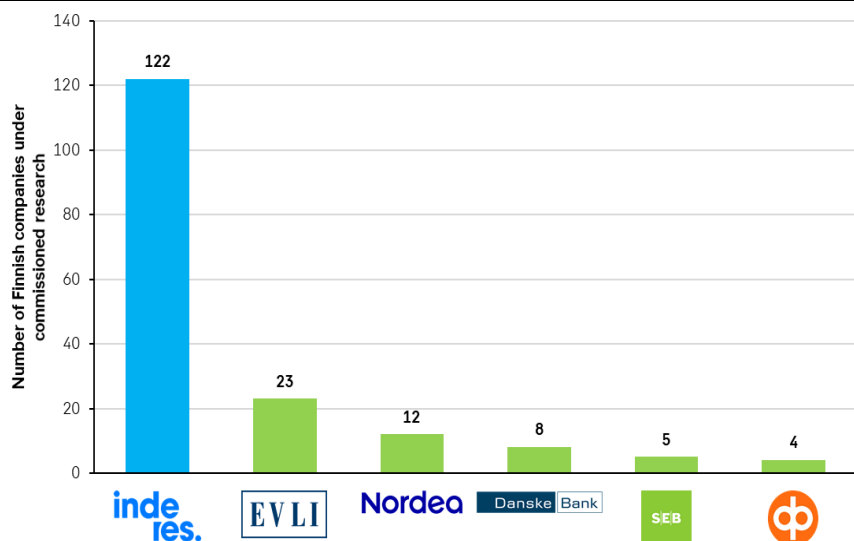
**Inderes has a strong position in Finnish commissioned research, with the widest active retail investor base among competitors**

### Highly defensible position in analysis services

Although there are other service providers in the field of company-commissioned analysis services, we find Inderes has a strong position in its own field (i.e. retail investor distribution). The company's wide retail investor community is something that no peer has to offer for those companies paying for their research. The Finnish market is also relatively small, and threatening Inderes' unique position would be challenging. Although some large banks have wide retail investor bases, their focus in brokerage and research is heavily tilted towards institutional investors and transaction business.

Based on our understanding, the cost structure of large banks is notably higher than it is for Inderes, with slightly higher wages and much greater overheads. This implies that commissioned research products are not as profitable for banks as they are for Inderes, giving the company an opportunity to defend its position with pricing. However, we believe Inderes' pricing is broadly in line with current market pricing. Consequently, we conclude that Inderes holds a highly defensible position in the niche market of Finnish retail client exposure.

### Number of Finnish companies under commissioned research



Source: SEB, company websites

### Stable recurring cash flow from commissioned research

Using a EUR 40,000 estimate, based on our market research and Inderes' historical numbers for an average commissioned research contract, and the company's current number of research contracts, we estimate the commissioned research business generates some EUR 4.9m in recurring revenue. We estimate that the EBIT margin of maturing commissioned research is up to 30%, meaning annual safe cash flow of some EUR 1.5m that can be used to fund future growth initiatives. Given that Inderes includes index hikes in its contracts, the defensive revenue stream provides good protection against inflation and is valued at a relatively low capital cost. We find that Inderes could still increase its penetration, despite >60% of Finnish companies already paying Inderes for its research. However, we believe the main volume growth driver in commissioned research will be initial public offerings (IPOs).

### Close ties with customers and holistic service offers smooth cross-selling

Although commissioned research has been the core of Inderes' journey, we note that it represented only roughly one-third of the percentage of 2021 sales (SEB estimate). Since the acquisition of Flik in 2019, the company has expanded its investor relations (IR) services portfolio to include virtual events (including annual general meetings) and organically incubated IR solutions. With the tailwind of Covid, the number of virtual events has grown significantly and the company has decent market penetration in this business too. However, we see significant cross-selling potential for Inderes' services and believe that virtual events in particular could continue to grow. Compared to rivals in the field of virtual events business, Inderes has a strong edge thanks to the close ties to C-level decision makers and heads of IR functions. Although we understand that the actual sales work of the services is done on a different track with an analysis process, we believe the regular contacts and high-quality service delivery support the brand image, easing new sales. Also, the company's holistic offering and strong focus to publicly listed companies' IR services should be seen as beneficial when pitching new services.

### Scalable growth in IR solutions

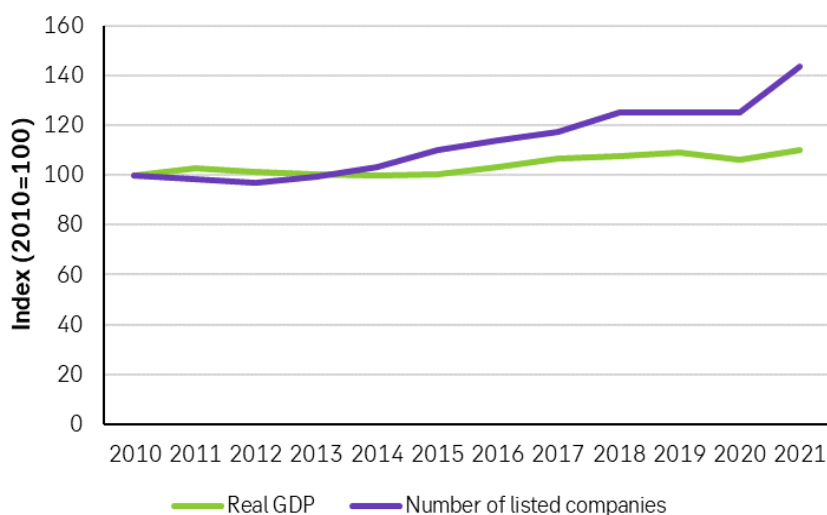
While the commissioned research service business model is people-intensive and hence its scalability is relatively low, we note that virtual events should offer somewhat higher operational leverage. However, the highest scalability among Inderes' service offering is in the software the company produces. The spearhead software is the Videosync platform, which is used for virtual event streaming. The company uses the software internally and sells it externally to customers. It is our impression that the revenue stream from the Videosync platform is still relatively minor, but future growth should come with high leverage, as in any software business.

Inderes also offers the listed companies their own website solutions, which provides scalable software revenue. We think this service currently generates only a small revenue stream. We argue that small companies, and particularly those companies undertaking IPOs, would find the outsourced IR website management to be a relevant service. The high gross margin revenue stream could start to have impact on the numbers in a two- to three-year time frame should the IPO market remain active, in our view.

## IPO activity a key external growth driver

Given that Inderes' main focus is IR services for listed companies and that it already has high market penetration among the Finnish client base, we find the key external growth factor to be IPO activity. We note that during 2010-21 the CAGR for the number of listed Finnish companies was 3%, or 3x real GDP growth over the same period. The IPO market was hot in 2021, smoothing the way for a hefty growth outlook in 2022. However, the war in Ukraine, and the market uncertainty that followed, have delayed planned IPOs and our current take is that the market remains muted for the time being, setting a more challenging growth environment for Finnish operations in 2023.

### Real GDP vs. the development of listed companies in Finland



Source: Statistics Finland, Nasdaq

## Taking the platform Nordic means many times greater market potential

Following its own IPO last year (gross EUR 5.7m raised), Inderes has launched strategic initiatives to take its successful platform in the Finnish market to the Nordic level. The company has initiated greenfield operations in Sweden with the spearheading of virtual services and the launch of Inderes.se. Earlier this spring, Inderes announced a strategic partnership with HC Andersen Capital.

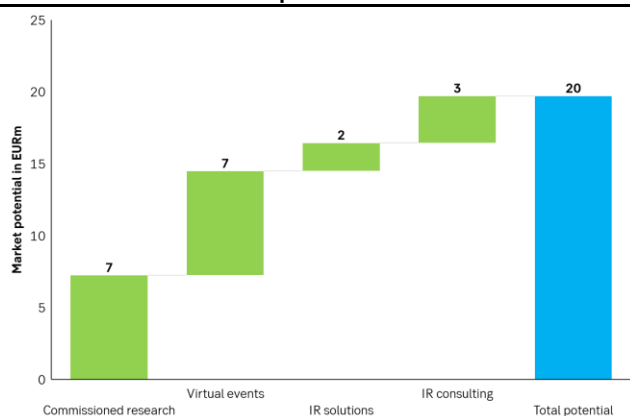
Expanding into the Nordic market will significantly enlarge the company's total addressable market. We calculate the total theoretical market potential in commissioned research to be around EUR 58m (i.e. over seven times that of the Finnish market) and the virtual events market potential to be broadly the same, taking the market potential well above EUR 100m for Inderes. For example, we estimate that achieving only 10% market penetration in Swedish commissioned research and the listed companies' virtual events market would imply c. 50% growth for Inderes on top of 2021 sales.

However, the market in Sweden is competitive so the journey would not be easy, as Inderes has to solve the dilemma of how to reach critical mass on both sides of the value wheel: companies under coverage and the active investor community. Nevertheless, some factors, such as its track record in Finland, should make the work easier than when it started in its home market.

We find the cooperation and partnership with HCA to be an important factor for Nordic expansion and, hence, for the investment case. HCA, which already has a customer base of 70 companies, will have commercial responsibility in Denmark and Norway, but will capitalise on the *inderes.dk* and *inderes.no* platforms. Based on the already existing organisation and client base, the platform ramp-up should be much faster than if it were an alternative greenfield approach. Inderes is set to benefit from the revenue share of HCA's new deals and licensed platform, as well as software product resales. This implies that Inderes is giving up some top-line potential in Denmark and Norway. However, the agreement allows for a high-margin revenue stream and accelerated growth, meaning that from a bottom-line perspective, the deal appears to make sense. We find the partnership reasonable from a risk-reward perspective.

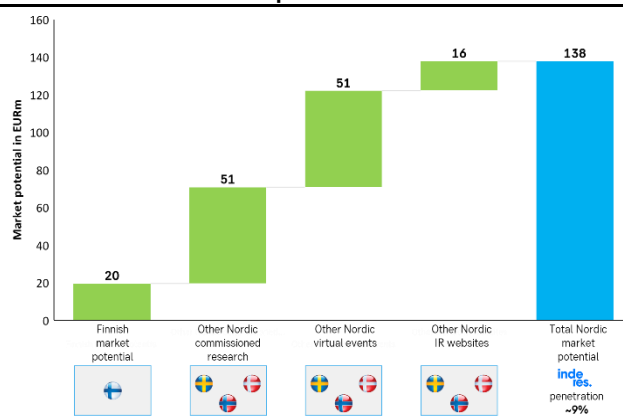
Overall, we find the company's strategic steps to be important value drivers for the case in the long term, as the significantly increased market opportunity should help maintain its strong growth.

### Finnish theoretical market potential



Source: SEB

### Nordic theoretical market potential



Source: SEB

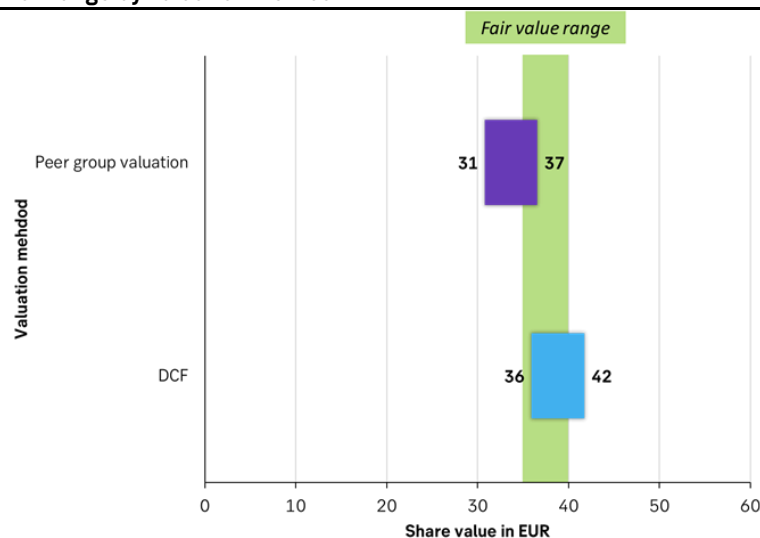
### Delivering profitable growth with underlying profitability potential hidden

Inderes has defined a strategic target to deliver the combination of revenue growth and EBITA margins of 30-50%. The company has delivered EBITA margins of around 20% in recent years and we expect this to continue. However, in our view, the underlying profitability of the more mature Finnish commissioned research is likely notably higher than that of the whole group, and we believe that in the virtual operations, the underlying profitability could have been around the group level in 2021. The growth efforts in new solutions and services (i.e., IR consulting, IR website and AGM solutions), the scaling-up of virtual production capabilities and the strengthening of the organisational structure have burdened the group's average profitability. For example, in 2021, R&D costs amounted to EUR 0.7m and Inderes does not capitalise these costs. In the short and medium terms, the Nordic expansion is likely to continue to keep underlying profitability hidden. However, as the scale increases and the high gross margin sales (i.e., software solutions and the HCA revenue stream) comprise a more meaningful share of the revenue mix, we believe profitability will rise. We see the long-term EBITA margin potential for Inderes at around 30%.

## Fair value range at EUR 35-39; successful Nordic expansion offers upside potential

Our fair value range for Inderes lands at EUR 35-39. We base our valuation assessment on a DCF valuation (60% weighting) and peer group benchmarking (40%). Inderes has a fairly limited number of close peers; we have chosen some international peers as well as local peers with certain business logic and similar commercial drivers. In our valuation approach, we stress that we justify a relatively low WACC for the established and defensive Finnish commissioned research business. Our standalone valuation of the Finnish commissioned research contract base is EUR 26 (i.e. 70% of the current market cap). This implies that we input a relatively high risk factor for the future growth in the Nordics, which is something that needs to be adjusted should the company deliver according to our estimates. Yet, given the early phase of the Nordic expansion, we wait for further evidence to price future growth at a lower capital cost.

### Valuation range by valuation method



Source: SEB, Bloomberg

# Company overview

## Inderes in brief

**Inderes is a Finnish company acting as an information intermediary between listed companies and investors**

Inderes is a Finnish company acting as an information intermediary between listed companies and investors. It was founded in 2009 and listed on the Nasdaq First North Growth Market in October 2021. The company has been built on the commissioned equity research foundation and other IR-related services, such as virtual events, and IR solutions complete Inderes' ability to guarantee efficient information transmission between investors and companies. Inderes' equity research currently covers 144 companies as well as having a large active investor community (close to 80,000 investors) that consists mainly of private investors.

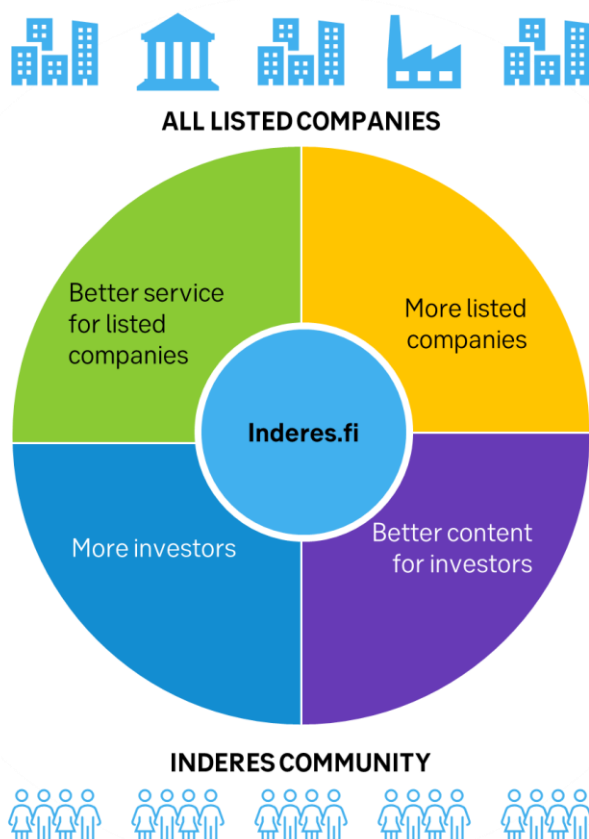
**The Inderes.fi platform connects investors and listed companies**

Inderes connects investors and companies through the Inderes.fi platform, which is used to distribute research reports, broadcast investor events and maintain interactive discussions between investors in discussion forums. Inderes' analysts also participate actively in the discussion forums. The investor community is highly committed to Inderes, helping to create a significant competitive advantage for the company in acting between listed firms and investors (on one hand, it can provide an audience for companies and on the other hand it can offer versatile and interactive content for investors). For example, investors in Inderes community are very active in Inderes' forum, actively read reports and interact on them, and some also use Inderes merchandise.

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### Inderes.fi platform connects investors and listed companies

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Source: Inderes

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**Inderes offers IR solutions and consulting for listed companies**

In addition to offering companies a way to interact with investors, Inderes advises and offers solutions for companies in their investor relations. For example, Inderes provides tools for building investor websites, tools and data to analyse investor interest in companies, and consultations on IR communications and outsourced IR for already listed companies and those in the IPO process.

**Inderes' platform strengthens both with an increasing number of listed companies and increasing number of investors**

Overall, Inderes has a platform that can strengthen as volumes for both covered companies and active followers increase. In addition to the current revenue streams, we argue that Inderes can build new revenue streams as the platform grows. The platform acts in the same way as any media platform: earning revenue from proprietary content.

**Inderes was founded in 2009 and started commissioned research in 2011**

Inderes was originally founded in 2009 by Mikael Rautanen and Juha Kinnunen. The company began commissioned research in 2011, when it signed its first analysis service contract with a listed Finnish company. Inderes faced limited competition in its early years. Since the first contract, Inderes has gradually increased its commissioned research customer base and in March 2022 it had 122 analysis service clients, representing 66% market penetration in Finland.

**Inderes launched the Inderes.fi platform in 2014 and expanded into virtual events with the acquisition of Flik in 2019**

In 2014, Inderes began developing its investor platform [inderes.fi](https://www.inderes.fi). The platform started as the location for Inderes' published research reports. Later, a forum, used mainly by private investors, was added to the platform. In 2019, Inderes acquired the media and event company Flik Media Group, including Swedish subsidiary. The acquisition strengthened its position in virtual event organisation, which saw significant growth due to the COVID-19 pandemic. In 2020, Inderes began developing its investor relations communications offering.

**Recently, the company has expanded into IR services as well****Inderes was listed in October 2021 on Nasdaq First North Helsinki**

In October 2021, Inderes was listed on the Nasdaq First North Helsinki market and the company raised EUR 5.7m in gross proceeds from the listing. The company aims to use the proceeds to grow its investments and has already announced expansion plans for the Swedish market. Becoming a listed company raised the awareness of the company and its credibility, in our view. The public offering of the shares expanded the ownership to Inderes' community, which strengthened the community.

The most recent milestone for Inderes occurred this spring when it announced its partnership with HC Andersen Capital to help it create a Nordic platform. The deal takes the number of public company customers on Inderes' platform to 260.

**The individual markets where Inderes operates are rather small, but it has gained a significant position in all of these markets**

## Offering targeted at listed companies

Inderes started by offering commissioned research and practically created the commissioned research market in Finland. In the beginning, the service was only offered to small listed companies, but as listed companies started to understand the benefit of increased analysis and thus awareness of their listed shares, they began to order commissioned research. The company has also moved into IR webcasts, virtual AGMs, IR solutions and virtual events. Inderes' current offerings consist of three main services for listed companies: equity research services, virtual events and IR solutions.

**Inderes' offering****Equity research services**

- Commissioned research
- Non-commissioned research

**Virtual events (Flik)**

- IR related events
- Other events

**IR solutions**

- Investor websites
- Investor relations communication
- Videosync virtual event platform
- Virtual AGM platform

Source: Inderes

**Inderes produces equity research on a wide variety of listed companies, varying from micro-cap to large cap**

**Most of the research is commissioned by the companies covered**

**Most of the research is commissioned by the companies covered and we estimate that the current price for an annual subscription is about EUR 40,000**

**Commissioned research**

Inderes offers equity research on a wide variety of companies ranging from micro-cap to large-cap names across sectors. Most of the research Inderes produces is commissioned research (i.e. Inderes is paid by the company to prepare the research). Inderes offers these companies distribution to a large number of investors and at the same time provides high-quality analysis on a wide range of companies, something that banks do not offer their average clients who invest in shares. The largest Finnish companies under Inderes' coverage, such as Sampo and Nokia, do not pay Inderes for their coverage, but Inderes covers them due to demand from its investor community. The commissioned research operates through a subscription model. The companies pay an annual fee for Inderes' coverage. This differs from the more traditional equity research model popular at many banks and brokers, in which institutional investors pay for the research through research payments and commissions. Companies paying for Inderes' research can also receive information on investor activity about a particular company.

Inderes currently has 144 companies under coverage. Most of these companies (122) pay for the research. We estimate the current price of an annual subscription at around EUR 40,000, with a rising trend. Inderes' portfolio consists of old contracts with relatively low price points and hence we assume the average contract value to be somewhat below EUR 40,000. The price consists of an annual fee for basic research coverage, and potential additional services, such as management interviews and English translations. With the addition of new services and price hikes, the average research fee received from companies has been increasing. The contracts are continuing with annual price increases included. History shows that customer relations are sticky and hence the commissioned research creates a strong foundation for revenue. Inderes notes that churn is around 5%, of which more than half is related to M&A.

**Inderes offers virtual event organisation services under subsidiary Flik****Inderes can also offer its customers an audience from the Inderes.fi platform****Virtual events**

Virtual events, produced by the acquired Flik, are custom events held at either Inderes' or the customer's facilities and include AGMs, earnings presentations, and capital market days (CMDs) among others. Flik combines Inderes' investor community with Flik's event production capabilities. Hence, Flik can offer these companies not only the production of the event, but also a large retail investor audience, which gives Inderes a competitive edge. Inderes focuses on listed companies as its main target group in the segment but offers the services to private companies too. It is our impression that the quarterly earnings events provide a relatively recurring revenue stream that is agreed between Inderes and the companies well in advance. However, other events are typically booked closer to the event and the win rate of these deals may cause volatility in quarterly sales. We find virtual event revenue to be less sticky than the commissioned equity research. Prices for individual events range from a few thousand euros to a few hundred-thousand euros, depending on the scale of the production.

Virtual event volumes have been supported by the pandemic and Flik already has over 100 publicly listed companies as customers. For example, fully virtual annual general meetings were allowed to be organised during the COVID period in Finland, while in the past it was mandatory for these to be in-person events. This exception is valid until 30 June 2022, but the Finnish government has proposed that from 1 July 2022 it will allow hybrid virtual and in-person general meetings.

**Inderes' IR solutions include investor websites and IR communication services****IR solutions**

Inderes provides IR solutions that complete the offering for its listed company customers. IR solutions include investor websites, an investor sentiment feedback tool and comprehensive investor relations communication consulting services. The website solution builds on the comprehensive service for creating investor websites, from planning and technical implementation to maintenance and support. Inderes has a platform that it can use to build investor websites, helping to improve profitability. Investor websites can also be linked to the Inderes.fi platform, allowing automated Inderes content to be visible on the customer's IR website. Also, the link provides access to Inderes' community and helping to attract visitors. Inderes has built investor websites for Revenio and Toivo Group, for example. We believe the website solutions are more suitable for smaller companies with relatively limited experience as public companies.

**Inderes offers virtual events, AGM and investor website software solution through a subscription model**

In addition, IR solutions manages and develops Videosync and AGM software, which are used internally in virtual events, but also offered externally through a subscription model. Given that these solutions are created by Inderes' internal software development team, the growth should come with relatively high earnings leverage. Additionally, the company offers IR consulting services and, for example, IR services for companies going through the listing process. It is our impression that the IR solutions business is highly scalable, except for IR consulting.

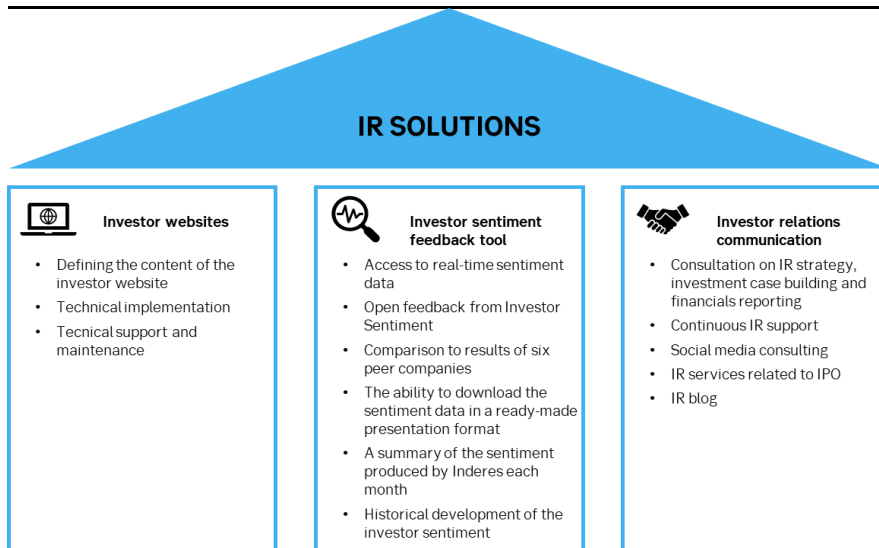
**Inderes' services form a complementary package for its listed company clients****Holistic and packaged offering**

Inderes' service offering is highly complementary. Companies can purchase a complete investor relations package from Inderes, including analyst coverage, virtual events such as financial results presentations, CMDs and AGMs, as well as tools for IR communication. In addition, Inderes has an active investor community, with which the research and events can be shared.

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**IR solutions**


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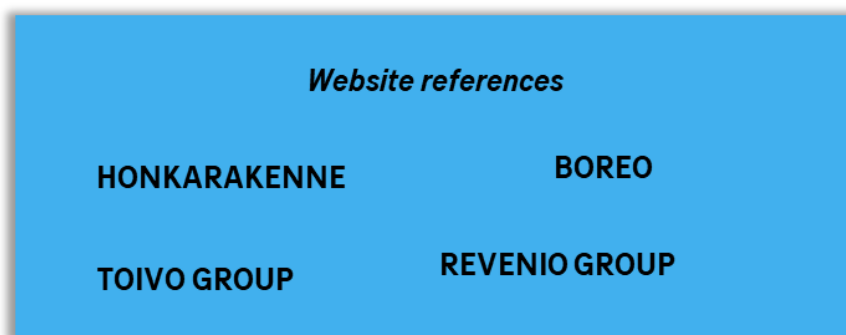


Source: Inderes

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**Website references**


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Source: Inderes

**Inderes.fi platform is an essential element in the business model in our view with over 70,000 active users currently**

**Inderes.fi investor platform and community**

In addition to the aforementioned services, Inderes operates its *inderes.fi* platform, which we see as an essential element of the business model. Connecting investors and listed companies culminates in the *inderes.fi* service. The platform currently has about 76,000 active registered users, mainly private investors, which we think is a relatively high number. We argue that *inderes.fi* provides relevant economic media in the Finnish market. For example, *Kauppaliehti.fi*, which is by far the strongest economic media in Finland, reaches 588,000 readers weekly and the printed version has a readership of 106,000. However, *talouselama.fi* and *arvopaperi.fi* have weekly reaches of 406,000 and 57,000, respectively. We note that the above mentioned Inderes number is registered users (not fully comparable to the media data above) and the unique visitors must be significantly higher. *Inderes.fi*, has thus started to have relevant media value as well, which it is currently capitalising on only in the revenue streams of commissioned research and events, while the advertising looks to have untapped potential.

**Inderes.fi platform includes equity research reports, videos, model portfolios and a forum where investors and Inderes' analysts can interact**

The Inderes.fi platform consists of multiple interconnected parts. First, Inderes and other research providers' equity analyses are published on the platform. In addition to company-specific research, Inderes provides macro and market research. Second, the platform houses a popular investor forum where users can discuss various companies and other topics related to investing and personal finances. Inderes' analysts and some IR professionals are active on the forum, answering the community's questions directly. The forum has hundreds of different threads, with topics ranging from individual listed Finnish companies to personal finance.

Additionally, Inderes.fi includes a section called *inderesTV*, where company interviews, macro research, and other content in video format are posted. Moreover, Inderes.fi includes a model portfolio (*Mallisalkku* in Finnish). The portfolio's holdings are public to the community's members and all transactions are published on the platform. Over 26,000 Inderes community members follow the portfolio's updates, according to the company.

**Inderes.fi platform can be used for free, but users must pay for a premium subscription**

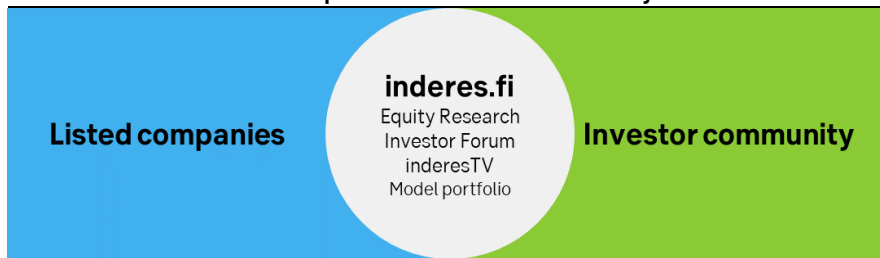
The Inderes.fi platform can be used for free, but it also includes features only available for paying subscribers, who are categorised as premium (retail) users, corporate users and institutional investors. The premium service is being also sold via partnership channel (for example, for Nordnet private banking customers). The annual price for premium users is EUR 200, while the fee for corporate investors is EUR 990 annually. Institutional investors are offered 'radiohead' pricing (i.e. the client pays based on received value). However, we understand from the company that investor subscriptions do not provide a significant revenue source and the company seeks to maximise its business potential by increasing the number of users and promoting its wide investor reach to the companies. Nevertheless, we believe there is potential for the company to increase investor-side revenue.

**Inderes' equity research subscription options**

Free subscription	Premium subscription in addition to free services
✓ Daily morning review	⊕ All the reports
✓ Analyst comments	⊕ Model portfolio
✓ Corporate coverage	⊕ Stock comparison and tools
✓ Inderes Q&A	⊕ Manager transaction information
✓ Investor forum	⊕ Net impact reports
✓ Extensive reports	⊕ Inderes canvas bag for private / corporate investors, analyst meetings for institutions

Source: Inderes

### Inderes.fi connects listed companies and investor community



Source: Inderes

**The mission of Inderes is to connect listed companies and investors**

## Mission, values and financial targets

### Democratising the information in financial markets

Inderes' mission is to connect listed companies and investors. The company was founded on the basis of enabling equal information for investment decision-making, regardless of the level of professionalism of an investor. According to the company, the analysis on listed companies has been the right of a relatively limited group of institutional and wealthy investors, but Inderes wants to create an equal opportunity and provide access to information for all investors. For companies, Inderes argues that the transparent and widely distributed information improves access to capital.

### Values and organisational leadership model

Inderes states that it will always choose to be great (and small) instead of a big company. Inderes is being managed through its core values, outlined below.

- **Independence:** Inderes' research opinions are based on the independent fact-based and critical assessments of its clients.
- **Passion:** Inderes seeks new business opportunities where it has passion.
- **Quality:** Inderes delivers customer projects with high quality and is not cost-driven.
- **Longevity:** Decisions are made taking into account the stakeholders in the following order: personnel, community, customers, and shareholders.

**Inderes describes its working culture as one that connects discipline and anarchy**

Inderes' organisational model relies heavily on self-leadership and distributed decision-making. The company describes its organisational culture as one connecting the positive sides of discipline and anarchy. The organisation does not have a strict hierarchy and employee creativity is supported. Meanwhile, the company follows strict discipline in delivering quality service on time, as promised. In addition to supporting employees to express new ideas, the light organisational structure enables the company to execute ideas quickly. Inderes also actively forecasts and plans for the future, from both a strategic and financial point of view. However, it maintains the ability to deviate from plans the need arises.

### Inderes' organisational culture connects discipline and anarchy



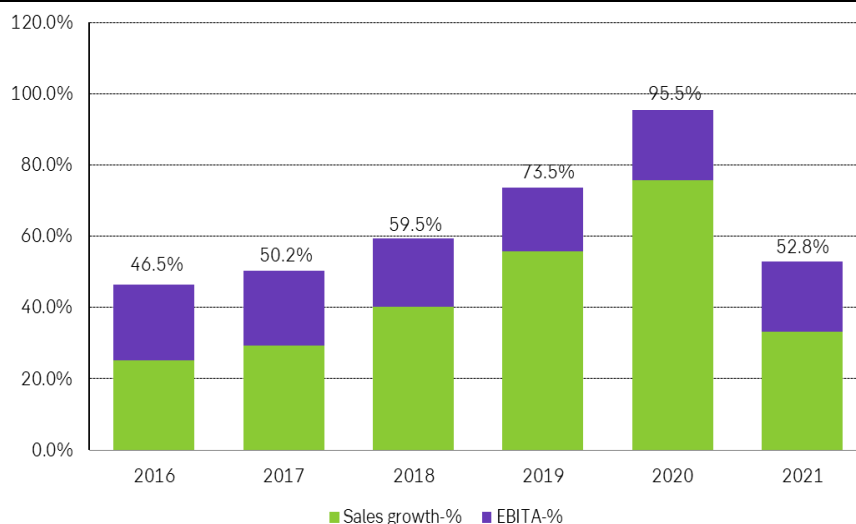
Source: Inderes

**Inderes' targets a sum of revenue growth and EBITA margin of 30-50%**

**Financial targets**

Inderes' sole long-term financial target is to maintain the sum of revenue growth and EBITA margins at 30-50%. With this target, the company aims to maintain a healthy balance between growth and profitability. The upper end of the range acts as a limit for what the company sees as the maximum sustainable growth rate. Historically, the company has been able to stay within or exceed this range.

**Inderes has been able to maintain or exceed its target range in the past**



Source: Inderes, SEB

**We believe that maintaining the historical growth rate will become more challenging and find a realistic 2026 outcome for Inderes to be a 10-20% revenue CAGR with EBITA margins rising gradually to 25%**

**Modelling the financial target for the next five years**

Inderes has a strong track record of delivering its financial targets. In the table below we have modelled the company's potential 2026 EBITA using different combinations of growth and EBITA margins for 2021-26. Delivering the lower end of the target range with different combinations implies that the company's EBITA would be just EUR 3.5m in 2026. However, by delivering a 20-35% revenue CAGR and 15-30% EBITA margins in 2026, EBITA could approach EUR 9m. When looking towards 2026, we find a realistic outcome is for the company to deliver a revenue CAGR of 10-20% with margins rising gradually to 25%. This would imply 2026 EBITA in the range of EUR 4-7m.

**Simulation of 2026E EBITA based on sales growth & EBITA margins**

		Sales growth										
		0%	5%	10%	15%	20%	25%	30%	35%	40%	45%	50%
EBITA-%	50%	5.9	7.5	9.5	11.9	14.7	18.0	21.9	26.5	31.8	37.9	44.9
	45%	5.3	6.8	8.6	10.7	13.2	16.2	19.7	23.8	28.6	34.1	40.4
	40%	4.7	6.0	7.6	9.5	11.8	14.4	17.6	21.2	25.4	30.3	35.9
	35%	4.1	5.3	6.7	8.3	10.3	12.6	15.4	18.5	22.2	26.5	31.4
	30%	3.5	4.5	5.7	7.1	8.8	10.8	13.2	15.9	19.1	22.7	26.9
	25%	3.0	3.8	4.8	5.9	7.4	9.0	11.0	13.2	15.9	18.9	22.4
	20%	2.4	3.0	3.8	4.8	5.9	7.2	8.8	10.6	12.7	15.2	17.9
	15%	1.8	2.3	2.9	3.6	4.4	5.4	6.6	7.9	9.5	11.4	13.5
	10%	1.2	1.5	1.9	2.4	2.9	3.6	4.4	5.3	6.4	7.6	9.0
	5%	0.6	0.8	1.0	1.2	1.5	1.8	2.2	2.6	3.2	3.8	4.5
0%	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	

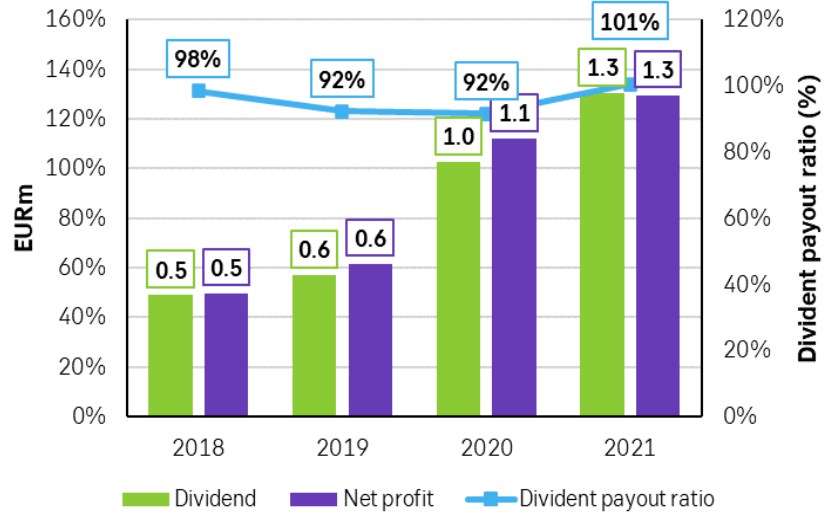
Financial target range of 30%-50% in combination of sales growth and EBITA-%

Source: SEB

### Dividend policy

Inderes aims to distribute an increasing level of profits to shareholders via dividends and share buy-backs. It has never disclosed a target dividend, but it has said that it is contemplating distributing dividends twice per year.

#### Inderes has paid most of the net profit as dividends

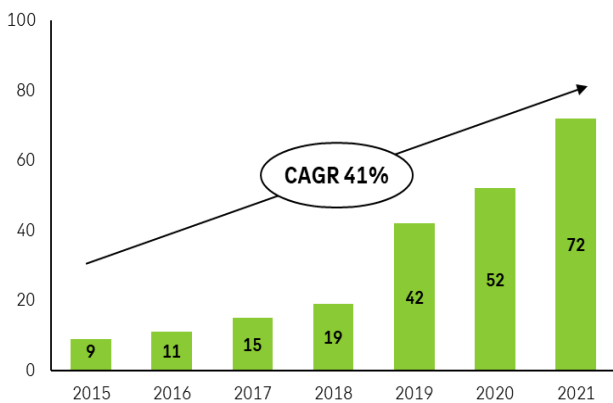


Source: Inderes, SEB

### Split of personnel

Inderes had 92 employees in the group as of end of Q1 2022. As of June 2021, most of the employees were working at virtual event producers Flik Helsinki (37%) and Flik Stockholm (3%), and 33% was involved in equity research. The number of employees has been increasing with a 2015-21 CAGR of c. 41%.

#### Growth in average number of personnel



Source: Inderes

#### Personnel split (6/2021)



Source: Inderes



## Strategy builds on Inderes.fi platform

### Inderes' strategy focuses on increasing the network effects around the Inderes.fi platform

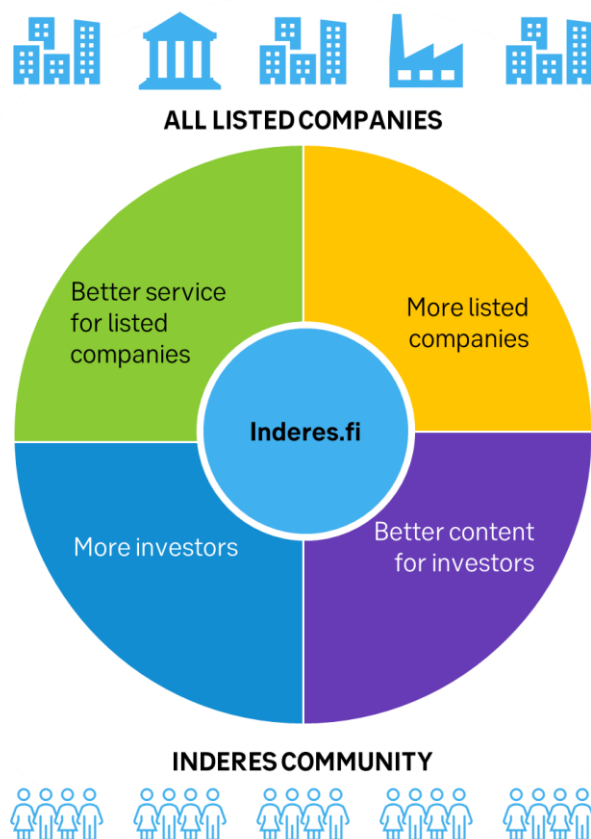
Inderes' strategy is based on increasing the network effects of the Inderes.fi platform. Inderes calls this strategy the Inderes Flywheel. In basic terms, the more stock-listed companies Inderes has as clients, the better the content they can provide to investors. Better content draws more investors, which in turn increases the value proposition for the listed companies. So, success on either side fuels success on the other side.

This strategy builds on the following key pillars.

- Increase the public company client base by building investor communication solutions, enabling efficient and relevant target group to reach IR communication.
- Build a community-centric service with high quality.
- Expand in new market segments where it can offer excellent service.

Reflecting its financial targets, the company aims for increased profitability in the more mature businesses, such as Finnish commissioned research, while it can accept lower profitability in those businesses at an earlier stage of development.

### Inderes.fi platform connects investors and listed companies



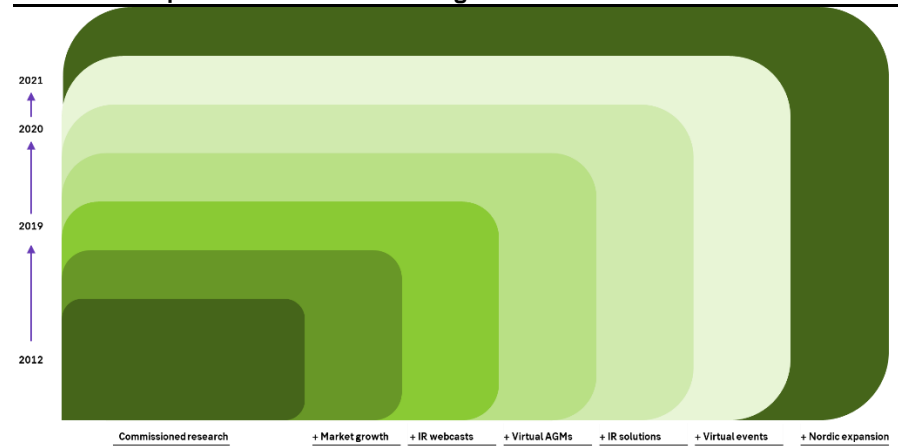
Source: Inderes

**Over its history, Inderes has entered new markets and taken a leading position in those markets**

### Incubation of new opportunities and expansion into new market segments

Inderes has expanded its business portfolio from analysis services to new services, and aims to continue this journey. Building on the already strong position in Finnish IR communication services, Inderes aims to interpret market trends and through fast reactions seeks new business opportunities. In relation to its Q1 report, the company noted that it is planning new initiatives around ESG. The company continually looks at developing new micro level strategic initiatives. Its strategy is to increase its investments and efforts after it is confident that it has reached an appropriate level of value creation. Inderes' strategy throughout its history has been to enter new markets, capture leading positions and perform excellently, which has supported its growth. Inderes is unlikely to expand into a new business area if it does not believe that it can perform excellently in that area.

### Inderes has expanded into new market segments



Source: Inderes

### Excellence in operations

Inderes would prefer to be a small, excellent company than a large, average player in its field. Its ambition is to be a highly specialised and valued expert in its own businesses. We believe this principle is reasonable from a shareholder value-generation perspective. The company is not ready to spend shareholders' money on investments that it does not expect to generate attractive results versus the risks.

### Creating its own business opportunities

Inderes has essentially generated its core commissioned research services business from scratch in a market that did not exist. It also rapidly understood the business opportunity of virtual AGMs that emerged from the pandemic. Now, it seems that Inderes is taking the pioneering position of creating a Nordic-wide investor platform that should improve cross-border investor knowledge of Nordic equity cases.

### Focus on listed company customer segment

Inderes' service offering has been targeted at publicly listed companies, which generate the majority of the company's revenues. At the end 2021, the company had 188 listed company customers (of which some were in Sweden), meaning that close to all listed companies in Finland were acquiring Inderes' services. We think that the focus on listed companies together with the complementary service offering provides the company's edge among the virtual event competitors.

**Inderes sees significant growth opportunities in existing client space. In particular, IR solutions has notable growth opportunities**

### **Cross-selling to existing customers**

Inderes aims to increase its service offerings among the current customer base in which it has relatively long and deep customer relationships. The company has extended its service offerings only recently, and not all services are being offered to most clients. Among listed companies, Inderes believes that it has a growth opportunity in IR solutions in particular. Newly listed companies broaden the potential customer base. Inderes' business is highly dependent upon the trust of the community and it aims to provide a high-quality service to keep the community committed. The goal of the company's community team is to build the most community-focused service in the world while focusing on quality.

## **Geographical expansion: Investing in Sweden**

**Inderes has started expansion into Sweden**

### **Swedish market is the next major move**

Following its IPO, Inderes made the decision to invest in Swedish growth. Inderes already had operations in Sweden under Flik Media Solutions Ab, offering virtual and hybrid event organisation services. Sweden generated EUR 0.6m, or 5% of Inderes' total sales in 2021. The planned investment includes a new hybrid event studio in Stockholm and a market assessment to evaluate the opportunity to expand its service offerings more widely into the Swedish market. We think the company is about to start the commissioned research business in Sweden and gradually introduce other services as well.

Inderes estimates its Swedish expansion investment at around EUR >1m in 2022, of which roughly half relates to the physical studio as capex and the other half to opex that relates to a ramp-up of the organisation. The company has already launched the Inderes.se website, the content of which builds on Finnish equities, but also to some extent is a third-party feed for Swedish equities.

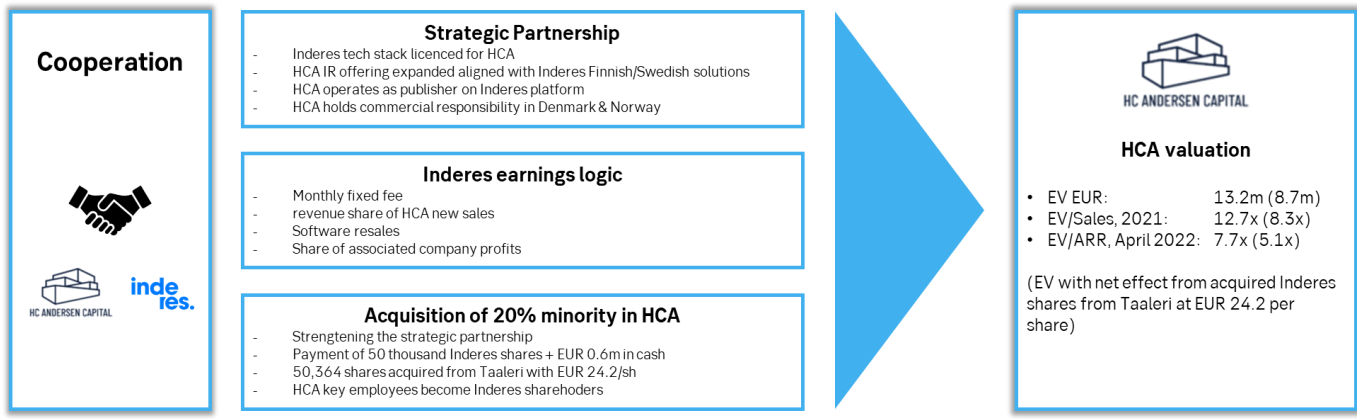
**Inderes started cooperation with Denmark's H.C. Andersen Capital and acquired a minority stake to expand its presence in Nordics**

## **Geographic expansion: HCA cooperation**

In April 2022, Inderes announced that it had started a strategic cooperation with Danish commissioned research and digital IR company H.C. Andersen Capital (HCA). At the same time, Inderes announced in a Letter of Intent, that it had agreed to acquire a 20% minority stake in HCA Capital, paid with 50 thousand Inderes shares and EUR 0.6m in cash. The acquisition is executed by issuing 49,619 shares at EUR 40.95 per share for HCA and an additional EUR 0.6m of cash. The purchase price implies a 2021 EV/sales of 12.7x assuming zero net debt.

However, Inderes had the right to acquire 50,364 Inderes shares from Taaleri at EUR 24.2 per share (notably below the market price), and the company exercised that right on 22 April. This right could have been exercised also without the minority acquisition, but given that in practice the earmarked shares were used for the purchase, we calculate the implied price Inderes paid for the minority stake was a 2021 EV/sales of 8.3x. HCA is in a rapid growth phase and the company's ARR was EUR 1.7m in April 2022, meaning the actual EV/ARR was 5.1x, which makes us think that the transaction EV/sales or EV/ARR was similar to Inderes' own EV/sales or EV/ARR. On the publishing date of this report, Inderes closed the deal and announced that the Taaleri shares are cancelled and HCA will subscribe to new shares in the transaction.

**Inderes and HCA Capital cooperation**



Source: Inderes

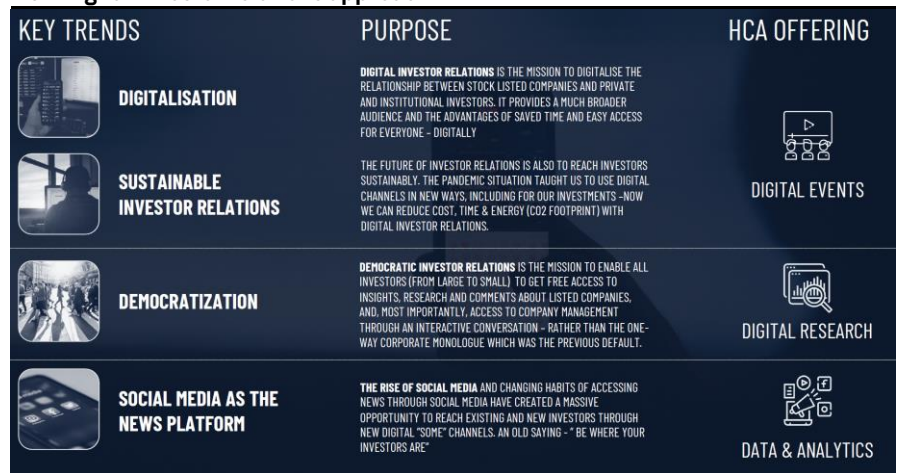
**HCA will distribute Inderes' platform and hold full commercial responsibility for Denmark and Norway**

The goal of the cooperation is to unite forces and launch investor services and communities in Denmark and Norway together with HCA. As part of the cooperation, Inderes will license its technological platform for HCA and launch the Inderes.dk and Inderes.no web platforms, through which HCA is set to publish content under its own brand. Additionally, HCA is to distribute Inderes' software and act as a publisher for Inderes.se. HCA holds the full commercial responsibility for Denmark and Norway, but Inderes should generate earnings from a monthly fixed fee, revenue sharing and software resales. Inderes should also benefit from the rising net results of HCA via its 20% ownership.

**HCA Capital is young company with a profile similar to Inderes**

HCA has many similarities with Inderes. The company offers commissioned research in Denmark and IR services and web events, aiming to democratise investor information. HCA was founded only in 2020 and already has c. 70 listed companies as customers and has started an expansion into Norway and Sweden. The company distributes its research via its own channels to about 53,500 people and via external platforms such as Nordnet and Saxo Bank, social media groups and public relations platforms such as Infront and Bloomberg. Events and videos include, for example, annual and quarterly report presentations and other investor presentations.

**HCA Digital investor relations approach**



Source: HCA pitching deck

**HCA platforms and reach**



Source: HCA pitching deck

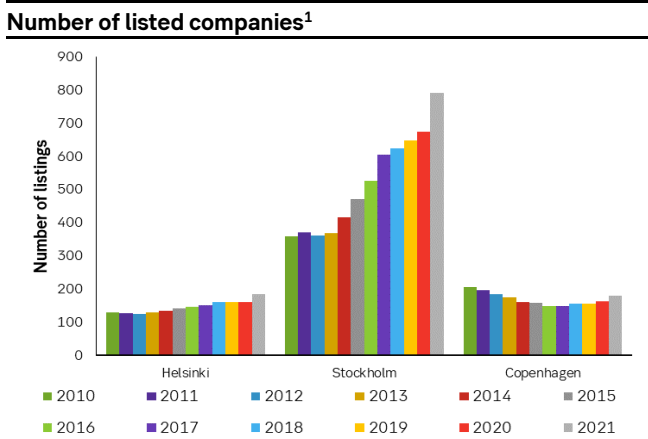
**HCA currently employs equity analysts, other analysts and people working with IR and social media**

H.C. Andersen Capital was founded by Tue Østergaard, who has extensive equity research and sales experience, including, most recently, as managing director of ABG Sundal Collier Markets. The company has five senior equity analysts and various equity research assistants, economists, data and ESG analysts, and others working with IR, events and social media, currently totalling 25 employees. The company also arranges special events for young investors that are organised by a specific youth board, consisting of nine people.

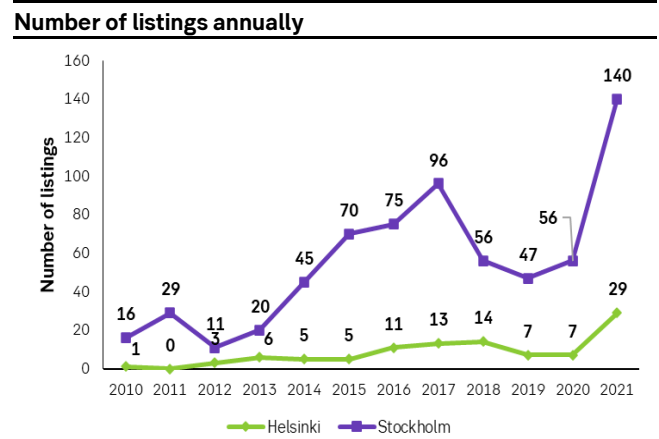
# Markets and competition

**The Finnish commissioned research market potential can be defined as the product of the number of listed companies and the average annual commission, yielding a theoretical market potential of EUR 6.5-8.4m**

Defining the market potential for Inderes is relatively straightforward. We assess the TAM using the number of listed companies and assumed price points for various products. For example, there are 186 listed companies in the Finnish stock exchange (as of April 2022) and Inderes has commissioned research agreements with 122 (66%) of these. In EUR-terms, the potential is EUR 6.5-8.4m, assuming a contract value of EUR 35,000-45,000. In theory, the market size is greater as some companies may use more than one commissioned research provider, but we think the market potential for a single provider is more meaningful. According to a Swedish Prospera survey, a company using commissioned research had on average 1.4 service providers in the Nordics. Market growth is driven by the number of listed companies, which depends upon the companies' willingness to seek public funding. We discuss market drivers below.



1) Includes both main list and Nasdaq First North  
Source: Nasdaq.



Source: Finnish Foundation for Share Promotion

## Total market potential around EUR 140m

### Nordic commissioned research potential of EUR 58m





As we have calculated above, the market potential for Finnish commissioned research market is EUR 6.5-8.4m and Inderes already has around 66-67% penetration in that market. With around 800 listed companies, the Swedish market potential is c. EUR 28m-36m and Inderes is just gradually exploring the market. For the full Nordic region, we calculate the theoretical market potential for one player at EUR 58m, of which around 70% could be reachable in the commissioned research domain, as it is unrealistic to assume that all large companies with wide coverage would acquire research. However, we note that due to the structure of the HC Andersen deal comparing the topline potential is not meaningful. Yet, Inderes should earn on each new HCA's commissioned research deal via revenue share. Hence using the market penetration vs. the potential is equally valid yardstick to estimate the value creation in the case. All in all, we estimate that Inderes has just 8% commissioned research penetration in Nordic listed companies.

### Virtual events market potential of EUR 7m in Finland, EUR 58m in Nordics

When estimating the market potential for Flik, we think that the whole universe of the Finnish listed companies is a relevant market for the company and note that Inderes could earn also from non-listed companies.

Should all the listed companies buy Flik's production for their quarterly presentations, capital markets day (or one other event) and AGM solutions including software, the annual potential per single company with average service prices could be as high as EUR 40,000, assuming EUR 4,000 per quarterly review, EUR 10,000 per CMD and EUR 14,000 per AGM (price points are SEB estimates for average deals). With the number of listed companies this implies EUR 7.2m market potential only in the universe of listed companies in Finland. Again, when extrapolating the virtual event services to the Nordics, the TAM is around EUR 58m. Like in the case with commissioned research, in Norway and Denmark, HCA holds the commercial responsibility and hence the actual top line potential for Inderes is notably lower.

### We calculate EUR 58m potential for Virtual IR events market in the Nordics<sup>1</sup>

	Listed companies in Finland, Sweden, Norway & Denmark	1,461	Number of companies
	Quarterly reviews	4 x EUR 4k	4 events annually per company <sup>1</sup> times price per event
	Annual general meetings	EUR 14k	One event annually
	Capital market days	EUR 10k	One event annually
<b>Total virtual IR events market potential</b>		<b>EUR 58m</b>	

<sup>1</sup>) SPACs and dual listings between different markets are removed

Source: SEB, Nasdaq, Euronext

### IR solution market is also large, but penetration is still low

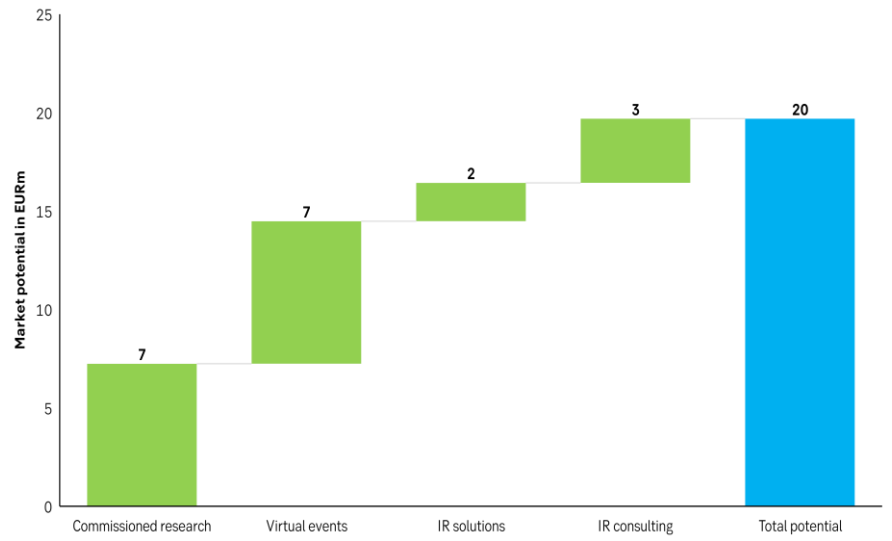
In terms of the IR website solution, we use all companies with market cap below EUR 100m as potential customers, although we understand that Inderes has exposure to the larger companies (like Talenom and Revenio), as well. Assuming annual revenue of EUR 20-30k, the market potential in Finland is around EUR 2m. Yet, we note that virtually all the companies have IR websites and so expansion in this area will be challenging. However, we see new IPO companies as highly potential targets. In the Finnish markets, the average number of IPOs in 2015-2021 was around 12 companies and the corresponding number in Sweden was 77 companies.

When assessing the market potential for IR consulting, we use the number of companies that have no specific IR manager in Finland. We estimate that around 60% of listed companies in the Finnish market do not have an advanced IR function in place (no named IR manager or IR responsible person is running other operations as well). Assuming annual consultation revenue of EUR 30k from these companies, the market potential for Inderes IR consultation is around EUR 3m. At this stage, we do not include the other Nordic countries' IR consultation market in Inderes' market potential, but we think that the long-term ambition could also be that the IR consultation will be a truly Nordic product.

### Total Finnish market potential of around EUR 20m; EUR 140m in Nordics

All in all, we calculate that Inderes' market potential in the Finnish market is around EUR 19m-20m (publicly listed companies) and the company currently has 55-60% market penetration, of which penetration in commissioned research and virtual events is notably higher. We estimate the current Nordic market potential is around EUR 140m and Inderes has just 8% of that market.

### Finnish theoretical market potential



Source: SEB

### Nordic theoretical market potential



Source: SEB



## Dominant position in the Finnish commissioned research market

### Inderes is a clear market leader in Finnish commissioned research

Inderes holds a rather unique position in the Finnish equity research market with a clear market leading position in company commissioned research. Inderes started to build its position after the financial crisis in 2008/09 which caused many brokerages in Finland to close down or downsize their operations. This left a gap in the coverage of smaller companies, which Inderes exploited. The competitive landscape went through changes after the financial crisis, resulting in weak research coverage on small and mid-sized companies. As research coverage increases the activity in a stock, which benefits the covered companies, Inderes started to fill that gap by offering research on equities. Hence, Inderes was the first mover in the Finnish market to offer commissioned research. It was allowed to operate as a monopoly for many years before the first banks started to launch their own commissioned research products in 2016-18. Nowadays, most banks offer commissioned research in Finland as well, but non-commissioned research remains the bread-and-butter business model for most banks' equity research.

### While Inderes' investors are mainly private investors, most Finnish equity research competitors have larger exposure on institutional investors

While Inderes distributes its research mainly to private investors, most competitors in the market mainly focus on institutional investors. As we see it, Inderes seems to be the only operator with virtually 100% focus on serving the active retail investor community. Based on our research, the most significant companies in the Finnish commissioned equity research market, in addition to Inderes, are Danske Bank, Evli, Nordea, OP Financial Group and SEB. Of these we find that Nordea and OP Financial Group have a relatively wide retail customer base, but the companies' main focus is still on the institutional investor field. Additionally, Swedish Redeye, Norwegian ABG Sundal Collier and British Edison Research serve individual Finnish listed companies, but their edge relates mainly to distribution outside Finland. Carnegie offers equity research in Finland but – based on our understanding and Inderes' prospectus – it is only non-commissioned.

Finnish retail investors benefit from Inderes' analysis being produced in Finnish whereas all the banks, except for OP Group, write the analysis in English.

### Inderes is uniquely positioned in Finnish equity research field

Mainly institutional investors		SEB	Carnegie
Both institutional and private investors	EVLI	Nordea OP Financial Group Danske Bank	
Mainly private investors	inde res.		
	Mainly commissioned research	Both commissioned and non-commissioned research	Only non-commissioned research

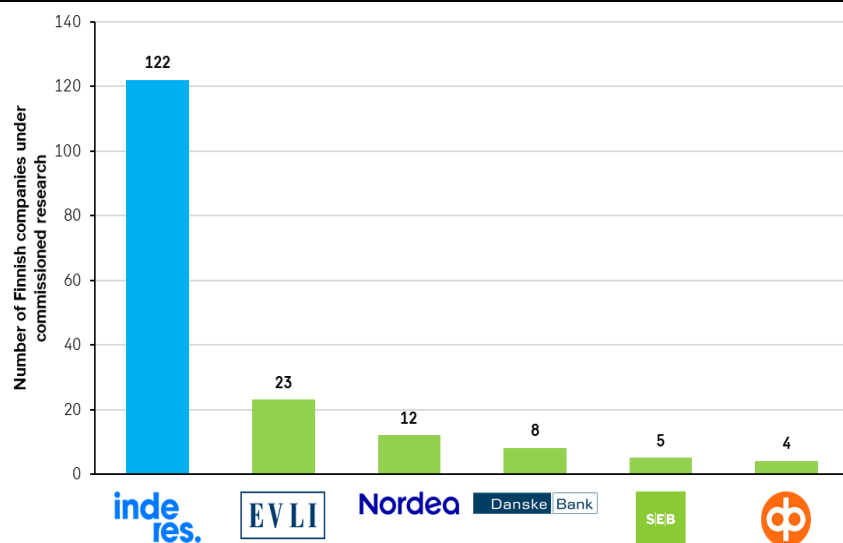
Source: SEB

**Inderes has a strong position in the Finnish commissioned research market with clearly the widest investor base**

Inderes holds by far the strongest position in the Finnish equity research markets in terms of the number of covered companies. It has 122 companies under commissioned research coverage, while Evli, in second position, has 23 paid research companies under coverage. Inderes is also the largest research house when including the non-commissioned coverage with more than 140 companies under coverage, compared to OP in second position, with approximately >70 companies under coverage. We find that Inderes is well positioned to safeguard its dominant position thanks to its wide coverage of Finnish companies which encourages investors to join and stay in Inderes' community. Furthermore, the covered companies appreciate that Inderes' research reaches a wide investor community, and hence they are more likely to pay for research.

Inderes also has a strong hit ratio with IPO companies (roughly 70% of the 2019-21 listed companies are covered by Inderes) and is typically involved in the early phase of the IPO process. Consequently, we expect the absolute and relative market share to increase. Noteworthy, is that Inderes has announced that it is not interested in expanding into brokerage or investment banking services, which is an important revenue stream for the large banking competitors, as it has built its own set of businesses that have a strong competitive edge.

**Number of Finnish companies under commissioned research**



Source: SEB, company websites

**Inderes is expanding into Sweden, Denmark and Norway**

**Nordic market: much greater but tougher**

Inderes has communicated that it is considering launching equity research operations in Sweden, where the market in the number of listed companies is roughly 4x compared to Finland. There are 800 companies listed on the Stockholm stock exchange (including First North, an EU SME Growth market) and the market saw 140 IPOs in 2021. Additionally, Inderes recently began cooperation with Danish H.C. Andersen Capital, which opens Inderes access to the Norwegian and Danish markets, albeit only as a platform provider and minority shareholder.

**Competition in commissioned research is tougher in Swedish equity research market**

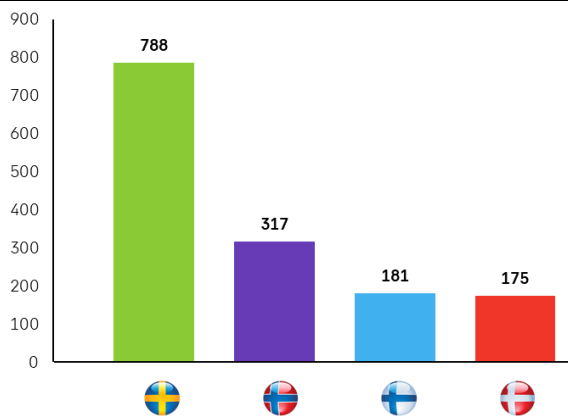
Although at first glance the market opportunity in Sweden looks attractive, we note that the competitive environment is much more difficult than in Finland. When looking at the overall equity research, including the non-commissioned research, we estimate that major players in Sweden are SEB, Nordea and Carnegie, followed by other Nordic bank names.

The Swedish market already has a few established commissioned research providers, RedEye and (nowadays partly published as DNB commissioned research) Introduce (nowadays ABG Sundal Collier commissioned research) and Analysguiden (Aktiespararna). Also, the larger banks clearly have stronger commissioned research coverage with, for example, Nordea covering 53 companies under commissioned research in the Nordics and SEB covering 31 companies. Consequently, Inderes would not have the first-mover advantage in the Swedish market as it did in the Finnish market. Also, players such as Redeye and Analysguiden have created their own private investor network. We understand that the Swedish market price level varies quite a lot with Analysguiden offering the service at a relatively low price point and large banks pricing their product notably above the general market price level in Finland.

**Commissioned research markets in Denmark and Norway are smaller than in Sweden**

Based on our analysis, commissioned research markets in Denmark and Norway are broadly the same size as in Finland, although Norway has somewhat more companies listed. There are quite a few players in the market, both local and Nordic. In addition to H.C. Andersen Capital, notable players in these markets include, for example, ABG Sundal Collier, Redeye (DNB), Danske Bank, SEB, Nordea and Aktieinfo. However, only Redeye and Aktieinfo mainly focus on private investors and we think that H.C. Andersen Capital has quickly gained a significant position as one of the leading commissioned research providers for these markets, especially looking at the private investor field.

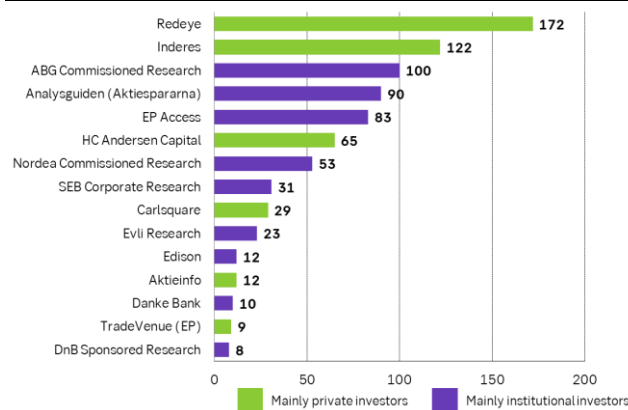
**Number of listed companies by country<sup>1</sup>**



<sup>1</sup> Dual listings removed between exchanges

Source: Nasdaq as of 4/2022, Euronext as of 5/2022.

**Nordic commissioned research providers by mandates**



Source: SEB, company websites

**We arrive at roughly EUR 30m current market value in Nordic commissioned research**

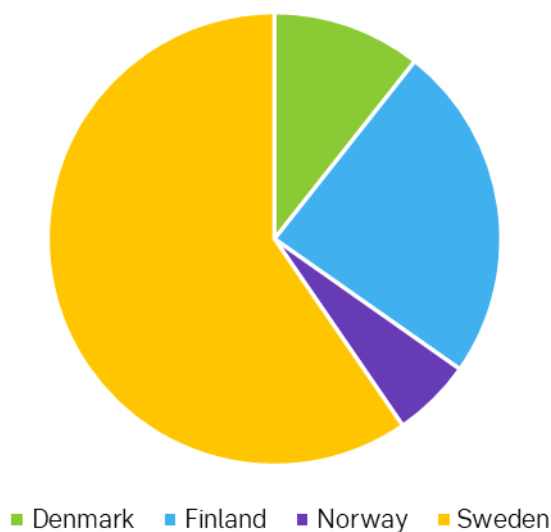
Based on our research, we end up at >800 commissioned research mandates in the Nordics. With an average annual fee of EUR 40k, we arrive at the current Nordic commissioned research market value of around EUR 30m, most of which (we estimate roughly 60%) is in Sweden. We estimate that Inderes holds roughly 15% market share of the Nordic market (roughly >20% if HCA is included). We think that the market size is set to grow through both an increasing number of newly listed companies as well as the overall commissioned research business model penetration.

The theoretical market potential for one operator covering research on all Nordic companies, about 1,500 companies, would imply EUR 58m. However, since the largest companies do not usually pay for research due to significant awareness and non-commissioned analyst coverage, we believe that over 70% coverage in the Nordic market would be unlikely. Hence, we think Inderes is close to the realistic market penetration potential in Finland (currently 66-67%). We estimate that 70% coverage in all the Nordics would mean EUR 41m sales. However, taking into consideration that Inderes is covering Norway and Denmark through the HCA cooperation, the net sales potential from Norway and Denmark is significantly lower.

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#### Country split, current Nordic commissioned research mandates (illustrative)

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Source: SEB

## Virtual events and IR solutions competitive landscape

**Virtual events competitive landscape includes general event organisers, virtual event specialists and communication consultancies**

Inderes operates in the virtual events business under its subsidiary Flik, and in IR solutions under the Inderes brand. The landscape includes both general and virtual event-focused event organisers and communication consultant companies that may also offer event organisation services. However, there are not too many players in the market focusing on listed companies' IR related events. Most relevant competitors for Inderes, in our view, are companies that are able to provide comprehensively IR focused consultancy and event organising services such as Milton and large virtual event providers such as Tapaus. Milton is significantly larger than Inderes, but it offers its services internationally and also has communication consultancy services on a wider scale. On the other hand, the competitive situation is not always clear because, based on our understanding, organisers may use other event organisers as suppliers; for example, some companies utilise Inderes' Videosync platform.

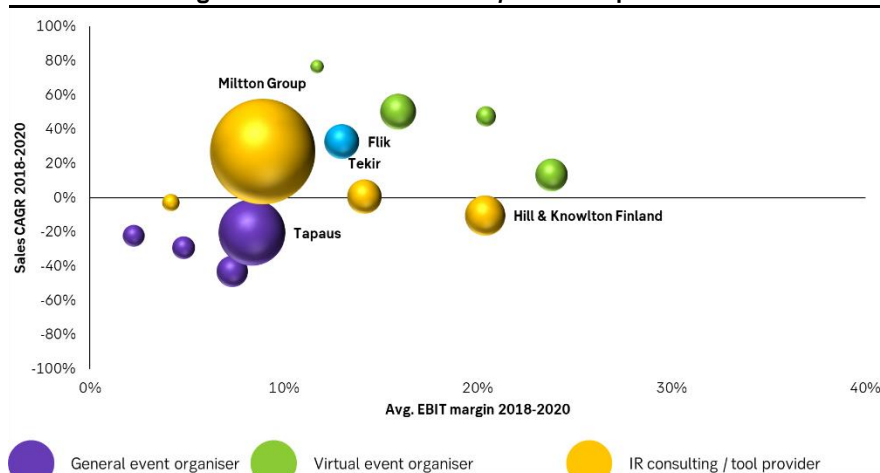
**Most virtual event competitors are small with sales below EUR 10m**

In addition to IR solution providers, Flick competes with pure event organisation companies that offer streaming and event organisation services. Most of these companies in Finland are rather small, generating below EUR 10m revenue and does not focus on IR related events as Inderes does. The largest competitors in the field offer both physical and virtual events. However, companies offering both virtual and physical events have notably been suffering from the effects of the COVID crisis and have lost revenue in 2018-20, whereas solely virtual event organisers have gained market share. Virtual event organisers were also –as could be expected– more profitable than their general peers. On the other hand, Flick<sup>1</sup> grown profitably during the period, even though not reaching the numbers of some Finnish virtual event organisers.

**Most event organisers are not listed company specialists**

Most event organisers in Finland are not focused on listed companies' events, giving Inderes the edge to strengthen its niche position in the field. However, for example, Swedish Streamfabriken, that also operates in Finland, is focused on public company events and companies such as Tapaus have organised large corporate events for new product launches or internal purposes.

**Selected event organisers and communication/IR service providers in Finland<sup>1,2</sup>**



2) Milton Group's financials are from 2017-2019. Flick's financials are from 6/2019-12/2020 and are sum of Flick Helsinki Oy, Flick Media Group Oy and Struu Oy numbers.

Source: Asiakastiето, company websites, SEB.

<sup>1</sup> Period 7/2018-12/2020 for Flick, included sum of Flick Helsinki, Flick Media Group and Struu Oy

## Virtual events and IR solutions market in Sweden

### **Event market is fragmented in Sweden**

Several companies operate as event organisers in Sweden, although most of the companies are quite small, as in Finland, generating less than EUR 10m per annum. Most of the large event offices in Sweden have lost sales during the last years (2021 not available) according to Allabolag.se data, likely due to the impact of Covid on live events. Based on our research, large event offices in Sweden include Hansen (part of listed Moment Group), Creative Meetings, Eventyr (part of Tapaus Group) and Contrast. However, all of these companies also offer physical events and do not have a similar focus to Inderes. On the other hand, there are also companies with a strong emphasis on virtual events in Sweden even though possibly offering live events as well. Several of those companies, such as Jirango and Onemotion, have either their own virtual event platform or studios that can be levered in different events but have at the same time broader focus compared to Inderes (Flik).

### **Financial Hearings has a similar focus as Flik in Sweden**

In terms of events, we find that Financial Hearings is quite a good peer to Inderes in Sweden; for example, the company organises capital market days, audiocasts and webcasts related to IR. But it is noteworthy that Financial Hearings is also a customer of Inderes as it uses the Videosync platform in its production. The company generated SEK 17m of sales in 2020 with a 16% EBIT margin and has grown at a 13% CAGR in 2017-20. The company is based in Sweden but has created events across the Nordics and other parts of Europe.

### **IR consulting competitors in Sweden generate less than EUR 10m annual sales in Sweden**

As well as Finland, we think that Miltton is also a relevant competitor for Inderes in Sweden in terms of IR consulting. Miltton Sweden AB company generated SEK 47m of sales in 2020. Correspondingly, global Hill+Knowlton offers IR consulting services in Sweden with SEK 18m of sales in 2020. There are also small local companies such as Carrara Communication and Laika Consulting that are offering IR consulting in Sweden, or companies offering IR website design or platform such as Kumpan. Based on our research, most companies operating in the sector are small, with only a few million euros of annual sales or below, and they are not supported by a similar community to Inderes.

# Growth drivers

## IPOs and digitalisation key external growth drivers

### Number of listed companies key growth driver – IPO – seen as more relevant option for growth companies

**IPOs have gained increasing popularity in recent years**

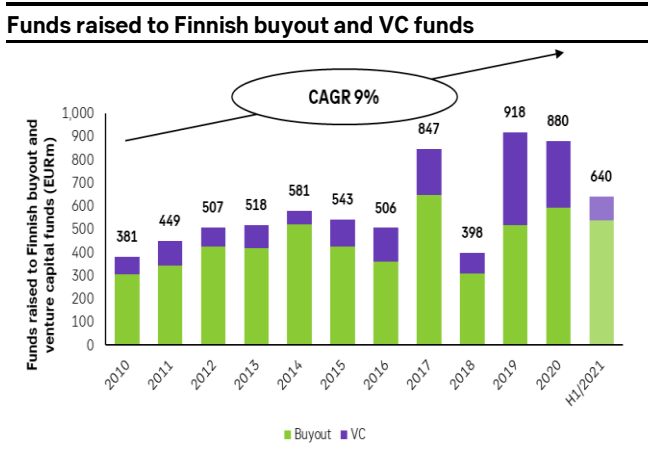
The addressable market for Inderes in Finland grows with the number of listed companies. Becoming public has become increasingly popular in both Finland and Sweden and public funding is utilised more. We note that following the financial crisis, traditional bank loan funding has become a less appealing option as the banks set stricter requirements for corporate lending, which drives the demand for alternative funding sources.

**Growth in listed companies is explained by expansion of First North market**

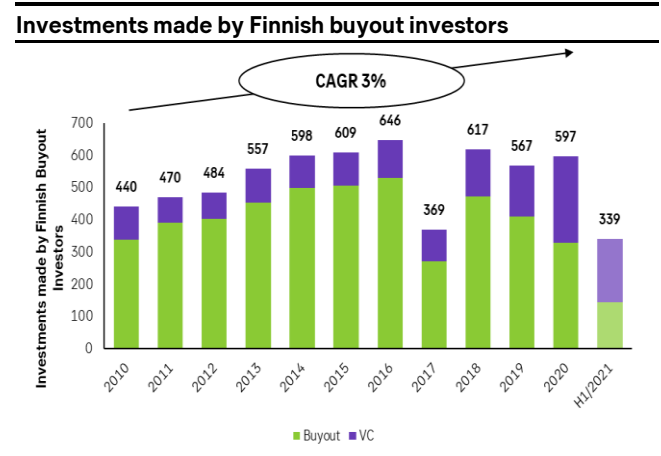
The number of listed companies in both the main market and First North was 186 in Helsinki based on Nasdaq data and 800 in Stockholm. The number was 43% higher than in 2010 in Helsinki and 121% higher in Stockholm, translating to 3% and 7% annual CAGR, respectively. The growth has been especially driven by the growing number of companies listed in First North, explaining 75% of the growth in Stockholm and as much as 86% in Helsinki. Nasdaq First North is an “EU SME Growth market” with a lean listing process and an international rulebook, which lowers the threshold for the listing process for smaller companies considering an IPO.

**Activity in private equity investing supports IPO market**

Activity in private equity investing, both in venture capital and in more mature phases, has been increasing notably. Based on H1/21 data provided by the Finnish Venture Capital Association, 2021 is likely to have been the highest year in terms of fund raising since 2010. We think that the activity is likely to be a strong leading indicator for the IPO market since private equity investors typically exit the investment within a few years. Hence, we conclude, based on investments made, that the strong IPO market trend is expected to continue in the coming years, depending of course on the escalated geopolitical situation. Also, the funds raised by the Finnish private equity companies were at a strong level in 2019-20, and in our view, this indicates that activity is likely to remain high toward the middle of the decade.

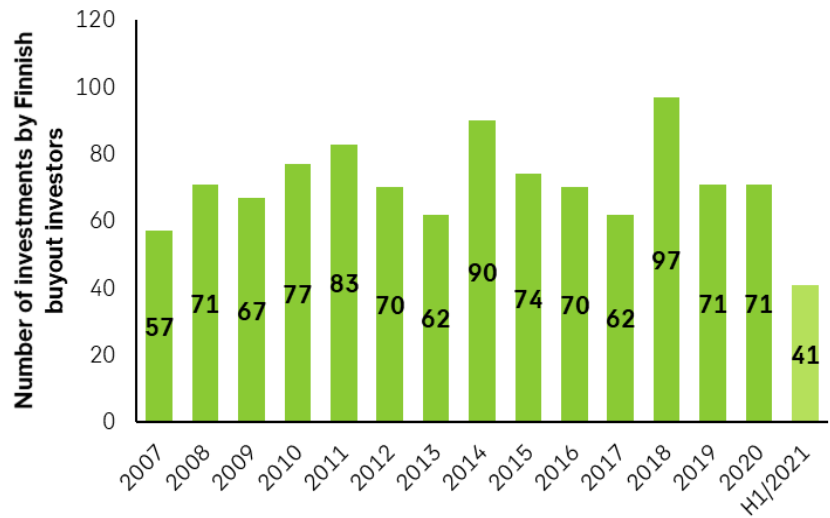


Source: Finnish Venture Capital Association



Source: Finnish Venture Capital Association

**Number of investments by Finnish buyout investors**



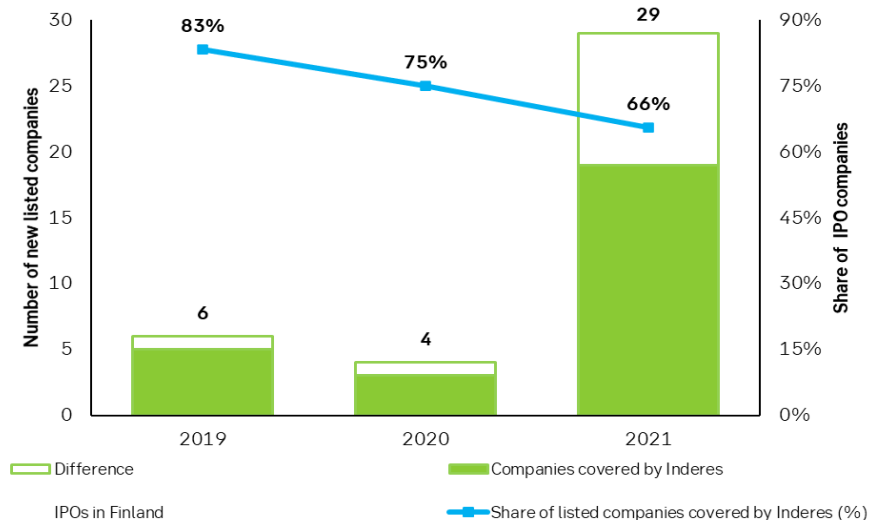
Source: Finnish Venture Capital Association

**Inderes has a very strong position in the Finnish commissioned research market**

Thanks to its established strong position, we believe Inderes is regarded as a highly relevant service provider when existing or newly listed companies consider increasing the awareness of their investment case among retail investors. We note that no other market player in the Finnish market is leaning purely on retail investor distribution and Inderes' community platform is time-consuming to create from scratch. We conclude that the strong market share is likely to strengthen as Inderes gradually wins new clients and is seen as an important partner for new market entrants.

In the chart below, we have also assessed Inderes' market share among new Finnish exchange entrants. During 2019-21, 39 new companies entered the Finnish public market, and according to our understanding, 27 of them (69%) have commissioned a research agreement with Inderes. Furthermore, we believe that the company already has agreements with more companies listed in 2021 and hence the actual penetration of newly issued companies is a bit higher. Consequently, we conclude that Inderes could slightly increase its commissioned market share among the current listed companies, but that the main growth in the Finnish research market will be driven by the new market entrants.

**Inderes covers most newly listed companies in Finland**

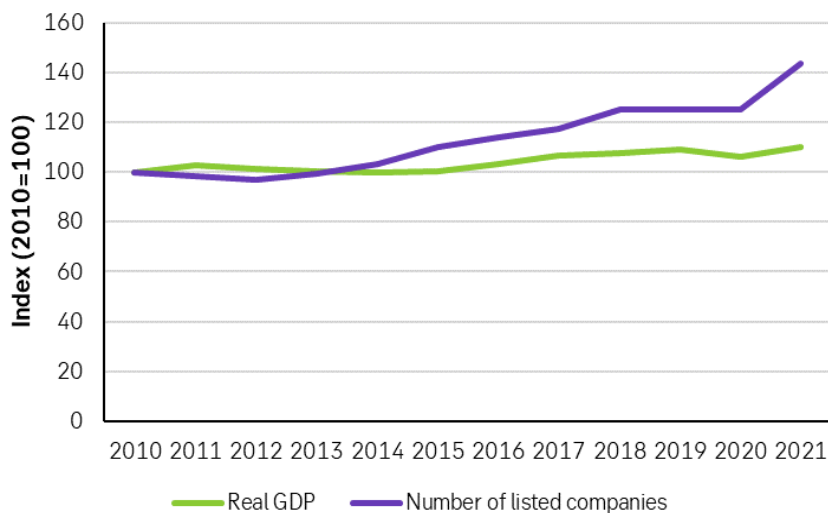


Source: Nasdaq, Inderes



Looking at the long-term development of the Finnish public market, we note that the number of listed companies has increased 3x times the real GDP growth in Finland since 2010. Consequently, we assume 3-4% volume growth in analysis services in the long-term, assuming that the Finnish GDP continues the relatively sluggish growth seen over the past years.

#### Real GDP vs number of listed companies in Finland



Source: Statistics Finland, Nasdaq

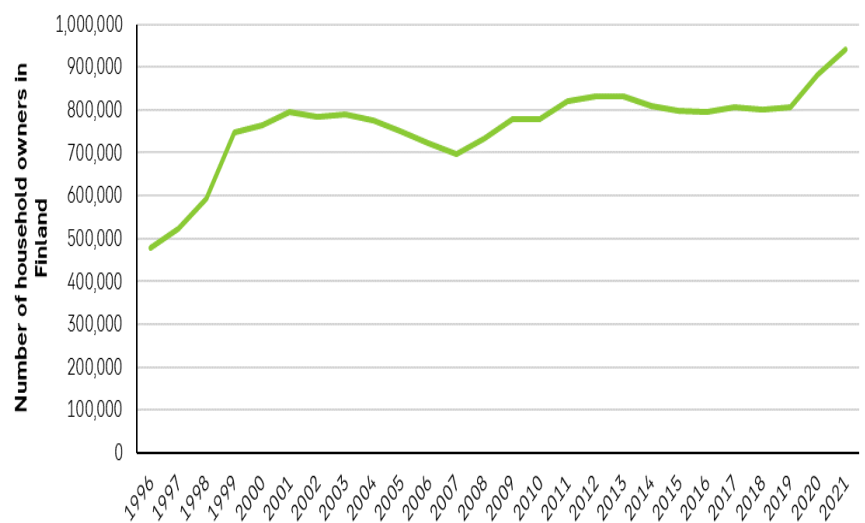
#### Number of private investors has increasing trend

##### Number of private investors is increasing

The number of private investors has clearly been on an increasing trend in Finland in the recent years. The number of Finnish household owners has increased at a CAGR of 1.7% in 2010-21, according to Euroclear data, and was even 7.9% p.a. 2019-2021. Since the beginning of 2020, Finnish investors have been able to trade equities inside equity savings accounts without tax effects if the funds are not raised from the account, which has supported the development. However, only EUR 50,000 can be deposited in the account.

Content on available investments for private investors has also expanded in Finland through, for example, different blogs and podcasts. There is content available nowadays for investors with different experience levels and is often promoted by 'influencers' in social media channels, which we believe lowers the barriers for new investors. For Inderes, the driving force for increasing its private investor base is that it will gain greater community on its platform, which again is seen as a valuable asset when pitching new clients in corporate research.

### Number of household shareholders in Finland



Source: Euroclear

#### Inderes increases awareness of listed companies, and decreases uncertainty around them

#### More open and transparent investor communication

Listed companies wish to improve their listed instrument liquidity and a transparent and active investor communication is an essential element for this. The investors see the risks as higher in a case where there is no third-party analysis available, or the communication is very limited. The higher risk in theory equals a higher cost of capital (i.e. lower share multiples). This drives demand for Inderes' services as the company's platform offers efficient access to retail investors in Finland.

#### Virtual IR events have opened doors to more investors

#### Digital channels allowing more efficient IR

Traditionally, investors received their information about a company based on the published releases, while management presentations were mainly reserved for analysts and institutional investors. However, digital company events started to gain popularity pre-2020 and Covid acted as a game changer, taking virtually all company events to virtual mode. Virtual events allow an equal and scalable investor community and hence we believe that even with restrictions related to the pandemic set to fade, virtual events will remain a standard option for the investor communication. We see Inderes as a first mover when it comes to exploiting digital channels as a means to reach investors, and its platform is on a different level when comparing the more traditional brokerages in terms of digital content production and distribution.

#### Virtual AGMs have been allowed since the start of the Covid pandemic

#### Covid accelerated virtual event adoption

Covid has transformed meeting culture from a physical presentation to a virtual one, and annual general meetings are not an exception. Several large events have been arranged online during the past two years, and with developed capability and habits, we believe that virtual events will continue to be arranged in the future, despite some of the events being live. Before the Covid pandemic, it was mandatory to arrange physical AGMs in Finland. A new temporary law was given that enabled virtual AGMs during Covid times. The law was originally valid until the end of June 2022, but in April, the possibility of a law enabling companies to decide whether they want to arrange virtual/hybrid meetings or physical meetings was announced. If approved, we believe that the law will support virtual event development ahead.

## Strategic growth drivers

**No other player is leaning mainly on retail investor distribution. Inderes' established position makes the company very relevant for new and existing listed companies looking for commissioned research coverage**

**We think that regular communication and continuous good quality service delivery improves the brand image**

### Strong market share to get stronger as flywheel gains power

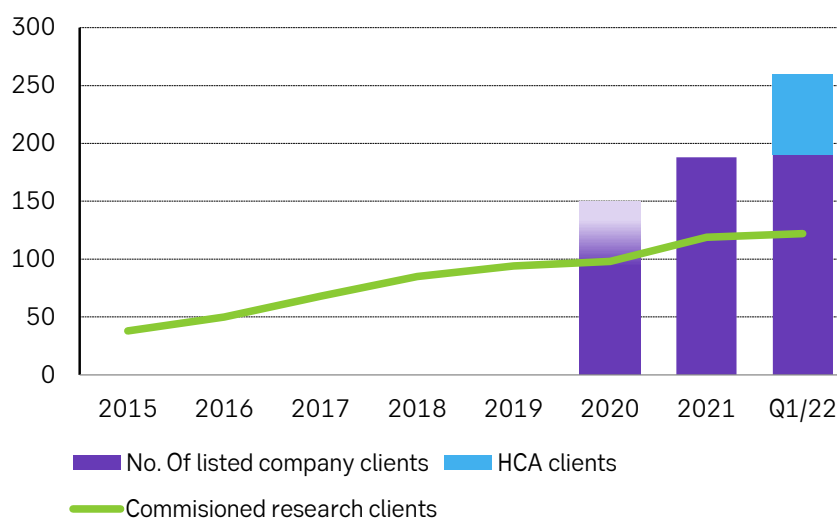
As mentioned in the market section of this report, Inderes has a very strong market share in the field of commissioned research in Finland. Also, the overall coverage is significantly larger versus the second largest service provider, OP Financial Group which has >70 companies under coverage. The more companies and content Inderes provides, the more the number of active investors in the Inderes community increases, which also strengthens Inderes' service value in the eyes of the companies. Inderes can also promote the company's events in its retail investor focused channels, which is something that other service providers virtually lack. Summing up, we think that Inderes still has room to increase its penetration within the existing Finnish equity market, despite the robust penetration of >60%, although we find that the key Finnish commissioned research growth will be driven by IPO activity.

### Holistic offering, platform benefits and close ties ease the cross-sell

Assuming that IPO activity cools following the geopolitical tensions and possible economic downturn, we find that the key short-term growth driver lies in the cross-selling opportunity of other services to the existing client base. One of Inderes' assets is that the company holds close ties with its customers' key decision makers. We think that regular communication and continuous good quality service delivery improves the brand image. Hence, offering new services to the customers should be relatively easy compared to competitors with less active natural communication with their prospects.

We think that Inderes still has significant cross-selling potential between the commissioned research and virtual event clients. Acquiring both services from Inderes would boost the investor reach on Inderes' platform. We note that the investor platform reach is something that the rivals in the virtual event business do not have. We think that the IR website solution and consulting are more suitable for smaller companies that benefit from outsourcing rationale. The close ties to decision makers also help the sales team work with these services, as the decision-makers are familiar with Inderes and its quality.

### Cross-selling: number of listed company clients outgrew analysis services



Source: SEB, company data

All in all, we still find tangible cross-sell and up-sell potential in the Finnish client base, hence the company could continue its growth in the Finnish market, which is not just based on the number of listed companies.

## Geographical expansion comes with high potential but will not be easy

**We find that the largest market potential in the Nordics is in Sweden**

We find that the greatest market potential lies in Sweden where in addition to the largest number of listed companies, we find that there is a significant number of companies without any coverage at all. Despite the Norwegian market being the second largest in terms of the number of listed companies, we find the commissioned research market is the least established there, as it is still fiercely competed in terms of traditional brokerages and their research units.

**We find that Nordic expansion offers large growth potential**

As mentioned in the Markets section of this report, Inderes only has 8% penetration in the Nordic commissioned research market (13% when including HCA Capital's coverage) with the majority of the penetration coming from the Finnish market, where we find market penetration is already 66-67%. This implies that there is significant growth opportunity in the other regions of the Nordic market. Reaching only 10% of the potential in the Swedish market in commissioned research and virtual events would translate to c. 50% growth vs. 2021 for Inderes.

### Swedish market potential: sales growth potential (vs. 2021) depending on market penetration

Sales growth vs. 2021	No. of customers - Commissioned research								Market penetration
	0	5	10	25	50	100	150	200	
<b>0</b>	0%	2%	3%	8%	17%	34%	51%	68%	<b>0%</b>
<b>No. Of</b>									
<b>5</b>	1%	3%	4%	10%	18%	35%	52%	69%	<b>1%</b>
<b>customers -</b>									
<b>10</b>	2%	4%	6%	11%	19%	36%	53%	70%	<b>1%</b>
<b>Virtual events</b>									
<b>25</b>	5%	7%	9%	14%	22%	39%	56%	73%	<b>3%</b>
<b>(quarterly</b>									
<b>50</b>	11%	13%	14%	19%	28%	45%	62%	79%	<b>6%</b>
<b>results +</b>									
<b>100</b>	22%	24%	25%	30%	39%	56%	73%	90%	<b>13%</b>
<b>CMD)</b>									
<b>150</b>	33%	35%	36%	41%	50%	67%	84%	101%	<b>19%</b>
<b>200</b>	44%	46%	47%	52%	61%	78%	95%	112%	<b>25%</b>
<b>Market penetration</b>	<b>0%</b>	<b>1%</b>	<b>1%</b>	<b>3%</b>	<b>6%</b>	<b>13%</b>	<b>19%</b>	<b>25%</b>	

Source: SEB

**Market penetration will be more difficult in Nordic countries other than Finland**

However, we think that geographical expansion will not be easy, although it is plausible. Inderes will not have the first mover advantage it enjoyed in Finland in 2010-20, especially as the commissioned research market is already established in Sweden and the low hanging fruits have been taken. Meanwhile, the Danish and Norwegian markets have tracked behind the development in Sweden and Finland, making them attractive for Inderes-HCA partnership. However, we think that the Norwegian market looks challenging with many institutional brokerages covering a wide range of companies with a traditional approach.

**Inderes can leverage its Finnish model in other countries**

The positive side of the already established Swedish commissioned research market is that the companies are well aware of the service concept, which was not the case when Inderes initiated in Finland. Also, what makes the journey easier versus the Finnish operation's ramp-up is the fact that the company has strong references and experience from the Finnish market. Basically, Inderes can start to copy its Finnish success story and bear the possible loss-making ramp-up phase more easily. Furthermore, being a listed company with a unique story improves the company's credibility and thus should smooth the way for customer access.

**Inderes needs to gather both company clients and investor community to break into Sweden**

To be successful in the new markets, Inderes has to gain critical mass on both sides of its strategic flywheel (i.e. reach enough large content via commissioned research agreements while attracting investors to its platform). In Sweden, this will require a careful but determined building of the organisation, which is never easy to ramp-up in a new market that is already competitive. Also, the first commissioned research deals will probably be made at a lower price. In the Swedish market, we think that more rapid advances can be made on the virtual event side than the commissioned research. In 2021, 5% (EUR 0.6m) of Inderes revenue came from Sweden and we find that the company should be able to gradually expand its market share and use the strong performance in Finland as reference. Inderes currently has roughly 10 listed companies as virtual event customers in Sweden.

**We believe that cooperation with HC Andersen Capital helps to pass some barriers in Nordic expansion**

We find Inderes' strategic partnership with HCA Capital as a reasonable approach to tackle the challenge of gaining critical mass. The deal allows Inderes to use the fast lane to build its brand in the Nordics in a scalable and cost-efficient manner. We believe that the cooperation provides interesting growth potential and better access abroad, and that purely organic expansion in new markets would have been more difficult for the same reasons that strengthen its position in Finland; without existing customers (companies under commissioned research coverage) it is difficult to create a large community while the expansion of the number of commissioned research companies would be difficult without the existing community. Now the companies have access to local investors and commissioned research companies across the Nordics. According to Inderes and HCA, the latter can continue to produce research content in Denmark and Norway but can publish it by using Inderes' platform and utilise Inderes' IR platform. In return, Inderes receives a fixed monthly fee, a share of revenues and software resale commission.

**The companies start by creating local investor communities in each country and a Nordic platform later**

Inderes has communicated that Inderes and HCA aim to create local investor communities in the local language in each of the four countries (Finland, Sweden, Norway and Denmark) in the short term. If desired by the covered company, the material can also be translated into English and distributed to other countries, as well. On a longer-term perspective, the companies' ambition is to create a pan-Nordic investor platform. The partnership will imply that Inderes' top line potential is not as high as HCA keeping the commercial responsibility over Danish and Norwegian markets, and hence Inderes will only receive part of the revenue. However, thanks to the platform license model and resales agreement of solutions, the bottom-line potential will not be dented as much.

**Inderes is at the beginning of the journey to build a Nordic investor platform**

All in all, we regard the HCA deal as extremely important for the future growth of Inderes at an accelerated pace, something that would be costly and time-consuming in a greenfield approach. In the early days of Inderes, the analysis of listed companies was mainly the privilege of the institutional and wealthy investors. The same still applies on a cross-border level, but with the HCA cooperation, Inderes is at the beginning of the journey to build a Nordic investor information platform, which should have the same drivers as those the company has seen in Finland.

# Key risks to the case

## Economic downturn

### Weaker economic stance could lead to fewer new listings

#### IPO activity to pause, which seems to be the case in 2022

A possible economic downturn may cause weaker earnings prospects for the potential listing candidates which would likely result in postponing the decision of seeking a public market opportunity. Also, the drop in valuation levels would have an adverse impact on the IPO appetite. This risk is partially materialising in the spring of 2022 following the Russian invasion of Ukraine and the related impacts on the world economy. Our current assumption is that despite the promising IPO pipeline at the beginning of the year, 2022 will evidence fewer IPOs than in 2021, making the Finnish market growth in 2023 more challenging for Inderes.

#### Companies start to save on IR functions

Should the economies enter into recession and company profits decline notably, some companies may have to squeeze their budgets, including IR. We find the risk more relevant for smaller listed companies, of which budgets for the annual fee for analysis service could have a more relevant share.

## Personnel risk

#### Dependence on key personnel

The equity research business is very dependent on reputable equity analysts. If several of the leading analysts decide to leave, it would create a notable challenge for Inderes to maintain a similar development to its past performance in the long term. In the case of several analysts leaving in a relatively short time frame, Inderes could also face challenges in keeping up the production of analysis and hence fall short on the promised service level. Also, given the company's relatively small size, the possible departure of key sales personnel may have an impact on the short term sales performance.

#### Three-year lock-ups

Key personnel who were shareholders before the IPO have three-year gradually declining lock-ups following the IPO, keeping the key employees tied to the company. However, the bond is not that tight once lock-ups expire, increasing the risk of the loss of personnel and an increase in personnel costs. We find that Inderes acknowledges the personnel related risk which is expressed in the company's value statement saying that "Decisions are made taking into account the stakeholders in the following order: 1) personnel, 2) community, 3) customers and 4) shareholders."

## Unsuccessful geographical expansion

From the case perspective, we find the most relevant risk being an unsuccessful geographical expansion, as we think the valuation reflects continuing growth outside the Finnish borders. Creating a new platform from scratch with no locally recognised brand is a challenging task. For this reason, we find the company's partnership with HCA reasonable as it allows accelerated growth and rapid ramp-up in brand creation. However, the Swedish market may be more complicated as it is more of a greenfield project. We view the Swedish market investment of EUR >1m as manageable from the balance sheet perspective, and should the company fail to grow in Sweden, it should not endanger the strong market position in Finland.

## Technological and reputational risks

### **Quality issues in virtual events may prompt customers to change provider**

Virtual event production is very quality sensitive as the live feed needs to be flawless to allow for a coherent and desired interaction. Should Inderes' technological platform or production face recurring challenges, a customer may consider changing provider. We note that the hurdle of changing service provider in virtual events is relatively easy compared to the commissioned research business.

### **Losing its reputation as an independent research provider**

Inderes is paid by the company on which it produces research. This could lead a reader to speculate whether the company's recommendation bias is positive. We remind that independence is the key value of the company and we believe that the company stresses this value in its sales process. However, based on our research, Inderes has around 41% of its recommendations as 'Reduce' or 'Sell', leaving 59% as 'Buy' or 'Accumulate'. Based on our understanding, this is not materially different to other research houses' recommendation split in Finland.

## Limited home market

The key service lines, commissioned research and virtual events, already enjoy very strong market penetration in their focus markets in Finland; hence, further market share gains can be questioned. There are 186 companies listed on the Nasdaq Helsinki (both main list and First North as of April 2022) and Inderes already covers 122 of them under commissioned research. If we add the 23 companies that Inderes covers without commission, only 41 companies, or 22%, are not its current clients and thus there is potential for new clients in Finland. Naturally, the number of potential clients grows with new IPOs, but companies are also merged or de-listed, which reduces the (potential) customer base.

Inderes still has potential to grow in the Finnish event and IR space. However, the market there is also small with the largest players only generating tens of millions annual revenue. Hence, growth in the Finnish home market in the long-term may be challenging.

## New competitors entering the market

In addition to Inderes, only Evli mainly focuses on commissioned research in Finland. Hence, there is a risk that either companies providing (non-commissioned) equity research or totally new companies could enter or invest more in the market. However, we find the risk for negative effects from increased competition in the Finnish commissioned research market rather limited due to the relatively small market and Inderes' already strong established position with its large platform user base.

## Tax and regulatory environment

From a regulatory perspective, we find the key risk relating to possible changes related to public companies' taxation or stricter regulation, which would make operating as a public company less appealing. However, the public companies' dividend tax is already higher than non-listed companies', and so we think the regulatory risks are more on the upside than the downside.

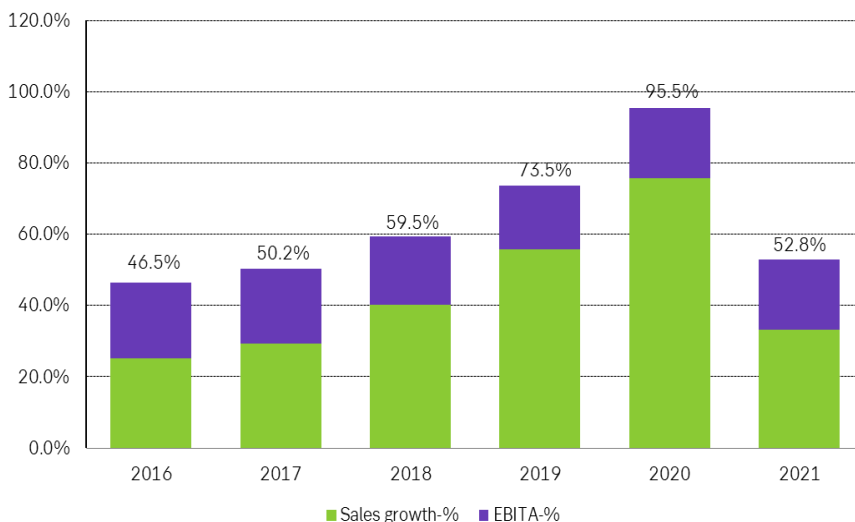
# Financial performance

**Inderes' financial target is to maintain the sum of revenue growth (%) and EBITA margin (%) at 30-50%**

## Financial targets

Inderes' sole long-term financial target is to maintain the sum of revenue growth (%) and EBITA margin (%) between 30% and 50%. With this target, the company aims to maintain a healthy balance between growth and profitability. The upper end of the range also acts as a limit for what the company sees as the maximum sustainable growth rate. The company has historically been able to stay within or exceed this range

### Inderes has been able to exceed its target range in the past



Source: Inderes, SEB

## Dividend policy

Inderes aims to distribute an increasing level of profits to shareholders via dividends and share buy-backs. The company does not disclose a target dividend, but it is contemplating distributing dividends twice per year.

# Income statement

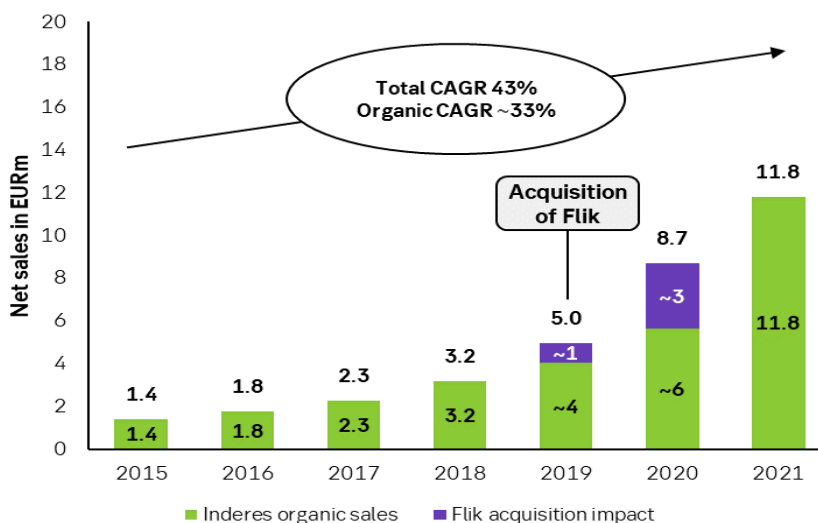
**Inderes posted a CAGR for revenue of c. 40% during 2015-21, driven by the increasing number of companies covered in commissioned research and by the acquisition of Flik**

## Impressive revenue performance: 2015-21 CAGR of c. 40%

Inderes has shown impressive growth in recent years. During 2015-21, the company posted a CAGR for revenue of 42.7%, driven by a steady rise in the number of companies in paid coverage. The acquisition of virtual event organiser Flik also supported the sales growth. Flik was acquired in October 2019 and was fully reflected in financial statement from 2020, with sales of EUR 4m (including subsidiaries). Adjusting for the Flik acquisition, we calculate an organic sales CAGR of c. 33% over this period, which is still strong.



**Net sales CAGR of 43% during 2015-21**

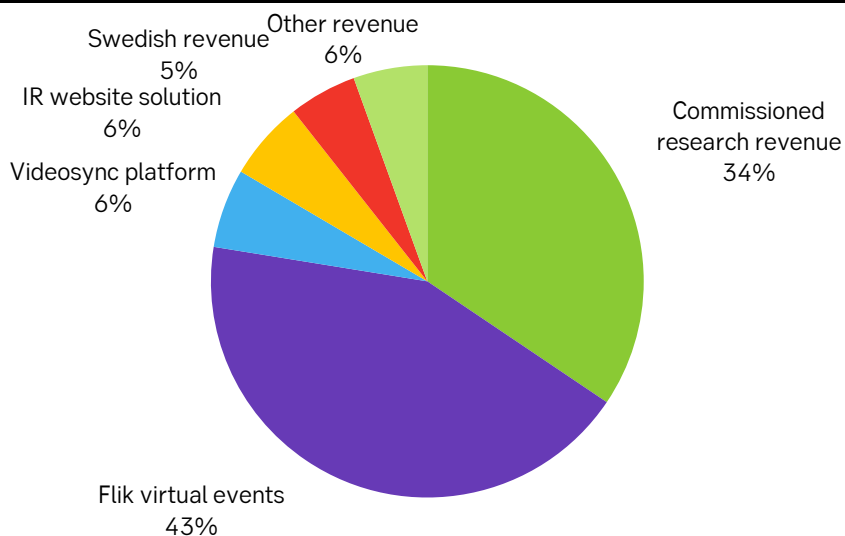


Source: Inderes, SEB

**Sales split (SEB estimate)**

Inderes does not disclose the revenue or profit distribution among its three different service lines. It does, however, disclose the proportion of recurring revenue, which in Q1/22 was 53%. Based on our estimates, commissioned research payments accounted for roughly one-third of the of the sales in 2021. We estimate that Flik virtual events accounted for some 40% of sales while the remainder is from Videosync external revenue, IR website solutions, Swedish revenue and other revenue. Other revenue consists of revenue streams such as investor payments (retail and institutional), media cooperation, and additional fees from the companies under coverage.

**Indicative sales split, 2021E<sup>1</sup>**



1) Sales distribution is not reported by Inderes and thus the split is based on SEB analysis

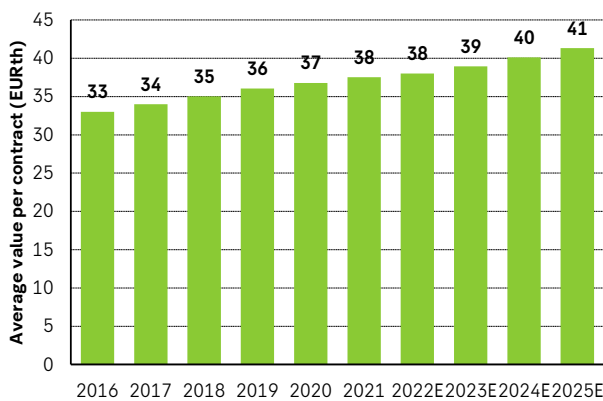
Source: SEB.

**Commissioned research services cover major parts of parent company revenue**

**Commissioned research average annual contract value at EUR 38,000**

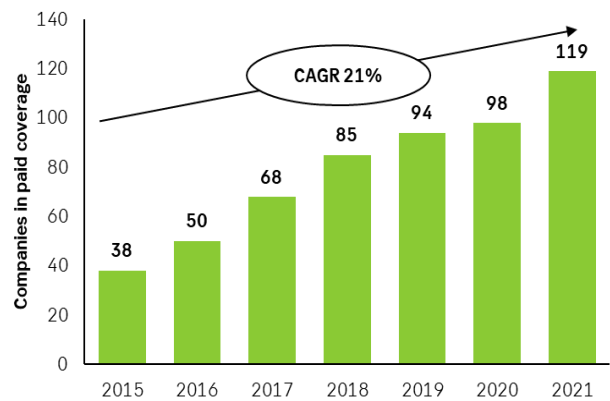
We understand that the lion's share of parent company revenue comes from commissioned research services. Inderes had 119 companies under commissioned coverage. This number has grown an average 21% annually during 2015-21. At the same time, the average value of contracts has climbed, supporting sales development based on our analysis on parent company sales and commissioned research contract development. We understand that the contracts are usually open-ended, with the older contracts made at a relatively low price. The average contract value increases as Inderes signs new contracts with updated terms. The average contract value increases as Inderes signs new contracts with updated terms. The contracts typically include an annual index hike. Inderes offers add-on services that can increase the value of contracts, such as management interviews, various events and English translations (about 70% of the companies use the management interview service according to our estimates).

**Average value of research contract p.a.**



Source: SEB analysis

**Companies in paid coverage**

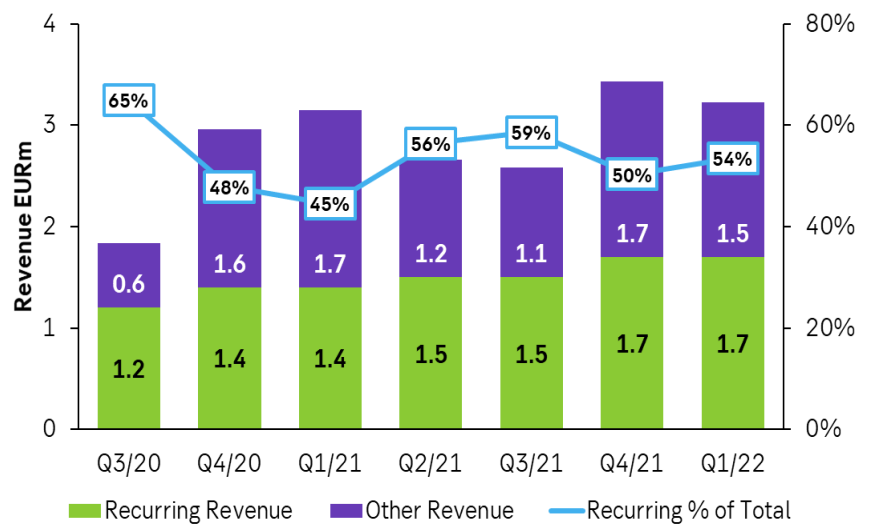


Source: Inderes, SEB

**Recurring revenue at roughly 50% of sales**

A relatively large share of Inderes' revenue is based on contracts, making the revenue streams recurring in nature. The company classifies commissioned research, quarterly earnings video events, distribution partnership revenue, investor subscriptions, IR services and most software income as recurring. Those revenue streams have accounted for roughly 50% of total revenue over the past few years. It should be noted that recurring revenue is increasing sequentially.

**Recurring revenue and share of total revenue**



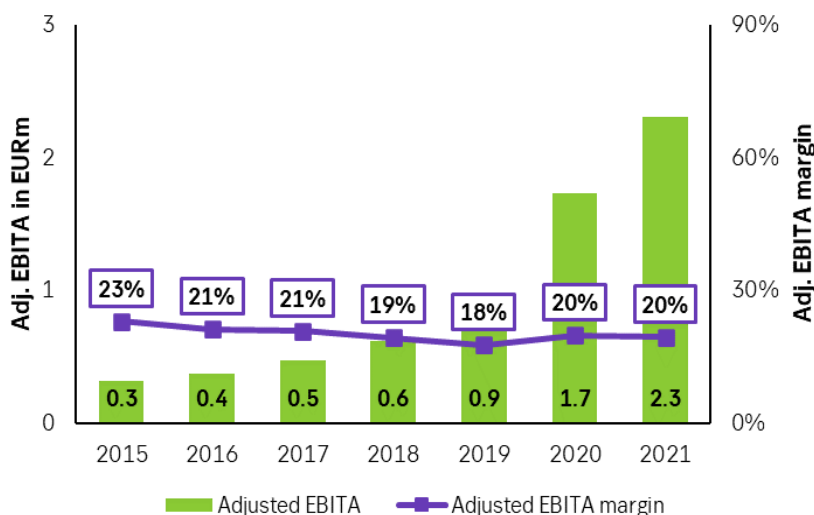
Source: SEB

### Inderes has grown with steady margins

#### EBITA margin steady at around 20%

Inderes has delivered its growth with relatively stable profitability. EBITA margin during 2015-21 has been steady at 18-20%. This means, however, that the company has not seen significant margin expansion. The revenue streams at the group level have changed somewhat with the acquisition of Flik and the expansion of the IR solutions business, and the need for additional support functions has increased. At the same time, operational leverage supports operating margins as the company grows.

#### Group adjusted EBITA performance



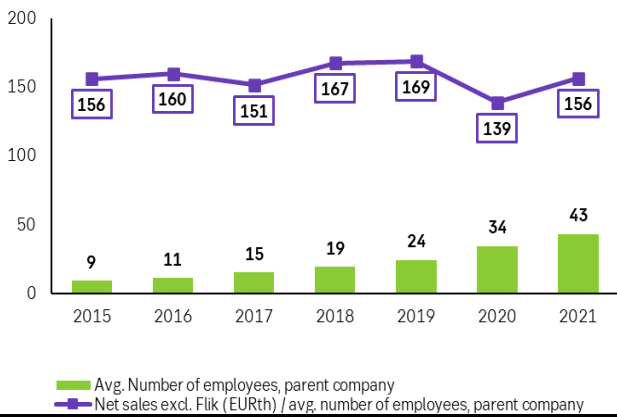
Source: Inderes

### Personnel costs are the largest operating expense item, but their share of sales has decreased after the Flik acquisition

#### Personnel costs are the largest operating expense item

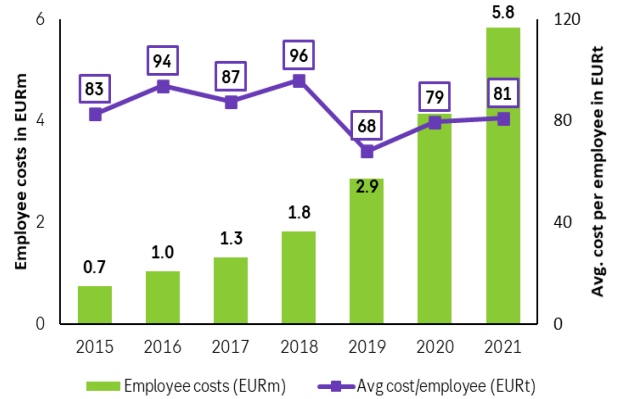
Operating expenses have been 77-85% of Inderes' sales during 2015-21. The largest operating expense item is employee costs, which is natural for an expert service provider. However, the share of employee costs decreased after the Flik acquisition as the acquired business is technology-driven. Even though the employee headcount has climbed, the average cost per employee has been decreasing over the last few years. Sales growth is dependent upon the number of employees in analysis and support functions. While the number of employees at the parent company (i.e., in equity research, IR solutions and support functions) has increased steadily, average parent company sales per employee during 2015-21 has stayed in the EUR 151,000-169,000 range, excluding 2020 right after the Flik acquisition when the company needed to recruit new workers to support functions and for the expansion of IR solutions. At the group level, employee costs in relation to sales have decreased since the Flik acquisition.

**Sales/employee (parent) have remained stable**



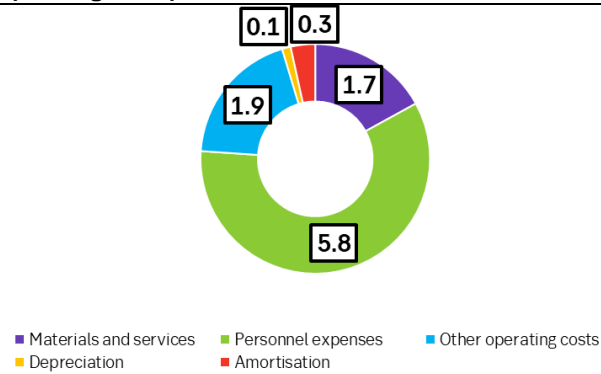
Source: Inderes, Asiakastiето

**Acquisition of Flik created drop in avg. employee costs**



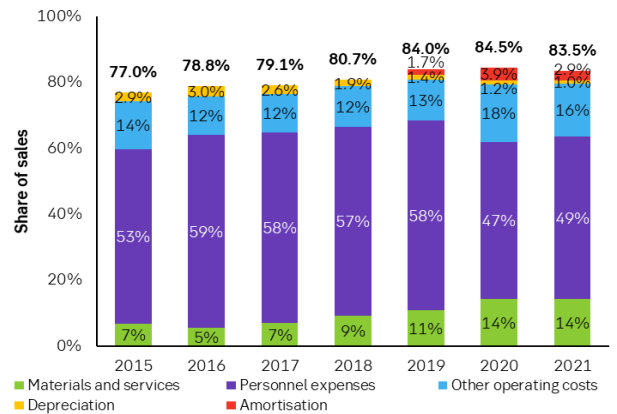
Source: Inderes, Asiakastiето

**Operating cost split, 2021**



Source: Inderes

**Operating costs / sales trend**



Source: Inderes

**Material and service expenses have increased following the addition of Flik**

Other than employee costs, the largest operating items are materials, services and other operating costs. Materials and services' share of sales jumped from 7% in 2015 to 14% in 2021, driven by the acquisition of Flik and the integration of the event business with its different cost structure, and by an increase in virtual events and large one-time events during 2021. Inderes invests in its platforms, boosting R&D expenses (6.2% of sales, or EUR 0.7m in 2021). The company does not capitalise R&D expenses.

The 2019 acquisition of Flik resulted in about EUR 1.7m in goodwill. The goodwill is amortised in five years, resulting in about EUR 0.34m annual amortisation costs, which dampen reported EPS to some extent. Inderes' depreciation is minor (just 1% of sales in 2021).

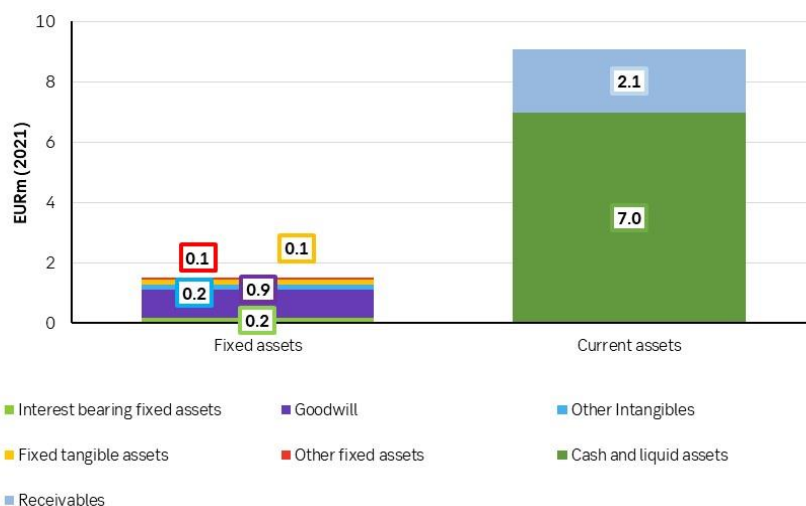
## Balance sheet

**Current assets (in particular cash and equivalents) account for the bulk of total assets**

### Assets mainly in cash, receivables and intangibles

Total assets in Inderes' balance sheet were EUR 10.6m in 2021. Assets are mainly current assets (86%), with cash and equivalents (EUR 7.0m) and receivables (EUR 2.1m) accounting for the majority. Fixed assets represented just 14% of total assets (EUR 1.5m), out of which goodwill covered more than half. Overall, Inderes' operating model is asset-light and, apart from the cash, the assets are tied to receivables and goodwill.

#### Inderes asset breakdown 2021

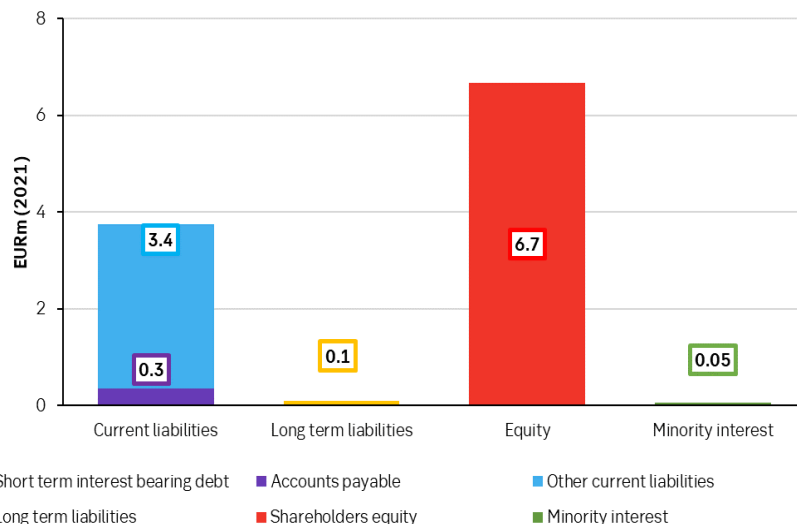


Source: Inderes

**Inderes only has a small amount of long-term debt**

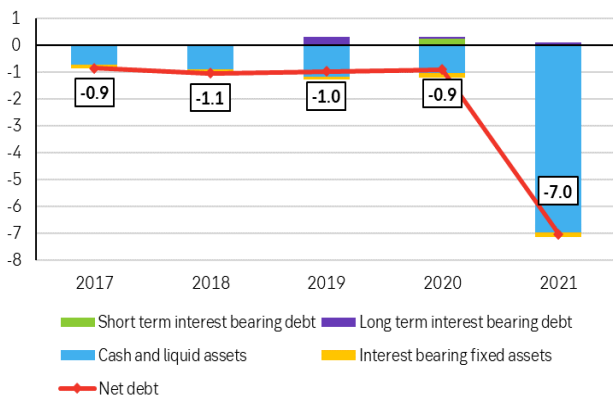
Inderes' equity and liabilities consist mainly of equity (EUR 6.7m) and current liabilities, primarily advance payments (EUR 1.4m) and accruals (EUR 1.4m). The company had only about EUR 0.1m long-term debt in 2021 and net debt was EUR -7.0m. Net debt has remained negative during 2017-21 and following its IPO the company had net cash of EUR 7m (end-2021). Hence, we conclude that Inderes' financial position is extremely safe and conservative. It should be noted that the company reports under FAS, so lease liabilities (and assets) are not on the balance sheet.

#### Equity and liabilities, 2021



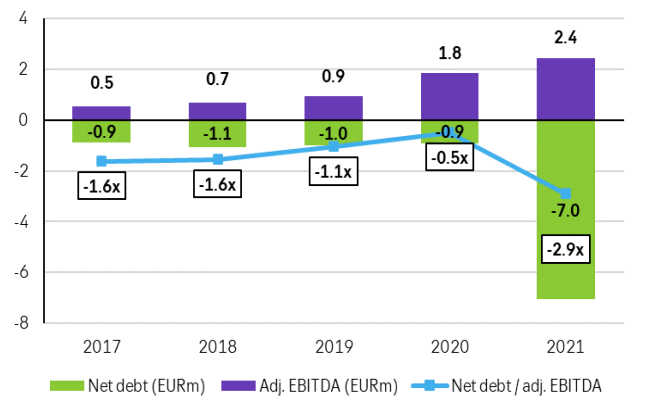
Source: Inderes

**Net debt components, 2017-21**



Source: Inderes

**Net debt trend, 2017-21**

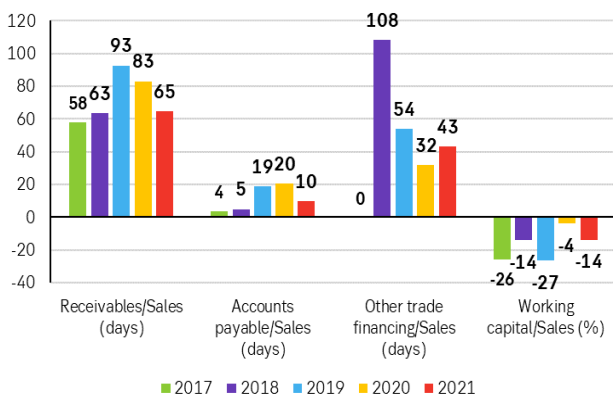


Source: Inderes

**Inderes had negative working capital during 2017-21**

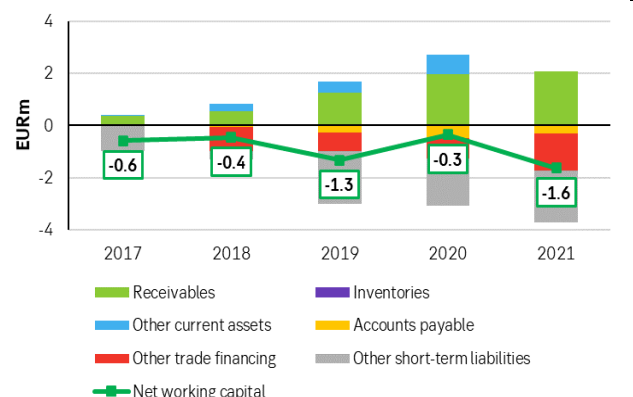
Inderes had negative working capital during 2017-21. The most significant components driving net working capital are account receivables and other trade financing. Account receivables have been declining since the Flik acquisition. Account payables are not that significant for Inderes, but other current liabilities, including accrued employee expenses and paid-but-not-delivered research contracts, have a meaningful role. Due to the nature of the business, we expect the aforementioned trade finance items to increase in line with business volumes and hence see net working capital remaining slightly negative ahead and thus partly funding the business.

**Net working capital KPIs**



Source: Inderes

**Net working capital components**



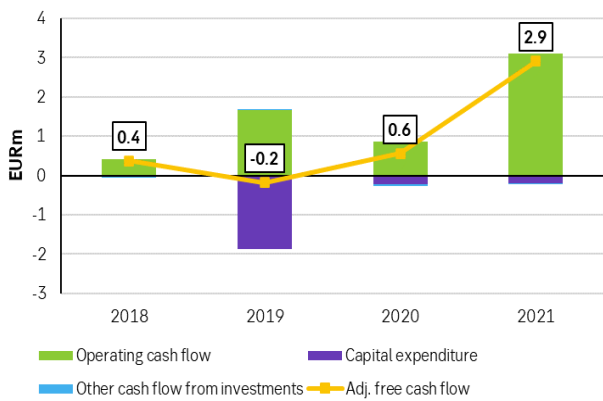
Source: Inderes

**Cash flow**

**Inderes increased cash flow, during 2018-21 (except in 2019 due to the Flik acquisition) and has low investment needs**

Inderes increased cash flow during 2018-21 (except for a small decline in 2019 due to the Flik acquisition). The company has minimal investment needs and maintenance capex was only 1-3% of sales during 2018-21. However, changes in net working capital have affected the company's cash flow conversion. Changes in receivables created volatility in Inderes' cash flow generation in 2019 and 2020 due to the rapid growth of the virtual events business and to the invoicing cycles for commissioned research business revenue. We believe that the improvement in cash flow in 2021 was related to the increased number of employees, which lifted accrued employee expenses.

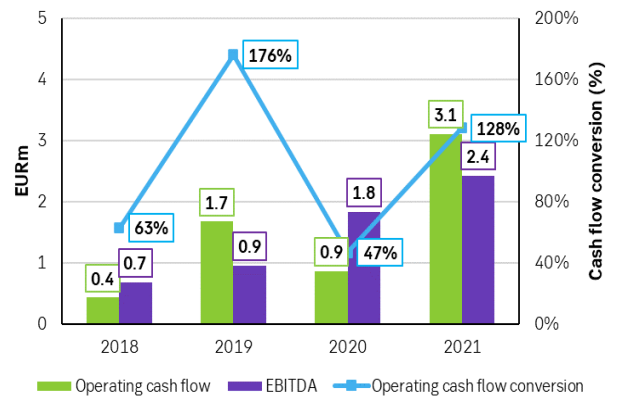
**Free cash flow components<sup>1</sup>**



1) Free cash flow calculated with SEB comparability adjustments. Capital Expenditure 2018-2019 calculated from balance sheet

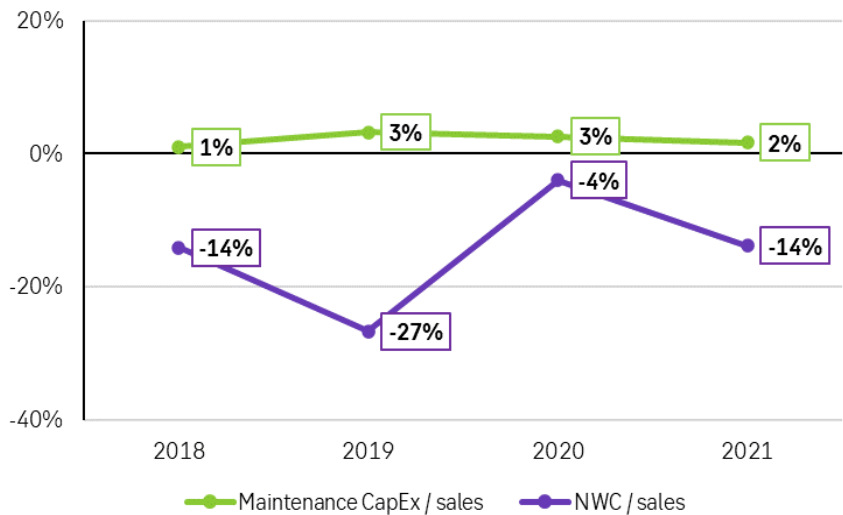
Source: Inderes

**Cash flow conversion**



Source: Inderes

**Low maintenance capex needs**

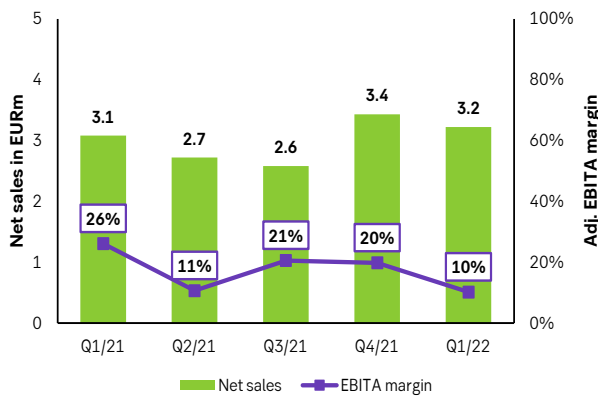


Source: Inderes, SEB

**Q1/22 result recap and outlook for 2022**

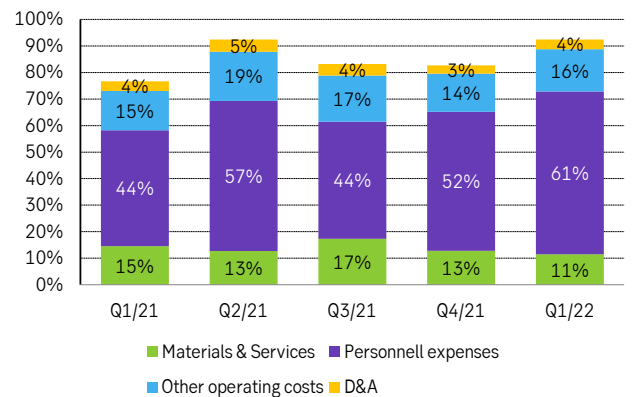
Inderes' Q1/22 sales reached EUR 3.2m, up 5% y-o-y. We find the sales growth to be a minor disappointment, but we did not have published estimates for the quarter. However, the company notes that the Q1/22 performance was not fully as it expected, either. The softness owes to virtual events handled for clients outside the listed company customer base. The comparable period had Covid-inflated sales (project revenue growth of 236% y-o-y) and it seems that the Covid tailwind turned into a headwind (project revenue declined by 12% y-o-y). Inderes' recurring revenue saw good development in Q1/22 and sales rose 26% y-o-y with the numbers of commissioned research agreements at 122, up 17% y-o-y.

**Quarterly sales and EBITA-%**



Source: SEB

**Quarterly costs, % of sales**

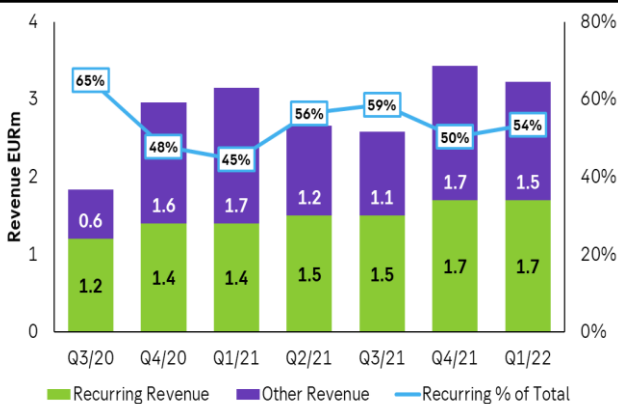


Source: SEB

Q1/22 EBITA was EUR 0.3m (margin of 10%), down notably from the previous year's level of EUR 0.8m. The decline stems from the expansion of personnel following the company's IPO last year and growth initiatives.

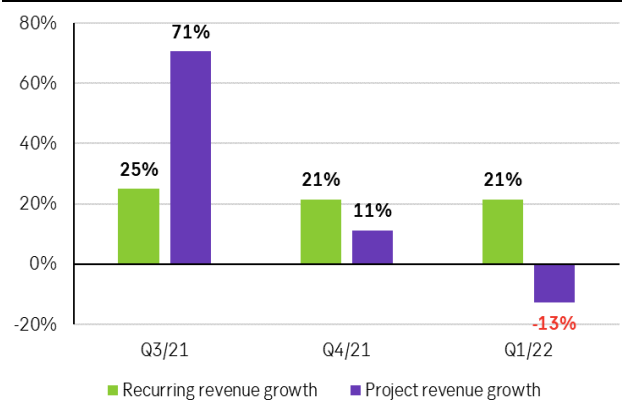
From the investment case perspective, we believe it is important that sales and the penetration of the core customer segment improved in Q1/22. The company has initiated corrective actions to resume sales growth in other customer groups as well. We note that virtual event sales to other customer groups is important for profitability as it smooths the capacity utilisation during quarters when certain months see strong utilisations linked to listed companies' earnings seasons.

**Recurring / project revenue split by quarters**



Source: Inderes

**Sales growth of recurring and project business (y-o-y)**



Source: Inderes

Inderes also lowered the upper end of its guidance range and now sees FY22 sales at EUR 14-15m with EBITA of EUR 1.9-2.6m. We think the narrowed guidance reflects the postponements of IPOs as well as a decrease in virtual event sales outside the listed company customer base in Q1.

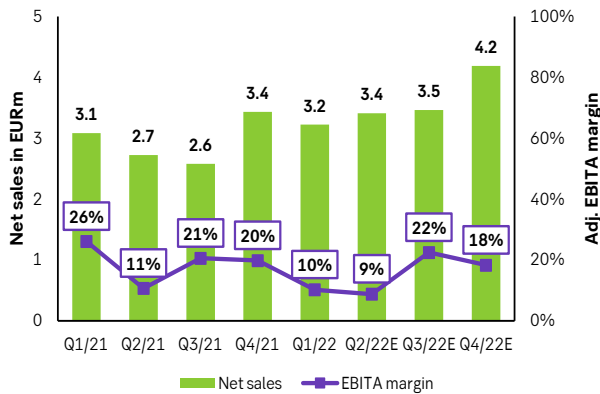


# SEB estimates

## 2022 estimates

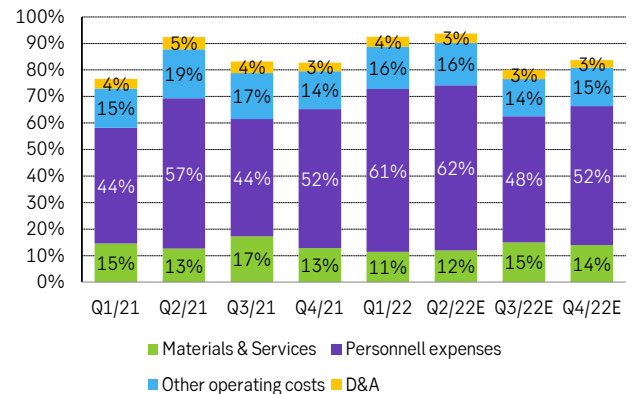
We forecast full-year 2022 sales of EUR 14.3m, implying growth of 21% yoy. The foundation of the growth was built in H2/21, which saw a high number of IPOs in the Finnish market. We note that Inderes won a high percentage of those contracts. We expect Inderes to win five new commissioned research contracts by end-2022 in Finland. We also understand that the company's virtual event business has gained market share in the core customer group (i.e. listed companies). As was the case in Q1, there is a risk that H2 2021 was boosted significantly by Covid on the virtual events side, which might dampen the growth. However, we also believe that the Swedish operation could contribute to growth, although we are not expecting much from the HCA partnership for 2022.

**Quarterly sales and EBITA margin estimates**



Source: SEB

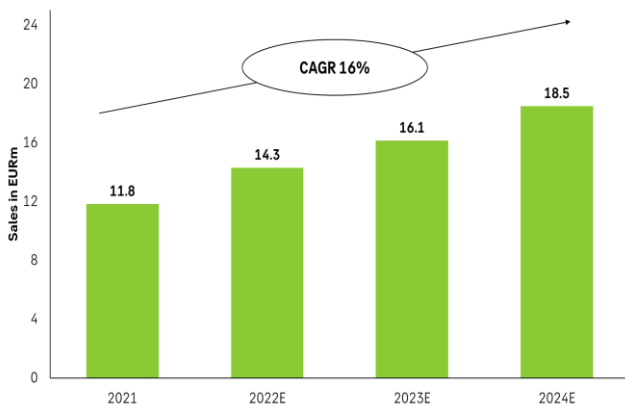
**Quarterly costs of sales estimates**



Source: SEB

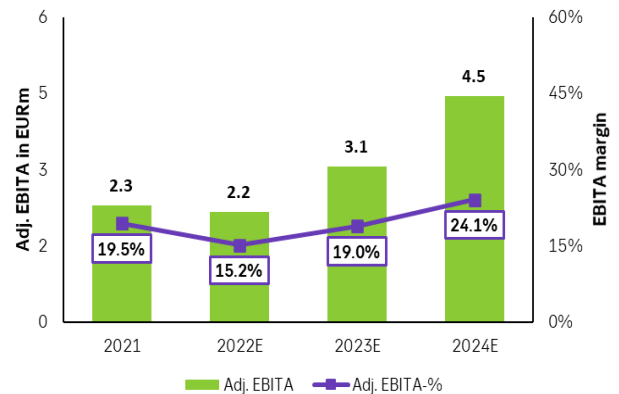
We forecast EBITA of EUR 2.2 for 2022, relatively muted development from the 2021 EBITA of EUR 2.3. EBITA is tilted towards H2/22, which should see higher margins thanks to salary cost seasonality in Q3/22 and improving sales towards Q4/22. However, given that the company's Q1/22 EBITA fell EUR 0.5m behind the comparison period Q1/21, we note that the trend needs to change in the Q2/22 report in order to keep the full year EBITA at the previous year's level and reach the guidance range of EUR 1.9-2.6m.

**Sales estimates**



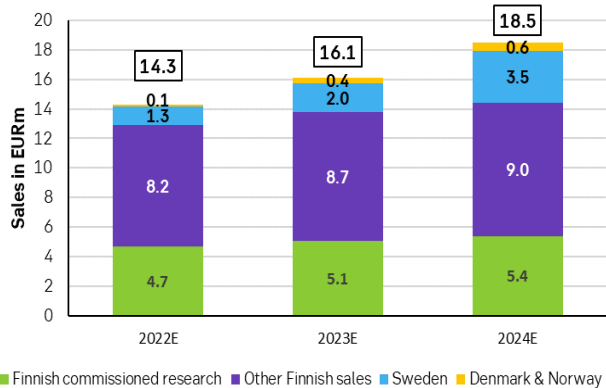
Source: SEB

**EBITA estimates**



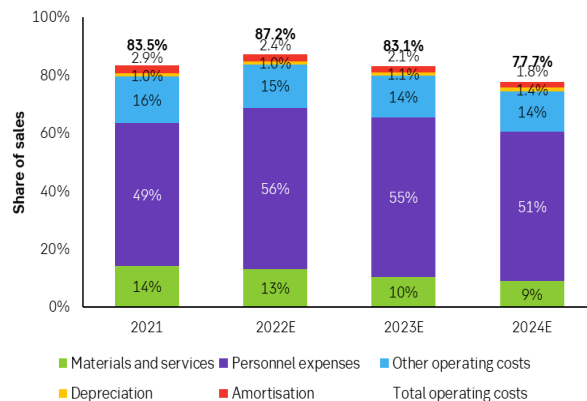
Source: SEB

**Sales estimates by countries**



Source: SEB

**Operating cost split estimates by items**



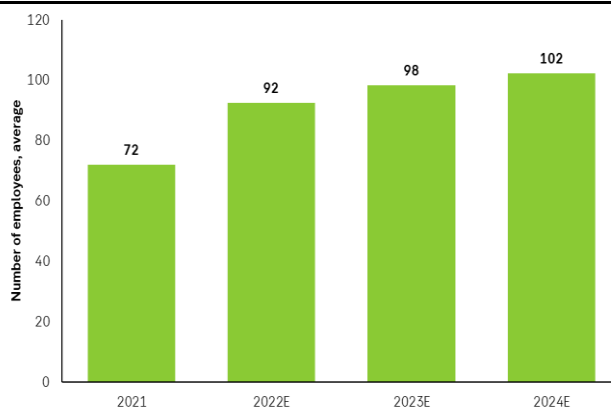
Source: SEB

**Companies in commissioned research coverage, Finland**



Source: SEB

**Number of employees, average**



Source: SEB

## 2023-24 estimates

For 2023-24, we expect sales growth to slow down somewhat to 13-15%. We expect Finnish growth to moderate notably due to muted IPO activity, but we see Swedish market growth having a gradually meaningful impact on group numbers. Also, the revenue stream from the HCA partnership should increase, although we still expect it to be relatively limited at the top line, but the profit contribution should become material by 2024. Overall, we forecast 2023 and 2024 sales growth of 13% and 15% respectively. We see the Swedish market contributing EUR 3.5m in 2024 sales.

We expect the Finnish commissioned research base to increase to 136 contracts by 2024. If market uncertainty continues to increase and IPO activity halts, this assumption may be overly optimistic. We do not provide detailed estimates for Swedish revenue, but our 2024 estimates imply that if the revenue split between commissioned research and other revenue is 30/70, Inderes would have to have 25-30 commissioned research contracts in 2024 on average.

We do not know the details of the HCA partnership revenue model, which makes estimating that revenue stream a challenge. We will adjust our estimates as more data points (e.g. HCA customer growth etc.) become available. However, we note that HCA revenue should have a high gross-margin effect.

For the EBITA margin, we expect profitability to rise gradually as geographic expansion proceeds and the Swedish operation starts to scale up on the investments that are being ramped up in 2022. The HCA revenue should start to contribute to profitability relatively soon, given its high gross margin.

<b>Interim financials (EURm)</b>								
	<b>Q1/21</b>	<b>Q2/21</b>	<b>Q3/21</b>	<b>Q4/21</b>	<b>Q1/22</b>	<b>Q2/22E</b>	<b>Q3/22E</b>	<b>Q4/22E</b>
<b>Net sales</b>	<b>3.1</b>	<b>2.7</b>	<b>2.6</b>	<b>3.4</b>	<b>3.2</b>	<b>3.4</b>	<b>3.5</b>	<b>4.2</b>
Other income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Materials and services	-0.4	-0.3	-0.4	-0.4	-0.4	-0.4	-0.5	-0.6
Gross profit	2.6	2.4	2.1	3.0	2.9	3.0	2.9	3.6
<i>-margin-%</i>	86%	87%	83%	87%	89%	88%	85%	86%
Personnel expenses	-1.3	-1.5	-1.1	-1.8	-2.0	-2.1	-1.6	-2.2
Other operating costs	-0.5	-0.5	-0.4	-0.5	-0.5	-0.5	-0.5	-0.6
EBITDA reported	0.8	0.3	0.6	0.7	0.4	0.3	0.8	0.8
<b>EBITDA adjusted</b>	<b>0.8</b>	<b>0.3</b>	<b>0.6</b>	<b>0.7</b>	<b>0.4</b>	<b>0.3</b>	<b>0.8</b>	<b>0.8</b>
<i>-margin-%</i>	0.3	0.1	0.2	0.2	0.1	0.1	0.2	0.2
Depreciation	-0.03	-0.04	-0.03	-0.03	-0.03	-0.03	-0.03	-0.03
EBITA	0.81	0.29	0.53	0.68	0.33	0.30	0.78	0.77
<b>EBITA adjusted</b>	<b>0.81</b>	<b>0.29</b>	<b>0.53</b>	<b>0.68</b>	<b>0.33</b>	<b>0.30</b>	<b>0.78</b>	<b>0.77</b>
<i>-margin-%</i>	<b>26%</b>	<b>11%</b>	<b>21%</b>	<b>20%</b>	<b>10%</b>	<b>9%</b>	<b>22%</b>	<b>18%</b>
Amortisation	-0.09	-0.09	-0.09	-0.09	-0.09	-0.09	-0.09	-0.09
EBIT reported	0.7	0.2	0.4	0.6	0.2	0.2	0.7	0.7
<b>EBIT adjusted</b>	<b>0.7</b>	<b>0.2</b>	<b>0.4</b>	<b>0.6</b>	<b>0.2</b>	<b>0.2</b>	<b>0.7</b>	<b>0.7</b>
<i>-margin-%</i>	23%	8%	17%	17%	8%	6%	20%	16%

Source: Inderes (reported numbers), SEB (estimates)

**Annual financials (EURm)**

	2019	2020	2021	2022E	2023E	2024E
<b>Net sales</b>	<b>5.0</b>	<b>8.7</b>	<b>11.8</b>	<b>14.3</b>	<b>16.1</b>	<b>18.5</b>
Other income	0.0	0.0	0.0	0.0	0.0	0.0
Materials and services	-0.5	-1.2	-1.7	-1.9	-1.7	-1.7
Gross profit	4.4	7.5	10.2	12.4	14.4	16.8
<i>-margin-%</i>	89%	86%	86%	87%	90%	91%
Personnel expenses	-2.9	-4.1	-5.8	-7.9	-8.9	-9.5
Other operating costs	-0.6	-1.5	-1.9	-2.2	-2.3	-2.6
EBITDA reported	0.9	1.8	2.4	2.3	3.2	4.7
<b>EBITDA adjusted</b>	<b>0.9</b>	<b>1.8</b>	<b>2.4</b>	<b>2.3</b>	<b>3.2</b>	<b>4.7</b>
<i>-margin-%</i>	<b>19%</b>	<b>21%</b>	<b>21%</b>	<b>16%</b>	<b>20%</b>	<b>25%</b>
Depreciation	-0.07	-0.10	-0.12	-0.14	-0.18	-0.25
EBITA	0.9	1.7	2.3	2.2	3.1	4.5
<b>EBITA adjusted</b>	<b>0.9</b>	<b>1.7</b>	<b>2.3</b>	<b>2.2</b>	<b>3.1</b>	<b>4.5</b>
<i>-margin-%</i>	<b>18%</b>	<b>20%</b>	<b>20%</b>	<b>15%</b>	<b>19%</b>	<b>24%</b>
Amortisation	-0.1	-0.3	-0.3	-0.3	-0.3	-0.3
EBIT reported	0.8	1.4	2.0	1.8	2.7	4.1
EBIT adjusted	0.8	1.4	2.0	1.8	2.7	4.1
<i>-margin-%</i>	16%	16%	17%	13%	17%	22%
Net financials	0.0	0.2	-0.2	0.0	0.0	0.0
Pre-tax profit	0.8	1.6	1.7	1.9	2.8	4.3
Earnings	0.6	1.2	1.3	1.5	2.3	3.5
Minority share	0.0	0.0	0.0	0.0	0.0	0.0
Net earnings for owners	0.6	1.1	1.3	1.5	2.3	3.5
<b>EPS</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.9</b>	<b>1.4</b>	<b>2.1</b>
<b>Other data</b>						
Employees avg.	42	52	72	92	98	102
No. of Finnish commissioned research, period end						
<b>Other revenue</b>						
Finland (excluding commissioned research)				8.2	8.7	9.0
Sweden				1.3	2.0	3.5
Denmark				0.1	0.4	0.6

Source: Inderes (reported numbers), SEB (estimates)

# Valuation

## SEB fair value range of EUR 35-39

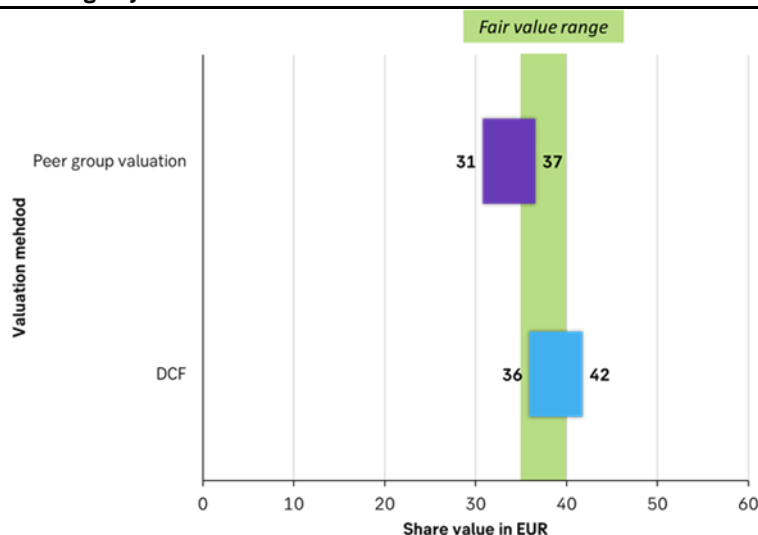
We value Inderes based on a DCF analysis and peer group multiple benchmarking with a 60/40 weighting favouring DCF, due to the small peer group and just a few close peer companies for Inderes. When setting our fair value range, we narrow the outcome at both ends by 5%. This results in a range of EUR 35-39 for Inderes.

### SEB fair value assessment overview

<b>DCF valuation</b>			
Mid-point			39
Range with +/-2% sales growth sensitivity	36	-	42
<b>Peer group benchmarking</b>			
	31	-	37
DCF & peer group valuation with 60/40 weightings	34	-	40
<b>SEB fair value range</b>	<b>35</b>	-	<b>39</b>

Source: SEB

### Valuation range by valuation method



Source: SEB, Bloomberg

## DCF valuation mid-point of EUR 39

In our DCF valuation, we forecast a long-term (2024-31) CAGR for revenue of 9-10% and input a terminal growth rate of 2%. As explained earlier, we find that in terms of the profitability Inderes' potential is well above the current level and hence we assume EBITDA margin rises from 21% in 2021 to 28% by 2028. We use a WACC of 8.5% to discount future cash flows. The WACC is a combination of a fairly low WACC for the established Finnish commissioned research business, which we find defensive, and a higher WACC for virtual events as well as for geographical expansion, which should have a significant role in our future growth estimates (see our indicative valuation of the commissioned research business below). Our DCF model generates a value of EUR 39. In our fair value range assessment, we use a DCF range with sensitivity of +/- 2% in our long-term growth estimates, indicating a value range of EUR 36-42.

**DCF summary table**

DCF valuation (EURm)		Weighted average cost of capital (%)	
NPV of FCF in explicit forecast period	30	Risk free interest rate	2.5
NPV of continuing value	28	Risk premium	6.0
<b>Value of operation</b>	<b>58</b>	<b>Cost of equity</b>	<b>8.5</b>
Net debt	(5)	<b>After tax cost of debt</b>	<b>2.0</b>
Share issue/buy-back in forecast period	-		
Value of associated companies	-	<b>WACC</b>	<b>8.5</b>
Value of minority shareholders' equity	-		
Value of marketable assets	-	<b>Assumptions</b>	
<b>DCF value of equity</b>	<b>63</b>	Number of forecast years	10
<b>DCF value per share (EUR)</b>	<b>39</b>	EBIT margin - steady state (%)	17.0
Current share price (EUR)	37.50	EBIT multiple - steady state (x)	10.9
DCF performance potential (%)	4	Continuing value (% of NPV)	48.6

Source: SEB

**DCF assumption details<sup>1</sup>**

(EURm)	2022E	2023E	2024E	2025E	2026E	Average year 6	Average year 7-8	Average year 9-10
Sales growth (%)	20.9	12.9	14.5	14.5	13.5	9.5	7.3	3.0
EBITDA margin (%)	16.2	20.1	25.5	26.5	27.5	28.0	28.5	23.2
EBIT margin (%)	12.8	16.9	22.3	23.0	24.2	24.8	25.4	20.3
Gross capital expenditures as % of sales	18.2	2.2	1.9	1.9	1.9	1.9	1.9	1.9
Working capital as % of sales	(11.3)	(9.7)	(8.1)	(8.1)	(8.1)	(8.1)	(8.1)	(8.1)
Lease repayments as % of sales	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sales	14	16	18	21	24	26	29	32
Depreciation	(0)	(0)	(0)	(0)	(0)	(0)	(1)	(1)
Intangibles amortisation	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
EBIT	2	3	4	5	6	7	7	6
Taxes on EBIT	(0)	(1)	(1)	(1)	(1)	(1)	(2)	(1)
Increase in deferred taxes	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0
<b>NOPLAT</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>6</b>
Gross capital expenditure	(3)	(0)	(0)	(0)	(0)	(0)	(1)	(1)
Increase in working capital	(0)	(0)	(0)	0	0	0	0	0
Lease repayments	0	0	0	0	0	0	0	0
<b>Free cash flow (incl. lease repayments)</b>	<b>(1)</b>	<b>2</b>	<b>4</b>	<b>5</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>6</b>
ROIC (%)	25.3	31.2	37.5	46.5	58.6	69.5	86.9	86.1
ROIC-WACC (%)	16.8	22.7	29.0	38.0	50.1	61.0	78.4	77.6
Share of total net present value (%)	0.0	3.6	5.1	6.1	6.6	6.7	13.3	9.9

<sup>1</sup> Invested capital 2025 onwards based on 2024 equity estimate

Source: SEB

**DCF sensitivity table**

		Cost of equity (%)				
		7.5	8.0	8.5	9.0	9.5
Equity capital weight (%)	80	54	51	48	46	43
	90	48	46	43	41	39
	<b>100</b>	44	41	<b>39</b>	37	35
	100	44	41	39	37	35
	100	44	41	39	37	35
		Absolute change in EBITDA margin - all years				
		-2%	-1%	0	+1%	+2%
Abs. change in sales growth - all years	-2%	33	34	36	37	38
	-1%	34	36	37	39	40
	<b>0</b>	36	37	<b>39</b>	40	42
	+1%	37	39	40	42	44
	+2%	39	41	42	44	45

Source: SEB

### Valuing established Finnish commissioned research business

We assess the valuation of commissioned research services by estimating the NPV of a single average contract. We estimate that the current new annual contract revenue is around EUR 40,000. Based on historical financial data and fixed cost base growth investments, we estimate that the profitability of a single new analysis contract is c. 30%. Inderes has small index hikes included in its contracts, meaning that over time profitability should remain broadly unchanged. Discounting such a revenue stream at a factor of 7% yields an NPV of EUR 350,000, or around EUR 0.2 per share. Hence, we conclude that the value of the current full contract base is about EUR 43m, or EUR 26 per share. We note that Inderes has overheads (e.g. it covers some companies for free), so actual profitability is not necessarily as high as in our indicative valuation for the whole agreement base. However, every new contract should roughly add value as we have theoretically calculated below.

#### NPV of single new commissioned research agreement

##### Assumptions:

Annual revenue, new contract, EUR '000	40
Index hike	2.50%
CAPEX	0 (included in EBITDA)
Change in WC	0
Tax	20%
WACC	7%

##### DCF:

Year	0	1	2	3	4	5	6	7	8	9	TV
Sales, EUR '000	40	41	42	43	44	45	46	48	49	50	51
EBITDA-%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%
EBITDA, EUR '000	12.0	12.3	12.6	12.9	13.2	13.6	13.9	14.3	14.6	15.0	15.4
FCF, EUR '000	9.6	9.8	10.1	10.3	10.6	10.9	11.1	11.4	11.7	12.0	12.3
Discounted FCF, EUR '000	9.6	9.2	8.8	8.4	8.1	7.7	7.4	7.1	6.8	6.5	273.1
Sum of discounted FCF & TV, EUR '000	352.8										
Per share, (EUR)	0.22										

##### Total value of Finnish commissioned research contracts:

Current number of contracts	122
Total value, (EURm)	43.0
Per share, (EUR)	26.4

Source: SEB

## Peer group valuation

We find that there are no clear direct peers for Inderes. We have selected our peer group based on business and customer similarities, cost base similarities, and business logic similarities. For example, we note that the media companies have certain logical similarities. We think that their media platforms are like Inderes.fi and like Inderes they earn from clients who want to advertise on their platforms. Also, media companies earn from clients who pay for the content, just as subscribers and to some extent institutional investors pay for Inderes.fi. We also include Enento in the peer group as the company offers subscription-based services and has a similar strong and defensible position in the Finnish markets. In addition, Talenom has high share of subscription-like revenue and its model is based on digital advances. Finally, we have included Gofore as a peer company as a high share of its revenue is based on expert work and it has similar growth track and outlook as Inderes (see our peer group company descriptions below).

In our peer group valuation comparison, we use EV/EBITDA as we find that the purchase price allocation (PPA) of various companies creates a mixed picture when looking at the lower lines of the P&Ls. Based on 2022E multiples, Inderes trades on a notable premium to peers. However, given the rapid growth that we expect for Inderes, the valuation gap with regard to 2024E multiples is relatively minor, with peers trading on 10x and Inderes on 11x. In our peer group comparison, we believe a 2024E EV/EBITDA of 9-11x for Inderes is justified, implying per-share valuation of EUR 30-36.

### Peer group valuation tables as of 17 May 2022

	Ccy	Price (lcl ccy)	Mkt cap (EURm)	PER(x)			EV/Sales			Exp. Sales Growth		
				2022E	2023E	2024E	2022E	2023E	2024E	2022E	2023E	2024E
ENENTO GROUP OYJ	EUR	23.6	566.0	21.0	18.3	15.2	4.2	3.9	3.6	3.4%	4.7%	5.5%
ALMA MEDIA CORP	EUR	10.2	840.3	14.8	14.9	14.1	3.2	3.1	2.9	11.2%	1.0%	3.0%
SANOMA OYJ	EUR	12.2	2002.0	16.3	14.5	13.3	2.0	1.9	1.8	2.3%	3.7%	1.2%
GOFOR OYJ	EUR	23.5	361.2	23.9	20.8	18.7	2.4	2.1	1.8	32.4%	10.6%	9.6%
TALENOM OYJ	EUR	10.5	468.5	36.2	28.6	22.3	4.9	4.2	3.6	25.6%	15.1%	12.3%
EQS GROUP AG	EUR	31.0	262.6	nm	47.7	20.5	4.2	3.1	2.1	38.9%	29.1%	25.1%
BROADRIDGE FINANCIAL SOLUTIO	USD	140.5	15634.7	21.8	19.9	18.6	3.5	3.3	3.1	13.3%	5.6%	4.4%
<b>Average</b>				<b>22.3</b>	<b>23.5</b>	<b>17.5</b>	<b>3.5</b>	<b>3.1</b>	<b>2.7</b>	<b>18.1%</b>	<b>10.0%</b>	<b>8.7%</b>
<b>Median</b>				<b>21.4</b>	<b>19.9</b>	<b>18.6</b>	<b>3.5</b>	<b>3.1</b>	<b>2.9</b>	<b>13.3%</b>	<b>5.6%</b>	<b>5.5%</b>
<b>INDERES - SEB est.</b>	<b>EUR</b>	<b>37.5</b>	<b>61.3</b>	<b>40.9</b>	<b>27.1</b>	<b>17.7</b>	<b>3.9</b>	<b>3.4</b>	<b>2.9</b>	<b>20.9%</b>	<b>12.9%</b>	<b>14.5%</b>
	EV/EBITDA			EV/EBIT			EBIT margin (%)			Sales growth (%) + EBIT margin (%)		
	2022E	2023E	2024E	2022E	2023E	2024E	2022E	2023E	2024E	2022E	2023E	2024E
ENENTO GROUP OYJ	11.6	10.6	9.2	19.0	16.6	13.5	22%	24%	27%	25.2%	28.4%	32.4%
ALMA MEDIA CORP	10.6	10.5	9.8	12.9	12.9	12.0	25%	24%	24%	36.2%	24.9%	27.1%
SANOMA OYJ	7.1	6.4	6.1	15.5	13.4	12.2	13%	14%	15%	15.3%	17.8%	16.2%
GOFOR OYJ	15.3	12.7	10.9	20.8	16.7	13.8	12%	13%	13%	44.0%	23.2%	22.6%
TALENOM OYJ	15.1	12.9	10.8	30.4	24.0	18.2	16%	17%	20%	41.6%	32.5%	32.1%
EQS GROUP AG	39.1	15.9	8.6	nm	29.5	12.6	na	10%	17%	na	39.6%	0.4
BROADRIDGE FINANCIAL SOLUTIO	15.7	14.7	13.8	19.1	17.2	15.8	19%	19%	20%	31.9%	25.0%	24.2%
<b>Average</b>	<b>16.3</b>	<b>12.0</b>	<b>9.9</b>	<b>19.6</b>	<b>18.6</b>	<b>14.0</b>	<b>18%</b>	<b>17%</b>	<b>19%</b>	<b>32.4%</b>	<b>27.3%</b>	<b>28.1%</b>
<b>Median</b>	<b>15.1</b>	<b>12.7</b>	<b>9.8</b>	<b>19.1</b>	<b>16.7</b>	<b>13.5</b>	<b>17%</b>	<b>17%</b>	<b>20%</b>	<b>34.0%</b>	<b>25.0%</b>	<b>27.1%</b>
<b>INDERES - SEB est.</b>	<b>24.3</b>	<b>17.0</b>	<b>11.3</b>	<b>30.7</b>	<b>20.2</b>	<b>12.9</b>	<b>15.2%</b>	<b>19.0%</b>	<b>24.1%</b>	<b>36%</b>	<b>32%</b>	<b>39%</b>

Source: SEB, Bloomberg



## Peer company descriptions

### Enento Group

Enento Group is a Finnish company that provides information to its clients about businesses, partners and customers such as financial information, creditworthiness and real estate information. The company operates in Sweden, Denmark and Norway in addition to Finland. We find Enento to be a good peer for Inderes as both companies gather, refine and distribute information. Both companies also have sticky relationships with users who utilise their data on a subscription basis. Enento is highly profitable, with EBIT margins of 22-27% during 2022E-24E, according to Bloomberg consensus estimates. The company is expected to grow sales annually by 4-6% during this period. Hence, the expected sum of EBIT margin and sales growth is between 26-33% 2022E-2024E, according to Bloomberg. Enento posted EUR 164m in sales in 2021, notably higher than that for Inderes.

### Alma Media

Alma Media is a Finnish media company that operates in professional magazines, tabloids, digital classifieds, tabloid and financial daily publishing including Kauppalehti and Talouselämä. The company also has an online recruitment business in Central and Eastern Europe. We find Alma Media to be a good peer for Inderes as both companies produce specialised content for a targeted group and both are platform producers (Alma offers its Etuovi and Monster platforms to facilitate searching for apartments and jobs, respectively). With sales of EUR 275m in 2021, Alma is notably larger than Inderes and has been somewhat more profitable. Alma's average EBIT margin was 20% during 2018-21 versus 17% for Inderes, but it posted a CAGR for sales of just 2.5% during this same period. Alma Media is expected to post a 25-36% sum of sales growth and EBIT margin annually 2022-24, according to Bloomberg consensus.

### Sanoma

Sanoma is a Finnish media company that provides learning materials. It creates content in daily media, TV, radio and magazines in Finland as well as printed and digital K-12 learning material in Europe. We find Sanoma to be a peer for Inderes as it creates value by maintain a large user community for which it creates content. However, we think the learning business makes it a less-relevant peer. With sales of EUR 1,252m in 2021, Sanoma is notably larger than Inderes. The company is expected to grow annually 1-4% sales 2022E-2024E, according to Bloomberg consensus, which is notably less than Inderes. Respectively, Sanoma is expected to post a 15-18% sum of sales growth and EBIT margin.

### Gofore

Gofore is a Finnish IT consulting company. We find its business to be suitable as a peer for Inderes as equity research and IT consulting are professional services that leans on employee expertise for long-term success. We believe Gofore is the closest professional services peer for Inderes, taking into account its growth and profitability profile and country of headquarters. In terms of the sum of its sales growth and EBIT margin, Bloomberg consensus estimates project as average of 30% for Gofore during 2022-24 versus our forecast of 35% for Inderes over this period. However, Gofore's number is boosted by high sales growth forecast for 2022 (32%).

**Talenom**

Talenom is a Finnish company that offers digital accounting and bookkeeping services. Talenom's clients pay recurring fee for the services which combine professional expertise and automated platform. We find Talenom to be a relevant peer for Inderes as its business model is based on recurring revenue and a combination of platform and professional services. The company is expected to show sales 12-26% sales growth annually in 2022-24 with 16-20% EBIT margins, according to Bloomberg consensus.

**EQS Group**

EQS Group is a German compliance and IR solutions provider. The company offers compliance and IR platforms for professionals working in these fields as well as tools for webcasts and virtual AGMs. Its offerings include IR tools such as stock charts that can be integrated into IR websites. EQS also generates content on current topics for professionals in the compliance and IR areas. The company has 15 offices around the world and has offered platforms to large companies such as Airbus, SAP and UBS. Bloomberg consensus estimates project a slightly negative EBIT in 2022 for EQS, but a 10% and 17% EBIT margin in 2023 and 2024 with a sales CAGR of 31% for 2021-24.

**Broadridge Financial Solutions**

Broadridge is a US-based company that provides investor communication and technology solutions. We find the company to be a relevant peer for Inderes, as it offers services that combine platform and professional expertise and because both companies are focused on IR-related issues. Broadridge's solutions include tools for investor communications and for streamlining annual general meetings, as well as consultations on data transformation, regulatory issues and communication. With USD 5bn in sales in 2021, the company is notably larger than Inderes. Bloomberg consensus estimates project a sum of sales growth (%) and EBIT margin (%) for Broadridge of 24-32% for 2022-24 and a sales CAGR of 27% with a 19-20% EBIT margin over this period.

# Overview

## Investment case

Inderes has a very strong position in the Finnish commissioned research market due to its active investor community and over 120 commissioned research clients. Inderes' commissioned research provides up to 30% EBITDA margin, meaning high recurring cash flows. Inderes has expanded to virtual events and IR solutions with a strong track in cross-selling. The key long-term growth will drive Nordic expansion. We calculate that the Nordic market potential is roughly 7x the Finnish market.

## Company profile

Inderes provides IR services connecting stock-listed companies and investors. Inderes has over 190 Finnish stock-listed companies as its customers. Inderes has three main business areas: commissioned equity research, virtual events through its subsidiary Flik, and IR-solutions. Additionally, Inderes operates an investment platform for its over 75,000 active users.

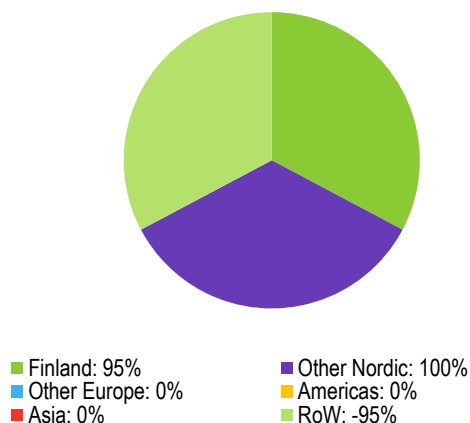
## Valuation approach

We base our fair value range on DCF valuation and peer group valuation. In DCF we give relatively low WACC for mature and defensive Finnish commissioned research while the Nordic growth estimates contain high uncertainty and thus require high capital cost. We give a lower weight for the peer group valuation due to the lack of direct peers.

## Target price risks

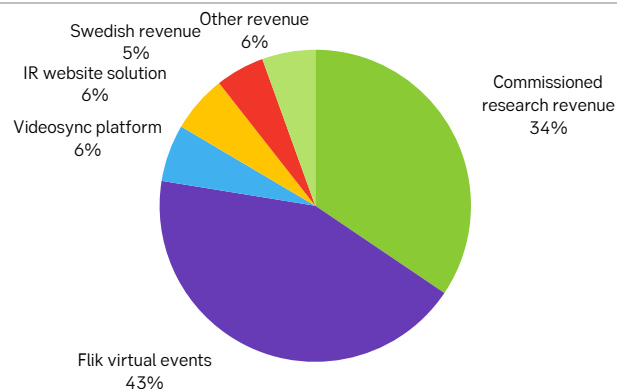
The company is expanding geographically, and failure in expansion would mean notably lower growth estimates, but on the other hand we find that success in the expansion creates upside risk to our fair valuation. Another significant risk relates to an economic downturn which could result in a slowing IPO market and trend where companies start to reduce IR functions. This could slow market growth. We also flag other risks in our analysis risks, e.g. related to key personnel and new competitors entering the market.

## Revenue by region, 2021



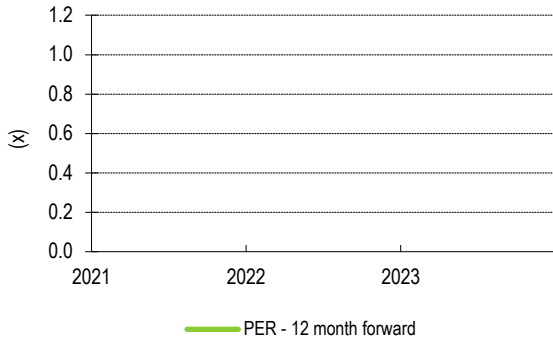
Source: SEB, Inderes

## Revenue by business unit (SEB estimate), 2022E



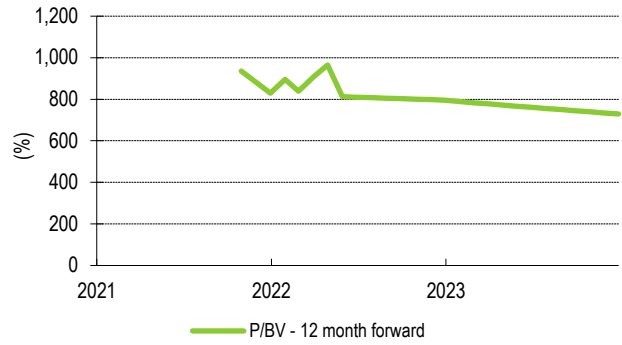
Source: SEB

**PER - 12 month forward**



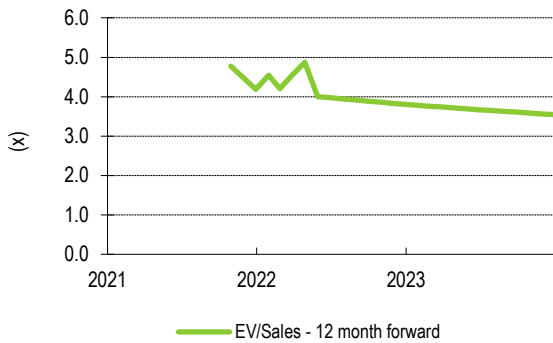
Source: SEB

**P/BV - 12 month forward**



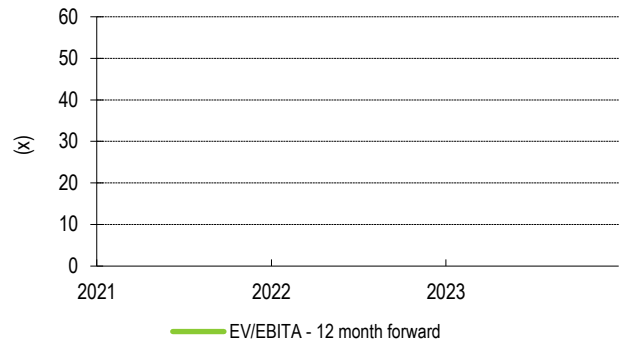
Source: SEB

**EV/Sales - 12 month forward**



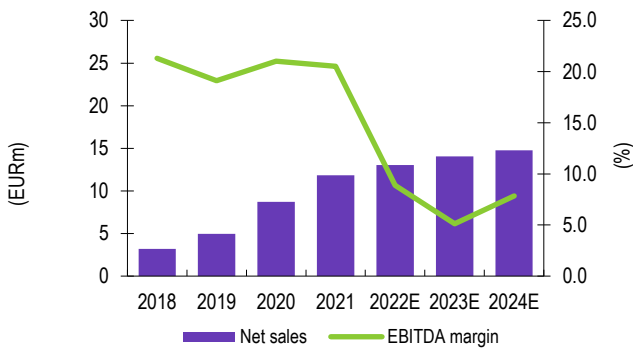
Source: SEB

**EV/EBITA - 12 month forward**



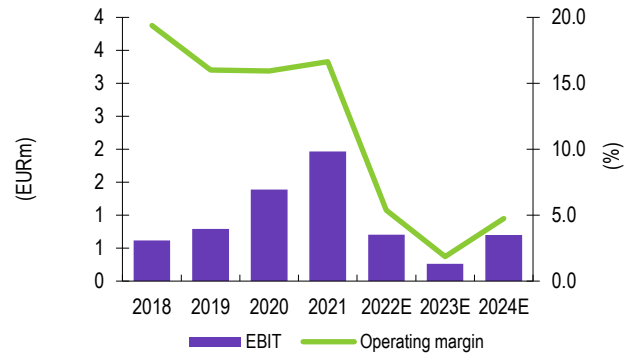
Source: SEB

**Net sales & EBITDA margin**



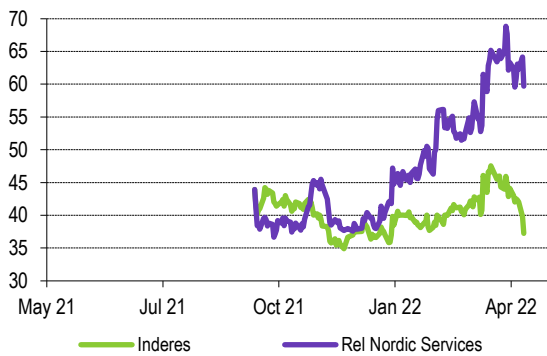
Source: SEB

**EBIT & Operating margin**



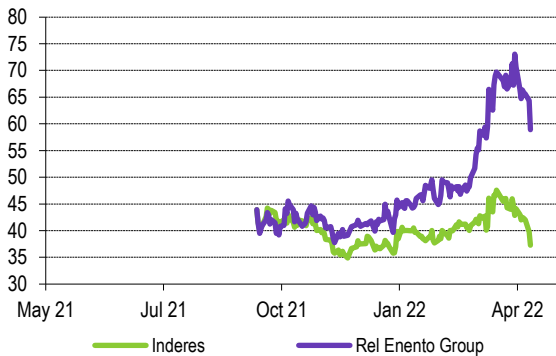
Source: SEB

**Comparison with sector index - 1 year**



Source: SIX

**Comparison with Enento Group - 1 year**



Source: SIX

<b>Profit &amp; loss statement - Inderes</b>							
<b>(EURm)</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022E</b>	<b>2023E</b>	<b>2024E</b>
Net Sales	3	5	9	12	14	16	18
Other revenues	0	0	0	0	0	0	0
<b>Total revenues</b>	<b>3</b>	<b>5</b>	<b>9</b>	<b>12</b>	<b>14</b>	<b>16</b>	<b>18</b>
Total expenses	(3)	(4)	(7)	(9)	(12)	(13)	(14)
<b>Profit before depreciation</b>	<b>1</b>	<b>1</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>3</b>	<b>5</b>
Depreciation - Fixed assets	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Depreciation - Other assets	0	0	0	0	0	0	0
Depreciation of right-of-use assets	0	0	0	0	0	0	0
Amortisation - Goodwill	0	(0)	(0)	(0)	(0)	(0)	(0)
Amortisation - Other intangibles	0	0	0	0	0	0	0
<b>Operating profit</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>2</b>	<b>2</b>	<b>3</b>	<b>4</b>
Associated companies	0	0	0	0	0	0	0
Net interest expenses	0	0	0	(0)	0	0	0
Foreign exchange items	0	0	0	0	0	0	0
Other financial items	0	0	0	0	0	0	0
Value changes - Fixed assets	0	0	0	0	0	0	0
Value changes - Financial assets	0	0	0	0	0	0	0
Value changes - Other assets	0	0	0	0	0	0	0
<b>Reported pre-tax profit</b>	<b>1</b>	<b>1</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>3</b>	<b>4</b>
Minority interests	0	(0)	(0)	(0)	0	0	0
Total taxes	(0)	(0)	(0)	(0)	(0)	(1)	(1)
<b>Reported profit after tax</b>	<b>0</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>2</b>	<b>3</b>
Discontinued operations	0	0	0	0	0	0	0
Extraordinary items	0	0	0	0	0	0	0
<b>Net Profit</b>	<b>0</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>2</b>	<b>3</b>
<b>Adjustments:</b>							
Discontinued operations	0	0	0	0	0	0	0
Interest on convertible debt	0	0	0	0	0	0	0
Minority interests (IFRS)	0	0	0	0	0	0	0
Value changes	0	0	0	0	0	0	0
Goodwill/intangibles amortisations	0	0	0	0	0	0	0
Restructuring charges	0	0	0	0	0	0	0
Other adjustments	0	(0)	(0)	(0)	(0)	(0)	(0)
Tax effect of adjustments	0	0	0	0	0	0	0
<b>Adjusted profit after tax</b>	<b>0</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>2</b>	<b>3</b>
<b>Margins, tax &amp; returns</b>							
Operating margin	19.4	16.0	15.9	16.6	12.8	16.9	22.3
Pre-tax margin	19.5	16.2	18.3	14.7	13.1	17.5	23.4
Tax rate	20.1	19.7	27.2	22.8	20.0	20.0	20.0
ROE	88.8	61.6	67.4	29.8	22.1	30.5	38.8
ROCE	111.2	64.8	75.5	43.8	27.1	37.4	47.8
<b>Growth rates y-o-y (%)</b>							
Total revenues	n.a.	55.7	76.3	35.4	20.7	12.9	14.5
Operating profit	29.9	28.7	74.8	41.7	(6.8)	48.5	51.3
Pre-tax profit	24.9	28.9	98.4	9.0	8.0	51.2	52.5
EPS (adjusted)	0.0	0.0	0.0	0.0	15.6	51.2	52.5

<b>Cash flow</b>							
<b>(EURm)</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022E</b>	<b>2023E</b>	<b>2024E</b>
Net profit	0	1	1	1	1	2	3
Non-cash adjustments	0	0	1	1	0	0	0
<b>Cash flow before work cap</b>	<b>1</b>	<b>1</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>3</b>	<b>4</b>
Ch. in working capital / Other	(0)	1	(1)	1	(0)	(0)	(0)
<b>Operating cash flow</b>	<b>0</b>	<b>2</b>	<b>1</b>	<b>3</b>	<b>2</b>	<b>3</b>	<b>4</b>
Capital expenditures	0	0	(0)	(0)	(1)	(0)	(0)
Asset disposals	0	0	0	0	0	0	0
L/T financial investments	0	0	(0)	(0)	(2)	0	0
Acquisitions / adjustments	0	0	0	0	0	0	0
<b>Free cash flow</b>	<b>0</b>	<b>2</b>	<b>1</b>	<b>3</b>	<b>(1)</b>	<b>2</b>	<b>3</b>
Net loan proceeds	0	0	(0)	(0)	0	0	0
Dividend paid	0	0	(1)	(1)	(1)	(1)	(2)
Share issue	0	0	0	5	0	0	0
Other	0	0	(0)	(1)	(0)	(0)	0
<b>Net change in cash</b>	<b>0</b>	<b>2</b>	<b>(0)</b>	<b>6</b>	<b>(2)</b>	<b>1</b>	<b>2</b>
<b>Adjustments</b>							
C/flow bef chng in work cap	1	1	2	2	2	3	4
Adjustments	0	0	0	0	0	0	0
Int on conv debt net of tax	0	0	0	0	0	0	0
Cash earnings	1	1	2	2	2	3	4
<b>Per share information</b>							
Cash earnings	0.0	0.0	0.0	1.3	1.18	1.64	2.35
Operating cash flow	0.0	0.0	0.0	1.9	1.17	1.61	2.31
Free cash flow	0.0	0.0	0.0	1.78	(0.42)	1.39	2.1
<b>Investment cover</b>							
Capex/sales (%)	0.0	0.0	2.6	1.7	4.9	2.2	1.9
Capex/depreciation (%)	0	0	222	163	515	194	140

Source for all data on this page: SEB

<b>Balance sheet - Inderes</b>							
<b>(EURm)</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022E</b>	<b>2023E</b>	<b>2024E</b>
Cash and liquid assets	1	1	1	7	5	6	8
Debtors	1	1	2	2	2	3	3
Inventories	0	0	0	0	0	0	0
Other	0	0	1	0	0	0	0
<b>Current assets</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>9</b>	<b>7</b>	<b>9</b>	<b>11</b>
Interest bearing fixed assets	0	0	0	0	0	0	0
Other financial assets	0	0	0	0	2	2	2
Capitalized development cost	0	0	0	0	0	0	0
Goodwill	0	2	1	1	1	0	(0)
Other intangibles	0	0	0	0	0	0	0
Right-of-use lease assets	0	0	0	0	0	0	0
Fixed tangible assets	0	0	0	0	1	1	1
Other fixed assets	0	0	0	0	0	0	0
<b>Fixed assets</b>	<b>0</b>	<b>2</b>	<b>2</b>	<b>1</b>	<b>4</b>	<b>4</b>	<b>4</b>
<b>Total assets</b>	<b>2</b>	<b>5</b>	<b>6</b>	<b>11</b>	<b>11</b>	<b>12</b>	<b>14</b>
Creditors	0	0	0	0	1	1	1
Other trade financing	1	1	1	1	1	2	2
S/T lease liabilities	0	0	0	0	0	0	0
S/T interest bearing debt	0	0	0	0	0	0	0
Other	0	2	2	2	2	2	2
<b>Current liabilities</b>	<b>1</b>	<b>3</b>	<b>3</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>5</b>
L/T interest bearing debt	0	0	0	0	0	0	0
L/T lease liabilities	0	0	0	0	0	0	0
Other long-term liabilities	0	0	0	0	0	0	0
Convertible debt	0	0	0	0	0	0	0
Pension provisions	0	0	0	0	0	0	0
Other provisions	0	0	0	(0)	0	0	0
Deferred tax	0	0	0	0	0	0	0
<b>Long term liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Minority interests	0	0	0	0	0	0	0
<b>Shareholders' equity</b>	<b>1</b>	<b>1</b>	<b>2</b>	<b>7</b>	<b>7</b>	<b>8</b>	<b>10</b>
<b>Total liabilities and equity</b>	<b>2</b>	<b>5</b>	<b>6</b>	<b>11</b>	<b>11</b>	<b>12</b>	<b>14</b>
Net debt (m)	(1)	(1)	(1)	(7)	(5)	(6)	(8)
Working capital (m)	(0)	(1)	(0)	(2)	(2)	(2)	(1)
Capital employed (m)	1	2	2	7	7	8	10
Net debt/equity (%)	(149)	(68)	(43)	(105)	(73)	(77)	(81)
Net debt/EBITDA (x)	(1.6)	(1.1)	(0.5)	(2.9)	(2.1)	(1.8)	(1.6)
Equity/total assets (%)	35	31	39	64	63	65	68
Interest cover	0.0	0.0	0.0	7.0	0.0	0.0	0.0
<b>Valuation</b>							
<b>(EUR)</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022E</b>	<b>2023E</b>	<b>2024E</b>
No of shares, fully dil. (y/e)	0.0	0.0	0.0	1.6	1.6	1.6	1.6
No of shares, fully dil. avg.	0.0	0.0	0.0	1.6	1.6	1.6	1.6
Share price, y/e				37.5	37.5	37.5	37.5
Share price, high				53.9	47.6		
Share price, low				34.6	35.8		
Share price, avg				40.1	40.2		
EPS (reported)	0.00	0.00	0.00	0.79	0.92	1.39	2.11
EPS (adjusted)	0.00	0.00	0.00	0.79	0.92	1.39	2.11
Cash earnings/share	0.00	0.00	0.00	1.30	1.18	1.64	2.35
Dividend/share	0.00	0.00	0.00	0.80	0.70	1.00	1.50
Enterprise value/share				33	34	34	33
Book value/share	73	135	211	4.1	4.2	4.9	6.0
Adjusted equity/share	73	135	211	4.1	4.2	4.9	6.0
PER (adjusted)				47.3	40.9	27.1	17.7
CEM				28.9	31.7	22.9	15.9
Dividend yield				2.1	1.9	2.7	4.0
EV/EBITDA				22.3	23.9	16.4	10.9
EV/EBITA				23.5	25.4	17.4	11.4
EV/EBIT				27.6	30.0	19.5	12.3
EV/Sales (x)				4.59	3.93	3.41	2.88
Price/Book value				9.18	8.93	7.67	6.25
Price/adjusted equity				9.18	8.93	7.67	6.25
Free cash flow/Market cap (%)				4.8	2.0	3.7	5.6
Operating cash flow/EV (%)				5.7	3.4	4.8	7.1
EV/Capital employed (x)				8.0	8.0	6.8	5.4
<b>Main shareholders</b>							
<b>Name</b>	<b>(%)</b>	<b>Votes</b>	<b>Capital</b>	<b>Management</b>		<b>Company information</b>	
Mikael Rautanen	13.9	13.9	13.9	<b>Title</b>	<b>Name</b>	<b>Contact</b>	
Juha Kinnunen	12.0	12.0	12.0	COB	Kaj Hagros	Internet	group.inderes.fi
Sauli Vilén	9.0	9.0	9.0	CEO	Mikael Rautanen	Phone number	+358 10 219 4690
Foreign owners (total)	0.4	0.4	0.4	CFO	Mikko Wartiowaara		
				IK			

Source for all data on this page: SEB

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**Copenhagen**

Bernstorffsgade 50  
P.O. Box 100  
DK-1577 Copenhagen V

Telephone: (45) 3328 2828

**Oslo**

Filipstad Brygge 1,  
P.O. Box 1363 Vikta  
NO-0113 Oslo

Telephone: (47) 2100 8500

**Frankfurt**

Stephanstrasse 14-16  
D-60313 Frankfurt am Main

Telephone: (49) 69 9727 7740

**Stockholm**

Kungsträdgårdsgatan 8  
S-106 40 Stockholm

Telephone: (46) 8 522 29500

**Helsinki**

Eteläesplanadi 18  
P.O. Box 630  
FIN-00101 Helsinki

Telephone: (358) 9 616 28700

**Tallinn**

Tornimäe 2  
EE-Tallinn 15010

Telephone: (372) 665 7762

**London**

One Carter Lane  
London, EC4V 5AN

Telephone: (44) 20 7246 4000