

Innofactor

Company report

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✓ Inderes corporate customer

This report is a summary translation of the report “Luottamus tuloskasvuun parantunut” published on 02/10/2023 at 7:13 am

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Confidence in earnings growth improved

We raise Innofactor's target price to EUR 1.35 (previous 1.00) reflecting estimate changes and lower uncertainty. We also raise our recommendation to Accumulate (previous Reduce). Innofactor's net sales and earnings increased nicely and were in line with our expectations. In addition, the order book, improved net sales structure and comments on the outlook increased confidence in earnings growth in 2023. We expect moderate organic growth in the next few years and profitability to remain unchanged in the big picture. With our estimates the share's valuation (2023e P/E 10 and EV/EBIT 9x) has become attractive, especially considering the stronger base for earnings growth.

Organic growth was strong, but challenges in Invenco acquisition

Q4 net sales grew strongly by 17% to EUR 20.5 million. Especially continued organic growth at a strong 13% level was positive. Organic growth was driven by higher billable utilization and increased use of subcontracting. By contrast, inorganic growth was clearly below our expectations and integration of the Invenco acquisition posed challenges, which resulted in lower net sales than in the comparison period. As a whole, we now feel that the acquisition is neutral, as the company estimates that no additional purchase price will be paid (55% of the total purchase price).

Profitability at a good level

In Q4, comparable EBITDA grew by nearly 60% from the weak comparison period to EUR 2.6 million, representing 12.7% of net sales. Geographically, profitability was positive in all countries in the last quarter. We believe that good profitability was driven by improved billable utilization and strong growth in License and SaaS sales. There were no surprises in other result lines and EPS was EUR 0.04 in Q4 and EUR 0.09 in 2022. Overall, the result lines were well in line with our expectations. The Board of Directors proposed a dividend of EUR 0.06 per share (estimate: 0.05). In addition, the Board of Directors proposed that the AGM should authorize the Board to decide on a possible capital return of up to EUR 0.06 e per share. We believe the additional capital return depends on the cash flow and possible acquisitions in the early part of the year.

Guidance indicates growth in net sales and EBITDA as usual

As usual, Innofactor's guidance indicates that net sales and EBITDA will grow from the year before. Driven by the increased confidence generated by the Q4 report we raised our earnings estimates by some 10% for the next few years. Supported by the [Invenco acquisition](#), we expect Innofactor's net sales will grow by 10% to EUR 78 million in 2023 (organic 5%) and EBITDA to reach EUR 8.6 million (11.1% of net sales, 2022: 7.8 MEUR). We expect net sales to grow organically by ~3% in the coming years, driven by billable utilization, and the EBITDA margin to be good 11%, limited by wage inflation and use of subcontracting. The key risks relate to new project or country-specific challenges emerging and acquisitions.

Valuation favors a positive view of the share

We believe the uncertainty surrounding earnings growth has diminished as project challenges have clarified and with good order book development. With our estimates, the valuation of the share with 2023 EV/EBIT and P/E ratios is 9x and 10x or over 30% below Finnish peers. In our view, the valuation is attractive both absolutely and relatively, considering the improved earnings growth outlook. The expected return of the share consists of annual earnings growth (7%), dividend yield (6%) and the upside in the multiples that makes the expected return attractive.

Recommendation

Accumulate

(previous Reduce)

EUR 1.35

(previous EUR 1.00)

Share price:

1.20



Key figures

	2022	2023e	2024e	2025e
Revenue	71	78	81	83
growth-%	7%	10%	4%	3%
Käyttökate	7.8	8.6	9.1	9.8
Käyttökate-%	11.0 %	11.1 %	11.3 %	11.7 %
Net Income	3.3	4.0	4.5	5.2
EPS (adj.)	0.10	0.12	0.13	0.15

P/E (adj.)	10.7	10.3	9.3	8.1
P/B	1.5	1.6	1.5	1.4
Dividend yield-%	5.7 %	5.8 %	6.7 %	7.5 %
EV/EBIT (adj.)	10.0	9.0	7.8	6.5
EV/EBITDA	6.5	6.1	5.4	4.7
EV/S	0.7	0.7	0.6	0.5

Source: Inderes

Guidance

(New guidance)

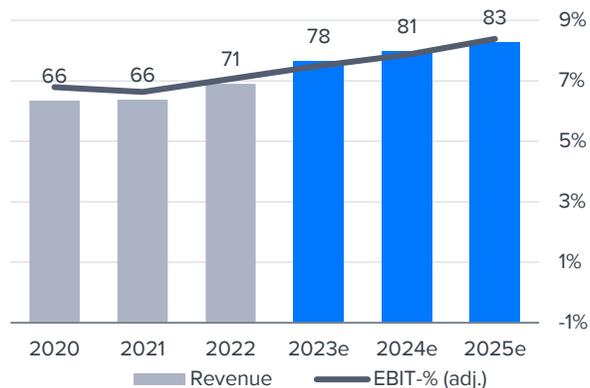
Innofactor's net sales and operating margin (EBITDA) in 2023 are estimated to increase from 2020, during which the net sales were EUR 71.1 million and operating margin was EUR 7.8 million.

Share price



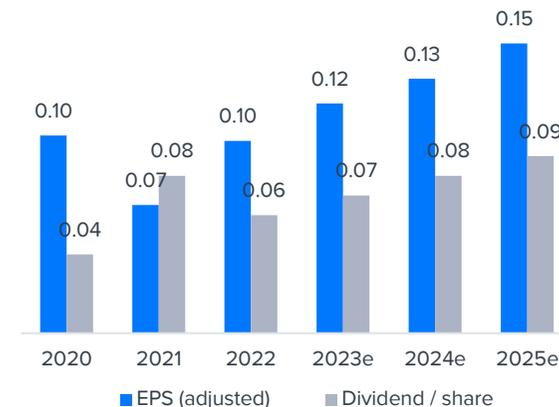
Source: Millstream Market Data AB

Revenue and EBIT %



Source: Inderes

EPS and dividend



Source: Inderes



Value drivers

- Growth and profitability improvement in all Nordic countries, especially in Finland and Sweden
- Turnaround continuing and strengthening
- Restoring investor confidence, even though it has progressed well
- Organic and acquisition-driven growth
- Increasing share of continuous business and own product business



Risk factors

- Failure of the new growth strategy
- Failure in project management
- Failure in strengthening international business
- Delay in building a Nordic organization
- Internationalization and acquisitions raise the risk level
- Weakening of Microsoft's position
- Geopolitical situation

Valuation	2023e	2024e	2025e
Share price	1.20	1.20	1.20
Number of shares, millions	36.2	36.2	36.2
Market cap	43	43	43
EV	53	49	46
P/E (adj.)	10.3	9.3	8.1
P/E	10.8	9.6	8.4
P/FCF	7.4	7.0	6.4
P/B	1.6	1.5	1.4
P/S	0.6	0.5	0.5
EV/Sales	0.7	0.6	0.5
EV/EBITDA	6.1	5.4	4.7
EV/EBIT (adj.)	9.0	7.8	6.5
Payout ratio (%)	62.7 %	64.1 %	63.0 %
Dividend yield-%	5.8 %	6.7 %	7.5 %

Source: Inderes

Strong organic growth was reflected in Q4 profitability

Positive growth figures overall

Q4 net sales grew strongly by 17% to EUR 20.5 million, which was slightly below our estimate of EUR 21.0 million. A deduction of EUR 0.4 million was made in net sales in Q4 due to uncertainty concerning a receivable in an individual project for which net sales had previously been recognized. Considering this, net sales would have been in line with our estimates. Continued organic growth at a strong 13% level was positive, while our estimate was around 10%. Organic growth was driven by higher billable utilization and increased use of subcontracting. Full year net sales increased by 7% to EUR 71.1 million, with 5% organic growth.

However, inorganic growth was clearly below our expectations. Integration of the Invenco acquisition was challenging, which resulted in lower net sales than in the comparison period. The company commented that the first months were difficult, but that Invenco's development had picked up toward the end of the year. Currently, Innofactor estimates that no additional purchase price will be paid. In light of this we feel that the acquisition now appears in a

neutral light, since a significant part of the total purchase price is linked to the additional purchase price (3.75/6.75 MEUR). The view will become clearer in H1 when we know the net sales effect of the Invenco acquisition over 12 months.

We estimate that of the operating countries Finland grew by good 20% supported by the Invenco acquisition. Norway continued performing strongly and we expect it grew by some 40%. In Sweden and Denmark, net sales decreased.

The net sales mix also improved last year, when combined License and SaaS sales increased by some 15% in 2022, and net sales based on continuous service agreements grew by around 17%. Project net sales, on the other hand, decreased by some 6%. As a whole, we feel the change is positive and improves predictability.

The number of active employees at the end of the period was 564 persons, increasing by 10 people from the previous quarter. We believe the share of subcontracting also increased from the comparison period (from 13% of net sales to 15%). In the short

term, we feel Innofactor still has good conditions to grow by simply increasing billable utilization of existing employees.

In the whole year, public administration accounted for 47% of net sales and private sector for 53%. This brings predictability as there is much more uncertainty concerning private sector demand in the short term.

Profitability at a good level

In Q4, comparable EBITDA grew by nearly 60% from the weak comparison period to EUR 2.6 million and was in line with our estimate. EBITDA was 12.7% of net sales and slightly above our estimate (12.2%). In relative terms, the level also strengthened clearly from last year (Q4'21: 9.5%). Geographically, profitability was positive in all countries in the last quarter. We believe that good profitability was driven by improved billable utilization in Finland and strong growth in License and SaaS sales. EPS was EUR 0.04 (Inderes: EUR 0.04). 2022 EBITDA was about EUR 7.8 million or 11.0% of net sales, growing 3% in comparable terms from 2021.

Estimates	Q4'21	Q4'22	Q4'22e	Q4'22e	Consensus		Difference (%)	2022
	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. inderes	Inderes
MEUR / EUR								
Revenue	17.6	20.5	21.0				-2%	71.1
EBITDA	1.7	2.6	2.6				1%	7.8
EBIT	0.5	1.8	1.8				0%	4.8
PTP	0.3	1.7	1.7				-2%	4.2
EPS (reported)	0.01	0.04	0.04				-3%	0.09
DPS	0.08	0.06	0.05				20%	0.06
Revenue growth-%	-3.8 %	17.1%	19.5 %				-2.4 pp	7.2 %
Käyttökate-%	9.4 %	12.7 %	12.2 %				0.4 pp	11.0 %

Lähde: Inderes



Expected guidance and a better capital return than expected

No surprises in the guidance

Innofactor's guidance for 2023 was unsurprising and the company expects net sales and EBITDA to increase from the previous year (71.1 MEUR and 7.8 MEUR). Before the report we expected net sales of EUR 76.7 million (organic growth 3%) and EUR 8.2 million EBITDA. The company feels the outlook from their viewpoint is rather stable, which is also supported by a strong order book.

The company's order book continued to grow (+4%) and was EUR 75.8 million at the end of Q4. The order book does not yet include a large order of EUR 22 million received from the Finnish Defence Forces, of which the company is expected to include half in the Q1 order book. The timing of the large order book materializing as sales and assessment of the profitability structure of the order book is still difficult

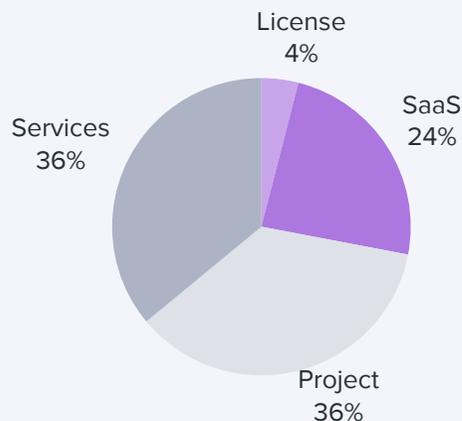
and uncertain but it does support next year's growth guidance especially considering the significant contract with the Finnish Defence Forces. We believe that Innofactor's organic growth is currently more dependent on its operational performance (especially increase in billable utilization, fixed project management and recruitment success/limiting employee attrition), and not sales success. The order book is focused on various product/service areas and different geographic areas, and partly due to this it has not materialized as fierce net sales growth.

Additional capital return is also possible

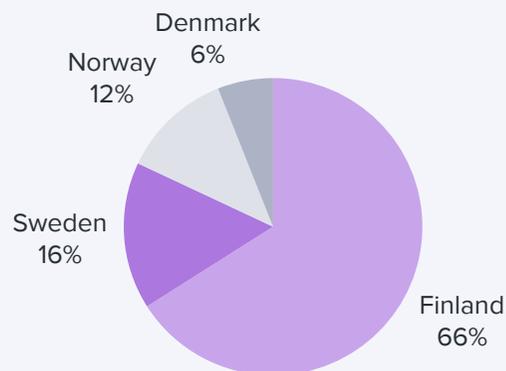
Innofactor proposes a dividend of EUR 0.06, which was slightly higher than our expectation (Inderes: EUR 0.05/share). In addition, the Board of Directors proposes that the AGM should authorize the Board to decide on a possible additional capital return of up

to EUR 2.5 million (EUR 0.06 per share). We believe the additional capital return depends on the cash flow and possible acquisitions in the early part of the year. In total, the capital return may climb to EUR 0.12. This would lead to a dividend yield of around 10%, which in total corresponds to a capital return of nearly EUR 5 million. Free cash flow was EUR 5.8 million last year (excluding the Invenco acquisition). Going forward, good cash flow is supported by earnings growth and the fact that organic growth does not tie up much capital. The company's net debt (excluding IFRS-16 lease liabilities) at the end of 2022 was around EUR 7.4 million. We do not see a high capital return as a problem with the current balance sheet position and the company's business itself does not tie up much capital, excluding acquisitions.

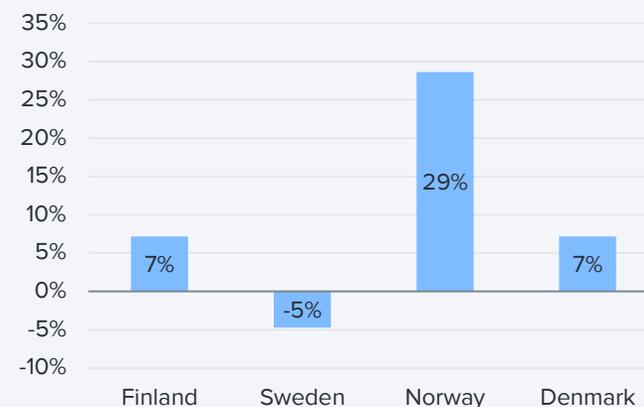
Net sales distribution



Net sales distribution



Growth percentage 2022*



*Inderes' estimate

Estimates and changes

Estimate revisions 2023e-2025e

- We raised our net sales estimates slightly supported by strong organic growth and order book in H2'22
- We also raised our profitability expectations a smidgen, driven by better billable utilization. Thus, our earnings estimates increased by some 10% for the next few years.

Estimates 2023e-2025e

- We expect Innofactor to grow organically by 3-5% in 2023-25
- We estimate that EBITDA will be good 11% in 2023-2025 (2022: 11.0%)
- Profitability is supported by rising billable utilization but on the other hand, wage inflation and the increasing use of subcontracting provide headwinds.
- If the company succeeds to further increase the share of software, profitability still has upside closer to the company's targeted EBITDA level of 20%.

Operational earnings drivers 2023-2025e:

Revenue growth

- Increase in the number of personnel
- Increasing subcontracting
- Increase in billable utilization (company target an increase of 5 percentage points)
- M&A

Profitability is supported by

- Increased billable utilization
- Increased share of software (company target from current 28% to over 33%)

Profitability is limited by

- Wage inflation
- Increasing use of subcontracting
- Employee attrition

Estimate revisions	2022	2022	Change	2023e	2023e	Change	2024e	2024e	Change
MEUR / EUR	Old	New	%	Old	New	%	Old	New	%
Revenue	71.6	71.1	-1%	76.8	77.9	1%	79.3	80.4	1%
EBITDA	7.8	7.8	1%	8.2	8.7	7%	8.5	9.0	6%
EBIT (exc. NRIs)	4.8	5.0	6%	5.1	5.9	15%	5.5	6.2	13%
EBIT	4.8	4.8	0%	5.1	5.7	10%	5.5	6.0	9%
PTP	4.2	4.2	-1%	4.7	5.1	8%	5.2	5.6	7%
EPS (excl. NRIs)	0.09	0.10	7%	0.10	0.12	14%	0.11	0.13	12%
DPS	0.05	0.06	20%	0.06	0.07	17%	0.07	0.08	14%

Source: Inderes

Valuation picture is attractive

Valuation multiples

The primary valuation multiples we use for Innofactor are adjusted P/E and EV/EBIT. The figures are adjusted for IFRS3 book depreciations from acquisitions (~ 0.2 MEUR p.a.). With our estimates, Innofactor's adjusted P/E ratios for 2023 and 2024 are 10x and 9x. This is already an attractive level in absolute terms, given the increased confidence in earnings growth. Corresponding EV/EBIT ratios are 9x and 7x, which is also a fairly attractive level. The 2023 ratios are over 30% below Finnish peers, which is already a very attractive level.

In our view a slightly higher than "normal" P/E level can be accepted for the share due to the company's high tax receivables and the fact that tax expenses do not have a cash flow effect for the company. The book value of the tax receivable is currently EUR 4.0 million, which corresponds to a value of around EUR 0.11 per share. If the current value of this tax receivable would be priced conservatively, e.g., as half of the book value some 5% higher valuation multiples could be accepted for the share.

In our view, a gradually higher valuation can be accepted for the share as the turnaround continues, growth strengthens and is geographically broader. In addition, with growth and scalability of own products, a higher valuation can be accepted for the share.

DCF analysis

Our DCF model indicates a value of EUR 1.5 per share for Innofactor. In our estimate model the company will grow organically by 3 % in 2023-2025 and achieve a good 11% EBITDA margin. In the long term (after 2025), growth will remain at 2.5% (1.5% in terminal) and EBITDA % will stabilize at 10% level. In the model,

the taxes in the income statement do not have a cash flow effect in Finland because the company can utilize profits against the tax receivables in the balance sheet. The weight of the terminal assumption is 43% in the model. In the cash flow model, the average cost of capital (WACC) used is 9.4% and the cost of capital is 9.9%. Thus, in light of the DCF model based on rather conservative estimates, share pricing seems moderate at the moment.

Components of the expected return for the share

We also examine Innofactor's share from the viewpoint of earnings growth, dividend yield and accepted valuation multiples. We estimate that the company has preconditions to reach annual earnings growth of ~7% in coming years driven by net sales and increased profitability. The dividend also supports the valuation after the company updated its dividend policy two years ago. With our dividend estimates that are in line with the dividend policy (around 50% of the result) the dividend yield is ~6%. Strong cash flow provides good preconditions for relatively high profit distribution, but we believe the company will continue to also strive for inorganic growth in line with its strategy.

The share is attractively priced with 2023 multiples, considering the increased earnings growth outlook. Thus, the share's expected return consisting of dividend yield, earnings growth and the upside in multiples is ~15% and the risk/return ratio is attractive. The key risks in the share relate to new project or country challenges emerging and acquisitions.

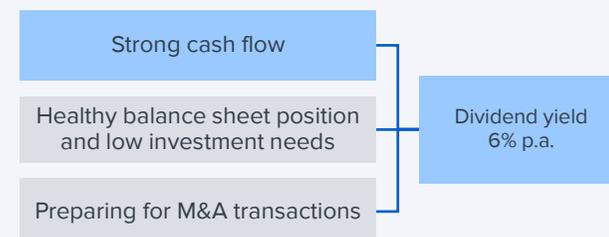
TSR drivers 2023-2025

■ Positive ■ Neutral ■ Negative

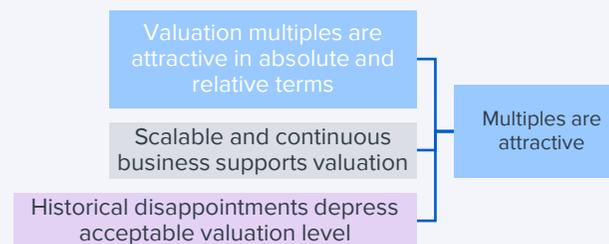
Performance



Dividend yield



Valuation multiples

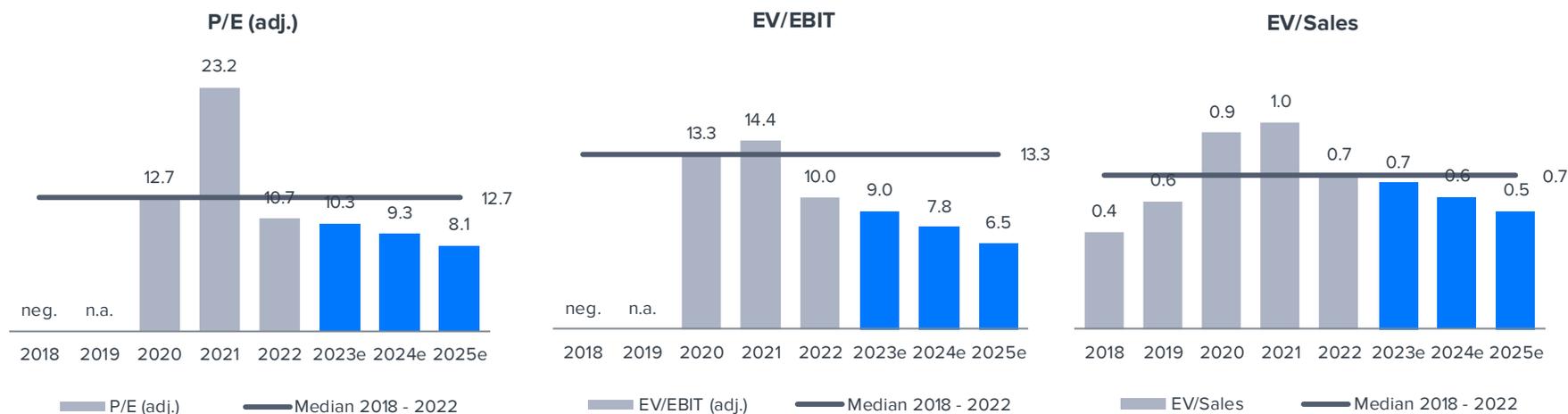


Share's expected total return around 15% p.a.

Valuation table

Valuation	2018	2019	2020	2021	2022	2023e	2024e	2025e	2026e
Share price	0.36	0.72	1.28	1.52	1.05	1.20	1.20	1.20	1.20
Number of shares, millions	36.2	36.8	37.4	36.6	36.2	36.2	36.2	36.2	36.2
Market cap	13	27	48	55	38	43	43	43	43
EV	28	38	60	63	50	53	49	46	42
P/E (adj.)	neg.	n.a.	12.7	23.2	10.7	10.3	9.3	8.1	7.6
P/E	neg.	63.3	27.1	12.3	11.5	10.8	9.6	8.4	7.8
P/FCF	neg.	2.7	neg.	7.3	neg.	7.4	7.0	6.4	6.0
P/B	0.6	1.2	2.0	2.2	1.5	1.6	1.5	1.4	1.3
P/S	0.2	0.4	0.7	0.8	0.5	0.6	0.5	0.5	0.5
EV/Sales	0.4	0.6	0.9	1.0	0.7	0.7	0.6	0.5	0.5
EV/EBITDA	neg.	7.4	8.4	6.3	6.5	6.1	5.4	4.7	4.1
EV/EBIT (adj.)	neg.	n.a.	13.3	14.4	10.0	9.0	7.8	6.5	5.7
Payout ratio (%)	0.0 %	0.0 %	84.9 %	65.1 %	65.4 %	62.7 %	64.1 %	63.0 %	65.4 %
Dividend yield-%	0.0 %	0.0 %	3.1 %	5.3 %	5.7 %	5.8 %	6.7 %	7.5 %	8.3 %

Source: Inderes



Peer group valuation

Company	Market cap	EV	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%	
	MEUR	MEUR	2023e	2024e	2023e	2024e	2023e	2024e	2023e	2024e	2023e	2024e
Digia*	174	183	9.5	8.2	7.8	6.9	1.0	0.9	11.1	10.1	3.5	3.9
Digital Workforce*	46	33		24.9		20.7	1.1	0.9		41.3		
Gofore*	381	355	13.6	11.6	12.6	10.5	1.9	1.6	17.8	16.2	1.6	1.8
Loihde*	74	41	13.9	7.3	8.7	5.4	0.3	0.3	27.4	16.2	1.7	2.5
Netum Group*	43	44	12.4	9.9	11.5	9.5	1.3	1.1	15.0	12.7	3.9	4.2
Nixu*	57	58	15.1	10.2	10.9	8.1	0.9	0.8	20.5	13.7		
Silli Solutions*	132	119	8.7	7.4	7.3	6.1	0.9	0.8	13.0	11.7	1.9	2.2
Solteq*	33	60	16.4	10.8	6.6	5.9	0.8	0.7	22.4	11.6	3.0	4.7
Tietoevry*	3427	4001	10.1	9.3	8.5	7.7	1.3	1.2	11.6	10.9	5.2	5.4
Vincit*	75	61	7.2	5.6	6.6	5.2	0.6	0.5	11.0	9.0	5.3	5.7
Witted Megacorp*	57	47	29.9	9.0	29.0	8.9	0.6	0.5	37.3	14.4		
Bouvet	559	580	15.0	13.8	12.6	11.8	1.9	1.7	18.8	17.3	4.9	5.0
Enea	192	224	21.6	18.4	8.5	8.1	2.6	2.5	26.4	22.5		
Knowit	535	634	16.6	13.7	9.6	9.2	1.0	0.9	16.1	15.5	3.4	3.5
Netcompany Group	1881	2131	18.7	15.8	14.7	12.7	2.7	2.4	21.7	18.2	0.6	1.0
Innofactor (Inderes)	43	53	9.0	7.8	6.1	5.4	0.7	0.6	10.3	9.3	5.8	6.7
Median Nordic companies			14.4	10.2	9.2	8.1	1.0	0.9	18.3	14.4	3.4	3.9
<i>Diff-% to median</i>			-38%	-23%	-33%	-34%	-32%	-32%	-44%	-36%	73%	73%
Median Finnish companies			13.0	9.3	8.6	7.7	0.9	0.8	16.4	12.7	3.3	4.0
<i>Diff-% to median</i>			-31%	-16%	-29%	-30%	-25%	-22%	-37%	-27%	79%	66%

Lähde: Refinitiv / *Inderes' adjusted estimate. NB: The market cap Inderes uses does not consider own shares held by the company.

Income statement

Income statement	2020	2021	Q1'22	Q2'22	Q3'22	Q4'22	2022	Q1'23e	Q2'23e	Q3'23e	Q4'23e	2023e	2024e	2025e
Revenue	66.2	66.4	17.0	16.9	16.7	20.5	71.1	19.7	19.4	17.5	21.3	77.9	80.7	83.4
EBITDA	7.2	10.1	2.0	1.4	1.9	2.5	7.8	2.2	2.1	1.9	2.5	8.6	9.1	9.8
Depreciation	-4.7	-3.6	-0.7	-0.7	-1.0	-0.6	-3.1	-0.8	-0.8	-0.8	-0.8	-3.0	-3.0	-3.0
EBIT (excl. NRI)	4.5	4.4	1.4	0.7	1.0	1.9	5.0	1.5	1.4	1.2	1.8	5.8	6.3	7.0
EBIT	2.5	6.5	1.3	0.7	1.0	1.8	4.8	1.4	1.4	1.1	1.7	5.6	6.1	6.8
Net financial items	-0.5	-0.8	-0.2	0.0	-0.2	-0.1	-0.6	-0.1	-0.1	-0.1	-0.1	-0.6	-0.5	-0.3
PTP	2.1	5.7	1.1	0.6	0.8	1.7	4.2	1.3	1.2	1.0	1.6	5.1	5.7	6.5
Taxes	-0.3	-1.2	-0.3	-0.1	-0.2	-0.4	-0.9	-0.3	-0.2	-0.2	-0.3	-1.0	-1.2	-1.3
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
Net earnings	1.8	4.5	0.8	0.5	0.6	1.3	3.3	1.0	1.0	0.8	1.3	4.0	4.5	5.2
EPS (adj.)	0.10	0.07	0.03	0.02	0.02	0.04	0.10	0.03	0.03	0.02	0.04	0.12	0.13	0.15
EPS (rep.)	0.05	0.12	0.02	0.02	0.02	0.04	0.09	0.03	0.03	0.02	0.03	0.11	0.12	0.14

Key figures	2020	2021	Q1'22	Q2'22	Q3'22	Q4'22	2022	Q1'23e	Q2'23e	Q3'23e	Q4'23e	2023e	2024e	2025e
Revenue growth-%	3.1 %	0.3 %	-4.7 %	-2.0 %	21.8 %	16.9 %	7.2 %	16.4 %	14.6 %	4.8 %	3.5 %	9.5 %	3.6 %	3.4 %
Adjusted EBIT growth-%		-2%	4%	-47%	-3%	214%	14%	4%	89%	18%	-5%	16%	9%	10%
EBITDA-%	10.8 %	15.2 %	12.0 %	8.1 %	11.6 %	11.9 %	11.0 %	10.9 %	10.9 %	10.9 %	11.6 %	11.1 %	11.3 %	11.7 %
Adjusted EBIT-%	6.8 %	6.6 %	8.2 %	4.4 %	6.1 %	9.1 %	7.1 %	7.4 %	7.3 %	6.9 %	8.3 %	7.5 %	7.9 %	8.4 %
Net earnings-%	2.7 %	6.8 %	5.0 %	3.2 %	3.6 %	6.5 %	4.7 %	5.1 %	5.0 %	4.6 %	5.9 %	5.2 %	5.6 %	6.2 %

Source: Inderes

Balance sheet

Assets	2021	2022	2023e	2024e	2025e
Non-current assets	35.7	39.3	38.1	36.8	35.3
Goodwill	26.4	26.8	26.8	26.8	26.8
Intangible assets	0.6	2.4	2.2	2.0	1.8
Tangible assets	3.7	5.9	5.9	6.0	6.1
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	0.1	0.1	0.1	0.1	0.1
Deferred tax assets	4.8	4.1	3.1	1.9	0.6
Current assets	15.4	16.5	17.9	19.4	19.9
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	13.4	14.5	16.4	16.9	17.5
Cash and equivalents	2.0	2.0	1.6	2.4	2.4
Balance sheet total	51.1	55.8	56.0	56.1	55.2

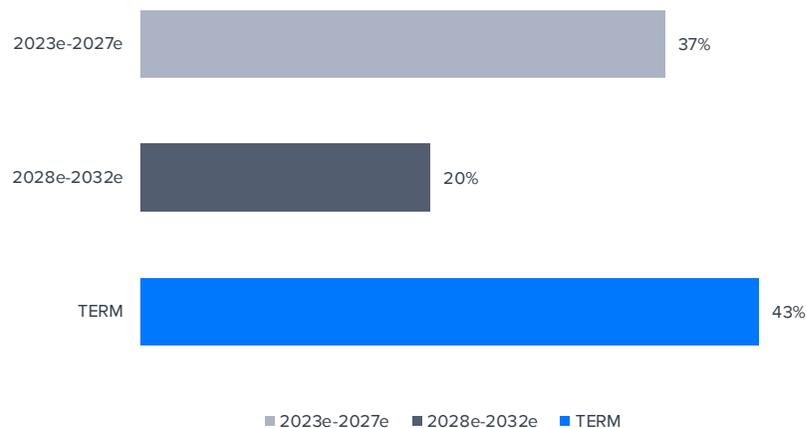
Source: Inderes

Liabilities & equity	2021	2022	2023e	2024e	2025e
Equity	25.5	24.8	26.7	28.7	30.9
Share capital	2.1	2.1	2.1	2.1	2.1
Retained earnings	3.1	5.3	7.2	9.2	11.5
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	0.1	0.1	0.1	0.1	0.1
Other equity	20.2	17.2	17.2	17.2	17.2
Minorities	0.0	0.0	0.0	0.0	0.0
Non-current liabilities	7.8	9.2	10.2	7.8	4.9
Deferred tax liabilities	1.5	1.9	1.9	1.9	1.9
Provisions	0.0	0.0	0.0	0.0	0.0
Long term debt	6.3	7.3	8.4	5.9	3.0
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	0.0	0.0	0.0	0.0	0.0
Current liabilities	17.8	21.8	19.1	19.7	19.4
Short term debt	3.5	7.0	2.4	2.4	1.5
Payables	14.3	14.8	16.7	17.3	17.9
Other current liabilities	0.0	0.0	0.0	0.0	0.0
Balance sheet total	51.1	55.8	56.0	56.1	55.2

DCF calculation

DCF model	2022	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	TERM
Revenue growth-%	7.2 %	9.5 %	3.6 %	3.4 %	3.4 %	2.5 %	2.5 %	2.5 %	2.5 %	2.5 %	15 %	15 %
EBIT-%	6.7 %	7.2 %	7.6 %	8.2 %	8.2 %	8.0 %	7.8 %	7.5 %	7.0 %	7.0 %	7.0 %	7.0 %
EBIT (operating profit)	4.8	5.6	6.1	6.8	7.1	7.1	7.1	7.0	6.7	6.8	6.9	
+ Depreciation	3.1	3.0	3.0	3.0	3.1	3.1	3.1	3.2	3.1	3.2	3.2	
- Paid taxes	0.2	0.0	0.0	0.0	0.0	-1.5	-1.5	-1.4	-1.4	-1.4	-1.5	
- Tax, financial expenses	-0.1	-0.1	-0.1	-0.1	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	-0.7	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Operating cash flow	7.3	8.6	9.1	9.8	10.2	8.7	8.7	8.8	8.4	8.6	8.8	
+ Change in other long-term liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-7.4	-2.8	-2.9	-2.9	-3.0	-3.0	-3.1	-3.2	-3.2	-3.2	-3.3	
Free operating cash flow	-0.2	5.8	6.2	6.8	7.2	5.7	5.6	5.6	5.3	5.4	5.4	
+/- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	-0.2	5.8	6.2	6.8	7.2	5.7	5.6	5.6	5.3	5.4	5.4	70.4
Discounted FCFF		5.4	5.2	5.3	5.1	3.7	3.3	3.0	2.6	2.4	2.3	29.1
Sum of FCFF present value		67.4	62.0	56.8	51.5	46.4	42.7	39.4	36.4	33.8	31.3	29.1
Enterprise value DCF		67.4										
- Interesting bearing debt		-14.4										
+ Cash and cash equivalents		2.0										
-Minorities		0.0										
-Dividend/capital return		0.0										
Equity value DCF		55.0										
Equity value DCF per share		1.52										

Cash flow distribution



Wacc

Tax-% (WACC)	20.0 %
Target debt ratio (D/(D+E))	10.0 %
Cost of debt	6.0 %
Equity Beta	1.55
Market risk premium	4.75%
Liquidity premium	0.00%
Risk free interest rate	2.5 %
Cost of equity	9.9 %
Weighted average cost of capital (WACC)	9.4 %

Source: Inderes

Summary

Income statement	2020	2021	2022	2023e	2024e	Per share data	2020	2021	2022	2023e	2024e
Revenue	66.2	66.4	71.1	77.9	80.7	EPS (reported)	0.05	0.12	0.09	0.11	0.12
EBITDA	7.2	10.1	7.8	8.6	9.1	EPS (adj.)	0.10	0.07	0.10	0.12	0.13
EBIT	2.5	6.5	4.8	5.6	6.1	OCF / share	0.13	0.24	0.20	0.24	0.25
PTP	2.1	5.7	4.2	5.1	5.7	FCF / share	-0.01	0.21	0.00	0.16	0.17
Net Income	1.8	4.5	3.3	4.0	4.5	Book value / share	0.63	0.70	0.68	0.74	0.79
Extraordinary items	-2.0	2.1	-0.3	-0.2	-0.2	Dividend / share	0.04	0.08	0.06	0.07	0.08
Balance sheet	2020	2021	2022	2023e	2024e	Growth and profitability	2020	2021	2022	2023e	2024e
Balance sheet total	56.6	51.1	55.8	56.0	56.1	Revenue growth-%	3%	0%	7%	10%	4%
Equity capital	23.4	25.5	24.8	26.7	28.7	EBITDA growth-%	n.a.	n.a.	-23%	11%	6%
Goodwill	26.5	26.4	26.8	26.8	26.8	EBIT (adj.) growth-%	n.a.	n.a.	14%	16%	9%
Net debt	12.3	7.9	12.4	9.2	5.9	EPS (adj.) growth-%	n.a.	n.a.	50%	19%	11%
Cash flow	2020	2021	2022	2023e	2024e	EBITDA-%	10.8 %	15.2 %	11.0 %	11.1 %	11.3 %
EBITDA	7.2	10.1	7.8	8.6	9.1	EBIT (adj.)-%	6.8 %	6.6 %	7.1 %	7.5 %	7.9 %
Change in working capital	-2.0	-1.1	-0.7	0.1	0.0	EBIT-%	3.8 %	9.8 %	6.7 %	7.2 %	7.6 %
Operating cash flow	5.0	8.9	7.3	8.6	9.1	ROE-%	7.7 %	18.4 %	13.2 %	15.7 %	16.3 %
CAPEX	-2.2	-1.3	-7.4	-2.8	-2.9	ROI-%	6.9 %	17.7 %	12.8 %	14.7 %	16.6 %
Free cash flow	-0.5	7.6	-0.2	5.8	6.2	Equity ratio	41.4 %	49.9 %	44.4 %	47.6 %	51.0 %
Valuation multiples	2020	2021	2022	2023e	2024e	Gearing	52.6 %	30.8 %	50.0 %	34.4 %	20.5 %
EV/S	0.9	1.0	0.7	0.7	0.6						
EV/EBITDA (adj.)	8.4	6.3	6.5	6.1	5.4						
EV/EBIT (adj.)	13.3	14.4	10.0	9.0	7.8						
P/E (adj.)	12.7	23.2	10.7	10.3	9.3						
P/E	2.0	2.2	1.5	1.6	1.5						
Dividend-%	3.1 %	5.3 %	5.7 %	5.8 %	6.7 %						

Source: Inderes

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Recommendation history (>12 mo)

Date	Recommendation	Target price	Share price
15-06-18	Reduce	0.80 €	0.79 €
25-07-18	Reduce	0.77 €	0.76 €
09-10-18	Reduce	0.63 €	0.63 €
31-10-18	Reduce	0.52 €	0.50 €
28-01-19	Sell	0.35 €	0.40 €
06-03-19	Reduce	0.45 €	0.47 €
15-05-19	Reduce	0.58 €	0.60 €
05-06-19	Reduce	0.68 €	0.71 €
24-07-19	Accumulate	0.68 €	0.63 €
30-10-19	Accumulate	0.80 €	0.75 €
26-02-20	Accumulate	0.90 €	0.78 €
01-04-20	Reduce	0.68 €	0.66 €
05-05-20	Accumulate	0.90 €	0.84 €
23-06-20	Accumulate	0.95 €	0.90 €
24-06-20	Accumulate	1.30 €	1.19 €
28-10-20	Accumulate	1.40 €	1.28 €
19-02-21	Buy	1.80 €	1.43 €
28-04-21	Reduce	2.00 €	1.97 €
10-06-21	Accumulate	2.00 €	1.72 €
23-07-21	Accumulate	2.00 €	1.86 €
27-10-21	Accumulate	1.80 €	1.59 €
18-02-22	Accumulate	1.50 €	1.33 €
27-04-22	Accumulate	1.45 €	1.24 €
28-06-22	Accumulate	1.35 €	1.17 €
22-07-22	Reduce	1.00 €	1.02 €
25-10-22	Reduce	1.00 €	1.00 €
10-02-23	Accumulate	1.35 €	1.20 €



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