

Innofactor

Company report

4/24/2024



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✓ Inderes corporate customer

This report is a summary translation of the report "Tasaisen hyvää tekemistä haastavassa markkinassa" published on 4/24/2024 at 8:25 am EEST

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Steady good work in a challenging market

We reiterate our target price of EUR 1.55 on Innofactor and lower the recommendation to Accumulate (was Buy), as the share price has gone up a bit. In a challenging market, Innofactor continued to perform well in Q1 regarding growth and profitability. However, new sales in this market are challenging and the order book has declined. We forecast moderate organic growth in the coming years and a slight improvement in profitability. The valuation of the stock is quite attractive with our forecasts (2024e P/E 10x and EV/EBIT 8x), but the challenging market curbs the strongest willingness to buy.

Revenue growth well in line with expectations and earnings slightly above expectations in Q1

Q1 revenue grew organically by 5% to 21.2 MEUR). The growth rate was particularly positive for the current challenging market situation (sector Q2'23-Q4'23 0-2%). Geographically, revenue increased in Finland (just under 10%) and Norway (~20%) but decreased slightly in Sweden and especially in Denmark (~80%). The challenges in Sweden have been ongoing for years and the company has announced a 20% reduction in the Swedish workforce, which will support profitability going forward. Among the solution areas, Information and Case Management and Digital Services are the top performers, driving revenue and earnings growth. Q1 comparable EBITDA increased by 5% to 2.6 MEUR, which slightly exceeded our estimate and accounted for 12.3% of revenue. Geographically, EBITDA was positive in Finland and Norway (turned positive in Q1), but negative in Sweden and Denmark.

New sales naturally challenging and order book down in Q1

In Q1, new sales were challenging, but the company managed to sell well when renewing existing customer contracts. The order book decreased by 10% to 69 MEUR year-on-year, partly due to a change in accounting policy. From the end of Q4'23 to Q1, the order book decreased by 4%. While three of the solution areas showed an increase of 20-30% in the order book, the order book of Digital Services declined (48%), which we believe is due to the current challenging market conditions and is a key concern. This makes successful new sales in the coming quarters important for the company.

Stable earnings growth forecast for the coming years

Innofactor reiterated its guidance as expected and the company anticipates, as usual, an increase in revenue and adjusted EBITDA compared to the previous year. Due to the challenges in new sales, we have slightly lowered our forecasts (2%). We forecast Innofactor's revenue to grow by 3% to 83 MEUR in 2024 and EBITDA to increase to 9.7 MEUR or 11.7% of revenue (9.1 MEUR or 11.3% in 2023). We expect revenue to grow organically by 4-5% in the coming years and the EBITDA margin to reach around 12%, driven by billing rates and high-margin SaaS business. The main risks relate to new sales and country-specific challenges in Sweden and Denmark.

Valuation picture is quite attractive

With 2024e EV/EBIT and P/E ratios (8x and 10x), the valuation of the share is moderate. The multiples are a good 40% below Finnish peer, which is a very attractive level. With earnings growth (8%), dividend yield (7%) and an upside in multiples, the expected return of the share rises well above the equity return requirement. In addition, the DCF calculation indicates a clearly higher level than currently (EUR 1.8 per share). The company's SaaS revenue (21 MEUR in 2023) also provides significant support to its valuation. Our target price corresponds to a 9x EV/EBIT and 11x P/E multiple for 2024, which is >20% below peers. We see risks in the weakening of Finland's strong performance. However, the weakness of Innofactor's Swedish and Danish operations is already slowing down development, and there is clear potential for improvement, which we are not counting on because they have been doing poorly for years.

Recommendation

Accumulate
(previous Buy)

EUR 1.55
(previous EUR 1.55)

Share price:
1.32



Key figures

	2023	2024e	2025e	2026e
Revenue	80	83	87	90
growth-%	13%	3%	5%	4%
Käyttökate	9.1	9.7	10.5	10.9
Käyttökate-%	11.3 %	11.7 %	12.0 %	12.1 %
Net Income	3.4	4.8	5.8	6.2
EPS (adj.)	0.10	0.14	0.17	0.18

P/E (adj.)	12.2	9.7	8.0	7.4
P/B	1.7	1.7	1.5	1.4
Dividend yield-%	5.7 %	6.1 %	6.8 %	7.6 %
EV/EBIT (adj.)	8.8	7.7	6.2	5.3
EV/EBITDA	5.8	5.3	4.5	3.9
EV/S	0.7	0.6	0.5	0.5

Source: Inderes

Guidance

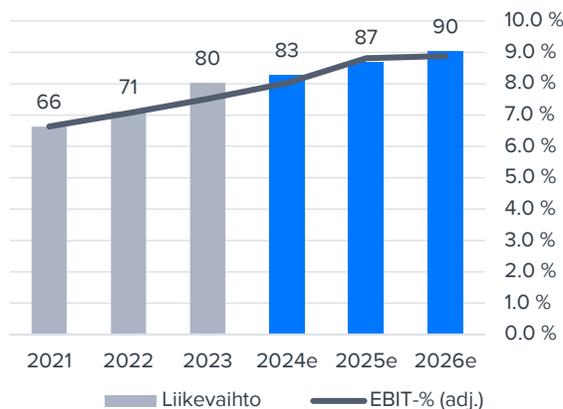
(Unchanged)

Innofactor estimates that 2024 revenue and adjusted EBITDA will increase from 2023.

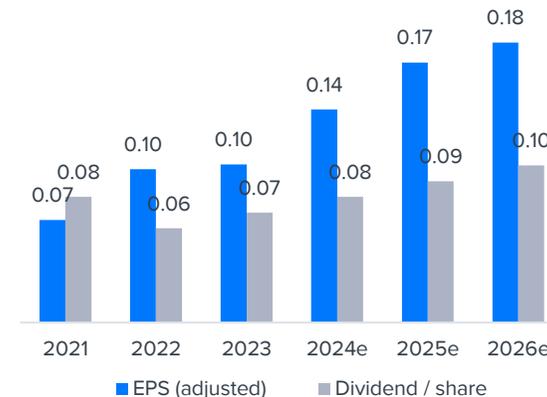
Share price



Revenue and EBIT-%



EPS and dividend



Value drivers

- Growth and profitability improvement in all Nordic countries, especially in Finland and Sweden
- Turnaround continuing and strengthening
- The positive trend of recovered investor confidence continuing
- Organic and acquisition-driven growth
- Increasing share of continuous business and own product business



Risk factors

- Growth strategy failing
- 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, which is currently strong

Valuation	2024e	2025e	2026e
Share price	1.32	1.32	1.32
Number of shares, million:	35.7	35.7	35.7
Market cap	47	47	47
EV	51	47	43
P/E (adj.)	9.7	8.0	7.4
P/E	9.7	8.2	7.6
P/B	1.7	1.5	1.4
P/S	0.6	0.5	0.5
EV/Sales	0.6	0.5	0.5
EV/EBITDA	5.3	4.5	3.9
EV/EBIT (adj.)	7.7	6.2	5.3
Payout ratio (%)	59.0 %	55.9 %	57.5 %
Dividend yield-%	6.1 %	6.8 %	7.6 %

Source: Inderes

Revenue growth well in line and earnings slightly above expectations in Q1

Good growth continued in Finland and Norway, with Sweden and especially Denmark lagging

Q1 revenue increased by 5% to 21.2 MEUR, in line with our expectations. Growth was entirely organic and the momentum was particularly positive in the current challenging market conditions (sector median Q2'23-Q4'23 0-2%). Organic growth came mainly from subcontracting and an increase in the number of own staff.

Geographically, we calculate that revenue grew by just under 10% in Finland and around 20% in Norway. Revenue declined slightly in Sweden and especially in Denmark (~-80%). The challenges in Sweden have been ongoing for years, and the company has now announced a reduction of about 20% in the number of personnel in Sweden, which we understand means a reduction of a little over 10 employees. In this way, the company expects to make its Swedish operations profitable as well.

The active headcount at the end of the period was 583, an increase of 2 compared to the end of Q4'23. In the short term, we understand that Innofactor still has preconditions to grow through invoicing rates, especially outside Finland, but also in Finland.

As of Q4'23, Innofactor has also started to report the key performance indicators for the four solution areas separately. This will improve transparency into the company's business and its drivers. Among the solution areas, Information and Case Management and Digital Services are the top performers and are driving profit growth (Q1 revenue growth of 15% and 20% and EBITDA growth of 21% and 21%). The underperforming solution areas are Business Solutions and Cloud, Data, Modern Work and Data Security, down 8% and 3% respectively in Q1 (EBITDA-% -1% and 7%). While the other three of the solution areas showed an increase in order book of 20-30%, the order book of Digital Services declined (48%), which we estimate is due to the current challenging market conditions and is a key concern.

Result narrowly exceeded expectations

Q1 comparable EBITDA increased by 5% to 2.6 MEUR, slightly above our forecast of 2.5 MEUR and representing 12.3% of revenue (forecast 11.6%). The company stated that the invoicing rate was below target and could therefore be improved. However, based on our calculations, invoicing rates were almost at the same level as in the comparison period (+1%).

Geographically, EBITDA was positive in Finland and Norway (turned positive in Q1), but negative in Sweden and Denmark due to challenging market conditions. Thus, profitability was at a very good level in Finland, according to our estimate, close to 20%. There were no surprises in other result rows. Earnings per share were EUR 0.04, below our forecast of EUR 0.03.

Cash flow was strong at 4.4 MEUR, supported by the expected positive change in working capital. The working capital headwind of Q4'23 turned into a tailwind of 1.8 MEUR in Q1.

Estimates MEUR / EUR	Q1'23	Q1'24	Q1'24e	Q1'24e	Consensus		Difference (%)	2024e
	Comparator	Actualized	Inderes	Consensus	Low	High	Act. vs. inderes	Inderes
Revenue	20.2	21.2	21.4				-1%	82.8
EBITDA	2.5	2.6	2.5				5%	9.7
EBIT	1.7	1.8	1.7				7%	6.7
PTP	1.3	1.7	1.6				12%	6.0
EPS (reported)	0.03	0.04	0.03				15%	0.13
Revenue growth-%	19.2 %	4.8 %	5.7 %				-0.8 pp	3.2 %
Käyttökate-%	12.3 %	12.3 %	11.6 %				0.7 pp	11.7 %

Source: Inderes



Watch our video interview with the company's CEO about the result (subtitled in English):



New sales challenging and order book down in Q1

Innofactor forecasts continued growth in the Nordic IT services market in 2024

In line with our previous assessment, market conditions remained challenging in the first quarter of 2024. In connection with the Q4 report, Innofactor estimated that the IT services market in the Nordic countries will continue to grow in 2024, despite general uncertainties in the business environment. Inderes' median organic growth forecast for 2024 for Finnish listed IT services companies was 2% before Q1 reports.

Price competition in the market, which began in Q2'23, remained fierce throughout the year. According to Innofactor, weighted average prices for new transactions remained low until the end of the year, especially for public sector customers. We understand that price competition has remained intense in the early months of the year and that no major change is in sight in the short term.

Order book decreased by 10% in Q1

The company's reported order book decreased by 10% year-on-year to 68.8 MEUR. The company transferred part of the order book to the framework agreement backlog, which at the end of Q4'23 amounted to 29.8 MEUR (2022: 18.9). From the end of Q4'23 to Q1, the order book decreased by 4%. In Q1, new sales were challenging, but the company managed to sell well in terms of renewals of existing customer relationships.

With the order book, framework agreements and other purchases from existing customers, we expect Innofactor to be able to continue to operate profitably in the big picture. The main concern for the order book is Digital Services, which has fallen sharply (40-50%) in recent quarters compared to the comparison period, but on the other hand only declined 6% in Q1 from Q4'23 (despite a 20% increase in revenue). This means that the company will still need to succeed in new sales to continue to grow, as we expect the

order book to be multi-year and the shorter order book to melt relatively quickly.

Looking at the big picture, the order book is more focused on various product/service areas than before, and the company has also used more subcontracting, which together with recruitment supported the acceleration of organic growth in the past year or so. We understand that subcontracting will now be reduced. Innofactor is confident that the market situation will improve and wants to remain competitive when demand picks up again. The company has not priced its services below its own cost in tenders.

Estimates MEUR / EUR	Q1'23	Q1'24	Q1'24e	Q1'24e	Consensus		Difference (%)	2024e
	Comparator	Actualized	Inderes	Consensus	Low	High	Act. vs. inderes	Inderes
Revenue	20.2	21.2	21.4				-1%	82.8
EBITDA	2.5	2.6	2.5				5%	9.7
EBIT	1.7	1.8	1.7				7%	6.7
PTP	1.3	1.7	1.6				12%	6.0
EPS (reported)	0.03	0.04	0.03				15%	0.13
Revenue growth-%	19.2 %	4.8 %	5.7 %				-0.8 pp	3.2 %
Käyttökate-%	12.3 %	12.3 %	11.6 %				0.7 pp	11.7 %

Source: Inderes

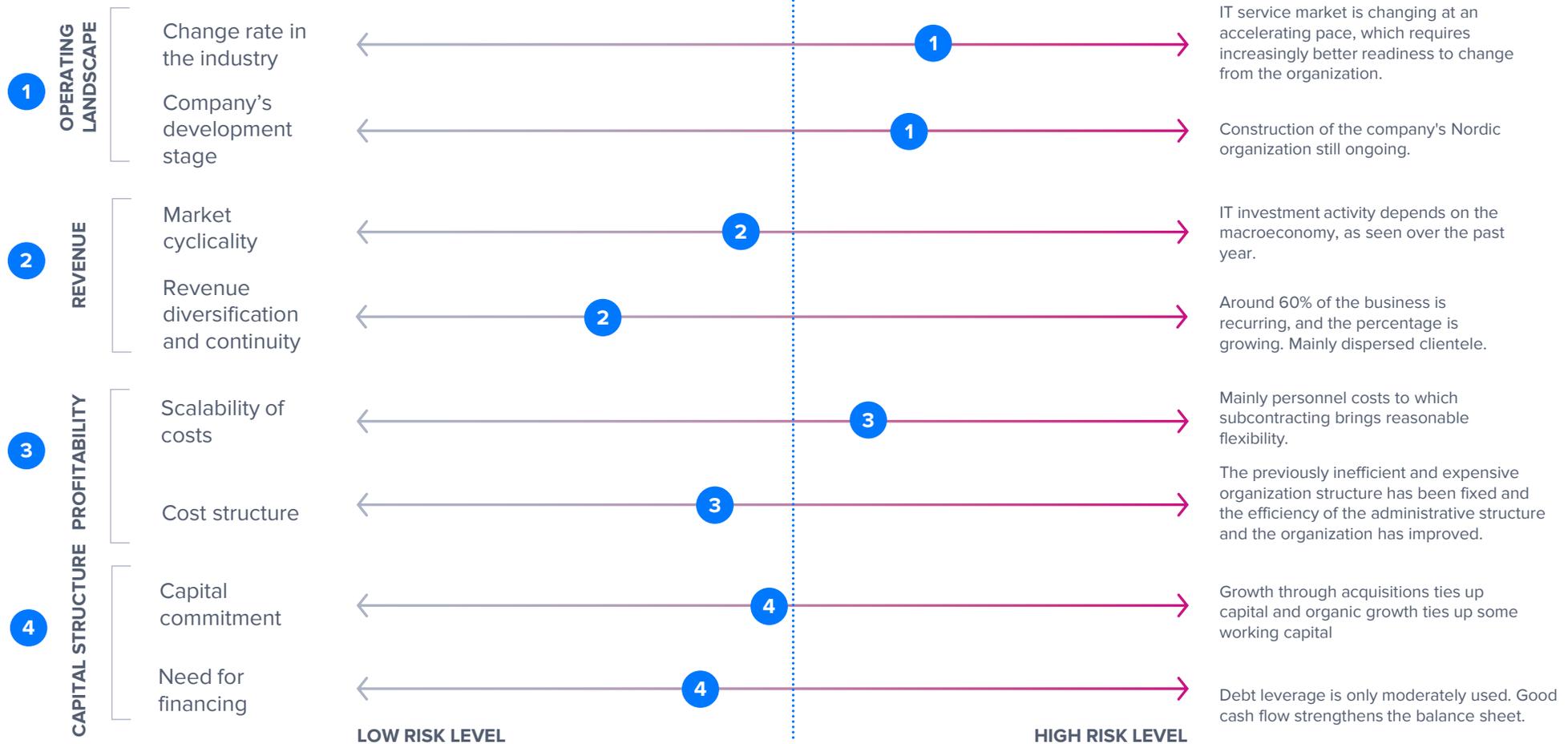


Watch our video interview with the company's CEO about the result (subtitled in English):



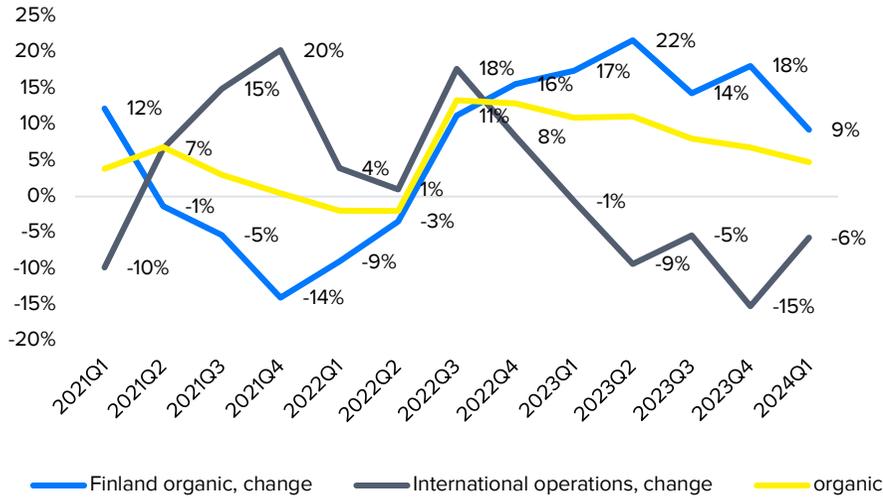
Risk profile of the business model

Assessment of Innofactor's overall business risk

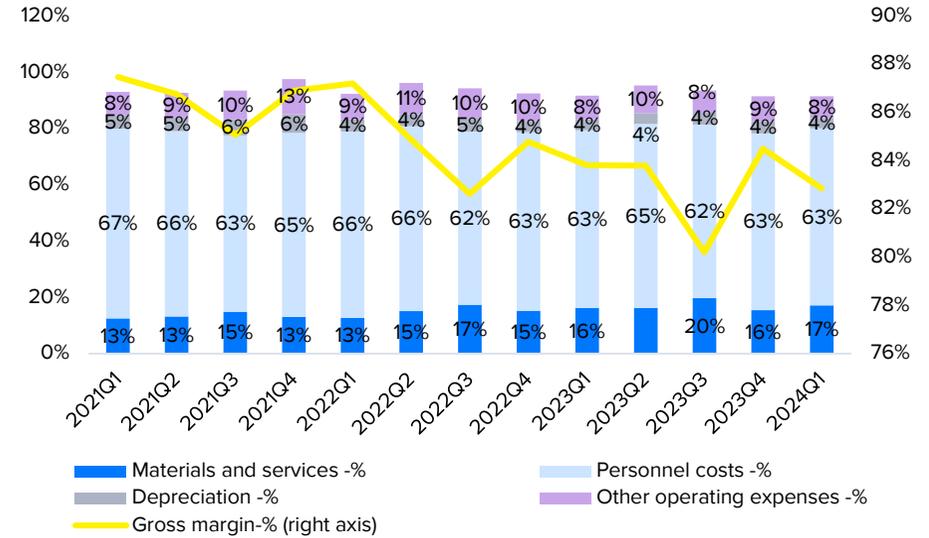


Innofactor's key figures

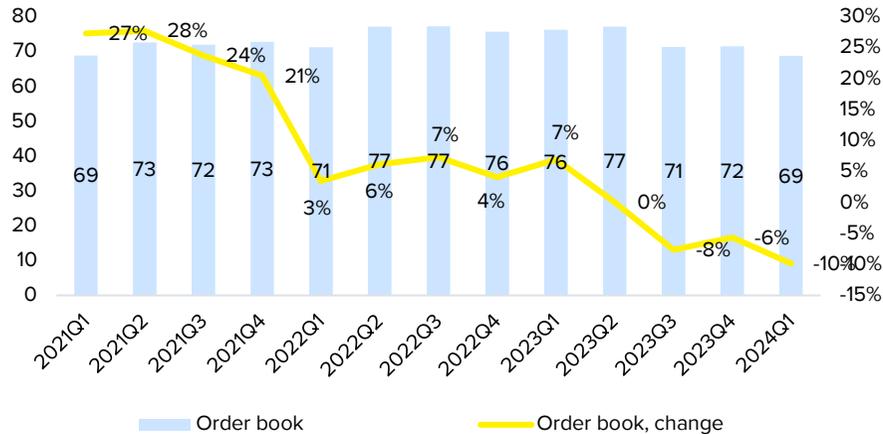
Change in revenue - %



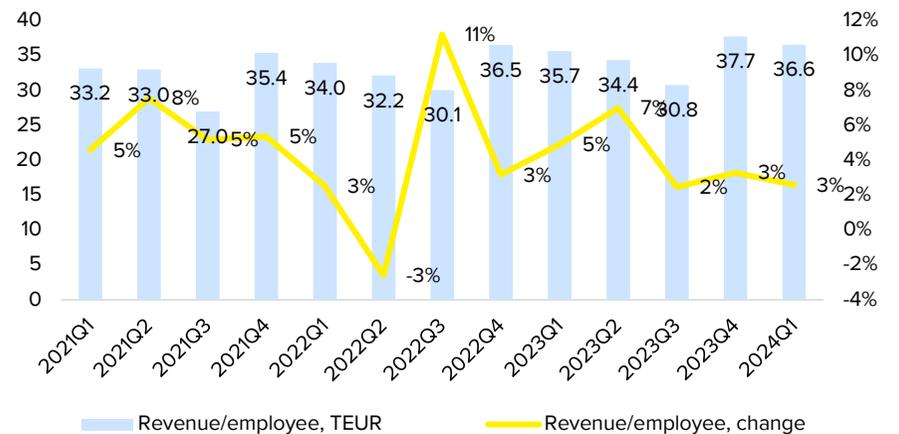
Cost structure



Order book

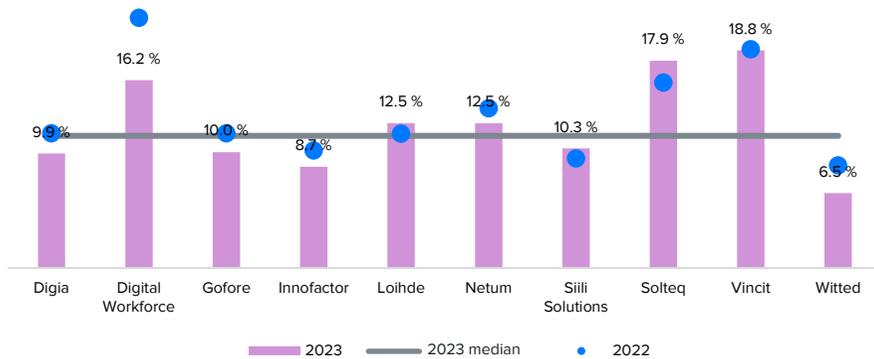


Revenue per employee

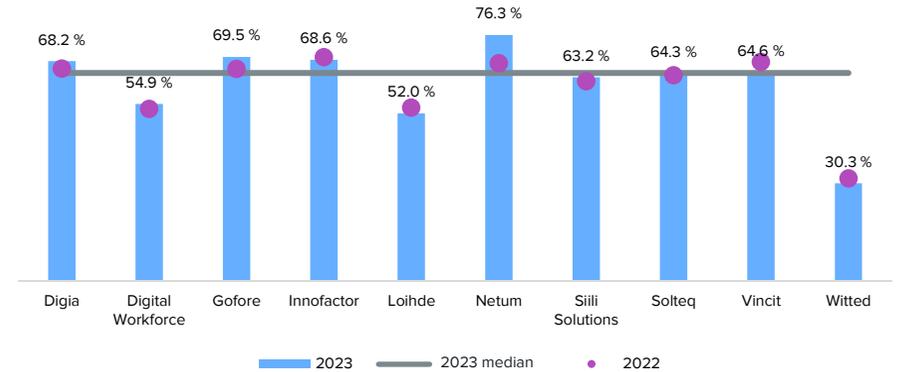


Relevant reported indicators for the sector

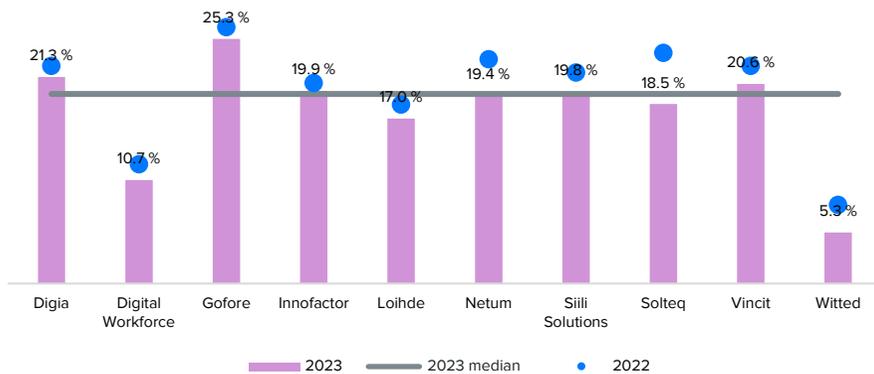
Other costs relative to revenue (%)



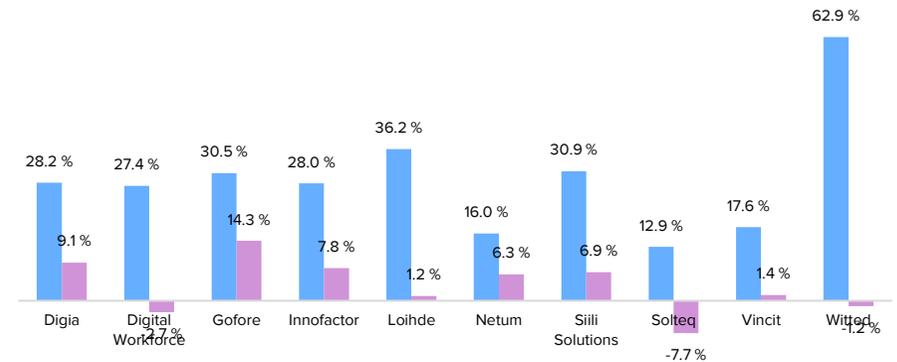
Personnel costs as a percentage of total operational costs (%)



Revenue margin after materials and services and personnel costs (%)



Margin after personnel and other costs and EBITA % (2023, %)



Source: Inderes, companies

EBITA= Operating profit + intangible depreciation of acquisitions/goodwill amortization + non-recurring write-downs.

Relevant reported indicators for the sector 2/2

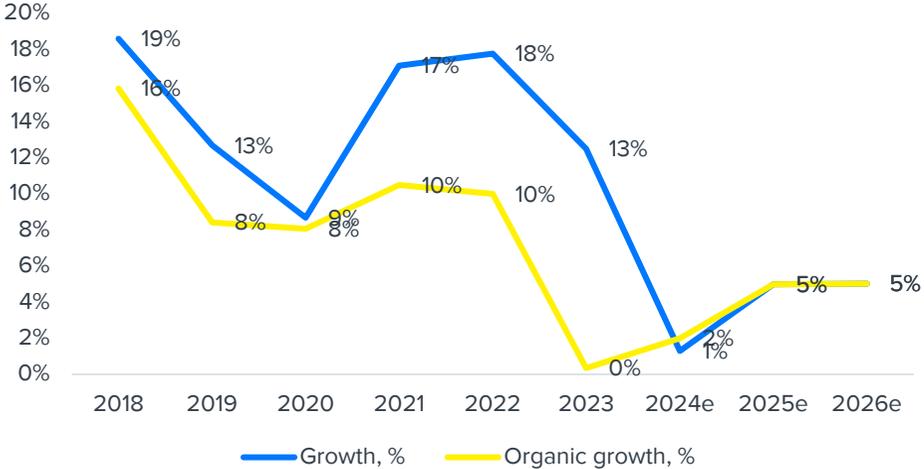
Listed IT services sector in Finland, revenue



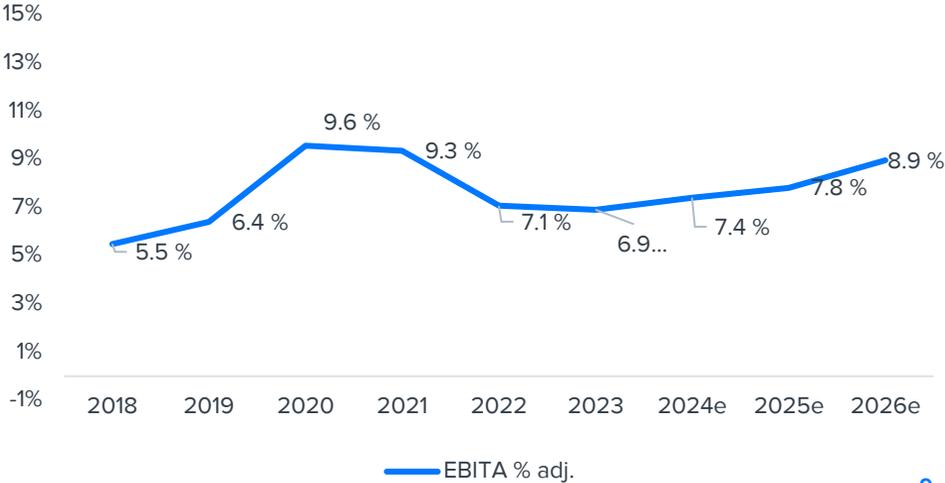
Listed IT services sector in Finland, profitability



Listed IT services sector in Finland, revenue

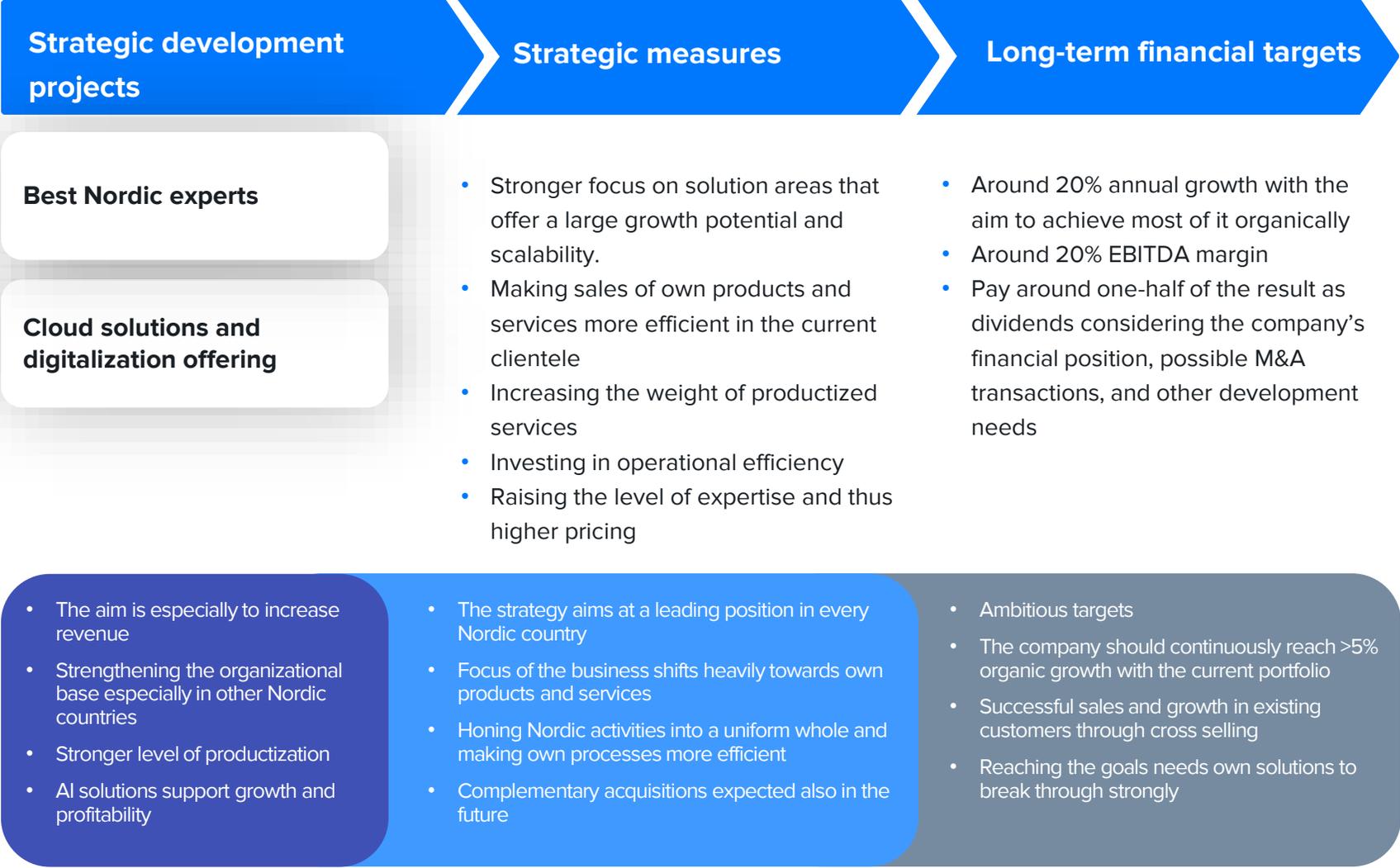


Listed IT services sector in Finland, profitability



Source: Inderes

Summary of Innofactor's strategy



We revised our forecasts slightly lower due to challenges in new sales

Estimate revisions 2024e-2025e

- We have slightly lowered our forecasts, reflecting the challenges in new sales.

Estimates 2024e-2026e

- We forecast Innofactor to grow 3% organically in 2024, outperforming the sector somewhat (the sector forecast prior to the Q1 reports was 2%). In 2025-26, we expect revenue to grow by 4-5%.
- We estimate the EBITDA-% to be just under 12% in 2024. Profitability is supported by cost savings in Sweden and a reduction in the use of subcontracting. For 2025-26, we forecast an EBITDA-% of around 12%. Better profitability is driven by the software business and improved billing rates. Clearly better profitability requires proof of sustainably better profitability in other countries, as Finland's profitability is already at a strong level and, we believe it has less improvement potential.
- 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%.
- In the big picture, profitability is supported by the software business and rising billing rates, but on the other hand, wage inflation is a headwind.

Operational earnings drivers 2024-2026e:

Revenue growth

- Increase in billable utilization (company target an increase of 5 pp)
- Increase in the number of personnel
- Increasing subcontracting, in the longer term (short-term use decreases)
- Geographically better development in Norway (continuation of Q1 trend), Denmark and Sweden
- Acquisitions

Profitability is supported by

- Higher billable utilization, especially outside Finland
- Increasing the share of software (the company's target is to increase from the current 27% to more than 33%), in particular its own Dynasty product

Profitability is limited by

- Wage inflation, but recruitment of young people also mitigates this
- Use of subcontracting
- Expert turnover (now estimated to be low)

Estimate revisions	2024e			2025e			2026e		
	Old	New	Change %	Old	New	Change %	Old	New	Change %
MEUR / EUR									
Revenue	84.5	82.8	-2%	88.5	86.9	-2%	92.1	90.4	-2%
EBITDA	9.9	9.7	-2%	10.7	10.5	-2%	11.1	10.9	-2%
EBIT (exc. NRIs)	6.9	6.7	-3%	7.9	7.7	-3%	8.2	8.0	-2%
EBIT	6.9	6.7	-3%	7.7	7.5	-3%	8.0	7.8	-3%
PTP	6.2	6.0	-3%	7.4	7.2	-2%	8.0	7.8	-2%
EPS (excl. NRIs)	0.14	0.13	-3%	0.17	0.17	-2%	0.18	0.18	-2%
DPS	0.08	0.08	0%	0.09	0.09	0%	0.10	0.10	0%

Source: Inderes

Valuation is still attractive

Valuation multiples

The primary valuation multiples we use for Innofactor are adjusted P/E and EV/EBIT ratios. The figures are adjusted for IFRS3 book depreciations from acquisitions (~ 0.2 MEUR p.a.). Based on our estimates, Innofactor's adjusted P/E and EV/EBIT ratios for 2024 are 9x and 7x, respectively. This is already a very attractive level in absolute terms, given the increased confidence in earnings growth although there is uncertainty in the market. The corresponding 2024 multiples above are almost 40% below Finnish peers, which is also a very attractive level, although partly justified by the sector's level or slower long-term earnings growth outlook.

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. However, the company has had to write down some tax receivables and there is a risk that they will have to be written down in the future. The book value of the tax receivable is currently EUR 2.1 million, which corresponds to a value of around EUR 0.06 per share. If the current value of this tax receivable would be priced conservatively, e.g., as half of the book value, nearly 5% higher valuation multiples could be accepted for the share.

SaaS products to support valuation

In our view, a higher valuation for the stock is still acceptable as growth strengthens and becomes geographically broader and thus more robust. In addition, growth in SaaS products (in 2023: 27% to 21 MEUR or 27% of revenue) and continued scaling will allow a higher valuation for the stock. SaaS products in themselves provide a solid basis for valuation and

justify a significant part of the company's value, but other loss-making activities dampen their value. According to our estimates, one of the biggest SaaS products is Dynasty, which has already achieved a significant market position in Finland, so there is not much room for growth. In the longer term, if Innofactor succeeds in exporting the product more widely to other Nordic countries, it will offer further growth and scaling potential for the product, which would further support the valuation.

If SaaS products, and more specifically the Dynasty product, were separated from the whole, the undervaluation could unwind. However, our understanding is that this is not the case and that the company is looking to turn underperforming businesses around to profitability.

DCF analysis

Our DCF model indicates a value of EUR 1.8 per share for Innofactor. In the long term (after 2026), we estimate that growth will remain at 2.5% (1.5% in terminal) and EBITDA % will stabilize at 11% 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. In the model, the weight of the terminal assumption is 43%, which is low and improves reliability. In the cash flow model, the average cost of capital (WACC) used is 9.4% and the cost of capital is 9.9%. Thus, considering the DCF model based on rather conservative estimates, share pricing also seems very moderate at the moment.

Valuation	2024e	2025e	2026e
Share price	1.32	1.32	1.32
Number of shares, millions	35.7	35.7	35.7
Market cap	47	47	47
EV	51	47	43
P/E (adj.)	9.7	8.0	7.4
P/E	9.7	8.2	7.6
P/B	1.7	1.5	1.4
P/S	0.6	0.5	0.5
EV/Sales	0.6	0.5	0.5
EV/EBITDA	5.3	4.5	3.9
EV/EBIT (adj.)	7.7	6.2	5.3
Payout ratio (%)	59.0 %	55.9 %	57.5 %
Dividend yield-%	6.1 %	6.8 %	7.6 %

Source: Inderes

Valuation is still attractive

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 believe the company has the potential for annual earnings growth of around 8% in the coming years, driven by revenue and profitability growth, compared to 2024e.

The dividend also supports the valuation and with the dividend policy (around 55% of the result) and our dividend estimates above the dividend yield is ~7%. Our dividend forecast is below the level of the last 4 years (~70% of earnings). In addition, the company has purchased own shares and canceled them, which is not visible in dividend income. 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 2024 multiples, considering the increased earnings growth outlook although there is still uncertainty in the market. Thus the share's expected return consisting of dividend yield, earnings growth and the upside in multiples is just under 20% and the risk/reward ratio is very attractive. The key risks in the share relate to new sales, project or country challenges emerging and acquisitions.

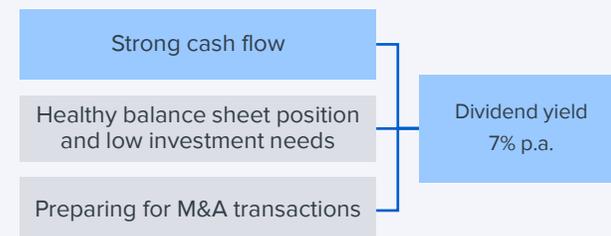
TSR drivers 2024-2026

■ Positive ■ Neutral ■ Negative

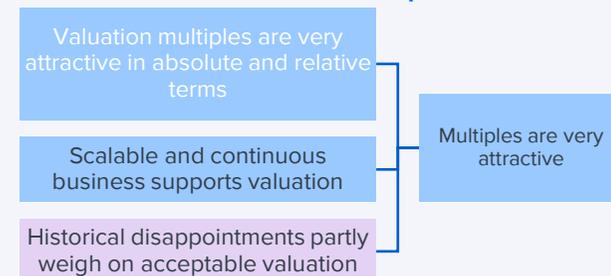
Performance



Dividend yield



Valuation multiples

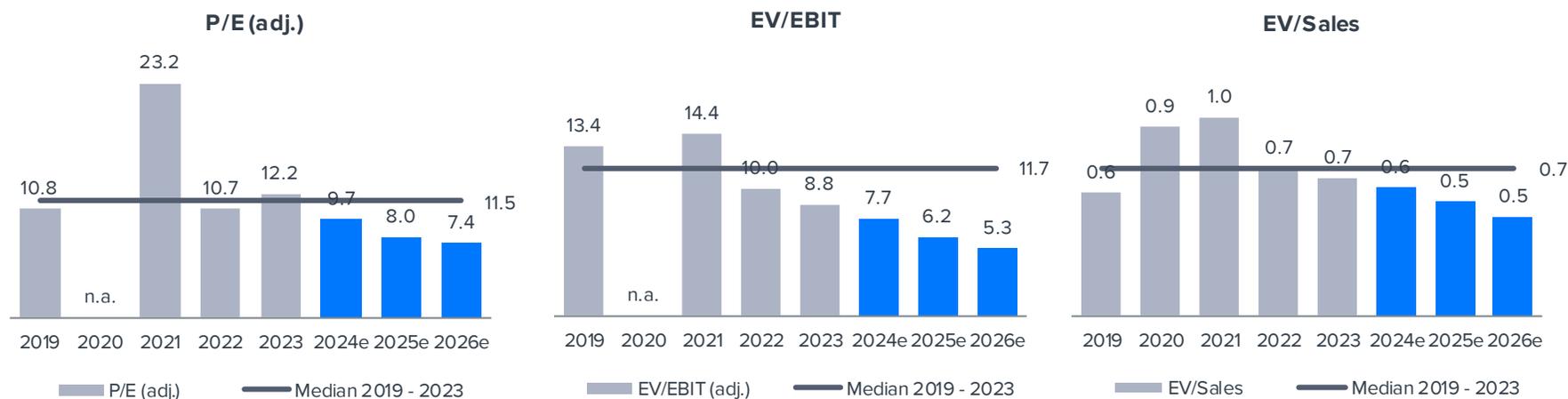


Share's expected total return close on 20% p.a.

Valuation table

Valuation	2019	2020	2021	2022	2023	2024e	2025e	2026e	2027e
Share price	0.72	1.28	1.52	1.05	1.23	1.32	1.32	1.32	1.32
Number of shares, millions	36.8	37.4	36.6	36.2	35.7	35.7	35.7	35.7	35.7
Market cap	27	48	55	38	44	47	47	47	47
EV	38	60	63	50	53	51	47	43	40
P/E (adj.)	10.8	n.a.	23.2	10.7	12.2	9.7	8.0	7.4	7.2
P/E	63.3	27.1	12.3	11.5	12.8	9.7	8.2	7.6	7.2
P/B	1.2	2.0	2.2	1.5	1.7	1.7	1.5	1.4	1.3
P/S	0.4	0.7	0.8	0.5	0.5	0.6	0.5	0.5	0.5
EV/Sales	0.6	0.9	1.0	0.7	0.7	0.6	0.5	0.5	0.4
EV/EBITDA	7.4	8.4	6.3	6.5	5.8	5.3	4.5	3.9	3.5
EV/EBIT (adj.)	13.4	n.a.	14.4	10.0	8.8	7.7	6.2	5.3	4.9
Payout ratio (%)	0.0 %	84.9 %	65.1 %	65.4 %	72.8 %	59.0 %	55.9 %	57.5 %	54.4 %
Dividend yield-%	0.0 %	3.1 %	5.3 %	5.7 %	5.7 %	6.1 %	6.8 %	7.6 %	7.6 %

Source: Inderes



Peer group valuation

Company	Market cap MEUR	EV MEUR	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%	
			2024e	2025e	2024e	2025e	2024e	2025e	2024e	2025e	2024e	2025e
Digia*	141	155	8.3	7.0	6.8	5.8	0.8	0.7	10.4	8.9	3.6	4.0
Digital Workforce*	37	22	40.6	12.8	30.2	11.4	0.9	0.8	53.7	22.6		
Gofore*	374	350	12.9	10.8	11.2	9.5	1.8	1.5	17.2	14.7	2.1	2.4
Loihde*	80	75	16.7	11.0	6.6	5.3	0.6	0.5	20.4	14.3	3.5	4.4
Netum Group*	34	39	8.9	8.3	8.5	7.9	0.8	0.8	11.9	9.9	5.3	6.0
Siili Solutions*	75	75	8.3	7.0	5.9	5.1	0.6	0.6	11.8	10.1	3.2	3.8
Solteq*	14	37	13.0	9.9	7.4	6.7	0.7	0.6	36.8	12.7		
Tietoevry*	2229	3107	8.6	7.9	7.3	6.7	1.1	1.0	8.7	8.1	8.0	8.2
Vincit*	43	32	7.4	4.9	6.0	4.4	0.3	0.3	14.0	9.1	5.8	6.5
Witted Megacorp*	30	22	14.5	7.0	14.9	6.9	0.4	0.3	21.9	12.6		
Addnode	1320	1406	28.4	23.7	17.0	14.9	1.9	1.8	33.1	23.4	1.2	1.5
Avensia AB	26	31	11.9	9.0	7.6	6.4	0.9	0.8	12.7	9.4	3.7	6.2
Bouvet	533	554	15.7	13.6	12.4	11.0	1.7	1.5	18.9	16.5	4.7	6.2
CombinedX	79	76	9.3	7.5	6.4	5.6	0.9	0.8	12.2	9.9		
Exsitec	197	211	20.7	16.6	14.5	12.4	2.9	2.6	25.6	20.1	1.4	1.8
Knowit	348	428	14.7	11.1	7.3	6.3	0.7	0.7	14.0	10.5	3.9	4.8
Netcompany Group	1708	1998	18.9	15.4	13.5	11.5	2.3	2.1	21.9	17.1		
NNIT	366	378	18.2	11.9	14.1	9.8	1.5	1.4	27.2		3.8	
Webstep	49	62	11.0	8.8	8.2	6.9	0.7	0.7	11.7	9.3	8.8	10.9
Innofactor (Inderes)	47	51	7.7	6.2	5.3	4.5	0.6	0.5	9.7	8.0	6.1	6.8
Median Nordic companies			13.0	9.9	8.2	6.9	0.9	0.8	17.2	11.6	3.7	4.8
<i>Diff-% to median</i>			-41%	-37%	-36%	-34%	-28%	-31%	-43%	-31%	62%	41%
Median Finnish companies			10.9	8.1	7.4	6.7	0.7	0.7	15.6	11.4	3.6	4.4
<i>Diff-% to median</i>			-30%	-23%	-28%	-32%	-15%	-16%	-37%	-30%	67%	54%

Source: Refinitiv / *Inderes adjusted estimate. Note: The market cap used by Inderes does not take into account treasury shares held by the company.

Income statement

Income statement	2021	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24	Q2'24e	Q3'24e	Q4'24e	2024e	2025e	2026e
Revenue	66.4	71.1	20.2	20.1	18.0	21.9	80.3	21.2	20.4	18.6	22.6	82.8	86.9	90.4
EBITDA	10.1	7.8	2.5	1.8	2.0	2.9	9.1	2.6	1.8	2.2	3.1	9.7	10.5	10.9
Depreciation	-3.6	-3.1	-0.8	-0.8	-0.8	-0.9	-3.3	-0.8	-0.8	-0.8	-0.8	-3.0	-3.0	-3.1
EBIT (excl. NRI)	4.4	5.0	1.8	1.0	1.3	2.0	6.0	1.8	1.1	1.4	2.3	6.7	7.7	8.0
EBIT	6.5	4.8	1.7	1.0	1.2	1.9	5.8	1.8	1.1	1.4	2.3	6.7	7.5	7.8
Net financial items	-0.8	-0.6	-0.4	-0.2	0.2	-0.3	-0.7	-0.2	-0.2	-0.2	-0.2	-0.6	-0.2	0.0
PTP	5.7	4.2	1.3	0.8	1.4	1.6	5.2	1.7	0.9	1.3	2.1	6.0	7.2	7.8
Taxes	-1.2	-0.9	-0.3	-0.4	-0.4	-0.7	-1.7	-0.3	-0.2	-0.3	-0.4	-1.2	-1.5	-1.6
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
Net earnings	4.5	3.3	1.0	0.5	1.1	0.9	3.4	1.3	0.7	1.0	1.7	4.8	5.8	6.2
EPS (adj.)	0.07	0.10	0.03	0.01	0.03	0.03	0.10	0.04	0.02	0.03	0.05	0.13	0.17	0.18
EPS (rep.)	0.12	0.09	0.03	0.01	0.03	0.02	0.10	0.04	0.02	0.03	0.05	0.13	0.16	0.17

Key figures	2021	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24	Q2'24e	Q3'24e	Q4'24e	2024e	2025e	2026e
Revenue growth-%	0.3 %	7.2 %	19.2 %	18.6 %	8.0 %	6.8 %	12.8 %	4.8 %	1.5 %	3.4 %	3.2 %	3.2 %	4.9 %	4.1 %
Adjusted EBIT growth-%		14%	27%	39%	25%	5%	20%	4%	3%	14%	17%	10%	15%	5%
EBITDA-%	15.2 %	11.0 %	12.3 %	8.8 %	10.9 %	13.1 %	11.3 %	12.2 %	9.0 %	11.8 %	13.5 %	11.7 %	12.0 %	12.1 %
Adjusted EBIT-%	6.6 %	7.1 %	8.8 %	5.2 %	7.0 %	8.9 %	7.5 %	8.7 %	5.3 %	7.8 %	10.1 %	8.0 %	8.8 %	8.9 %
Net earnings-%	6.8 %	4.7 %	5.1 %	2.3 %	5.9 %	4.0 %	4.3 %	6.3 %	3.6 %	5.5 %	7.5 %	5.8 %	6.6 %	6.9 %

Source: Inderes

Balance sheet

Assets	2022	2023	2024e	2025e	2026e
Non-current assets	39.3	35.6	34.3	32.9	31.3
Goodwill	26.8	26.8	26.8	26.8	26.8
Intangible assets	2.4	1.9	1.7	1.5	1.3
Tangible assets	5.9	4.3	4.5	4.7	4.9
Associated companies	0.0	0.0	0.0	0.0	0.0
Other investments	0.0	0.1	0.1	0.1	0.1
Other non-current assets	0.1	0.0	0.0	0.0	0.0
Deferred tax assets	4.1	2.4	1.2	-0.3	-1.9
Current assets	16.5	18.9	20.7	20.4	23.3
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	14.5	18.4	17.4	18.2	19.0
Cash and equivalents	2.0	0.4	3.3	2.2	4.3
Balance sheet total	55.8	54.5	55.0	53.3	54.6

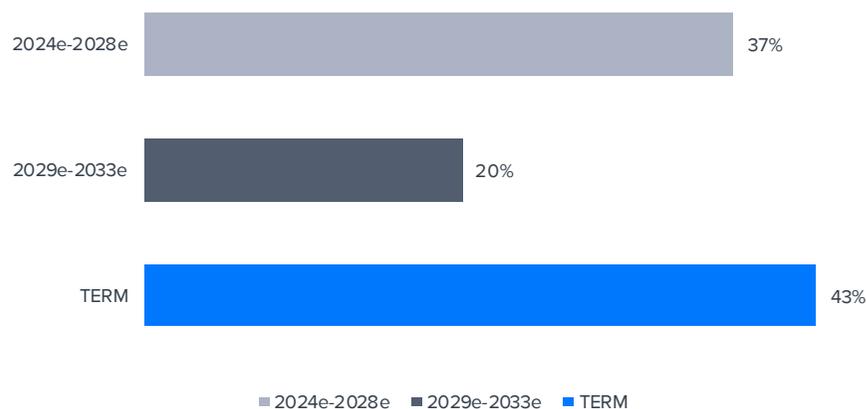
Source: Inderes

Liabilities & equity	2022	2023	2024e	2025e	2026e
Equity	24.8	25.5	27.8	30.7	33.7
Share capital	2.1	2.1	2.1	2.1	2.1
Retained earnings	5.3	8.2	10.5	13.4	16.4
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	17.2	15.1	15.1	15.1	15.1
Minorities	0.0	0.0	0.0	0.0	0.0
Non-current liabilities	9.2	4.9	4.2	2.9	1.9
Deferred tax liabilities	1.9	1.9	1.9	1.9	1.9
Provisions	0.0	0.0	0.0	0.0	0.0
Interest bearing debt	7.3	3.1	2.3	1.0	0.0
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	21.8	24.1	23.0	19.7	19.0
Interest bearing debt	7.0	6.6	4.8	1.5	0.0
Payables	14.8	17.6	18.2	18.2	19.0
Other current liabilities	0.0	0.0	0.0	0.0	0.0
Balance sheet total	55.8	54.5	55.0	53.3	54.6

DCF calculation

DCF model	2023	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	TERM
Revenue growth-%	12.8 %	3.2 %	4.9 %	4.1 %	3.1 %	2.5 %	2.5 %	2.5 %	2.5 %	2.5 %	1.5 %	1.5 %
EBIT-%	7.3 %	8.0 %	8.6 %	8.7 %	8.8 %	8.0 %	8.0 %	8.0 %	8.0 %	7.0 %	7.0 %	7.0 %
EBIT (operating profit)	5.8	6.7	7.5	7.8	8.2	7.6	7.8	8.0	8.2	7.4	7.5	
+ Depreciation	3.3	3.0	3.0	3.1	3.1	3.1	3.2	3.1	2.9	3.1	3.3	
- Paid taxes	-0.1	0.0	0.0	0.0	-1.7	-1.6	-1.6	-1.7	-1.7	-1.6	-1.6	
- Tax, financial expenses	-0.1	-0.1	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	-1.2	1.7	-0.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Operating cash flow	7.8	11.3	9.6	10.9	9.6	9.2	9.4	9.5	9.4	9.0	9.2	
+ 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	-1.2	-3.0	-3.1	-3.1	-3.2	-3.2	-3.3	-3.3	-3.4	-3.4	-3.3	
Free operating cash flow	6.6	8.3	6.5	7.8	6.4	5.9	6.1	6.1	6.0	5.6	5.9	
+/- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	6.6	8.3	6.5	7.8	6.4	5.9	6.1	6.1	6.0	5.6	5.9	76.1
Discounted FCFF		7.8	5.6	6.1	4.6	3.9	3.7	3.4	3.0	2.6	2.5	32.0
Sum of FCFF present value		75.2	67.4	61.8	55.7	51.0	47.1	43.5	40.1	37.0	34.5	32.0
Enterprise value DCF		75.2										
- Interest bearing debt		-9.6										
+ Cash and cash equivalents		0.4										
-Minorities		0.0										
-Dividend/capital return		-2.5										
Equity value DCF		63.5										
Equity value DCF per share		1.78										

Cash flow distribution



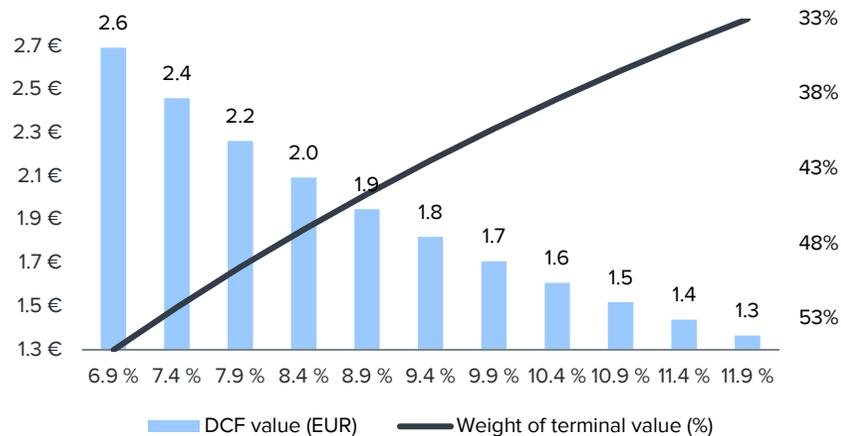
WACC

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 %

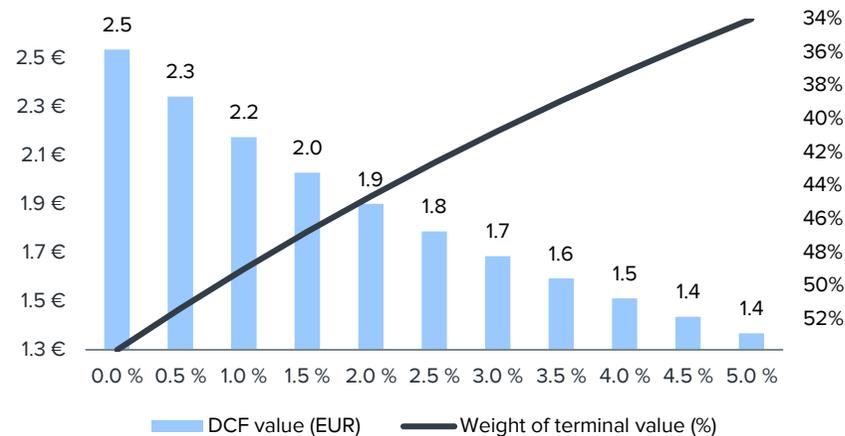
Source: Inderes

DCF sensitivity calculations and key assumptions in graphs

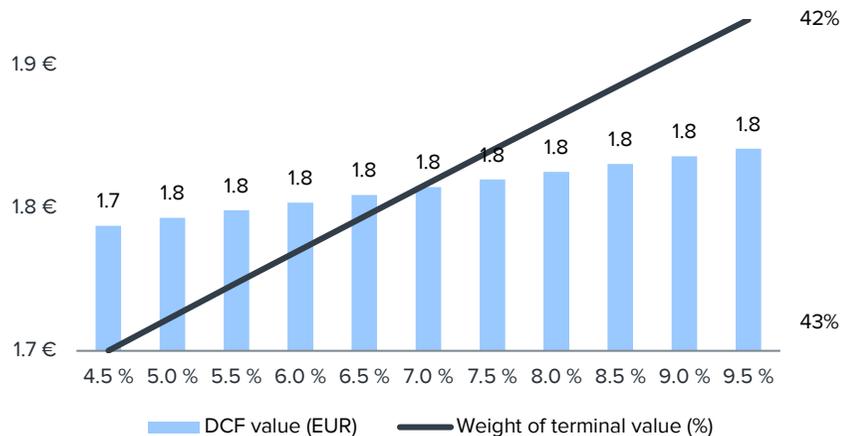
Sensitivity of DCF to changes in the WACC-%



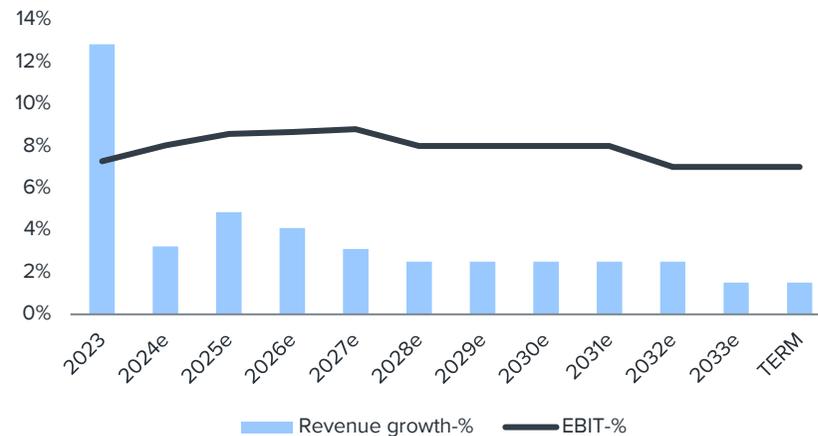
Sensitivity of DCF to changes in the risk-free rate



Sensitivity of DCF to changes in the terminal EBIT margin



Growth and profitability assumptions in the DCF calculation



Source: Inderes. Note that the weight of the terminal value (%) is shown on an inverse scale for clarity.

Summary

Income statement	2021	2022	2023	2024e	2025e	Per share data	2021	2022	2023	2024e	2025e
Revenue	66.4	71.1	80.3	82.8	86.9	EPS (reported)	0.12	0.09	0.10	0.14	0.16
EBITDA	10.1	7.8	9.1	9.7	10.5	EPS (adj.)	0.07	0.10	0.10	0.14	0.17
EBIT	6.5	4.8	5.8	6.7	7.5	OCF / share	0.24	0.20	0.22	0.32	0.27
PTP	5.7	4.2	5.2	6.1	7.2	FCF / share	0.21	0.00	0.18	0.23	0.18
Net Income	4.5	3.3	3.4	4.8	5.8	Book value / share	0.70	0.68	0.71	0.78	0.86
Extraordinary items	2.1	-0.3	-0.2	0.0	-0.2	Dividend / share	0.08	0.06	0.07	0.08	0.09
Balance sheet	2021	2022	2023	2024e	2025e	Growth and profitability	2021	2022	2023	2024e	2025e
Balance sheet total	51.1	55.8	54.5	55.0	53.3	Revenue growth-%	0%	7%	13%	3%	5%
Equity capital	25.5	24.8	25.5	27.8	30.7	EBITDA growth-%	n.a.	n.a.	17%	6%	8%
Goodwill	26.4	26.8	26.8	26.8	26.8	EBIT (adj.) growth-%	n.a.	n.a.	20%	10%	15%
Net debt	7.9	12.4	9.2	3.8	0.3	EPS (adj.) growth-%	n.a.	n.a.	3%	35%	22%
Cash flow	2021	2022	2023	2024e	2025e	EBITDA-%	15.2 %	11.0 %	11.3 %	11.7 %	12.0 %
EBITDA	10.1	7.8	9.1	9.7	10.5	EBIT (adj.)-%	6.6 %	7.1 %	7.5 %	8.0 %	8.8 %
Change in working capital	-1.1	-0.7	-1.2	1.7	-0.8	EBIT-%	9.8 %	6.7 %	7.3 %	8.0 %	8.6 %
Operating cash flow	8.9	7.3	7.8	11.3	9.6	ROE-%	18.4 %	13.2 %	13.7 %	18.2 %	19.7 %
CAPEX	-1.3	-7.4	-1.2	-3.0	-3.1	ROI-%	17.7 %	12.8 %	15.8 %	19.0 %	22.0 %
Free cash flow	7.6	-0.2	6.6	8.3	6.5	Equity ratio	49.9 %	44.4 %	46.8 %	50.6 %	57.6 %
Valuation multiples	2021	2022	2023	2024e	2025e	Gearing	30.8 %	50.0 %	36.1 %	13.7 %	1.0 %
EV/S	1.0	0.7	0.7	0.6	0.5						
EV/EBITDA (adj.)	6.3	6.5	5.8	5.3	4.5						
EV/EBIT (adj.)	14.4	10.0	8.8	7.7	6.2						
P/E (adj.)	23.2	10.7	12.2	9.7	8.0						
P/B	2.2	1.5	1.7	1.7	1.5						
Dividend-%	5.3 %	5.7 %	5.7 %	6.1 %	6.8 %						

Source: Inderes

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Date	Recommendation	Target	Share price
10/31/2018	Reduce	0.52 €	0.50 €
1/28/2019	Reduce	0.35 €	0.40 €
3/6/2019	Reduce	0.45 €	0.47 €
5/15/2019	Reduce	0.58 €	0.60 €
6/5/2019	Sell	0.68 €	0.71 €
7/24/2019	Reduce	0.68 €	0.63 €
10/30/2019	Reduce	0.80 €	0.75 €
2/26/2020	Reduce	0.90 €	0.78 €
4/1/2020	Accumulate	0.68 €	0.66 €
5/5/2020	Accumulate	0.90 €	0.84 €
6/23/2020	Accumulate	0.95 €	0.90 €
6/24/2020	Reduce	1.30 €	1.19 €
10/28/2020	Accumulate	1.40 €	1.28 €
2/19/2021	Accumulate	1.80 €	1.43 €
4/28/2021	Accumulate	2.00 €	1.97 €
6/10/2021	Accumulate	2.00 €	1.72 €
7/23/2021	Buy	2.00 €	1.86 €
10/27/2021	Reduce	1.80 €	1.59 €
2/18/2022	Accumulate	1.50 €	1.33 €
4/27/2022	Accumulate	1.45 €	1.24 €
6/28/2022	Accumulate	1.35 €	1.17 €
7/22/2022	Reduce	1.00 €	1.02 €
10/25/2022	Reduce	1.00 €	1.00 €
2/10/2023	Accumulate	1.35 €	1.20 €
4/26/2023	Accumulate	1.45 €	1.29 €
7/20/2023	Accumulate	1.35 €	1.11 €
9/11/2023	Accumulate	1.35 €	1.14 €
10/25/2023	Accumulate	1.30 €	1.11 €
2/9/2024	Buy	1.55 €	1.25 €
4/24/2024	Accumulate	1.55 €	1.32 €



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Atte Riikola
2020

**Connecting investors
and listed companies.**