

# Revenio Group

## Company report

04/29/2022 7:15



**Juha Kinnunen**  
+358 40 778 1368  
juha.kinnunen@inderes.fi

✓ Inderes corporate customer

This report is a summary translation of the report “Uusia pitkän aikavälin avauksia” published on 4/29/2022 at 7:14 am

inde  
res.

# New long-term opportunities created

We reiterate our EUR 48.0 target price and Reduce recommendation for Revenio. The Q1 report was very strong, especially in terms of profitability, and the long-term story continues to progress convincingly. On Wednesday, the company told about an interesting opportunity in AI, which opens new growth opportunities for the company. However, our estimates for the next few years remain largely unchanged and the share valuation (2023e P/E 55x and EV/EBIT 43x) is very high. In the long term, the expected very strong earnings growth will correct even the higher valuation multiples, but due to the strong headwind of growth companies' pricing, we still see risks in the valuation and refrain from further purchases.

## Nothing to reprimand in the result

In Q1, Revenio's net sales grew by 20.5% to EUR 20.2 million, which was slightly below our EUR 20.4 million estimate. Growth was supported by the stronger dollar and net sales growth with comparable exchange rates was 17%. Growth was limited by increased cases of illness in the supply chain due to COVID, which resulted in over EUR 0.5 million of the order backlog not being delivered. However, component shortage did not pose significant challenges to the company in Q1. Q1 EBIT was strong at EUR 5.6 million, which means an excellent 27.5% EBIT margin. EBIT clearly exceeded expectations (Inderes 5.3 MEUR and consensus 5.1 MEUR) and without delivery challenges, the overshoot would have been higher thanks to the excellent gross margin (Q1'22: 72.6%). When looking at the subdued earnings growth rate on Group level, it should be noted that due to the development phase, Oculo's operating loss was higher than the acquisition-related costs in the comparison period (Q1'21: 0.6 MEUR).

## Outlook unchanged, new AI solution stole the show

As expected, Revenio reiterated its 2022 guidance where the company expects exchange rate-adjusted net sales to grow strongly from the previous year and profitability to remain at a good level without non-recurring items. The market is still very strong in virtually all areas and, as we assumed, Russia's net sales share was very small (< 2%). We have made minor adjustments upward to our earnings estimates, as the impact of increased R&D costs on the income statement was smaller than expected (more capitalization). In addition, the Q1 earnings overshoot naturally affected estimate changes. On Wednesday, Revenio told about a new iCare ILLUME solution that combines the company's DRSpplus imaging device with its partner Thirona's AI algorithm and screens for diabetic retinopathy. The plan is very well suited to Revenio's digital strategy and opens new significant longer-term opportunities for the company. We expect the solution to start producing small net sales from next year, but the earnings impact with R&D costs is likely to be negative in the short term. The new AI-based solution was discussed in more detail in our recent [CEO interview \(in Finnish\)](#).

## Valuation is still a concern as growth companies face headwind

Revenio's story is advancing convincingly as the company expands its offering to include not only ophthalmic devices but also software in a strategically sensible way. However, the company's excellent long-term earnings growth outlook is also reflected in the valuation, where in the short term we see more downward than upward risks as the pricing of growth companies faces headwind. The 2022 multiples are very high (adjusted P/E 55x and EV/EBIT 43x) and they will not be affordable next year either (2023e adjusted P/E 44x and EV/EBIT 34x). We see no need to rush further purchases, even though we are very confident about the company's ability to generate shareholder value also in the future.

## Recommendation

### Reduce

(previous Reduce)

### EUR 48.00

(previous EUR 48.00)

### Share price:

47.58



## Key figures

	2021	2022e	2023e	2024e
<b>Revenue</b>	79	96	116	141
<b>growth-%</b>	29%	21%	21%	21%
<b>EBIT adj.</b>	24.5	29.1	37.2	46.5
<b>EBIT-% adj.</b>	31.1 %	30.4 %	32.1 %	33.1 %
<b>Net Income</b>	17.3	22.1	27.5	34.3
<b>EPS (adj.)</b>	0.74	0.87	1.08	1.35

<b>P/E (adj.)</b>	75.1	54.5	44.1	35.3
<b>P/B</b>	18.9	13.9	11.9	10.1
<b>Dividend yield-%</b>	0.6 %	1.0 %	1.2 %	1.5 %
<b>EV/EBIT (adj.)</b>	60.4	43.3	33.5	26.4
<b>EV/EBITDA</b>	57.7	40.6	32.0	25.2
<b>EV/S</b>	18.8	13.2	10.8	8.7

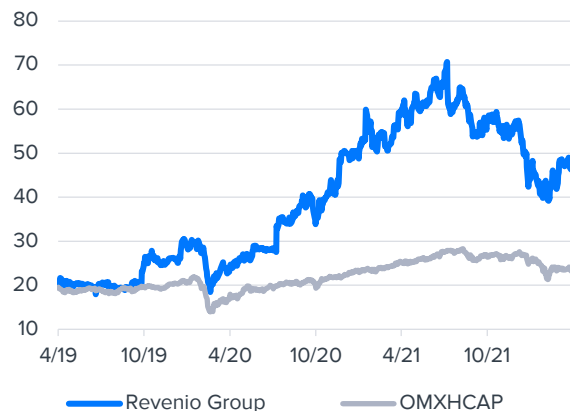
Source: Inderes

## Guidance

(Unchanged)

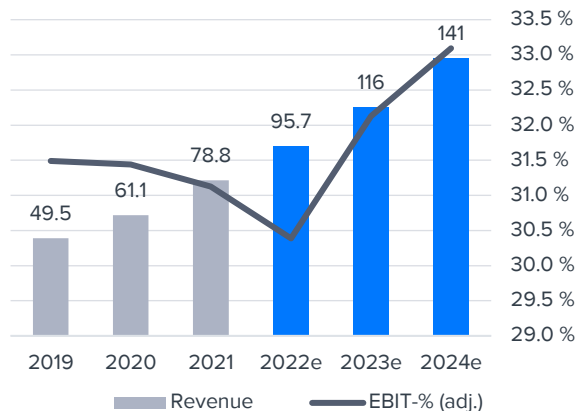
Revenio Group's exchange rate-adjusted net sales are estimated to grow strongly from the previous year and profitability is to remain at a good level without non-recurring items.

## Share price



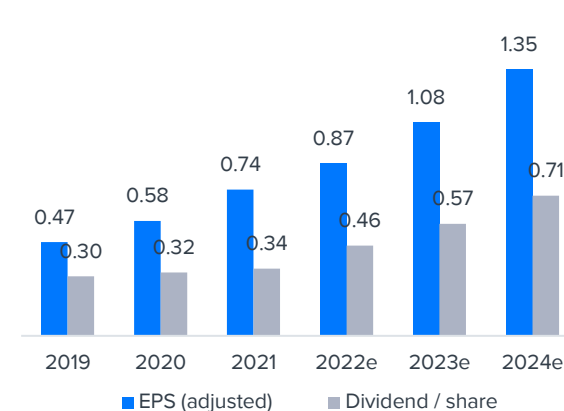
Source: Thomson Reuters

## Revenue and EBIT %



Source: Inderes

## EPS and dividend



Source: Inderes



## Value drivers

- Strong earnings growth outlook in next few years
- Good predictability of the result and cash flow
- Strong competitive protection and growth drivers give support
- Attractive long-term growth potential in new products
- Excellent track record of value creation
- Potential acquisitions



## Risk factors

- Cost inflation and possible further deterioration of component shortage
- Extremely high valuation level of the share is a significant risk for investors especially as interest rates rise
- Weakening of iCare's patent protection after 2023
- Speed and success of the HOME product's ramp-up
- Success in strong growth of imaging devices
- Success of growth investments (new products)

Valuation	2022e	2023e	2024e
Share price	47.6	47.6	47.6
Number of shares, millions	26.7	26.7	26.7
Market cap	1269	1269	1269
EV	1261	1247	1226
P/E (adj.)	54.5	44.1	35.3
P/E	57.5	46.2	37.0
P/FCF	73.3	46.8	34.5
P/B	13.9	11.9	10.1
P/S	13.3	11.0	9.0
EV/Sales	13.2	10.8	8.7
EV/EBITDA	40.6	32.0	25.2
EV/EBIT (adj.)	43.3	33.5	26.4
Payout ratio (%)	55.0 %	55.0 %	55.0 %
Dividend yield-%	1.0 %	1.2 %	1.5 %

Source: Inderes

# Strong start to the year

## Strong growth despite some slowness

Revenio's net sales increased by 20.5% to EUR 20.2 million in Q1. Net sales were slightly below our EUR 20.4 million estimate and were close to the consensus (20.1 MEUR). Growth was supported by the stronger dollar, but also adjusted for exchange rates, growth was a nice 17%. Net sales growth was limited by increased cases of illness in the supply chain due to COVID, which resulted in over EUR 0.5 million of the order backlog not being delivered. Without temporary delivery challenges, net sales would have exceeded our and consensus estimates. According to the company, the component shortage did not have a significant impact on the delivery capacity in Q1, but if the situation worsens effects may occur.

As we expected, company growth was supported especially by very strong sales of imaging devices, but tonometers also fared well according to the company. However, we estimate that growth of imaging devices was considerably faster than that of tonometers. The company has still succeeded in winning market shares with its highly competitive

products and we believe the trend will continue in the future. Geographically, growth was strong in Europe and the US, but in Asia the COVID situation currently creates challenges and visibility is poor. We believe, however, that Revenio's position in Asia is considerably weaker in relative terms than on the main market.

## Profitability exceeded expectations clearly

Revenio's Q1 EBIT was EUR 5.6 million, exceeding market expectations clearly (Inderes 5.3 MEUR and consensus 5.1 MEUR). The EBIT margin was excellent at 27.5%, i.e. at the level of the strong comparison period. The result of the comparison period was depressed by non-recurring costs of EUR 0.6 million from the Oculo acquisition, adjusted for which profitability weakened (Q1'21 adjusted EBIT: 31.3%). On the other hand, software solutions' developing costs (Oculo) in Q1'22 exceeded EUR 0.6 million, so in comparable terms profitability was stable. So despite significant investments and a EUR 0.5 million shift in very high-margin net sales (Q1'22 gross margin: 72.7%) the result was very strong.

In connection with its financial statements, the company estimated that R&D costs will be over 10% of net sales in 2022. In Q1, R&D costs were 8% of net sales (as in Q1'21), which we believe was the main reason for the profitability overshoot relative to our own expectations. However, the figure only includes expenses recognized through the income statement, and a higher share than we expected was probably capitalized in the balance sheet. This adjustment also caused a slight increase in our profitability estimates.

## Weak cash flow, very strong balance sheet

In Q1, Revenio's operational cash flow was subdued at EUR -0.2 million (Q1'21 0.6 MEUR), the weakness of which was explained by the bonuses paid in early 2022. Operational cash flow has typically been weak in Q1 and does not cause any action. The company's balance sheet is in excellent condition and the company is virtually debt-free. The company's current financial liabilities decreased significantly from the end of the year (Q1'22: 4.3 MEUR vs. Q4'21: 22.7 MEUR) after the company renegotiated loans in early 2022, which was already known when the financial statements were published.

Estimates	Q1'21	Q1'22	Q1'22e	Q1'22e	Consensus		Difference (%)	2022e	
	MEUR / EUR	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. Inderes	Inderes
Revenue	16.7	20.2	20.4	20.1	19.7	-	20.9	-1%	95.9
EBIT	4.6	5.6	5.3	5.1	4.6	-	5.7	6%	27.2
EPS (reported)	0.14	0.18	0.15	0.15	0.14	-	0.17	14%	0.80
Revenue growth-%	40.8 %	20.6 %	21.7 %	20.2 %	17.7 %	-	24.9 %	-1.1 pp	21.5 %
Liikevoitto-%	27.5 %	27.5 %	25.8 %	25.4 %	23.4 %	-	27.3 %	1.8 pp	28.4 %

Source: Inderes & Infront (consensus)

# New opportunity in AI takes time

## Guidance unchanged and estimates adjusted

As expected, Revenio reiterated the 2022 guidance provided in the financial statements, which expects net sales to grow strongly from the previous year and profitability to remain at a good level without non-recurring items. The most important growth driver is still found in imaging devices, because the market is larger, Revenio's market share is smaller (around 7%) and we believe that the company's iCare DRSpplus and iCare EIDON Ultra-Widefield devices will continue to gain market shares. Demand is currently strong in all of the company's main markets and the outlook is strong.

## New opportunity in AI

On Wednesday, Revenio [announced](#) a new iCare ILLUME screening solution that utilizes AI and where the Dutch Thirona supplies the AI. The solution combines the fundus images from the iCare DRSpplus imaging device with Thirona's AI. AI screens the images for diabetic retinopathy and immediately creates a report of the findings. This is a very

interesting new opportunity that significantly increases the company's long-term potential. Initially, the solution will be sold in Europe. Expansion into the US requires FDA approval for a combination of imaging devices and AI, but the US market potential is big and, in the longer term is certainly also Revenio's target (the AI provider could be another company). Revenio's earnings logic is based on monthly fees and revenue sharing with Thirona, but the ratio and details are still unclear.

Revenio's DRSpplus device has a capability that allows software upgrades to the existing device base. The first pilot of the solution will be carried out already during Q2, and according to the company, the first paying customers and information about the demand for the solution among existing customers could be available towards the end of the year. However, we do not expect significant earnings in the next few years, because the change takes time and the European market is fragmented.

We estimate that potential net sales are around EUR 1 million next year, which fits into the margin of error of

estimates. The solution will be loss-making as it is still clearly in the investment phase and Revenio's higher R&D investment level will continue until 2023. The company expects that one-third of its R&D investments will be directed at software solutions, including investments in HOME cloud services, Oculo and the new ILLUME solution. Thus, significant sums will not be invested in the new solution and we feel it should be seen as a longer-term positive option as the sales cycles in the industry are very long. The new opportunity was discussed in more detail in our recent [CEO interview \(in Finnish\)](#).

## Small upward vibrations in earnings estimates

Based on the report, we made small positive estimate changes in profitability. In the short term, the key factor was that a larger share of R&D costs are capitalized in the balance sheet than we expected. On the negative side, the company was still cautious about the development of HOME2 sales and the new ILLUME solution replaced the "frozen" growth of the HOME product family in our estimates.

Estimate revisions	2022e	2022e	Change	2023e	2023e	Change	2024e	2024e	Change
MEUR / EUR	Old	New	%	Old	New	%	Old	New	%
Revenue	95.9	95.7	0%	116	116	0%	141	141	0%
EBITDA	30.3	31.0	2%	38.3	39.0	2%	47.7	48.6	2%
EBIT (excl. NRIs)	28.4	29.1	2%	36.5	37.2	2%	45.6	46.5	2%
EBIT	27.2	27.9	2%	35.3	35.9	2%	44.0	44.9	2%
PTP	27.0	28.0	4%	34.5	35.2	2%	43.1	44.0	2%
EPS (excl. NRIs)	0.85	0.87	3%	1.06	1.08	2%	1.32	1.35	2%
DPS	0.44	0.46	3%	0.56	0.57	2%	0.69	0.71	2%

# Valuation is still a concern

## Time will eventually correct the high valuation

The valuation levels of Revenio and other highly valued growth companies have been under pressure for a long time as the rise in interest rates is reflected in investors' required returns. Revenio's valuation remains very high by any measure, but for a Nasdaq Helsinki superstar and a strong value-creator this is expected. However, the valuation risk remains significant because Revenio is still expensive with 2022 valuation multiples (P/E 58x and EV/EBIT 43x) and investors' horizon usually shortens in a bear market. The share cannot be seen as cheap with next year's multiples either (2023e P/E 46x and EV/EBIT 34x), but we feel these are already tolerable. For Revenio, we can also rely with reasonable confidence on 2023, even though there currently are a lot of uncertainties in general.

However, in the long term, Revenio's valuation can be justified if the expected earnings growth (EPS growth some 22% 2022-2025e CAGR) materializes. Therefore, an investor who is genuinely in it for the long haul can easily stay on board the story. For a long-term investor, the share can still offer reasonable return considering the excellent track-record, strong structural long-term growth drivers, the company's deep moats (patents, brand, typically slow-moving industry, and high threshold for entering the industry). The risk level of the business is moderate due to the defensiveness of the industry and the company's strong competitive advantages. However, investors bear significant risk related to strong earnings growth estimates and high valuation multiples. It is difficult to estimate the rate of earnings growth in Revenio, although the direction is clear.

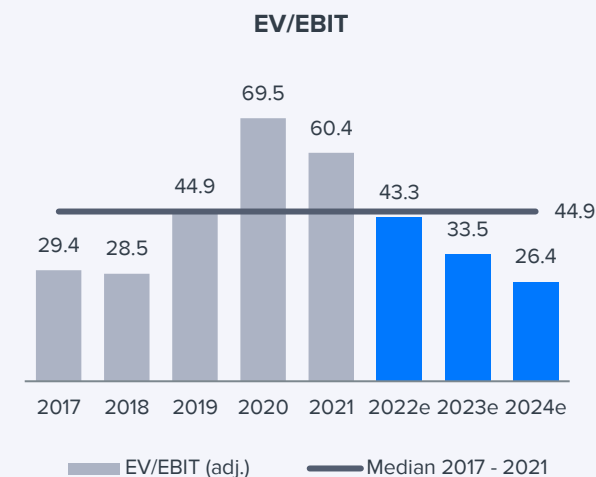
## DCF calculation

Our DCF calculation gives Revenio's share a value of around EUR 51 with aggressive assumptions. The DCF value is driven especially by high assumptions of long-term growth and profitability and even if visibility is exceptionally good for Revenio there is naturally a lot of uncertainty related to the estimates reaching past 10 years. The weight of the terminal period (76%) is very high and emphasizes the high expectations still loaded into the share in the long term.

In the DCF valuation we have now used 6.8% as the cost of equity and WACC is 6.7%. Both are still very low and if current interest rate development continues, the risks are more upward than downward. At the current valuation level investors must, however, accept a very moderate expected return as the required return is also low. Revenio's greatest risk is related to whether the market will accept such a low expected return in the future. Thus, the situation has not changed in this respect.

Valuation	2022e	2023e	2024e
Share price	47.6	47.6	47.6
Number of shares, millions	26.7	26.7	26.7
Market cap	1269	1269	1269
EV	1261	1247	1226
P/E (adj.)	54.5	44.1	35.3
P/E	57.5	46.2	37.0
P/FCF	73.3	46.8	34.5
P/B	13.9	11.9	10.1
P/S	13.3	11.0	9.0
EV/Sales	13.2	10.8	8.7
EV/EBITDA	40.6	32.0	25.2
EV/EBIT (adj.)	43.3	33.5	26.4
Payout ratio (%)	55.0 %	55.0 %	55.0 %
Dividend yield-%	1.0 %	1.2 %	1.5 %

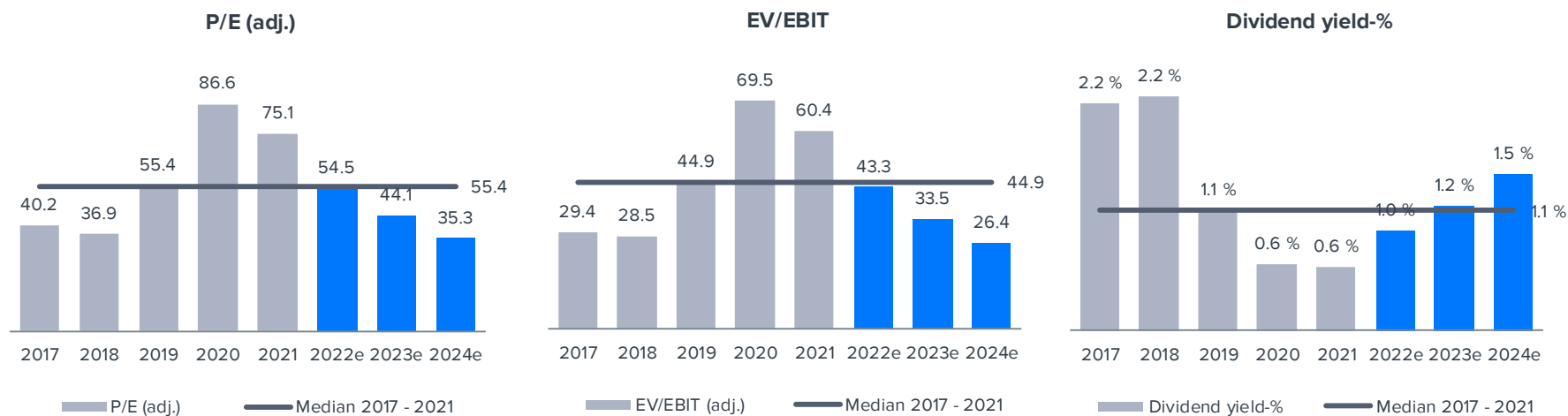
Source: Inderes



# Valuation table

Valuation	2017	2018	2019	2020	2021	2022e	2023e	2024e	2025e
Share price	12.0	12.6	26.3	50.3	55.6	47.6	47.6	47.6	47.6
Number of shares, millions	23.9	23.9	26.0	26.6	26.7	26.7	26.7	26.7	26.7
Market cap	287	301	697	1337	1482	1269	1269	1269	1269
EV	279	290	700	1335	1482	1261	1247	1226	1203
P/E (adj.)	40.2	36.9	55.4	86.6	75.1	54.5	44.1	35.3	30.8
P/E	42.0	36.9	73.0	>100	85.7	57.5	46.2	37.0	30.8
P/FCF	39.8	36.0	neg.	>100	>100	73.3	46.8	34.5	30.0
P/B	18.0	16.6	10.8	19.2	18.9	13.9	11.9	10.1	8.6
P/S	10.7	9.8	14.1	21.9	18.8	13.3	11.0	9.0	7.5
EV/Sales	10.4	9.5	14.1	21.9	18.8	13.2	10.8	8.7	7.1
EV/EBITDA	27.9	27.1	47.9	61.5	57.7	40.6	32.0	25.2	20.9
EV/EBIT (adj.)	29.4	28.5	44.9	69.5	60.4	43.3	33.5	26.4	22.3
Payout ratio (%)	90.9 %	82.3 %	85.1 %	63.7 %	52.4 %	55.0 %	55.0 %	55.0 %	60.0 %
Dividend yield-%	2.2 %	2.2 %	1.1 %	0.6 %	0.6 %	1.0 %	1.2 %	1.5 %	1.9 %

Source: Inderes



# Peer group valuation

Peer group valuation	Share price	Market cap	EV	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%	
Company		MEUR	MEUR	2022e	2023e	2022e	2023e	2022e	2023e	2022e	2023e	2022e	2023e
Revenio (konsensus)	47.58	1225	1215	45.6	35.7	41.0	32.3	13.1	11.0	58.2	45.7	0.9	1.1
Cooper Companies	368.58	17627	20449	25.2	22.3	19.1	16.9	6.5	6.1	26.8	23.8		
Ametek	126.61	27679	29761	21.4	19.7	18.0	16.7	5.1	4.8	23.3	21.4	0.6	0.8
Halma	2455.00	10916	11250	30.1	27.2	25.5	23.3	6.3	5.9	37.7	34.1	0.8	0.9
Topcon	1681.00	1342	1549			9.5	8.5	1.3	1.2	23.6	19.7	1.2	1.4
Medtronic	105.88	135527	148890	17.4	16.9	15.6	15.3	4.9	4.7	18.8	18.3	2.3	2.5
EssilorLuxottica SA	161.90	71303	81837	21.1	19.6	14.3	13.2	3.5	3.3	26.3	23.3	1.9	2.2
Carl Zeiss Meditec	121.60	10752	10879	28.9	25.7	24.7	22.1	6.0	5.5	42.3	37.1	0.8	0.9
Ambu	93.58	2870	3017	68.6	35.7	37.2	23.9	4.8	4.0	105.4	53.0	0.3	0.5
Demand	302.90	9826	11193	22.9	20.8	17.6	16.1	4.1	3.8	26.1	22.9		
Optomed	4.40	61	62					3.8	3.2				
<b>Revenio Group (Inderes)</b>	<b>47.58</b>	<b>1269</b>	<b>1261</b>	<b>43.3</b>	<b>33.5</b>	<b>40.6</b>	<b>32.0</b>	<b>13.2</b>	<b>10.8</b>	<b>54.5</b>	<b>44.1</b>	<b>1.0</b>	<b>1.2</b>
<b>Average</b>				<b>31.2</b>	<b>24.8</b>	<b>22.3</b>	<b>18.8</b>	<b>5.4</b>	<b>4.9</b>	<b>38.9</b>	<b>29.9</b>	<b>1.1</b>	<b>1.3</b>
<b>Median</b>				<b>25.2</b>	<b>22.3</b>	<b>18.6</b>	<b>16.8</b>	<b>4.9</b>	<b>4.7</b>	<b>26.6</b>	<b>23.5</b>	<b>0.8</b>	<b>1.0</b>
<b>Diff-% to median</b>				<b>72%</b>	<b>50%</b>	<b>119%</b>	<b>90%</b>	<b>169%</b>	<b>128%</b>	<b>105%</b>	<b>87%</b>	<b>14%</b>	<b>20%</b>

Source: Thomson Reuters / Inderes. NB: The market cap Inderes uses does not consider own shares held by the company.



# Income statement

Income statement	2019	2020	Q1'21	Q2'21	Q3'21	Q4'21	2021	Q1'22	Q2'22e	Q3'22e	Q4'22e	2022e	2023e	2024e	2025e
<b>Revenue</b>	<b>49.5</b>	<b>61.1</b>	<b>16.7</b>	<b>18.9</b>	<b>19.4</b>	<b>23.8</b>	<b>78.8</b>	<b>20.2</b>	<b>22.5</b>	<b>24.4</b>	<b>28.7</b>	<b>95.7</b>	<b>116</b>	<b>141</b>	<b>169</b>
Tonometers (estimate)	34.5	41.8	11.8	13.0	10.8	13.7	49.2	13.0	14.9	13.3	15.6	56.8	69.1	83.6	100
Imaging devices (estimate)	14.8	19.1	4.9	5.5	8.2	9.7	28.3	6.6	6.9	10.3	12.1	35.8	42.3	49.9	59.9
Oculo (estimate)	0.0	0.0	0.0	0.3	0.3	0.3	0.9	0.4	0.6	0.7	0.8	2.5	4.5	7.0	8.4
Other products (estimate)	0.1	0.2	0.1	0.1	0.2	0.1	0.4	0.2	0.2	0.2	0.2	0.6	0.0	0.0	0.0
<b>EBITDA</b>	<b>14.6</b>	<b>21.7</b>	<b>5.3</b>	<b>5.1</b>	<b>6.8</b>	<b>8.6</b>	<b>25.7</b>	<b>6.4</b>	<b>6.4</b>	<b>8.4</b>	<b>9.9</b>	<b>31.0</b>	<b>39.0</b>	<b>48.6</b>	<b>57.6</b>
Depreciation	-2.0	-4.6	-0.7	-0.7	-0.8	-1.4	-3.6	-0.8	-0.8	-0.8	-0.8	-3.1	-3.1	-3.7	-3.7
<b>EBIT (excl. NRI)</b>	<b>15.6</b>	<b>19.2</b>	<b>5.5</b>	<b>4.7</b>	<b>6.2</b>	<b>8.1</b>	<b>24.5</b>	<b>5.9</b>	<b>5.9</b>	<b>7.9</b>	<b>9.4</b>	<b>29.1</b>	<b>37.2</b>	<b>46.5</b>	<b>54.0</b>
<b>EBIT</b>	<b>12.6</b>	<b>17.1</b>	<b>4.6</b>	<b>4.4</b>	<b>5.9</b>	<b>7.2</b>	<b>22.1</b>	<b>5.6</b>	<b>5.6</b>	<b>7.6</b>	<b>9.1</b>	<b>27.9</b>	<b>35.9</b>	<b>44.9</b>	<b>54.0</b>
Net financial items	-0.3	-0.4	0.1	-0.1	0.0	0.0	0.0	0.3	-0.1	-0.1	-0.1	0.1	-0.7	-0.9	-1.1
<b>PTP</b>	<b>12.3</b>	<b>16.7</b>	<b>4.7</b>	<b>4.3</b>	<b>5.9</b>	<b>7.2</b>	<b>22.1</b>	<b>5.8</b>	<b>5.6</b>	<b>7.6</b>	<b>9.0</b>	<b>28.0</b>	<b>35.2</b>	<b>44.0</b>	<b>52.9</b>
Taxes	-2.9	-3.4	-1.0	-0.9	-1.2	-1.8	-4.8	-1.2	-1.2	-1.6	-1.9	-5.9	-7.8	-9.7	-11.6
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net earnings</b>	<b>9.4</b>	<b>13.3</b>	<b>3.7</b>	<b>3.4</b>	<b>4.7</b>	<b>5.4</b>	<b>17.3</b>	<b>4.6</b>	<b>4.4</b>	<b>6.0</b>	<b>7.1</b>	<b>22.1</b>	<b>27.5</b>	<b>34.3</b>	<b>41.2</b>
<b>EPS (adj.)</b>	<b>0.47</b>	<b>0.58</b>	<b>0.17</b>	<b>0.14</b>	<b>0.19</b>	<b>0.24</b>	<b>0.74</b>	<b>0.18</b>	<b>0.18</b>	<b>0.23</b>	<b>0.28</b>	<b>0.87</b>	<b>1.08</b>	<b>1.35</b>	<b>1.55</b>
<b>EPS (rep.)</b>	<b>0.36</b>	<b>0.50</b>	<b>0.14</b>	<b>0.13</b>	<b>0.18</b>	<b>0.20</b>	<b>0.65</b>	<b>0.17</b>	<b>0.17</b>	<b>0.22</b>	<b>0.27</b>	<b>0.83</b>	<b>1.03</b>	<b>1.29</b>	<b>1.55</b>

Key figures	2019	2020	Q1'21	Q2'21	Q3'21	Q4'21	2021	Q1'22	Q2'22e	Q3'22e	Q4'22e	2022e	2023e	2024e	2025e
<b>Revenue growth-%</b>	61.4 %	23.4 %	40.8 %	37.9 %	23.2 %	20.6 %	29.1 %	20.6 %	19.5 %	25.4 %	20.5 %	21.5 %	21.0 %	21.3 %	20.0 %
<b>Adjusted EBIT growth-%</b>		23.2 %	102.2 %	26.1 %	7.6 %	16.4 %	27.8 %	6.6 %	25.9 %	26.7 %	16.3 %	18.6 %	28.0 %	24.9 %	16.0 %
<b>EBITDA-%</b>	29.5 %	35.5 %	31.5 %	27.0 %	34.9 %	36.0 %	32.6 %	31.7 %	28.4 %	34.4 %	34.4 %	32.4 %	33.7 %	34.6 %	34.2 %
<b>Adjusted EBIT-%</b>	31.5 %	31.4 %	32.9 %	25.0 %	32.1 %	34.0 %	31.1 %	29.0 %	26.3 %	32.5 %	32.8 %	30.4 %	32.1 %	33.1 %	32.0 %
<b>Net earnings-%</b>	18.9 %	21.9 %	22.1 %	18.3 %	24.3 %	22.8 %	22.0 %	22.6 %	19.6 %	24.5 %	24.9 %	23.1 %	23.7 %	24.4 %	24.5 %

Source: Inderes

# Balance sheet

Assets	2020	2021	2022e	2023e	2024e
<b>Non-current assets</b>	<b>58.3</b>	<b>69.8</b>	<b>71.5</b>	<b>73.1</b>	<b>73.6</b>
Goodwill	50.4	59.8	59.8	59.8	59.8
Intangible assets	3.9	4.2	6.1	7.2	7.1
Tangible assets	2.0	2.6	2.4	2.9	3.5
Associated companies	0.0	0.0	0.0	0.0	0.0
Other investments	0.0	0.0	0.0	0.0	0.0
Other non-current assets	1.0	1.9	1.9	1.9	1.9
Deferred tax assets	1.0	1.3	1.3	1.3	1.3
<b>Current assets</b>	<b>43.1</b>	<b>40.8</b>	<b>47.4</b>	<b>66.2</b>	<b>91.2</b>
Inventories	4.9	6.4	7.7	9.3	9.8
Other current assets	0.0	0.0	0.0	0.0	0.0
Receivables	9.3	9.2	13.4	16.2	19.7
Cash and equivalents	28.9	25.2	26.3	40.8	61.7
<b>Balance sheet total</b>	<b>114</b>	<b>125</b>	<b>132</b>	<b>151</b>	<b>175</b>

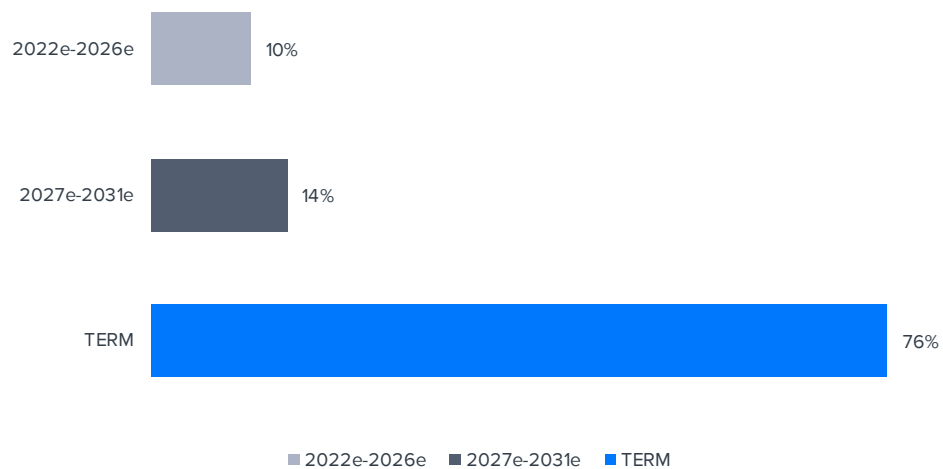
Source: Inderes

Liabilities & equity	2020	2021	2022e	2023e	2024e
<b>Equity</b>	<b>69.7</b>	<b>78.4</b>	<b>91.4</b>	<b>107</b>	<b>126</b>
Share capital	5.3	5.3	5.3	5.3	5.3
Retained earnings	14.0	22.1	35.1	50.4	69.6
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	50.4	51.0	51.0	51.0	51.0
Minorities	0.0	0.0	0.0	0.0	0.0
<b>Non-current liabilities</b>	<b>27.0</b>	<b>5.8</b>	<b>19.1</b>	<b>19.1</b>	<b>19.1</b>
Deferred tax liabilities	3.9	3.6	3.6	3.6	3.6
Provisions	0.3	0.5	0.5	0.5	0.5
Long term debt	22.4	1.7	15.0	15.0	15.0
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	0.4	0.0	0.0	0.0	0.0
<b>Current liabilities</b>	<b>17.7</b>	<b>40.4</b>	<b>21.2</b>	<b>25.0</b>	<b>29.7</b>
Short term debt	4.6	23.5	3.0	3.0	3.0
Payables	13.1	16.9	18.2	22.0	26.7
Other current liabilities	0.0	0.0	0.0	0.0	0.0
<b>Balance sheet total</b>	<b>114</b>	<b>125</b>	<b>132</b>	<b>151</b>	<b>175</b>

# DCF calculation

DCF model	2021	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	TERM
<b>EBIT (operating profit)</b>	<b>22.1</b>	<b>27.9</b>	<b>35.9</b>	<b>44.9</b>	<b>54.0</b>	<b>62.6</b>	<b>70.1</b>	<b>75.7</b>	<b>81.8</b>	<b>88.3</b>	<b>88.1</b>	
+ Depreciation	3.6	3.1	3.1	3.7	3.7	3.7	4.2	4.4	4.4	4.2	4.3	
- Paid taxes	-5.4	-5.9	-7.8	-9.7	-11.6	-13.5	-15.2	-16.4	-17.8	-19.2	-19.1	
- Tax, financial expenses	0.0	0.0	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	
+ 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	2.4	-4.2	-0.6	0.7	-0.6	-0.5	-0.5	-0.4	-0.4	-0.4	-0.2	
<b>Operating cash flow</b>	<b>22.7</b>	<b>21.0</b>	<b>30.5</b>	<b>39.4</b>	<b>45.2</b>	<b>52.0</b>	<b>58.4</b>	<b>63.1</b>	<b>67.8</b>	<b>72.6</b>	<b>72.9</b>	
+ Change in other long-term liabilities	-0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-15.8	-3.7	-3.4	-2.7	-2.9	-5.9	-4.9	-3.7	-2.9	-4.8	-4.3	
<b>Free operating cash flow</b>	<b>6.7</b>	<b>17.3</b>	<b>27.1</b>	<b>36.8</b>	<b>42.3</b>	<b>46.1</b>	<b>53.5</b>	<b>59.5</b>	<b>64.9</b>	<b>67.9</b>	<b>68.6</b>	
+/- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	6.7	17.3	27.1	36.8	42.3	46.1	53.5	59.5	64.9	67.9	68.6	1929
<b>Discounted FCFF</b>		<b>16.6</b>	<b>24.4</b>	<b>30.9</b>	<b>33.4</b>	<b>34.1</b>	<b>37.1</b>	<b>38.7</b>	<b>39.6</b>	<b>38.8</b>	<b>36.8</b>	<b>1034</b>
Sum of FCFF present value		1364	1347	1323	1292	1259	1225	1188	1149	1109	1071	1034
<b>Enterprise value DCF</b>		<b>1364</b>										
- Interesting bearing debt		-25.2										
+ Cash and cash equivalents		25.2										
-Minorities		0.0										
-Dividend/capital return		-9.1										
<b>Equity value DCF</b>		<b>1355</b>										
<b>Equity value DCF per share</b>		<b>50.8</b>										

Cash flow distribution



## Wacc

Tax-% (WACC)	20.0 %
Target debt ratio (D/(D+E))	2.0 %
Cost of debt	3.0 %
Equity Beta	1.00
Market risk premium	4.75%
Liquidity premium	0.00%
Risk free interest rate	2.0 %
<b>Cost of equity</b>	<b>6.8 %</b>
<b>Weighted average cost of capital (WACC)</b>	<b>6.7 %</b>

Source: Inderes

# Summary

Income statement	2019	2020	2021	2022e	2023e	Per share data	2019	2020	2021	2022e	2023e
Revenue	49.5	61.1	78.8	95.7	115.9	EPS (reported)	0.36	0.50	0.65	0.83	1.03
EBITDA	14.6	21.7	25.7	31.0	39.0	EPS (adj.)	0.47	0.58	0.74	0.87	1.08
EBIT	12.6	17.1	22.1	27.9	35.9	OCF / share	0.67	0.59	0.85	0.79	1.14
PTP	12.3	16.7	22.1	28.0	35.2	FCF / share	-0.33	0.50	0.25	0.65	1.02
Net Income	9.4	13.3	17.3	22.1	27.5	Book value / share	2.47	2.62	2.94	3.43	4.00
Extraordinary items	-3.0	-2.1	-2.4	-1.2	-1.3	Dividend / share	0.30	0.32	0.34	0.46	0.57
Balance sheet	2019	2020	2021	2022e	2023e	Growth and profitability	2019	2020	2021	2022e	2023e
Balance sheet total	109.8	114.4	124.6	131.7	150.9	Revenue growth-%	61%	23%	29%	21%	21%
Equity capital	64.3	69.7	78.4	91.4	106.7	EBITDA growth-%	36%	49%	18%	21%	26%
Goodwill	50.4	50.4	59.8	59.8	59.8	EBIT (adj.) growth-%	53%	23%	28%	19%	28%
Net debt	3.0	-1.9	0.0	-8.3	-22.8	EPS (adj.) growth-%	39%	23%	27%	18%	23%
Cash flow	2019	2020	2021	2022e	2023e	EBITDA-%	29.5 %	35.5 %	32.6 %	32.4 %	33.7 %
EBITDA	14.6	21.7	25.7	31.0	39.0	EBIT (adj.)-%	31.5 %	31.4 %	31.1 %	30.4 %	32.1 %
Change in working capital	2.3	-2.1	2.4	-4.2	-0.6	EBIT-%	25.5 %	28.0 %	28.0 %	29.1 %	31.0 %
Operating cash flow	17.5	15.8	22.7	21.0	30.5	ROE-%	22.7 %	19.9 %	23.4 %	26.0 %	27.7 %
CAPEX	-68.0	-2.5	-15.8	-3.7	-3.4	ROI-%	22.4 %	17.9 %	22.1 %	26.2 %	30.7 %
Free cash flow	-8.5	13.2	6.7	17.3	27.1	Equity ratio	58.6 %	60.9 %	63.0 %	69.4 %	70.8 %
						Gearing	4.7 %	-2.7 %	0.0 %	-9.1 %	-21.3 %
Valuation multiples	2019	2020	2021	2022e	2023e						
EV/S	14.1	21.9	18.8	13.2	10.8						
EV/EBITDA (adj.)	47.9	61.5	57.7	40.6	32.0						
EV/EBIT (adj.)	44.9	69.5	60.4	43.3	33.5						
P/E (adj.)	55.4	86.6	75.1	54.5	44.1						
P/E	10.8	19.2	18.9	13.9	11.9						
Dividend-%	1.1 %	0.6 %	0.6 %	1.0 %	1.2 %						

Source: Inderes

# Disclaimer and recommendation history

The information presented in Inderes reports is obtained from several different public sources that Inderes considers to be reliable. Inderes aims to use reliable and comprehensive information, but Inderes does not guarantee the accuracy of the presented information. Any opinions, estimates and forecasts represent the views of the authors. Inderes is not responsible for the content or accuracy of the presented information. Inderes and its employees are also not responsible for the financial outcomes of investment decisions made based on the reports or any direct or indirect damage caused by the use of the information. The information used in producing the reports may change quickly. Inderes makes no commitment to announcing any potential changes to the presented information and opinions.

The reports produced by Inderes are intended for informational use only. The reports should not be construed as offers or advice to buy, sell or subscribe investment products. Customers should also understand that past performance is not a guarantee of future results. When making investment decisions, customers must base their decisions on their own research and their estimates of the factors that influence the value of the investment and take into account their objectives and financial position and use advisors as necessary. Customers are responsible for their investment decisions and their financial outcomes.

Reports produced by Inderes may not be edited, copied or made available to others in their entirety, or in part, without Inderes' written consent. No part of this report, or the report as a whole, shall be transferred or shared in any form to the United States, Canada or Japan or the citizens of the aforementioned countries. The legislation of other countries may also lay down restrictions pertaining to the distribution of the information contained in this report. Any individuals who may be subject to such restrictions must take said restrictions into account.

Inderes issues target prices for the shares it follows. The recommendation methodology used by Inderes is based on the share's 12-month expected total shareholder return (including the share price and dividends) and takes into account Inderes' view of the risk associated with the expected returns. The recommendation policy consists of four tiers: Sell, Reduce, Accumulate and Buy. As a rule, Inderes' investment recommendations and target prices are reviewed at least 2–4 times per year in connection with the companies' interim reports, but the recommendations and target prices may also be changed at other times depending on the market conditions. The issued recommendations and target prices do not guarantee that the share price will develop in line with the estimate. Inderes primarily uses the following valuation methods in determining target prices and recommendations: Cash flow analysis (DCF), valuation multiples, peer group analysis and sum of parts analysis. The valuation methods and target price criteria used are always company-specific and they may vary significantly depending on the company and (or) industry.

Inderes' recommendation policy is based on the following distribution relative to the 12-month risk-adjusted expected total shareholder return.

Buy	The 12-month risk-adjusted expected shareholder return of the share is very attractive
Accumulate	The 12-month risk-adjusted expected shareholder return of the share is attractive
Reduce	The 12-month risk-adjusted expected shareholder return of the share is weak
Sell	The 12-month risk-adjusted expected shareholder return of the share is very weak

The assessment of the 12-month risk-adjusted expected total shareholder return based on the above-mentioned definitions is company-specific and subjective. Consequently, similar 12-month expected total shareholder returns between different shares may result in different recommendations, and the recommendations and 12-month expected total shareholder returns between different shares should not be compared with each other. The counterpart of the expected total shareholder return is Inderes' view of the risk taken by the investor, which varies considerably between companies and scenarios. Thus, a high expected total shareholder return does not necessarily lead to positive performance when the risks are exceptionally high and, correspondingly, a low expected total shareholder return does not necessarily lead to a negative recommendation if Inderes considers the risks to be moderate.

The analysts who produce Inderes' research and Inderes employees cannot have 1) shareholdings that exceed the threshold of significant financial gain or 2) shareholdings exceeding 1% in any company subject to Inderes' research activities. Inderes Oyj can only own shares in the target companies it follows to the extent shown in the company's model portfolio investing real funds. All of Inderes Oyj's shareholdings are presented in itemised form in the model portfolio. Inderes Oyj does not have other shareholdings in the target companies analysed. The remuneration of the analysts who produce the analysis are not directly or indirectly linked to the issued recommendation or views. Inderes Oyj does not have investment bank operations.

Inderes or its partners whose customer relationships may have a financial impact on Inderes may, in their business operations, seek assignments with various issuers with respect to services provided by Inderes or its partners. Thus, Inderes may be in a direct or indirect contractual relationship with an issuer that is the subject of research activities. Inderes and its partners may provide investor relations services to issuers. The aim of such services is to improve communication between the company and the capital markets. These services include the organisation of investor events, advisory services related to investor relations and the production of investor research reports.

More information about research disclaimers can be found at [www.inderes.fi/research-disclaimer](http://www.inderes.fi/research-disclaimer).

Inderes has made an agreement with the issuer and target of this report, which entails compiling a research report.

## Recommendation history (>12 mo)

Date	Recommendation	Target price	Share price
26-10-18	Accumulate	14.50 €	13.76 €
15-02-19	Accumulate	16.50 €	15.46 €
16-04-19	Accumulate	21.00 €	18.80 €
26-04-19	Accumulate	21.00 €	19.10 €
16-08-19	Accumulate	21.00 €	19.40 €
02-10-19	Accumulate	21.00 €	19.22 €
25-10-19	Accumulate	24.50 €	23.20 €
26-11-19	Reduce	24.50 €	25.55 €
21-02-20	Accumulate	31.00 €	28.85 €
19-03-20	Buy	24.00 €	18.48 €
23-04-20	Accumulate	25.00 €	22.75 €
07-08-20	Reduce	34.00 €	33.50 €
23-10-20	Reduce	36.00 €	38.05 €
21-12-20	Reduce	44.00 €	48.65 €
12-02-21	Accumulate	60.00 €	53.00 €
26-04-21	Accumulate	65.00 €	59.20 €
<i>Analyst changed</i>			
09-06-21	Accumulate	65.00 €	59.50 €
06-08-21	Reduce	65.00 €	64.80 €
22-10-21	Accumulate	58.00 €	55.40 €
11-02-22	Accumulate	48.00 €	44.30 €
07-04-22	Reduce	48.00 €	47.96 €
29-04-22	Reduce	48.00 €	47.58 €



Inderes' mission is to connect listed companies and investors. We produce high-quality research and content for the needs of our extensive investor community.

At Inderes we believe that open data is every investor's fundamental right. We guarantee investors' access to award-winning research, insightful video content and an active investor community.

For listed companies we ensure that there is always high-quality information available on the company for investors and shareholders for decision making, and that data collected from investors can be utilized by the companies.

Over 100 Finnish listed companies want to serve their shareholders and investors through us by utilizing our company research services, data driven IR services, content creation and consulting.

### Inderes Oyj

Itämerentori 2

FI-00180 Helsinki, Finland

+358 10 219 4690

Award-winning research at [inderes.fi](https://www.inderes.fi)



STARMINE  
ANALYST AWARDS  
FROM REFINITIV



THOMSON REUTERS  
ANALYST AWARDS



Juha Kinnunen  
2012, 2016, 2017, 2018, 2019, 2020



Mikael Rautanen  
2014, 2016, 2017, 2019



Sauli Vilén  
2012, 2016, 2018, 2019, 2020



Antti Viljakainen  
2014, 2015, 2016, 2018, 2019, 2020



Petri Kajaani  
2017, 2019, 2020



Joni Grönqvist  
2019, 2020



Erkki Vesola  
2018, 2020



Petri Gostowski  
2020



Atte Riikola  
2020



Olli Koponen  
2020

**Research belongs  
to everyone.**