

This research has been commissioned by Inderes. Only for professional investors resident in EEA member states. Reports may not be distributed to the US or other jurisdictions where to do so would be unlawful. Please see the disclaimer tab for any details of investment banking services recently provided by SEB that could be considered relevant to the subject matter of this research.

NOT FOR DISTRIBUTION IN THE US. Marketing communication commissioned by Inderes

Published: 07 Feb 2023, 07:57 GMT+1

Corporate Research

Inderes



Q4: Sales above and EBITA in line with our estimates

Inderes delivered Q4 sales slightly above our estimate while EBITA was broadly in line. Our pre-report 2023 estimates looks to be broadly in line with the fresh guidance with the note that we input a relatively hefty improvement in profitability. Looking ahead, we flag that the number of commissioned research contracts continues to top our estimate and Inderes is recruiting new analysts in Sweden, which we read as a positive sign. Overall, a neutral reaction seems justified.

Outcome: Q4 sales 4% above SEB est, but EBITA in line

Inderes reported Q4 sales of EUR 3.9m, slightly above our estimate of EUR 3.7m. Sales increased y/y by 13%, supported by the Swedish acquisitions, which however had a minor impact on the quarter. We estimate the Q4 organic growth to have been some 6-9%, which shows still decelerating trend from previous quarter growth of 18%. The quarter's growth came from research services and acquisition of Streamfabriken and Financial Hearings. The number of commissioned research agreements grew to 137 from 132 in Q3/22 and 119 year ago, implying 15% growth y/y. We had anticipated the number of commission research agreements to be 133 at the year end and hence find the increasing research base as the key positive take in the Q4 report. Q4 Recurring revenue increased some 24% y/y to EUR 2.1m and came in slightly above our estimate of EUR 2.0m. Project revenue increased to EUR 1.8m, but the organic growth was muted due to decreased virtual events business. Inderes' adjusted EBITA in Q4 came in at EUR 0.2m, but the rounded number was marginally below our forecast of EUR 0.2m (we call it in line). The minor negative deviation in EBITA likely owes to other operating expenses, which is likely due to the acquisition of the Swedish operations. DPS came in at EUR 0.82, which is significantly above the 2022 reported EPS of EUR 0.23 (EUR 0.51 excluding PPA). We had expected DPS of EUR 0.70.

Inderes Q4/22 deviation

EURm	Q4/22		Deviation SEB		Q4/21		Q3/22	
	Actual	SEB	Abs	Rel (%)	Actual	y/y	Actual	q/q
Net sales	3.9	3.7	0.2	4.4	3.4	13.2	3.0	27.8
Materials and services	-0.6	-0.5	-0.2	-34.8	-0.4	-38.3	-0.4	-40.5
Gross profit	3.3	3.3	0.0	0.2	3.0	9.4	2.6	25.8
EBITA	0.2	0.2	0.0	-13.4	0.7	-69.6	0.6	-66.9
EBITA adjusted	0.2	0.2	-0.03	-13.4	0.7	-69.6	0.6	-66.9
EBIT reported	0.0	0.1	-0.1	-96.0	0.6	-99.2	0.5	-99.1
Adj. EBITA margin	5.3%	6.4%		-1.1pp	19.8%	-14.5pp	20.6%	-15.2pp
Adj. EBIT margin	12.9%	3.3%		9.5pp	17.3%	-4.5pp	17.8%	-4.9pp
No. of Finnish commissioned research companies	137	133	4.0	3.0	119.0	15.1	132.0	3.8

Source: SEB

Outlook: Sales to be above EUR 17m and EBITA-% to improve from 2022

In its guidance Inderes expects sales in 2023 to come above of EUR 17m and adj. EBITA margin to improve from 2022 level of 9.4%. Our pre-Q4 FY23 sales estimate stands at EUR 18.6m, i.e., 9% above the guidance limit. We have expected EBITA margin to improve to 16%.

Impact: Top-line revisions to be muted, margin estimates need a second thought

At first glance, we think the estimate revisions are likely to be relatively muted. We think our 2023 sales estimate is fairly well aligned with guidance. However, given the increased cost base in Q4, our margin expectation looks a bit optimistic. In addition to the Swedish acquisitions, the increased commissioned research base is the key growth driver for 2023. We continue to find the sticky and defensive research services to be a key value driver in Inderes's case and note that profitability continues to be below the potential due to investments in Nordic growth.

About this publication

This report is a marketing communication commissioned by Inderes and prepared by Skandinaviska Enskilda Banken AB (publ). It does not constitute investment research; as such, it has not been prepared in accordance with the legal requirements to promote the independence of investment research, nor is it subject to any prohibition on dealing ahead of the dissemination of investment research.

Company specific disclosures and potential conflicts of interest

A member of, or an entity associated with, SEB or its affiliates, officers, directors, employees or shareholders of such members (a) is not, and has never been, represented on the board of directors or similar supervisory entity of Inderes, (b) has from time to time bought or sold the securities issued by the company or options relating to the company, and (c) SEB does not hold any short / long position exceeding 0.5% of the total issued share capital of Inderes as of 31 Jan 2023.

The analyst(s) responsible for this research (jointly with their closely related persons) hold(s) 0 shares in Inderes and do(es) not have holdings in other instruments related to the company.

This statement affects your rights

This report is confidential and may not be reproduced, redistributed or republished by any recipient for any purpose or to any person. Redistributing this report to third parties may invoke legal requirements on the person engaging in such activities.

Producers and Recipients

SEB Research is approved and issued by Skandinaviska Enskilda Banken AB (publ) ("SEB"), a bank organized under the laws of the Kingdom of Sweden, on behalf of itself and its affiliates for institutional investors. When SEB Research is issued by an SEB subsidiary, the subsidiary itself is subject to this disclaimer.

Use

This material has been prepared by SEB for information purposes only. It does not constitute investment advice and is being provided to you without regard to your investment objectives or circumstances. The document does not constitute an invitation or solicitation of an offer to subscribe for or purchase any securities and neither this document nor anything contained herein shall form the basis for any contract or commitment whatsoever. Opinions contained in the report represent the authors' present opinion only and may be subject to change. In the event that the authors' opinion should change, we shall endeavour (but do not undertake) to disseminate any such change, within the constraints of any regulations, applicable laws, internal procedures within SEB, or other circumstances.

Good faith and limitations

All information, including statements of fact, contained in this research report have been obtained and compiled in good faith from sources believed to be reliable. However, no representation or warranty, express or implied, is made by SEB with respect to the completeness or accuracy of its contents, and it is not to be relied upon as authoritative and should not be taken in substitution for the exercise of reasoned, independent judgement by you. Recipients are urged to base their investment decisions upon such investigations as they deem necessary. To the extent permitted by applicable law, no liability whatsoever is accepted by SEB for any direct or consequential loss arising from the use of this document or its contents.

Distribution

This research report has been prepared by SEB or its affiliates and is being distributed by SEB offices in Stockholm, Copenhagen, Oslo, Helsinki, Frankfurt, London, Tallinn, Vilnius, Riga and Hong Kong. Research reports are prepared and distributed in Lithuania by AB SEB bankas and in Estonia by AS SEB Pank in accordance with the requirements of the local laws and Financial Supervision Authority's conduct of business rules. This document may not be distributed in the United States, Canada, Japan or Australia or in any other jurisdiction where to do so would be unlawful. Addresses and Phone numbers for each office can be found at the end of the report.

The SEB Group: members, memberships and regulators

SEB is a member of, inter alia, Nasdaq OMX Nordic, Oslo Stock Exchange, the London Stock Exchange, NYSE Euronext, SIX Swiss Exchange, Frankfurt Stock Exchange, Tallinn Stock Exchange as well as certain European MTF's such as BATS-Chi-X, Turquoise and Burgundy. SEB is regulated by Finansinspektionen in Sweden and,

for the conduct of investment services business, in (i) Denmark by Finanstilsynet, (ii) Norway by Finanstilsynet, (iii) Finland by Finanssivalvonta, (iv) Germany by Bundesanstalt für Finanzdienstleistungsaufsicht, (v) the UK by the Financial Conduct Authority and Prudential Regulation Authority (details about the extent of our regulation by the Financial Conduct Authority and Prudential Regulation Authority are available from us on request), (vi) Estonia by the Estonian Financial Supervision Authority, (vii) Lithuania by the Bank of Lithuania, (viii) Latvia by the Financial and Capital Markets Commission and (ix) Hong Kong by Securities and Futures Commission.

SEB's research reports are prepared in accordance with the industry standards and codes of conduct applicable to financial analysts in the countries where they are based. In Denmark, Finland, Norway and Sweden, analysts act in accordance with the rules of ethics of each country's Society of Financial Analysts. Analysts comply with the recommendations and industry standards of the Danish, Norwegian and the Swedish Securities Dealers Associations and with those of the Federation of Finnish Financial Services. Analysts certified by the CFA Institute also comply with the Code of Ethics of the CFA Institute.

Prevention and avoidance of conflicts of interest

The remuneration of staff within the Research department is determined exclusively by research management and senior management and may include discretionary awards based on the firm's total earnings, including investment banking and markets (sales and trading businesses) income; however, no such staff receive remuneration based upon specific investment banking or markets transactions. SEB's Compliance department monitors the production of research and the observance of the group's procedures designed to prevent any potential conflicts of interest from affecting the content of research; the latter are described in greater detail in the "Statement of Policies for dealing with potential conflicts of interest surrounding our Research activities" which is available on our SEB Research website.

Your attention is also drawn to the fact that:

The current market price of the securities shown in published research reports is the price prevailing at the close of the business day preceding the date of publication, save where such price was more than 5% different from the price prevailing as at the time of publication, in which case it is the latter.

Unless explicitly stated otherwise, SEB expects (but does not undertake) to issue updates to its research following the publication of new figures or forecasts by the company covered, or upon the occurrence of other events that could have a material effect on it.

The securities discussed in SEB research may not be eligible for sale in all countries, and such securities may not be suitable for all types of investors. Offers and sales of securities discussed in SEB research, and the distribution of SEB research, may be made only in countries where such securities are exempt from registration or qualification or have been so registered or qualified for offer and sale, and in accordance with applicable broker-dealer and agent/salesman registration or licensing requirements.

A full list of disclosures for companies mentioned in SEB research in which we have research coverage can be found on our research website

Methodology

Final consideration as to any valuations, projections and forecasts contained in this report are based on a number of assumptions and estimates and are subject to contingencies and uncertainties, and their inclusion in this report should not be regarded as a representation or warranty by or on behalf of the Group or any person or entity within the Group that they or their underlying assumptions and estimates will be met or realized. Different assumptions could result in materially different results. Past performance is not a reliable indicator of future performance. Foreign currency rates of exchange may adversely affect the value, price or income of any security or related investment mentioned in this report. In addition, investors in securities, such as ADRs, whose values are influenced by the currency of the underlying security, effectively assume currency risk.