

Avidly

Company report

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✓ Inderes corporate customer

This report is a summary translation of the report “Kasvua ja kasvuinvestointeja” published on 03/07/2022 at 07:30 am

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Growth and growth investments

Avidly's growth has kept on familiar and strong track, even though profitability was below on expectations. In the next few years, we see clear drivers for the company's earnings growth in a structurally growing market. However, with higher growth investments and a softer profitability guidance, we lowered our earnings growth estimates for the next few years. Given the strong earnings growth outlook, the company's valuation (2023e EV/EBIT 9x) is still attractive. On the other hand, short-term share price drivers are weaker than before as the point of support for earnings-based valuation multiples moves forward and market uncertainty increases. We reiterate our Buy recommendation for Avidly but lower the target price to EUR 5.0 (prev. EUR 6.0).

Growth has required greater investment than we expected

Avidly's Q4 sales grew by 20% at revenue level and much more slowly at gross profit level by 8% (Inderes: 9%), which is explained by increased third-party invoicing and subcontracting of media purchases y/y. However, contrary to our expectations, profitability deteriorated from the comparison period to 0% at revenue level (Inderes: 7%). As expected, behind this was not only the recruitment required for growth, but also the reorganization of businesses in several countries. We estimate that these have taken the focus off customer work and weakened billing rates. The company's guidance for growth was in line with our expectations, but the profitability guidance was softer than anticipated. Therefore, the strengthening of Avidly's profitability seems to be slower than we previously expected at the current growth stage.

Avidly's earnings growth is well-supported in the structurally growing Martech market

For a long time, advertising budgets have been moving from traditional media to digital channels due to people's growing desire to use the services digitally. Marketing is vulnerable to changes in the economic cycle, but its integration into sales makes it more business-critical and, in our view, reduces the industry's cyclical nature. Avidly's position is in the growing digital sales and marketing segment where the extent of its offering and overall competitiveness in our opinion stand out favorably from the competition. Through the company's operational discipline strengthening and the current profitability trend continuing, we see clear steps for earnings growth in the coming years.

We expect a slower improvement in profitability than before

We forecast that supported by the Digital 22 acquisition, Avidly's revenue grows by about 18% to EUR 35.4 million in 2022 (guidance: 34-36 MEUR) and adjusted EBIT to 5%. For 2021-2025, we expect average annual organic revenue growth of 12% (target: > 10%) and adjusted EBITA margin of 9% in 2025 (target: EBITA % >10%). Our profitability forecasts remain cautious due to the company's historically weaker levels (EBIT-% about 2-7%), but we see the potential for future upside as a stronger track record is accumulated. Our growth forecasts, on the other hand, requires successful new customer acquisition. Our 2025 revenue estimate is EUR 47 million (target: >50 MEUR), which new acquisitions will likely increase.

Valuation is very attractive, but patience is required for stronger share price drivers

In our view, the value creation of Avidly is based on growth and strengthening profitability. As the expected earnings improvement is realized, the valuation quickly becomes very attractive (2023e adj. EV/EBIT 9x) with the remaining earnings leverage from the margins strengthening (2023e adj. EBIT-% 6.6%, in the industry typically > 10%). However, the drivers for pricing the company's potential have been substantially weakened in the short term.

Recommendation

Buy

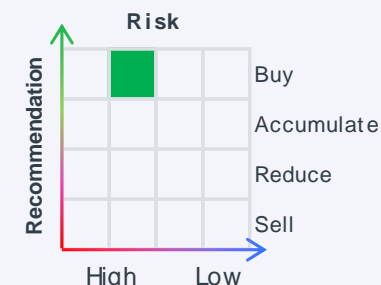
(previous Buy)

EUR 5.00

(previous EUR 6.00)

Share price:

4.05



Key figures

	2021	2022e	2023e	2024e
Revenue	30.0	35.4	39.0	43.0
growth-%	20%	18%	10%	10%
Gross margin	21.6	26.2	29.0	32.1
growth-%	16%	21%	11%	11%
EBIT adj.	1.1	1.8	2.6	3.3
EBIT-% adj.	3.6 %	5.2 %	6.6 %	7.7 %
Net Income	-0.3	0.2	0.7	2.6
EPS (adj.)	0.16	0.28	0.39	0.46

P/E (adj.)	31.6	14.4	10.5	8.8
P/B	2.6	1.9	2.0	1.7
Dividend yield-%	0.0 %	0.0 %	0.0 %	0.0 %
EV/EBIT (adj.)	23.6	11.2	8.6	6.5
EV/S	0.8	0.6	0.6	0.5

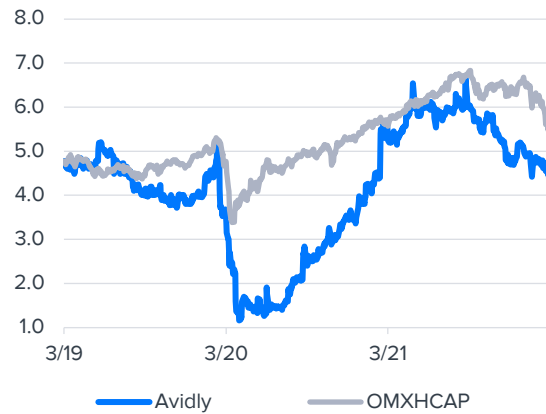
Source: Inderes

Guidance

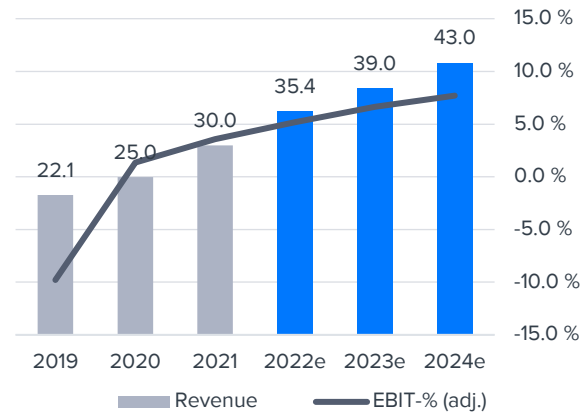
(New guidance)

Avidly estimates that in 2022 the company's revenue will amount to EUR 34-36 million (revenue 2021: 30.0 MEUR) and adjusted EBIT will increase (adjusted EBIT 2021: 1.1 MEUR).

Share price



Revenue and EBIT %



EPS and dividend



Value drivers

- Strong growth outlook on target markets
- Organic growth with competitive offering
- Cross-selling potential to current customers
- Business continuity and customer retention
- Acquisitions that support expertise and growth
- Low capital intensity of the business
- Improved profitability



Risk factors

- Slowdown in operational development and progress of the turnaround
- Availability and turnover of personnel
- Cyclical nature of the marketing industry and short visibility in non-continuous services
- Failure in acquisitions
- Changes in the competitive situation and technologies

Valuation	2022e	2023e	2024e
Share price	4.05	4.05	4.05
Number of shares, millions	5.36	5.93	5.93
Market cap	22	24	24
EV	21	22	22
P/E (adj.)	14.4	10.5	8.8
P/E	>100	34.4	9.2
P/FCF	neg.	23.5	27.6
P/B	1.9	2.0	1.7
P/S	0.6	0.6	0.6
EV/Sales	0.6	0.6	0.5
EV/EBITDA	9.3	8.4	4.4
EV/EBIT (adj.)	11.2	8.6	6.5
Payout ratio (%)	0.0 %	0.0 %	0.0 %
Dividend yield-%	0.0 %	0.0 %	0.0 %

Source: Inderes

Strong growth has required greater investment than we expected

Expected growth in the tailwinds of the media market

Avidly's Q4 revenue grew strongly by about 20% to EUR 8.3 million, while gross profit grew much more slowly by about 8% to EUR 5.7 million. We believe that both the expansion of existing accounts and winning new customers drove the growth. The growth in gross profit at H2 was clearly strong internationally (+19%) than in Finland (+8%). Avidly's revenue varies due to the amount of third-party invoiced media purchases, so we believe that gross profit offers a better indication of the rate of growth. Thus, the company's growth was perfectly in line with our expectations.

The customers' active marketing investments boosted growth again. According to Kantar, in the months of Q4, online advertising grew by 12-15% from the comparison period. Revenue for the whole year increased by 20% to EUR 30.0 million, which was at the top end of the company's guidance (28-30 MEUR).

Profitability couldn't keep up with growth in Q4 because of growth investments

Against our expectations, Avidly's Q4 profitability declined to a neutral level at the adjusted EBIT level, representing 0% of revenue (Q4'20 4%). The decline in profitability was mainly due to continued recruiting done by the company for growth. In addition, the company reported that it had been reorganizing in several countries, which we estimate had taken the focus off customer work and weakened billing rates toward the end of the year.

We believe that from the point of view of the company's business, investments in growth and the company structures are reasonable and in line with the company's earlier communications. However, the history of Avidly's profitability isn't particularly strong and there is uncertainty about its strengthening. As a result, we would have liked to see profitability strengthen, even though there were reasonable reasons for the decline.

The reported operating profit of Avidly is weakened by the accounting-related impact of the costs of the management's share-based incentive scheme and, to

a small extent, by the goodwill amortization of acquisitions. For us, the key indicator of Avidly's operational profitability has been adjusted EBIT. However, for the whole year of 2021, profitability strengthened at adjusted EBIT level to 4% of revenue (2020: 1%), continuing the positive trend.

Guidance for growth is in line with our expectations, softer in terms of profitability

Avidly estimates that in 2022 the company's revenue will amount to EUR 34-36 million (revenue 2021: 30.0 MEUR) and adjusted EBIT will increase (adjusted EBIT 2021: MEUR 1.1). Our pre-report estimate for 2022 revenue without the Digital 22 acquisition was EUR 32.4 million. The deal included the estimate was roughly EUR 35 million, so the growth guidance was in line with our expectations.

Our pre-report expectations for adjusted EBIT were clearly higher at EUR 2.4 million without the acquisition, so the guidance was softer than we expected in this respect. Slower-growing profitability means long-term uncertainty about the company's future profitability level, which weakens positive share price drivers in the short term.

Estimates	Q4'20	Q4'21	Q4'21e	Q4'21e	Consensus		Difference (%)	2021
MEUR / EUR	Comparator	Actualized	Inderes	Consensus	Low	High	Act. vs. inderes	Actualized
Revenue	6.9	8.3	7.6				9%	30.0
Gross margin	5.3	5.7	5.8				-1%	21.6
EBIT (adj.)	0.2	0.0	0.5				-98%	1.1
Revenue growth-%	-33.4 %	20.4 %	10.1 %				10.3 pp	20.0 %
EBIT-% (adj.)	3.5 %	0.1 %	6.9 %				-6.8 pp	3.6 %

Source: Inderes

Estimate revisions

Estimate changes 2021-2023e

- We added the Digital 22 acquisition to our forecasts since 2022.
- We clearly raised cost projections for the coming years due to Q4 profitability missing our expectations and the softer-than-expected profitability guidance.
- In addition, we revised the forecasts for the earnings impact of share-based incentives downward as a result of the changed market environment

Estimate revisions	2021	2021	Change	2022e	2022e	Change	2023e	2023e	Change
MEUR / EUR	Old	New	%	Old	New	%	Old	New	%
Revenue	29.3	30.0	2%	32.4	35.4	9%	35.7	39.0	9%
EBIT (exc. NRIs)	1.6	1.1	-32%	2.4	1.8	-24%	3.0	2.6	-13%
EBIT	0.2	-0.1	-127%	0.8	0.5	-38%	1.5	1.0	-35%
PTP	0.0	-0.3	561%	0.5	0.2	-65%	1.3	0.7	-44%
EPS (excl. NRIs)	0.21	0.16	-22%	0.40	0.28	-29%	0.46	0.39	-16%
DPS	0.00	0.00		0.00	0.00		0.00	0.00	

Source: Inderes

Valuation

Relying on earnings growth in the coming years, the valuation remains very attractive

In our opinion, Avidly's value creation relies on the expectation of profitable growth that can be accelerated with acquisitions that are in line with the strategy. The company's business is generally project-based, but a significant part of the sales margin (Q4'21: 51%) is of a continuous nature.

In our estimates, 2022 profitability will remain at a weak level due to the uncompleted turnaround. The adjusted EV/EBIT multiple we forecast for 2022 is 12x, which is about 20% below the median of the peer group. We expect the management's share-based incentive scheme to increase the company's total number of shares by ca. 10% in 2023, so the multiple gives a slightly better picture of the company's valuation than reality.

The fairly steady, controlled and profitable growth under current management enables the valuation to be examined with forward-looking multiples. Avidly's adjusted EV/EBIT multiple in 2023, which takes into account the increase in the number of shares, is neutral 9x with our forecasts. Profitability of Avidly (2023e adj. EBIT-% 6.6%) will still be below the industry's typical level (EBIT% >10%). Thus, by strengthening its relative profitability, the company still leaves room for earnings growth that's stronger than revenue growth, which is why we believe the multiple is very attractive.

Avidly's profitability has been historically lower (EBIT-% 2-7%), so the company has yet to demonstrate its ability to strengthen its profitability to its target level

(2025: adj. EBIT % >10%). Given Avidly's profitability track record so far, we aren't ready yet to forecast profitability that's in line with the company's targets (2025e adj. EBIT% 8.8%). In our view, the market's readiness to price Avidly's potential is based on concrete evidence of strengthening its profitability. Accumulating a track record seems to take longer than we expected, so we believe that in the short-term share price drivers have been weakened. In addition, the acceptable valuation level is subject to general market uncertainty. Overall, the share price drivers are weaker in the short term, and we lowered our target price accordingly.

If Avidly succeeds in continuing its very disciplined strategy execution for several years, we consider a higher profitability level than our estimates or the company's targets to be possible. This is a positive option for the investor and our view on the attractiveness of the present valuation isn't based on this option materializing. With our present estimates, our DCF model indicates a share value of EUR 6.2, well above the current share price. Our terminal assumption is that EBIT is 7.0% and revenue growth 2.5%. With the report, we raised the required return slightly due to the increased uncertainty in the market caused by the geopolitical situation and investors' required returns that have gone up as a result.

Avidly's strategy also includes utilizing acquisitions. We haven't considered acquisitions in our estimates, so they too form a positive option for investors. However, we want to point out that several of Avidly's peers also make acquisitions and we don't feel that just this option justifies the premium to the peers.

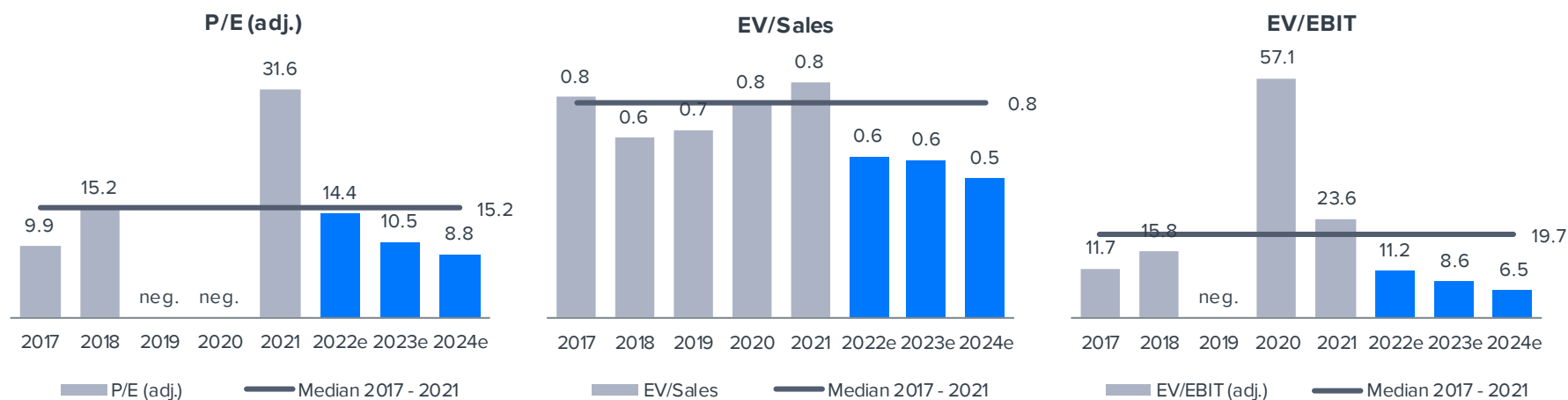
Valuation	2022e	2023e	2024e
Share price	4.05	4.05	4.05
Number of shares, million:	5.36	5.93	5.93
Market cap	22	24	24
EV	21	22	22
P/E (adj.)	14.4	10.5	8.8
P/E	>100	34.4	9.2
P/FCF	neg.	23.5	27.6
P/B	1.9	2.0	1.7
P/S	0.6	0.6	0.6
EV/Sales	0.6	0.6	0.5
EV/EBITDA	9.3	8.4	4.4
EV/EBIT (adj.)	11.2	8.6	6.5
Payout ratio (%)	0.0 %	0.0 %	0.0 %
Dividend yield-%	0.0 %	0.0 %	0.0 %

Source: Inderes

Valuation table

Valuation	2017	2018	2019	2020	2021	2022e	2023e	2024e	2025e
Share price	6.89	5.16	5.02	3.98	5.18	4.05	4.05	4.05	4.05
Number of shares, millions	1.4	1.6	2.4	4.0	5.3	5.4	5.9	5.9	5.9
Market cap	9.5	12	12	21	27	22	24	24	24
EV	12	13	15	19	25	21	22	22	21
P/E (adj.)	9.9	15.2	neg.	neg.	31.6	14.4	10.5	8.8	7.7
P/E	9.9	23.5	neg.	neg.	neg.	>100	34.4	9.2	8.1
P/FCF	neg.	41.9	14.1	5.2	neg.	neg.	23.5	27.6	79.6
P/B	3.1	1.4	1.8	2.1	2.6	1.9	2.0	1.7	1.4
P/S	0.6	0.6	0.6	0.8	0.9	0.6	0.6	0.6	0.5
EV/Sales	0.8	0.6	0.7	0.8	0.8	0.6	0.6	0.5	0.5
EV/EBITDA	9.4	12.2	neg.	11.2	16.2	9.3	8.4	4.4	3.7
EV/EBIT (adj.)	11.7	15.8	neg.	57.1	23.6	11.2	8.6	6.5	5.2
Payout ratio (%)	22.9 %	50.7 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Dividend yield-%	2.3 %	1.6 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %

Source: Inderes



Peer group valuation

Peer group valuation	Share price	Market cap	EV	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%		P/B
Company		MEUR	MEUR	2022e	2023e	2022e	2023e	2022e	2023e	2022e	2023e	2022e	2023e	2022e
Aallon Group	9.94	38	36	18.1	9.1	9.1	9.1	1.3	1.2	14.8	13.9	2.2	2.8	3.2
Antevenio SA	4.0	60	68	9.8	6.6	8.0	5.8	0.6	0.6	11.8	7.8	1.3	2.5	1.0
Avensia AB	17.4	58	55	14.5	11.7	11.0	9.1	1.3	1.1	19.9	15.8	3.6	4.4	8.4
Bilot Oyj	4.7	27	18	17.6	17.6	8.8	5.9	0.5	0.5	13.7	12.3		2.1	1.4
Bouvet ASA	63.7	682	644	16.9	14.8	14.2	12.6	2.1	1.8	23.0	20.1	3.8	4.4	13.3
Digia	6.7	189	200	13.1	11.6	9.0	8.4	1.2	1.2	15.8	14.1	2.7	3.1	2.5
Enero Group Ltd	3.5	204	179	5.1	4.6	4.8	4.4	1.4	1.3	11.9	11.6	3.9	4.0	1.9
Enea AB	182.0	365	416	14.7	11.9	9.7	8.5	4.0	3.7	17.8	14.4			1.9
Fondia	5.9	24	21	20.6	10.3	10.3	6.9	0.9	0.8	20.4	14.6	4.6	5.6	4.9
Gofore	23.4	371	354	20.3	17.7	15.8	14.2	2.6	2.4	27.2	23.7	1.4	1.5	4.8
Innofactor	1.17	45	54	10.8	9.0	6.8	6.0	0.8	0.8	12.1	10.0	5.0	5.8	1.7
Knowit AB	291.50	777	777	18.0	15.2	11.2	10.0	1.4	1.3	20.8	18.0	2.5	2.6	2.1
Netum Group	4.0	49								18.0	14.6	1.9	2.1	3.5
Nixu	5.50	43	46	30.9	15.4	15.4	10.3	0.8	0.8		16.3	0.3	2.4	3.2
Siili Solutions	13	91	93	9.3	8.5	6.4	5.6	0.8	0.8	10.0	8.9	3.5	4.3	2.9
Solteq	3.03	59	85	10.6	8.5	6.5	5.5	1.1	1.0	12.7	8.8	4.4	5.8	1.9
Vincit	5.30	71	67	11.2	9.6	7.5	6.7	0.9	0.9	11.1	9.3	3.5	3.9	2.4
Avidly (Inderes)*	4.05	22	21	11.2	8.6	9.3	8.4	0.6	0.6	14.4	10.5	0.0	0.0	1.9
Average		167	174	15.1	11.4	9.6	8.1	1.4	1.3	16.3	13.8	3.0	3.6	3.6
Median		59	67	14.6	10.9	9.0	7.6	1.2	1.1	15.3	14.1	3.5	3.5	2.5
Diff-% to median		-63%	-69%	-23%	-22%	3%	10%	-50%	-46%	-6%	-26%	-100%	-100%	-22%

Source: Thomson Reuters / Inderes. NB: The market cap Inderes uses does not consider own shares held by the company. *Adjusted P/E and EV/EBIT multiples for Avidly.

Income statement

Income statement	2020	Q1'21	Q2'21	Q3'21	Q4'21	2021	Q1'22e	Q2'22e	Q3'22e	Q4'22e	2022e	2023e	2024e	2025e
Revenue	25.0	7.1	8.1	6.4	8.3	30.0	8.6	9.3	7.6	9.9	35.4	39.0	43.0	47.2
EBITDA	1.7	0.4	0.3	0.5	0.4	1.6	0.5	0.5	0.4	0.9	2.2	2.6	4.9	5.7
Depreciation	-1.8	-0.4	-0.4	-0.4	-0.4	-1.6	-0.4	-0.4	-0.4	-0.4	-1.7	-1.7	-1.7	-1.8
EBIT (excl. NRI)	0.3	0.5	0.3	0.2	0.0	1.1	0.4	0.4	0.3	0.8	1.8	2.6	3.3	4.1
EBIT	-0.1	0.0	-0.1	0.1	-0.1	-0.1	0.1	0.0	-0.1	0.4	0.5	1.0	3.2	4.0
Net financial items	-0.3	-0.1	0.0	-0.1	-0.1	-0.3	-0.1	-0.1	-0.1	-0.1	-0.3	-0.3	-0.3	-0.3
PTP	-0.4	-0.1	-0.1	0.1	-0.2	-0.3	0.0	-0.1	-0.1	0.4	0.2	0.7	2.9	3.7
Taxes	0.1	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	-0.3	-0.7
Net earnings	-0.3	-0.1	-0.1	0.1	-0.1	-0.3	0.0	-0.1	-0.1	0.4	0.2	0.7	2.6	3.0
EPS (adj.)	-0.01	0.07	0.06	0.04	-0.01	0.16	0.06	0.05	0.04	0.13	0.28	0.39	0.46	0.52
EPS (rep.)	-0.09	-0.02	-0.03	0.02	-0.02	-0.05	0.00	-0.01	-0.03	0.07	0.03	0.12	0.44	0.50

Key figures	2020	Q1'21	Q2'21	Q3'21	Q4'21	2021	Q1'22e	Q2'22e	Q3'22e	Q4'22e	2022e	2023e	2024e	2025e
Revenue growth-%	12.8 %	5.9 %	30.1 %	25.9 %	20.4 %	20.0 %	20.6 %	14.7 %	18.2 %	19.6 %	18.2 %	10.2 %	10.2 %	9.7 %
Adjusted EBIT growth-%	-115.6 %	-500.9 %	-301.7 %	-34.5 %	-96.4 %	217.8 %	-13.2 %	2.2 %	13.0 %	8777.6 %	71%	41%	28.1 %	24.7 %
EBITDA-%	6.9 %	5.9 %	3.6 %	7.8 %	4.2 %	5.2 %	5.9 %	4.9 %	4.8 %	8.8 %	6.2 %	6.8 %	11.3 %	12.1 %
Adjusted EBIT-%	1.4 %	6.6 %	4.3 %	3.9 %	0.1 %	3.6 %	4.7 %	3.8 %	3.7 %	8.1 %	5.2 %	6.6 %	7.7 %	8.8 %
Net earnings-%	-1.4 %	-1.2 %	-1.8 %	1.4 %	-1.5 %	-0.9 %	0.0 %	-0.6 %	-1.9 %	3.7 %	0.5 %	1.8 %	6.0 %	6.3 %

Source: Inderes

Balance sheet

Assets	2020	2021	2022e	2023e	2024e
Non-current assets	12.4	11.6	12.8	12.8	14.8
Goodwill	7.7	7.7	8.5	8.5	10.5
Intangible assets	0.5	0.4	0.8	0.8	0.8
Tangible assets	3.3	2.8	2.8	2.8	2.8
Associated companies	0.3	0.3	0.3	0.3	0.3
Other investments	0.0	0.0	0.0	0.0	0.0
Other non-current assets	0.0	0.0	0.0	0.0	0.0
Deferred tax assets	0.5	0.4	0.4	0.4	0.4
Current assets	11.6	10.5	14.2	15.2	16.1
Inventories	0.6	0.6	1.7	1.9	2.1
Other current assets	0.6	0.5	0.5	0.5	0.5
Receivables	4.2	4.4	5.8	6.4	7.1
Cash and equivalents	6.2	5.0	6.1	6.4	6.5
Balance sheet total	23.9	22.1	26.9	27.9	30.9

Source: Inderes

Liabilities & equity	2020	2021	2022e	2023e	2024e
Equity	9.8	10.6	11.2	11.9	14.5
Share capital	0.3	0.3	0.3	0.3	0.3
Retained earnings	-3.2	-2.3	-2.2	-1.5	1.1
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	12.7	12.7	13.1	13.1	13.1
Minorities	0.0	0.0	0.0	0.0	0.0
Non-current liabilities	4.5	3.1	4.6	4.1	3.6
Deferred tax liabilities	0.2	0.2	0.3	0.3	0.3
Provisions	0.0	0.0	0.0	0.0	0.0
Long term debt	2.4	1.6	3.0	2.5	2.0
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	1.9	1.3	1.3	1.3	1.3
Current liabilities	9.6	8.4	11.1	11.9	12.8
Short term debt	2.0	1.4	2.0	2.0	2.0
Payables	6.4	5.6	7.8	8.6	9.5
Other current liabilities	1.2	1.3	1.3	1.3	1.3
Balance sheet total	23.9	22.1	26.9	27.9	30.9

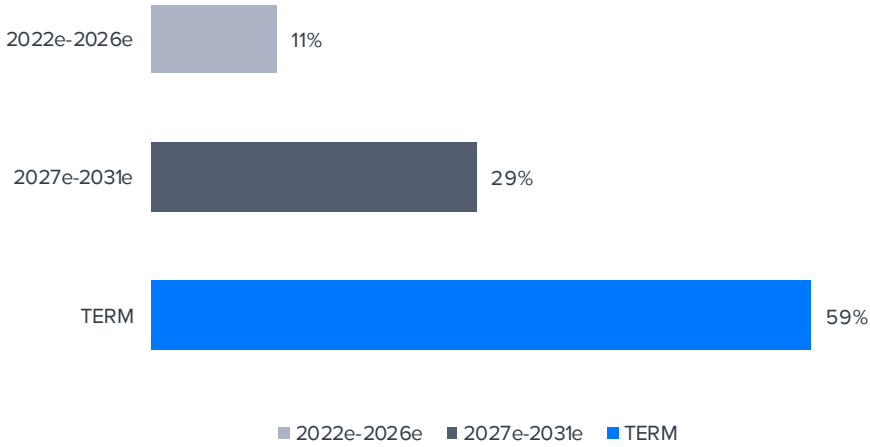
DCF calculation

DCF model	2021	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	TERM
EBIT (operating profit)	-0.1	0.5	1.0	3.2	4.0	4.6	5.0	5.0	4.8	4.7	4.5	
+ Depreciation	1.6	1.7	1.7	1.7	1.8	1.8	1.9	1.9	2.0	2.1	2.1	
- Paid taxes	0.1	0.1	0.0	-0.3	-0.7	-0.9	-1.0	-0.9	-0.9	-0.9	-0.8	
- Tax, financial expenses	0.0	0.0	0.0	0.0	-0.1	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	-0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Operating cash flow	0.9	1.9	2.7	4.6	5.0	5.5	5.9	5.9	5.8	5.8	5.6	
+ Change in other long-term liabilities	-0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-1.0	-2.9	-1.7	-3.7	-4.7	-1.8	-1.9	-1.9	-2.0	-2.1	-2.1	
Free operating cash flow	-0.6	-0.9	1.0	0.9	0.3	3.7	4.1	4.0	3.8	3.7	3.6	
+/- Other	0.0	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	-0.6	-0.6	1.0	0.9	0.3	3.7	4.1	4.0	3.8	3.7	3.6	47.9
Discounted FCFF		-0.5	0.9	0.7	0.2	2.3	2.3	2.1	1.8	1.6	1.4	18.6
Sum of FCFF present value		31.3	31.8	31.0	30.3	30.1	27.8	25.5	23.4	21.6	20.0	18.6
Enterprise value DCF		31.3										
- Interesting bearing debt		-3.0										
+ Cash and cash equivalents		5.0										
-Minorities		0.0										
-Dividend/capital return		0.0										
Equity value DCF		33.3										
Equity value DCF per share		6.2										

Wacc	
Tax-% (WACC)	20.0 %
Target debt ratio (D/(D+E))	10.0 %
Cost of debt	6.0 %
Equity Beta	1.20
Market risk premium	4.75%
Liquidity premium	3.00%
Risk free interest rate	2.0 %
Cost of equity	10.7 %
Weighted average cost of capital (WACC)	10.1 %

Source: Inderes

Cash flow distribution



Summary

Income statement	2019	2020	2021	2022e	2023e	Per share data	2019	2020	2021	2022e	2023e
Revenue	22.1	25.0	30.0	35.4	39.0	EPS (reported)	-1.03	-0.09	-0.05	0.03	0.12
EBITDA	-0.6	1.7	1.6	2.2	2.6	EPS (adj.)	-0.94	-0.01	0.16	0.28	0.39
EBIT	-2.4	-0.1	-0.1	0.5	1.0	OCF / share	0.80	0.61	0.17	0.36	0.45
PTP	-2.6	-0.4	-0.3	0.2	0.7	FCF / share	0.37	1.01	-0.11	-0.10	0.17
Net Income	-2.5	-0.3	-0.3	0.2	0.7	Book value / share	2.92	2.46	2.02	2.09	2.01
Extraordinary items	-0.2	-0.4	-1.1	-1.3	-1.6	Dividend / share	0.00	0.00	0.00	0.00	0.00
Balance sheet	2019	2020	2021	2022e	2023e	Growth and profitability	2019	2020	2021	2022e	2023e
Balance sheet total	18.3	23.9	22.1	26.9	27.9	Revenue growth-%	12%	13%	20%	18%	10%
Equity capital	7.0	9.8	10.6	11.2	11.9	EBITDA growth-%	-157%	-386%	-9%	40%	20%
Goodwill	7.7	7.7	7.7	8.5	8.5	EBIT (adj.) growth-%	-367%	-116%	218%	71%	41%
Net debt	2.5	-1.7	-2.0	-1.1	-1.9	EPS (adj.) growth-%	-376%	-99%	-2966%	72%	37%
Cash flow	2019	2020	2021	2022e	2023e	EBITDA-%	-2.7 %	6.9 %	5.2 %	6.2 %	6.8 %
EBITDA	-0.6	1.7	1.6	2.2	2.6	EBIT (adj.)-%	-9.8 %	1.4 %	3.6 %	5.2 %	6.6 %
Change in working capital	2.5	0.7	-0.7	-0.4	0.0	EBIT-%	-10.8 %	-0.2 %	-0.2 %	1.4 %	2.6 %
Operating cash flow	1.9	2.4	0.9	1.9	2.7	ROE-%	-32.3 %	-4.1 %	-2.6 %	1.5 %	6.0 %
CAPEX	-5.4	-1.5	-1.0	-2.9	-1.7	ROI-%	-21.1 %	-0.5 %	-0.4 %	3.3 %	6.1 %
Free cash flow	0.9	4.0	-0.6	-0.6	1.0	Equity ratio	39.0 %	42.0 %	49.5 %	42.6 %	43.6 %
Valuation multiples	2019	2020	2021	2022e	2023e	Gearing	35.8 %	-17.5 %	-19.0 %	-10.2 %	-15.6 %
EV/S	0.7	0.8	0.8	0.6	0.6						
EV/EBITDA (adj.)	neg.	11.2	16.2	9.3	8.4						
EV/EBIT (adj.)	neg.	57.1	23.6	11.2	8.6						
P/E (adj.)	neg.	neg.	31.6	14.4	10.5						
P/E	1.8	2.1	2.6	1.9	2.0						
Dividend-%	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %						

Source: Inderes

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Recommendation history (>12 mo)

Date	Recommendation	Target price	Share price
3/6/2020	Sell	3.80 €	4.21 €
3/27/2020	Reduce	1.90 €	1.99 €
5/15/2020	Reduce	1.40 €	1.66 €
7/24/2020	Reduce	1.80 €	1.87 €
<i>Analyst changes</i>			
8/26/2020	Accumulate	2.80 €	2.58 €
11/16/2020	Accumulate	3.50 €	3.24 €
1/14/2021	Accumulate	4.50 €	3.96 €
2/16/2021	Accumulate	6.00 €	5.40 €
3/5/2021	Accumulate	6.00 €	5.45 €
5/3/2021	Reduce	6.50 €	6.54 €
6/18/2021	Reduce	6.50 €	6.00 €
8/29/2021	Reduce	7.00 €	6.66 €
9/19/2021	Buy	7.00 €	5.70 €
11/1/2021	Buy	7.00 €	5.46 €
12/9/2021	Buy	6.00 €	4.74 €
3/7/2022	Buy	5.00 €	4.05 €



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