Titanium

Company report

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Sauli Vilén
+358 44 025 8908
sauli.vilen@inderes.fi

Kasper Mellas
+358 45 6717 150
kasper.mellas@inderes.fi

Inderes corporate customer

This report is a summary translation of the report “Potentiaali painaa vaa’alla riskejä enemmän” published on 8/24/2023 at 8:02 pm EEST

Potential weighs more than the risks

Titanium published a H1 result clearly below our expectations in terms of the main lines. However, the revenue miss came mainly from non-recurring items, so the significance of the estimate undershoot remained small. The cost side also grew as the company increased its selling power. The near-term outlook for real estate funds remains challenging, and we have revised our forecasts downwards in terms of new sales. As a result of the estimate changes,our target price decreased to EUR 17.0 (was EUR 19.0). However, we believe that the recent share price drop is exaggerated, so we update our recommendation to Accumulate (was Reduce) as the risk/return ratio is clearly better than before.

Drop in non-recurring fees hit the H1 result

Contrary to our expectations, Titanium's revenue was roughly in line with the comparison period at EUR 13.6 million. The company's management fees increased with AUM, but the amount of performance fees and transaction fees decreased from the comparison period. In addition, negative financial income depressed revenue (financial income is recorded as revenue starting from H2'22), so the significance of the revenue miss was in reality more modest than reported. The cost level was also higher than expected as the company strengthened its sales machine. Although this will have a negative impact on profitability in the short term, we believe that the solution is justified as the company moves its focus toward a more comprehensive wealth management service. EBIT adjusted for goodwill amortization was EUR 7.6 million, while our estimate was EUR 9.0 million. Despite the weakened profitability, the EBIT margin remained at a very strong level of 56%.

Forecast cuts were made especially in new sales estimates

After the H1 result, we revised our estimates clearly downward. The biggest changes were made in the sales estimates for real estate funds, as the challenging market situation also affects the demand outlook for Titanium's products. Our cost estimates have also increased slightly to include the company's growth investments in growing its sales personnel. Overall, our earnings estimates for the next few years decreased by some 15%. We expect the result to decrease moderately this year due to a decline in non-recurring income but then return to healthy growth driven by management fees. Key estimate risks are still related to the attractiveness of the company's real estate funds and Titanium's ability to achieve sufficient returns to justify the management fees of its funds.

With the share price drop, the expected return is sufficient

When assessing Titanium's value we use DCF and the peer group. Our DCF model indicates Titanium's value is approximately EUR 18 per share (was EUR 20). The drop from our previous update is explained purely by the estimate changes we made after the H1 report. Relative to the peer group, the share is priced at a slight discount. In our opinion, the company should still be priced at a discount relative to the peer group, considering its higher risk level. The average of the methods gives the share a value of around EUR 17, which is in line with our target price. As a result of the falling share price, the expected return has clearly improved, which we believe provides a sufficiently attractive risk/return ratio. The expected return for the next few years consists of earnings growth and a strong dividend yield (+8%).

Recommendation

Accumulate
(previous Reduce)

EUR 17.00
(previous EUR 19.00)

Share price:
15.90

Key figures

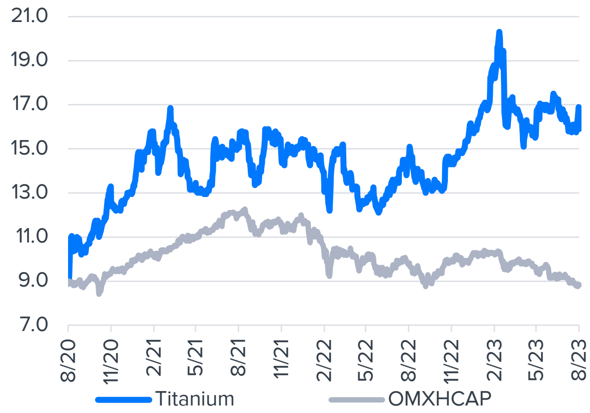
	2022	2023e	2024e	2025e
Revenue	27.9	28.4	30.7	33.0
growth-%	19%	2%	8%	8%
EBIT adj.	16.9	15.8	16.8	18.0
EBIT-% adj.	60.4 %	55.5 %	54.9 %	54.6 %
Net Income	11.7	11.5	13.5	14.4
EPS (adj.)	1.30	1.21	1.30	1.38
P/E (adj.)	12.0	13.1	12.3	11.5
P/B	6.1	6.9	6.7	6.5
Dividend yield-%	8.7 %	7.8 %	8.3 %	8.7 %
EV/EBIT (adj.)	8.3	9.2	8.6	8.0
EV/EBITDA	8.0	8.9	8.3	7.7
EV/S	5.0	5.1	4.7	4.3

Source: Inderes

Guidance

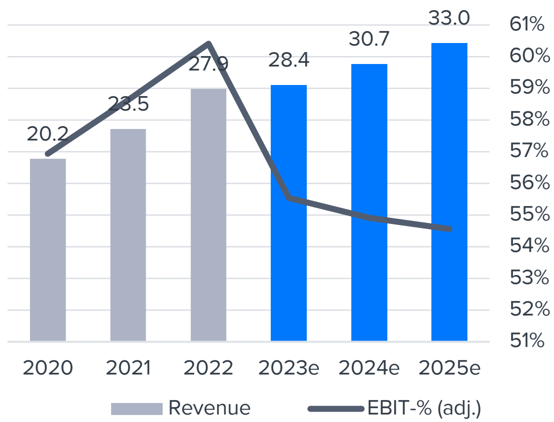
No guidance

Share price



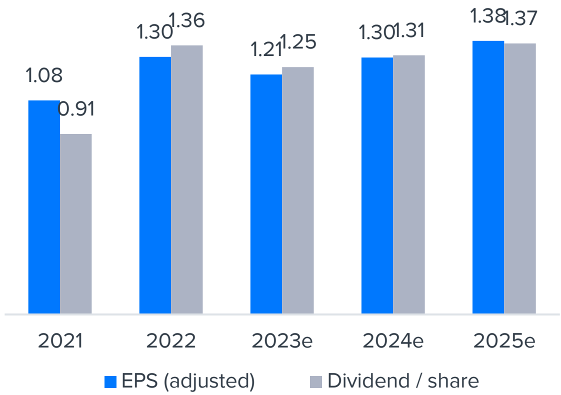
Source: Millistream Market Data AB

Revenue and EBIT-%



Source: Inderes

EPS and dividend



Source: Inderes

Value drivers

- Growth in the Baltia fund
- Continued growth in the Hoivarahasto fund
- New products
- Expanding the offering with acquisitions
- Growth in asset management

Risk factors

- The dominant share of the Hoivarahasto fund in revenue
- Growth in the Baltia fund slowing down
- Sustainability of the exceptionally attractive fee level in the Hoivarahasto fund
- Share of non-recurring fees is still considerable
- Dependency on key persons
- Increases in interest rates
- Risks related to the care market

Valuation	2023e	2024e	2025e
Share price	15.9	15.9	15.9
Number of shares, millions	10.3	10.4	10.4
Market cap	165	165	165
EV	145	144	143
P/E (adj.)	13.1	12.3	11.5
P/E	14.4	12.3	11.5
P/FCF	13.1	12.3	11.8
P/B	6.9	6.4	6.2
P/S	5.8	5.4	5.0
EV/Sales	5.1	4.7	4.3
EV/EBITDA	8.9	8.2	7.7
EV/EBIT (adj.)	9.2	8.5	8.0
Payout ratio (%)	103.6 %	100.9 %	99.0 %
Dividend yield-%	7.2 %	8.3 %	8.7 %

Source: Inderes

Drop in non-recurring fees hit the result

Contrary to our expectations, Titanium's revenue was roughly in line with the comparison period at EUR 13.6 million. The company's management fees increased with AUM, but the amount of performance fees and transaction fees decreased from the comparison period. We had expected these to decrease only moderately from the previous year, but according to the H1 report, the decrease appears to have been clearly higher than we expected. Financial income also depressed revenue, which diluted the disappointment on the top line. This item relates to a change in accounting where investment income is visible as part of revenue. Thus, the estimate undershoot in revenue was in reality more moderate than reported. At the end of H1, Titanium's assets under management (GAV) amounted to some 1.7 billion and increased slightly from the year-end level.

Growth investments weakened profitability

Relative profitability was also disappointing as the company's operating costs were higher than expected. Actual wages were in line with our estimates but the company recruited significantly more new personnel than we expected during H1. Recruitment focused on sales and customer acquisition. Although this will have a negative impact on profitability in the short term, we believe that the solution is justified as the company moves its focus toward a more comprehensive wealth management service. We believe that this is the right direction for the company's value creation, as growth in the share of wallet is key to accelerating the company's growth from the current level. Otherwise costs were very much in line with our expectations.

EBIT adjusted for goodwill amortization was EUR 7.6 million, while our estimate was EUR 9.0 million. Despite the weakened profitability, the EBIT margin remained at a very strong level of 56%. There were no surprises in the lower lines of the income statement and adjusted EPS was EUR 0.58, falling clearly short of our EUR 0.69 estimate.

Outlook on the real estate market remains foggy

Based on the company's comments, the Baltic real estate market still has plenty of supply in the properties, which means that the bottleneck in growth currently lies in quieter new sales. The company expects the activity on the real estate and investment market to increase toward the end of the year.

In the care market, the situation has not changed much but there is still unclarity related to future financing models for the welfare areas in terms of real estate. In the H1 report, the company also reiterated its financial targets stretching to 2024 and the company is likely to update them next year after the new CEO is appointed.

Estimates	H1'22	H1'23	H1'23e	H1'23e	Consensus		Difference (%)	2023e
MEUR / EUR	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. inderes	Inderes
Revenue	13.7	13.6	14.8				-8%	31.0
EBIT (adj.)	8.5	7.6	9.0				-16%	18.5
EPS (adj.)	0.66	0.58	0.69				-16%	1.42
EPS (reported)	0.57	0.50	0.60				-17%	1.32
Revenue growth-%	28.9 %	-0.5 %	8.3 %				-8.8 pp	5.2%
EBIT-% (adj.)	62.4 %	55.9 %	60.8 %				-4.9 pp	59.7 %

Source: Inderes

Forecast cuts were made especially in new sales estimates

After the H1 result, we revised our estimates clearly downward. The biggest changes were made in the sales forecasts for real estate funds, as the challenging market situation also affects Titanium's demand outlook. Overall, our earnings estimates decreased by some 15%. We expect the result to decline moderately this year due to a decline in non-recurring income but then return to healthy growth driven by management fees. Key estimate risks are still strongly related to the attractiveness of the company's real estate funds and Titanium's ability to achieve sufficient returns to justify the management fees of its funds.

New sales estimates cut

After the H1 report, we clearly cut our new sales estimates for real estate funds for the next few years, as the general caution of customers and other asset classes eat up demand. We do, however, believe that the company can sell its products even in a difficult market, which is a good performance considering the circumstances. We expect new sales to remain subdued clearly into next year compared to the level of recent years, and starting from H2'23, we expect key real estate funds to grow by a total of some EUR 90 million p.a. (this includes both new sales and value changes of the fund). Achieving this is not self-evident, but considering the company's strengthened sales organization, it is quite realistic. We note that, with our estimates, the share of the Hoivarahasto fund in Titanium's revenue remains very high, even though it will gradually decrease.

Growth investments increase costs

We have also increased our cost estimates for the next few years to include the company's growth investments. This is mainly reflected on the personnel costs line after Titanium strengthened its sales organization in early 2023. We expect investments to continue also in the next few years as the company tries to transform into a more comprehensive wealth management house.

Divided estimates almost unchanged

We have cut our dividend estimate for the current year by EUR 0.1 per share to correspond to our EPS estimate. In its financial targets, the company has stated that it intends to distribute at least 70% of the profit for the financial year to its owners but in recent years the level has been closer to 100%. Due to the moderate capital needs of the business, we estimate that the company will continue to strive for this in the future, and our forecasts expect a payout ratio of around 95-100%.

Estimate revisions	2023e	2023e	Change	2024e	2024e	Change	2025e	2025e	Change
MEUR / EUR	Old	Tot	%	Old	New	%	Old	New	%
Revenue	31.0	28.4	-8%	34.0	30.7	-10%	36.2	33.0	-9%
EBIT (exc. NRIs)	18.5	15.8	-15%	20.3	16.8	-17%	21.1	18.0	-15%
EBIT	17.4	14.7	-16%	20.3	16.8	-17%	21.1	18.0	-15%
EPS (excl. NRIs)	1.42	1.21	-15%	1.56	1.30	-17%	1.61	1.38	-15%
DPS	1.40	1.15	-18%	1.49	1.31	-12%	1.53	1.37	-11%

Source: Inderes

With the share price drop, the expected return is sufficient

When assessing Titanium's value we use DCF and the peer group. The average of these gives the share a value of around EUR 17, which is in line with our target price. As a result of the falling share price, the expected return has clearly improved, which we believe provides a sufficiently attractive risk/return ratio. The expected return for the next few years consists of earnings growth and a strong dividend yield (+8%).

Short-term challenges are clearly elevated

Titanium's investment story has taken a leap forward over the past good two years with the launch of the Baltia fund. As a result, the company's risk level has decreased slightly and the long-term outlook for earnings growth is better than before, even though the fund's sales have not reached our original expectations. The general challenges on the real estate market (rising interest rates, falling valuations) are partly to blame, which are also reflected in Titanium's new sales. In the short term we, therefore, expect fund sales to be clearly below the level of recent years. We also expect to see a slight decrease in performance fees, and in our estimates Titanium will return to earnings growth from next year. Our estimates are based on the current market expectations that interest rates will peak in the near future, which in turn will have a positive impact on the sales and return outlook of real estate funds.

Multiple-based pricing is moderate

With the estimated 2023 result the P/E ratio is around 13x, which is within Titanium's acceptable valuation range (12-14x) considering the company's risk profile. Looking at next year, the PE ratio will fall to around 12x, which we already consider relatively low, given the company's sales potential, scalable products and modest investment needs (and thus a high payout ratio).

Relative to the peer group, the share is priced at a slight discount. In our opinion, the company should still be priced at a discount relative to the peer group, considering its higher risk level.

As the company strives to move its business model toward a more comprehensive wealth management service, the investor also has an option of a continued decline in the company's risk level, as fees would increasingly be recurring as the fund business grows and the importance of an individual product (Hoivarahasto) decreases overall. This would naturally have a positive impact on the company's value due to a drop in the required return. At the moment, we apply a fairly high 10.2% required return to the company in the asset management sector, which also depresses the accepted valuation levels.

The DCF model also indicates an upside

We consider the DCF model relatively useful for Titanium due to the good predictability of the business. The share of performance fees is still considerable, but due to their calculation method, the annual volatility is clearly lower than for Titanium's key peers. This makes the business very predictable, as the risk of potential forecast errors concentrates on new sales estimates.

Our DCF model indicates Titanium's value is approximately EUR 18 per share (was EUR 20). The drop is purely explained by the estimate changes we made after the H1 report. Our DCF model and its key assumptions can be found on page 12 of the report.

Valuation	2023e	2024e	2025e
Share price	15.9	15.9	15.9
Number of shares, millions	10.3	10.4	10.4
Market cap	165	165	165
EV	145	144	143
P/E (adj.)	13.1	12.3	11.5
P/E	14.4	12.3	11.5
P/FCF	13.1	12.3	11.8
P/B	6.9	6.4	6.2
P/S	5.8	5.4	5.0
EV/Sales	5.1	4.7	4.3
EV/EBITDA	8.9	8.2	7.7
EV/EBIT (adj.)	9.2	8.5	8.0
Payout ratio (%)	103.6 %	100.9 %	99.0 %
Dividend yield-%	7.2 %	8.3 %	8.7 %

Source: Inderes

Estimate summary

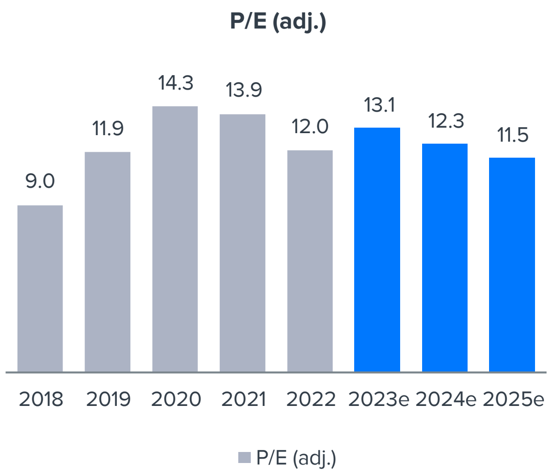
	2018	2019	2020	2021	2022	2023e	2024e	2025e	2026e
Revenue	**16.7**	**18.4**	**20.2**	**23.5**	**27.9**	**28.4**	**30.7**	**33.0**	**35.0**
*Funds**	15.9	16.8	19.2	22.5	27.2	27.9	30.1	32.4	34.4
*Asset management**	0.7	1.5	0.9	0.6	0.6	0.3	0.4	0.4	0.4
*Other**	0.0	0.2	0.1	0.4	0.2	0.2	0.2	0.2	0.2
Commission expenses	-2.8	-1.8	-1.4	-1.6	-1.9	-2.0	-2.3	-2.6	-2.9
Personnel costs	-2.5	-4.7	-5.3	-6.0	-6.5	-7.4	-8.1	-8.8	-9.4
Administrative expenses & other operating costs	-1.5	-1.9	-1.6	-1.6	-2.1	-2.6	-2.8	-3.0	-3.2
Depreciation	0.0	-0.4	-0.5	-0.4	-0.4	-0.7	-0.6	-0.7	-0.7
Goodwill amortization	-1.8	-2.9	-1.8	-1.7	-1.7	-1.1	0.0	0.0	0.0
EBIT	**8.1**	**7.0**	**9.8**	**11.8**	**15.1**	**14.6**	**16.8**	**18.0**	**18.8**
EBIT-%	*48.7 %*	*37.7 %*	*48.5 %*	*50.2 %*	*54.2 %*	*51.4 %*	*54.9 %*	*54.6 %*	*53.7 %*
EBIT (adj.)	**9.9**	**9.9**	**11.6**	**13.5**	**16.9**	**15.7**	**16.8**	**18.0**	**18.8**
EBIT-% (adj.)	*59.7 %*	*53.5 %*	*57.5 %*	*57.5 %*	*60.4 %*	*55.2 %*	*54.9 %*	*54.6 %*	*53.7 %*
EPS (adj.)	**0.79**	**0.79**	**0.91**	**1.08**	**1.30**	**1.21**	**1.30**	**1.38**	**1.43**
Number of personnel	72	62	66	61	63	71	74	77	80
Costs/person (TEUR)	-79	-76	-81	-97	-105	-106	-110	-114	-118
AUM (MEUR)*	**882**	**977**	**1041**	**1235**	**1326**	**1394**	**1504**	**1609**	**1719**
Asset management	557	552	550	600	600	625	650	650	650
Hoiva	269	349	403	455	489	511	546	591	636
Asunto	38	38	41	42	46	46	46	46	46
Baltia	0	0	0	59	101	127	162	207	252
Other	18	38	47	79	90	85	100	115	135
Revenue distribution*	**16.7**	**18.4**	**20.2**	**23.5**	**27.9**	**28.4**	**30.7**	**33.0**	**35.0**
Management fees	9.5	11.8	13.6	15.3	18.6	20.5	22.3	24.8	27.6
Performance fees	4.0	4.8	5.6	6.4	7.4	6.2	6.6	5.7	4.9
Other	3.2	1.9	1.0	1.8	1.9	1.7	1.8	2.5	2.5
Revenue of Hoivarahasto*	**14.6**	**14.9**	**17.2**	**19.1**	**21.5**	**21.3**	**22.3**	**22.7**	**23.1**
Management fees	7.7	9.0	11.0	12.4	13.6	14.6	15.6	16.8	18.1
Performance fees	3.8	4.6	5.4	6.2	7.3	6.2	6.0	5.0	4.0
Other	3.1	1.3	0.8	0.5	0.6	0.5	0.8	1.0	1.0
Hoiva's return-% to investors	8.7 %	7.5 %	7.6 %	7.5 %	8.1 %	5.3 %	6.7 %	6.7 %	6.7 %

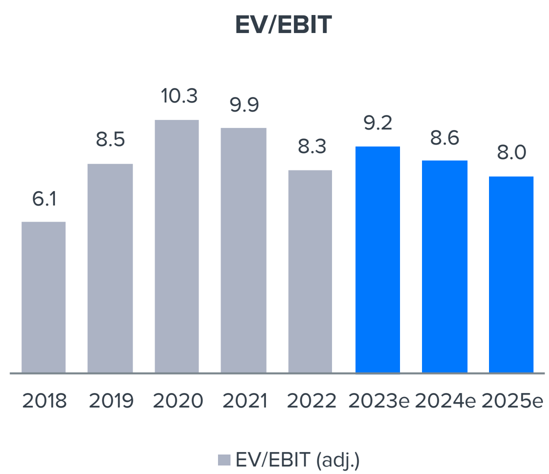
** Inderes' estimate also for historic figures*

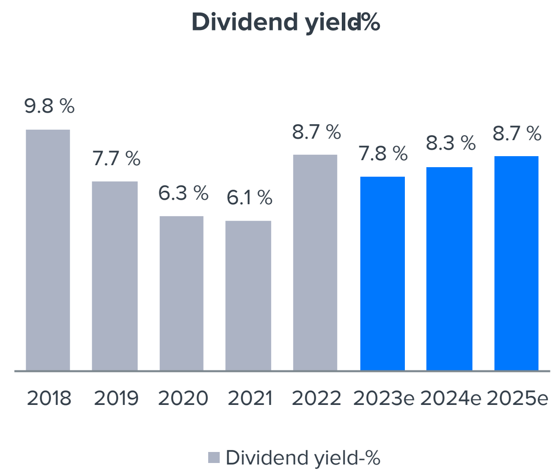
Valuation table

Valuation	2018	2019	2020	2021	2022	2023e	2024e	2025e	2026e
Share price	7.15	9.40	13.0	15.0	15.6	**15.9**	**15.9**	**15.9**	**15.9**
Number of shares, millions	10.0	10.2	10.2	10.2	10.3	**10.3**	**10.4**	**10.4**	**10.5**
Market cap	72	96	132	153	160	**165**	**165**	**165**	**165**
EV	61	84	118	137	139	**145**	**145**	**144**	**144**
P/E (adj.)	9.0	11.9	14.3	13.9	12.0	**13.1**	**12.3**	**11.5**	**11.1**
P/E	11.7	18.5	17.5	16.5	13.7	**14.4**	**12.3**	**11.5**	**11.1**
P/FCF	18.1	11.5	14.8	14.3	12.2	**13.1**	**12.3**	**11.8**	**11.2**
P/B	3.0	4.3	5.8	6.4	6.1	**6.9**	**6.4**	**6.2**	**6.1**
P/S	4.3	5.2	6.6	6.5	5.7	**5.8**	**5.4**	**5.0**	**4.7**
EV/Sales	3.7	4.6	5.9	5.8	5.0	**5.1**	**4.7**	**4.4**	**4.1**
EV/EBITDA	6.1	8.2	9.8	9.6	8.0	**8.9**	**8.2**	**7.7**	**7.3**
EV/EBIT (adj.)	6.1	8.5	10.3	9.9	8.3	**9.2**	**8.5**	**8.0**	**7.6**
Payout ratio (%)	114.9 %	141.7 %	109.6 %	100.1 %	119.8 %	**103.6 %**	**100.9 %**	**99.0 %**	**97.9 %**
Dividend yield-%	9.8 %	7.7 %	6.3 %	6.1 %	8.7 %	**7.2 %**	**8.3 %**	**8.7 %**	**8.9 %**

Source: Inderes







Peer group valuation

Peer group valuation	Market cap	EV	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%		P/B
Company	**MEUR**	**MEUR**	**2023e**	**2024e**	**2023e**	**2024e**	**2023e**	**2024e**	**2023e**	**2024e**	**2023e**	**2024e**	**2023e**
Alexandria	68	51	6.8	5.4	5.3	4.3	1.3	1.1	10.7	10.1	6.2	8.1	2.2
Aktia	664	664	6.4	6.1	6.5	6.1	2.3	2.3	8.0	7.6	7.4	8.6	1.0
CapMan	394	464	20.9	11.3	19.7	11.0	6.9	6.0	24.8	14.0	7.3	7.7	3.1
eQ	724	685	16.0	12.8	15.5	12.5	9.2	7.6	21.3	17.3	4.8	6.0	8.8
Evli	512	467	10.6	8.0	9.5	7.2	4.3	3.7	16.5	12.4	8.0	9.8	3.7
Oma Säästöpankki	688	6921	49.8	49.6	47.0	45.6	28.2	26.8	6.2	6.1	4.8	5.1	1.1
Taaleri	274	216	7.0	6.0	6.9	6.0	3.5	3.1	12.4	11.0	8.1	8.5	1.3
United Bankers	160	148	8.8	7.9	7.9	7.1	2.9	2.6	12.7	11.8	6.7	7.3	3.0
Titanium (Inderes)	**165**	**145**	**9.2**	**8.5**	**8.9**	**8.2**	**5.1**	**4.7**	**13.1**	**12.3**	**7.2**	**8.3**	**6.9**
Average			**15.8**	**13.4**	**14.8**	**12.4**	**7.3**	**6.6**	**14.1**	**11.3**	**6.7**	**7.6**	**3.0**
Median			**9.7**	**7.9**	**8.7**	**7.1**	**3.9**	**3.4**	**12.6**	**11.4**	**7.0**	**7.9**	**2.6**
Diff-% to median			***-5%***	***9%***	***2%***	***17%***	***33%***	***41%***	***5%***	***8%***	***13%***	***5%***	***165%***

Source: Refinitiv / Inderes

Income statement

Income statement	2021	H1'22	H2'22	2022	H1'23	H2'23e	2023e	2024e	2025e	2026e
Revenue	**23.5**	**13.7**	**14.2**	**27.9**	**13.6**	**14.8**	**28.4**	**30.7**	**33.0**	**35.0**
Titanium	23.5	13.7	14.2	27.9	13.6	14.8	28.4	30.7	33.0	35.0
EBITDA	**14.2**	**8.8**	**0.1**	**17.3**	**7.9**	**8.4**	**16.4**	**17.5**	**18.7**	**19.5**
Depreciation	-2.1	-1.1	-1.1	-2.2	-1.2	-0.5	-1.7	-0.6	-0.7	-0.7
EBIT (excl. NRI)	**13.8**	**8.5**	**8.3**	**16.9**	**7.6**	**8.1**	**15.8**	**16.8**	**18.0**	**18.8**
EBIT	**12.0**	**7.7**	**7.5**	**15.1**	**6.7**	**7.9**	**14.7**	**16.8**	**18.0**	**18.8**
Titanium	12.0	7.7	7.5	15.1	6.7	7.9	14.7	16.8	18.0	18.8
Net financial items	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
PTP	**12.0**	**7.7**	**7.5**	**15.1**	**6.7**	**7.9**	**14.7**	**16.8**	**18.0**	**18.8**
Taxes	-2.8	-1.8	-1.7	-3.5	-1.6	-1.7	-3.2	-3.4	-3.6	-3.8
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net earnings	**9.3**	**5.9**	**5.7**	**11.7**	**5.2**	**6.3**	**11.5**	**13.5**	**14.4**	**15.0**
EPS (adj.)	**1.08**	**0.66**	**0.64**	**1.30**	**0.58**	**0.63**	**1.21**	**1.30**	**1.38**	**1.43**
EPS (rep.)	**0.91**	**0.57**	**0.56**	**1.13**	**0.50**	**0.61**	**1.11**	**1.30**	**1.38**	**1.43**

Key figures	2021	H1'22	H2'22	2022	H1'23	H2'23e	2023e	2024e	2025e	2026e
Revenue growth-%	16.3 %	28.9 %	10.4 %	18.8 %	-0.3 %	3.6 %	1.7 %	8.1 %	7.7 %	6.1 %
Adjusted EBIT growth-%	19.8 %	36.3 %	10.8 %	22.3 %	-10.8 %	-2.1 %	-6.5 %	6.8 %	7.0 %	4.3 %
EBITDA-%	60.4 %	64.1 %	0.4 %	62.2 %	58.4 %	57.3 %	57.8 %	56.9 %	56.6 %	55.7 %
Adjusted EBIT-%	58.6 %	62.4 %	58.5 %	60.4 %	55.9 %	55.2 %	55.5 %	54.9 %	54.6 %	53.7 %
Net earnings-%	39.5 %	43.3 %	40.2 %	41.8 %	38.2 %	42.6 %	40.4 %	43.9 %	43.6 %	42.9 %

Source: Inderes

Balance sheet

Assets	2021	2022	2023e	2024e	2025e
Non-current assets	**9.5**	**7.9**	**7.0**	**7.2**	**7.4**
Goodwill	2.9	1.2	0.1	0.1	0.1
Intangible assets	0.0	0.3	0.4	0.5	0.6
Tangible assets	1.7	1.5	1.6	1.6	1.8
Associated companies	0.0	0.0	0.0	0.0	0.0
Other investments	4.8	4.9	4.9	4.9	4.9
Other non-current assets	0.1	0.0	0.0	0.0	0.0
Deferred tax assets	0.0	0.0	0.0	0.0	0.0
Current assets	**19.5**	**23.7**	**22.1**	**23.5**	**24.4**
Inventories	0.0	0.0	0.0	0.0	0.0
Other current assets	0.0	0.0	0.0	0.0	0.0
Receivables	2.9	3.0	2.8	2.8	3.0
Cash and equivalents	16.6	20.7	19.3	20.8	21.5
Balance sheet total	**28.9**	**31.6**	**29.1**	**30.7**	**31.9**

Source: Inderes

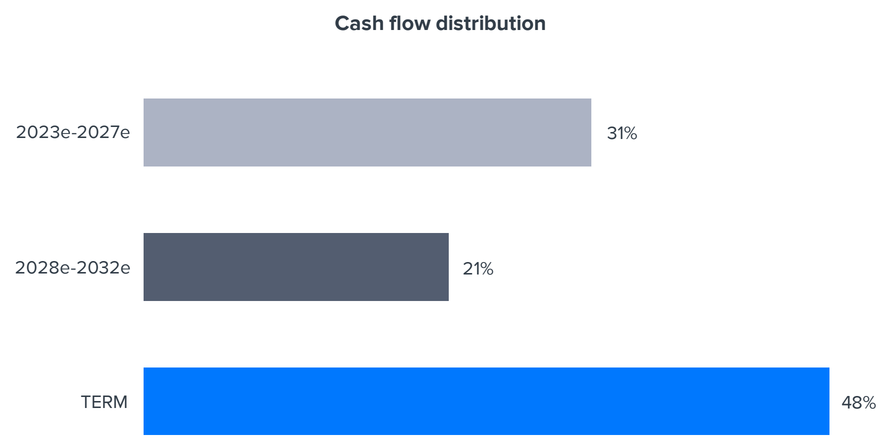
Liabilities & equity	2021	2022	2023e	2024e	2025e
Equity	**23.8**	**26.5**	**24.0**	**25.6**	**26.4**
Share capital	0.1	0.1	0.1	0.1	0.1
Retained earnings	6.0	8.4	5.9	7.5	8.3
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	0.0	0.0	0.0	0.0	0.0
Other equity	17.7	18.0	18.0	18.0	18.0
Minorities	0.0	0.0	0.0	0.0	0.0
Non-current liabilities	**1.1**	**2.6**	**2.6**	**2.6**	**2.6**
Deferred tax liabilities	0.0	0.0	0.0	0.0	0.0
Provisions	0.0	0.0	0.0	0.0	0.0
Long term debt	0.0	0.0	0.0	0.0	0.0
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	1.1	2.6	2.6	2.6	2.6
Current liabilities	**4.0**	**2.6**	**2.6**	**2.6**	**2.9**
Short term debt	0.0	0.0	0.0	0.2	1.3
Payables	0.0	0.0	0.0	0.0	0.0
Other current liabilities	4.0	2.6	2.6	2.6	2.6
Balance sheet total	**28.9**	**31.6**	**29.1**	**29.9**	**31.9**

DCF calculation

DCF model	2022	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	TERM
Revenue growth-%	18.8 %	1.7 %	8.1 %	7.7 %	6.1 %	4.0 %	3.0 %	3.0 %	3.0 %	3.0 %	2.5 %	2.5 %
EBIT-%	54.2 %	51.8 %	54.9 %	54.6 %	53.7 %	54.0 %	52.0 %	50.0 %	48.0 %	47.0 %	47.0 %	47.0 %
EBIT (operating profit)	**15.1**	**14.7**	**16.8**	**18.0**	**18.8**	**19.7**	**19.5**	**19.3**	**19.1**	**19.3**	**19.7**	
+ Depreciation	2.2	1.7	0.6	0.7	0.7	0.8	0.8	0.8	0.8	0.9	0.9	
- Paid taxes	-3.5	-3.2	-3.4	-3.6	-3.8	-3.9	-3.9	-3.9	-3.8	-3.9	-3.9	
- Tax, financial expenses	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
+ Tax, financial income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Change in working capital	-1.6	0.2	0.1	-0.2	-0.2	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	
Operating cash flow	**12.3**	**13.3**	**14.2**	**14.9**	**15.6**	**16.4**	**16.3**	**16.2**	**16.0**	**16.2**	**16.6**	
+ Change in other long-term liabilities	1.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-0.7	-0.8	-0.8	-0.9	-0.9	-0.9	-0.9	-0.9	-1.0	-1.0	-0.9	
Free operating cash flow	**13.1**	**12.5**	**13.4**	**14.0**	**14.7**	**15.5**	**15.4**	**15.3**	**15.0**	**15.2**	**15.7**	
+/- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	13.1	12.5	13.4	14.0	14.7	15.5	15.4	15.3	15.0	15.2	15.7	210
Discounted FCFF		**12.1**	**11.7**	**11.1**	**10.6**	**10.2**	**9.2**	**8.3**	**7.4**	**6.8**	**6.4**	**85.1**
Sum of FCFF present value		179	167	155	144	133	123	114	106	98.2	91.4	85.1
Enterprise value DCF		**181**										
- Interest bearing debt		0.0										
+ Cash and cash equivalents		20.7										
-Minorities		0.0										
-Dividend/capital return		-14.0										
Equity value DCF		**185**										
Equity value DCF per share		**17.9**										

WACC	
Tax-% (WACC)	20.0 %
Target debt ratio (D/(D+E))	0.0 %
Cost of debt	4.0 %
Equity Beta	1.15
Market risk premium	4.75%
Liquidity premium	2.20%
Risk free interest rate	2.5 %
Cost of equity	**10.2 %**
Weighted average cost of capital (WACC)	**10.2 %**

Source: Inderes



Summary

Income statement	2020	2021	2022	2023e	2024e
Revenue	20.2	23.5	27.9	**28.4**	**30.7**
EBITDA	12.1	14.2	17.3	**16.4**	**17.5**
EBIT	9.8	12.0	15.1	**14.7**	**16.8**
PTP	9.9	12.0	15.1	**14.7**	**16.8**
Net Income	7.6	9.3	11.7	**11.5**	**13.5**
Extraordinary items	-1.7	-1.7	-1.7	**-1.1**	**0.0**

Balance sheet	2020	2021	2022	2023e	2024e
Balance sheet total	25.7	28.9	31.6	**29.1**	**30.7**
Equity capital	22.7	23.8	26.5	**24.0**	**25.6**
Goodwill	4.6	2.9	1.2	**0.1**	**0.1**
Net debt	-14.1	-16.6	-20.7	**-19.3**	**-20.8**

Cash flow	2020	2021	2022	2023e	2024e
EBITDA	12.1	14.2	17.3	**16.4**	**17.5**
Change in working capital	-0.1	0.7	-1.6	**0.2**	**0.1**
Operating cash flow	9.6	12.1	12.3	**13.3**	**14.2**
CAPEX	-0.6	-2.5	-0.7	**-0.8**	**-0.8**
Free cash flow	8.9	10.7	13.1	**12.5**	**13.4**

Valuation multiples	2020	2021	2022	2023e	2024e
EV/S	5.9	5.8	5.0	**5.1**	**4.7**
EV/EBITDA (adj.)	9.8	9.6	8.0	**8.9**	**8.2**
EV/EBIT (adj.)	10.3	9.9	8.3	**9.2**	**8.5**
P/E (adj.)	14.3	13.9	12.0	**13.1**	**12.3**
P/B	5.8	6.4	6.1	**6.9**	**6.4**
Dividend-%	6.3 %	6.1 %	8.7 %	**7.2 %**	**8.3 %**

Source: Inderes

Per share data	2020	2021	2022	2023e	2024e
EPS (reported)	0.74	0.91	1.13	**1.11**	**1.30**
EPS (adj.)	0.91	1.08	1.30	**1.21**	**1.30**
OCF / share	0.94	1.19	1.20	**1.28**	**1.36**
FCF / share	0.88	1.05	1.28	**1.21**	**1.29**
Book value / share	2.22	2.33	2.57	**2.32**	**2.46**
Dividend / share	0.81	0.91	1.36	**1.15**	**1.31**

Growth and profitability	2020	2021	2022	2023e	2024e
Revenue growth-%	10 %	16 %	19 %	**2 %**	**8 %**
EBITDA growth-%	18 %	18 %	22 %	**-6 %**	**7 %**
EBIT (adj.) growth-%	17 %	20 %	22 %	**-7 %**	**7 %**
EPS (adj.) growth-%	14 %	19 %	20 %	**-7 %**	**7 %**
EBITDA-%	59.7 %	60.4 %	62.2 %	**57.6 %**	**56.9 %**
EBIT (adj.)-%	56.9 %	58.6 %	60.4 %	**55.5 %**	**54.9 %**
EBIT-%	48.5 %	51.2 %	54.2 %	**51.8 %**	**54.9 %**
ROE-%	33.7 %	40.0 %	46.4 %	**45.5 %**	**54.4 %**
ROI-%	45.1 %	52.7 %	61.0 %	**58.3 %**	**68.0 %**
Equity ratio	88.0 %	82.3 %	83.7 %	**82.3 %**	**83.2 %**
Gearing	-62.0 %	-69.7 %	-78.2 %	**-80.5 %**	**-81.3 %**

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Recommendation history (>12 mo)

Date	Recommendation	Target	Share price
10/25/2018	Accumulate	7.50 €	7.00 €
3/14/2019	Accumulate	9.20 €	8.52 €
4/30/2019	Accumulate	9.20 €	8.20 €
6/18/2019	Accumulate	8.90 €	7.94 €
8/30/2019	Accumulate	9.20 €	8.44 €
10/29/2019	Reduce	9.20 €	9.36 €
1/15/2020	Reduce	9.70 €	10.70 €
3/5/2020	Reduce	10.00 €	10.75 €
4/15/2020	Reduce	8.50 €	8.32 €
4/29/2020	Accumulate	8.50 €	7.82 €
8/28/2020	Buy	11.00 €	10.15 €
10/19/2020	Accumulate	12.00 €	11.25 €
11/24/2020	Reduce	12.00 €	13.30 €
3/5/2021	Reduce	13.00 €	14.55 €
4/16/2021	Reduce	14.00 €	15.20 €
7/2/2021	Accumulate	15.50 €	14.70 €
8/27/2021	Accumulate	16.50 €	15.50 €
12/7/2021	Accumulate	16.00 €	14.65 €
3/11/2022	Buy	16.00 €	13.80 €
8/26/2022	Buy	17.00 €	14.80 €
2/17/2023	Accumulate	19.00 €	18.05 €
3/8/2023	Reduce	19.00 €	20.20 €
8/25/2023	Accumulate	17.00 €	15.90 €

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Inderes Oyj

Itämerentori 2

FI-00180 Helsinki, Finland

+358 10 219 4690

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