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Corporate Research

Inderes

Lowers guidance ranges: new EBITA mid-point 34% below SEB estimate

Inderes issued a profit warning, as its virtual event business (outside the core client sector) continues to lag behind its targets. The key impression is that the previous year's strong performance by Flik was supported by Covid and future years' growth must be built on a lower base. We also find that the lack of IPOs erodes the FY/22 performance. Using the new guidance range mid-point, the share is currently trading roughly at an EV/EBITA of 31x (2022E).

Post-Covid headwind triggers a profit warning

Inderes lowers its guidance for 2022 due to weaker than expected project sales. The sales guidance for 2022 is lowered from EUR 14.0m-15.0m to EUR 12.8m-13.5m, indicating 9% decrease in guidance midpoint. As the business model is rather scalable, the EBITA guidance is downgraded from EUR 1.9m-2.6m to EUR 1.0m-1.6m. Thus, the current guidance midpoint indicates 10% EBITA margin compared to 20% in 2021. Recurring revenue is expected to grow above 20% in 2022. The company had earlier expected virtual event revenue to be stable in 2022, whereas it is now expected to decrease. Inderes mentions that current uncertainties in the market have led to decreased IPO activity and decreased demand for virtual events. Virtual event sales had grown strongly during the past two years and the growth has now slowed down. The slow-down owes to unlisted clients sales of which share of total sales is now expected to fall below 5% in 2022 from above 10% in 2021. According to Inderes, September project sales has been clearly below expectations. However, the company notes that the virtual events sales growth has continued in listed client sector in 2022.

New range mid-point is 34% below our post-Q2 EBITA estimate

Our post-Q2 report 2022E EBITA stood close to the lower end of the old guidance at EUR 2.0m. The new guidance range mid-point suggests 34% negative revision for our EBITA estimate. In terms of sales the new guidance range mid-point suggest 8% negative revision. At first glance, the initial take is that the demand for virtual events (outside the public companies client vertical) in 2020-2021 enjoyed significant COVID-related boost. Although we think that the demand for virtual events is in structural growth the market in 2020-21 was abnormally high, meaning lower base year for estimates needs to be pencilled in. We find that the virtually non-existent IPO activity is impacting negatively on Inderes' performance. Although, our post-Q2 estimates already reflected a soft IPO market, the recent turbulent market has deteriorated the situation even further. Assuming the company delivers the guidance range mid-point, the current year EV/EBITA would stand approximately at 31x, which is unarguably high level in the current market environment. Yet, we remind that 2022 EBITA is well below its potential due to the company's growth investments in the Nordic expansion.

Key figures				
(EURm)	**2021**	**2022E**	**2023E**	**2024E**
Revenues (m)	12	14	16	19
Adj. EBIT	2	2	3	4
PTP (m)	2	2	3	4
EPS	0.79	0.82	1.35	2.13
EPS (adjusted)	0.79	0.82	1.35	2.13
DPS	0.80	0.70	1.00	1.50
Revenue growth (%)	35.7	20.7	13.4	14.8
EPS growth (%)	n.a.	3.6	64.9	57.3
Operating margin (%)	16.6	11.5	16.4	22.4
ROCE (%)	43.8	24.6	37.5	49.2
Net Debt/EBITDA (x)	(2.9)	(2.3)	(1.8)	(1.6)
PER (adjusted)	47.3	34.1	20.7	13.1
Dividend yield (%)	2.1	2.5	3.6	5.4
Free Cash Flow Yield (%)	4.8	2.3	4.9	7.6
P/BV (x)	9.2	6.8	5.9	4.8
EV/EBIT (x)	27.6	24.3	14.4	8.7
EV/Sales (x)	4.59	2.86	2.46	2.04

Source: SEB

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