

Innofactor

Company report

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✓ Inderes corporate customer

This report is a summary translation of the report “Hyvä ja vakuuttava alku vuodelle” published on 4/26/2023 at 9:14 am

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A good and convincing start for the year

We raise Innofactor's target price to EUR 1.45 (previous 1.35) reflecting estimate revisions. We reiterate our Accumulate recommendation. Innofactor's net sales grew well and earnings exceeded our expectations in Q1. In addition, recruitment, targeted use of subcontracting and the structure of the order backlog improved confidence in earnings growth this year. We expect moderate organic growth in the coming years and slight improvement in profitability. With our estimates the share's valuation (2023e P/E 11 and EV/EBIT 9x) is still attractive, especially considering the stronger base for earnings growth.

Good organic growth and profitability in Q1

Q1 net sales increased strongly supported by the Invenco acquisition by 19% to EUR 20.2 million, exceeding our expectation slightly. Continued strong organic growth at 11% was positive. We estimate that the order backlog (growth +7%) focused more on various product/geographic areas than before, and more subcontracting was also used, which supported accelerated organic growth in the latest quarters. The fact that 60 new young experts are recruited and will start work in Q2-Q3 was positive as it will alleviate the expert shortage and mitigates wage inflation. EBITDA increased to EUR 2.5 million, exceeding our EUR 2.2 million estimate and accounted for 12.3% of net sales. We believe that good profitability was supported by improved billable utilization and the development of License and SaaS sales. Geographically, profitability was positive in all countries, giving a stronger basis for growth.

We expect money to be returned to owners if no acquisitions occur

Innofactor's balance sheet (cash 5 MEUR) and good cash flow provides leeway for growth or capital return options. We believe Innofactor prioritizes acquisitions. If no acquisitions are found in Q3, we consider it very possible that the company will return funds either as capital return or through a share buyback, as in previous years. Innofactor's AGM authorized the Board of Directors to decide on a possible additional capital return of up to EUR 2.5 million (EUR 0.06 per share). In addition, the AGM authorized the company to repurchase its own shares (a maximum of 3.6 million).

Good earnings growth in an uncertain market

Innofactor reiterated its guidance and expects net sales and adjusted EBITDA to increase from 2022. Driven by increased confidence with the Q1 report and the development and structure of the order backlog, we raised our earnings estimates by 3-5% for the next few years. Supported by the [Invenco acquisition](#), we expect Innofactor's net sales to grow by 12% to EUR 80 million in 2023 (organic 8%) and EBITDA to reach EUR 8.9 million (11.2% of net sales, 2022: 7.8 MEUR). We expect net sales to grow organically by ~4% 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 still favors a positive view of the share

In our view, the uncertainty in earnings growth has declined thanks to positive order backlog development and recruitment. With our estimates, the valuation of the share with 2023 EV/EBIT and P/E ratios is 9x and 11x or over 30% below Finnish peers. We feel, the valuation is attractive in absolute and relative terms considering the more robust earnings growth outlook that is still on the average level for the sector or slightly below it. The expected return of the share consists of annual earnings growth (8%), dividend yield (6%) and the upside in the multiples and is attractive.

Recommendation

Accumulate
(previous Accumulate)

EUR 1.45
(previous EUR 1.35)

Share price:
1.29



Key figures

	2022	2023e	2024e	2025e
Revenue	71	80	82	85
growth-%	7%	12%	4%	3%
Käyttökate	7.8	8.9	9.3	10.1
Käyttökate-%	11.0 %	11.2 %	11.3 %	11.8 %
Net Income	3.3	4.2	4.7	5.4
EPS (adj.)	0.10	0.12	0.13	0.16

P/E (adj.)	10.7	10.5	9.5	8.3
P/B	1.5	1.7	1.6	1.5
Dividend yield-%	5.7 %	5.4 %	6.2 %	7.0 %
EV/EBIT (adj.)	10.0	9.1	7.9	6.5
EV/EBITDA	6.5	6.2	5.5	4.7
EV/S	0.7	0.7	0.6	0.6

Source: Inderes

Guidance (Unchanged)

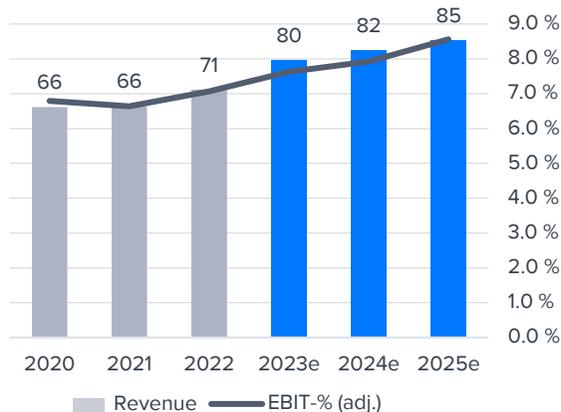
Innofactor's net sales and operating margin (EBITDA) in 2023 are estimated to increase from 2020, during which the net sales were EUR 71.1 million and operating margin was EUR 7.8 million.

Share price



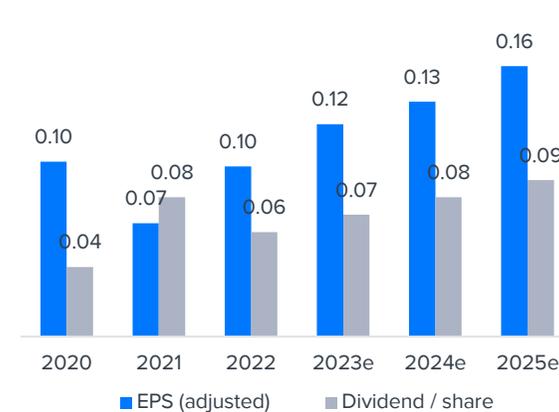
Source: Millstream Market Data AB

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	1.29	1.29	1.29
Number of shares, millions	35.9	35.9	35.9
Market cap	46	46	46
EV	55	52	47
P/E (adj.)	10.5	9.5	8.3
P/E	11.0	9.9	8.5
P/FCF	7.6	7.2	6.5
P/B	1.7	1.6	1.5
P/S	0.6	0.6	0.5
EV/Sales	0.7	0.6	0.6
EV/EBITDA	6.2	5.5	4.7
EV/EBIT (adj.)	9.1	7.9	6.5
Payout ratio (%)	59.9 %	61.3 %	59.6 %
Dividend yield-%	5.4 %	6.2 %	7.0 %

Source: Inderes

Strong development continued, no signs of customer demand deteriorating so far

Growth continued at a good level

Q1 net sales increased strongly supported by the Invenco acquisition by 19% to EUR 20.2 million, exceeding our EUR 19.7 million expectation slightly. Especially continued organic growth at a strong 11% level (estimate: 10%) was positive. Organic growth was driven by higher billable utilization and increased use of subcontracting. The company's number of employees increased by 13% from the previous year, which includes the acquisition. In local currencies, Finland grew well, as did Norway. Sweden also grew, but in Denmark, net sales decreased slightly from the strong comparison period. The company commented that the demand outlook still seems positive, which we believe illustrates the company's good position as a Microsoft-specialized player, the largish share of the public sector and continuing operations. The company still mentioned recruitment, especially of senior talent, as a bottleneck to growth.

The number of active employees at the end of the period was 572 persons, up by 8 people from the previous quarter. In the short term, we feel Innofactor still has conditions to grow by simply increasing

billable utilization of existing employees. In Q2-Q3, the company will gain 60 employees from its own training program Digistar, which, however, will temporarily depress the billable utilization further.

Profitability at a good level

Q1 comparable EBITDA increased to EUR 2.5 million, which exceeded our EUR 2.2 million estimate and accounted for 12.3% of net sales. Geographically, profitability was positive in all countries. We believe that good profitability was driven by improved billable utilization in Finland and good development in License and SaaS sales. EPS was EUR 0.03 as expected. The income statement contained a EUR 250,000 posting error in financial costs that will be adjusted in Q2. Therefore, the actual EPS was slightly higher.

The order backlog continued to develop well

The company's order backlog grew well year-on-year (+7%) and was EUR 76.3 million at the end of Q1. Recorded new orders included, e.g. a digitalization project of Metso Outotec Corporation's tender process, further development and maintenance of

Senaatti-kiinteistöt's HR system, and the data management solution based on the Dynasty product chosen by the Finnish Defence Forces announced in December 2022, about half of which was recorded in the order backlog (22 MEUR). The timing of the large order backlog materializing as sales and assessment of the profitability structure of the order backlog is still difficult and uncertain but it does support the development. 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 backlog focused more on various product/geographic areas than before, and the company has also used more subcontracting, which supported the acceleration of organic growth in the latest quarters.

As expected, the company reiterated its guidance that indicates net sales growth and improved EBITDA from last year.

Estimates MEUR / EUR	Q1'22	Q1'23	Q1'23e	Q1'23e	Consensus		Difference (%)	2023e
	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. inderes	Inderes
Revenue	17.0	20.2	19.7				2%	79.6
EBITDA	2.0	2.5	2.2				16%	8.9
EBIT	1.3	1.7	1.4				23%	5.8
PTP	1.1	1.3	1.3				5%	5.3
EPS (reported)	0.02	0.03	0.03				7%	0.12
Revenue growth-%	-4.7 %	19.2 %	16.4 %				2.8 pp	11.9 %
EBITDA-%	12.0 %	12.3 %	10.9 %				1.4 pp	11.2 %

Source: Inderes



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



Estimates and changes

Estimate revisions 2023e-2025e

- We raised our net sales estimates slightly driven by good organic growth, order backlog and recruitment (close on 10 in Q1 and 60 young experts in Q2-Q3).
 - Recruitment of several young people will slightly limit billable utilization in Q2-Q3. In addition, Q2 has two working days less in Finland, which depresses profitability in particular.
- We also raised our profitability expectations a smidgen, driven by better billable utilization. Thus, our earnings estimates increased by 3-5% for the next few years.

Estimates 2023e-2025e

- We expect Innofactor to grow organically by 3-8% in 2023-25
- We estimate that EBITDA will be 11-12% 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)
- Acquisitions

Profitability is supported by

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

Profitability is limited by

- Wage inflation, but recruitment of young people also mitigates this
- Increasing use of subcontracting
- Employee attrition

Estimate revisions	2023e	2023e	Change	2024e	2024e	Change	2025e	2025e	Change
MEUR / EUR	Old	New	%	Old	New	%	Old	New	%
Revenue	77.9	79.6	2%	80.7	82.4	2%	83.4	85.2	2%
EBITDA	8.6	8.9	3%	9.1	9.3	2%	9.8	10.1	3%
EBIT (exc. NRIs)	5.8	6.1	4%	6.3	6.5	3%	7.0	7.3	4%
EBIT	5.6	5.8	4%	6.1	6.3	3%	6.8	7.1	4%
PTP	5.1	5.3	4%	5.7	5.9	4%	6.5	6.8	5%
EPS (excl. NRIs)	0.12	0.12	4%	0.13	0.13	3%	0.15	0.16	5%
DPS	0.07	0.07	0%	0.08	0.08	0%	0.09	0.09	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.). With our estimates, Innofactor's adjusted P/E ratios for 2023 and 2024 are 11x and 10x. This is an attractive level in absolute terms, given the increased confidence in earnings growth. Corresponding EV/EBIT ratios are 9x and 8x, which are also relatively attractive. Corresponding 2023 multiples are good 30% below the Finnish peers, which is already a very attractive level, although partly justified by a slower 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. The book value of the tax receivable is currently EUR 3.8 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 and steadier. 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% on average 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 42% 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 ~8% in coming years driven by net sales and increased profitability. The dividend now also supports the valuation and 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.

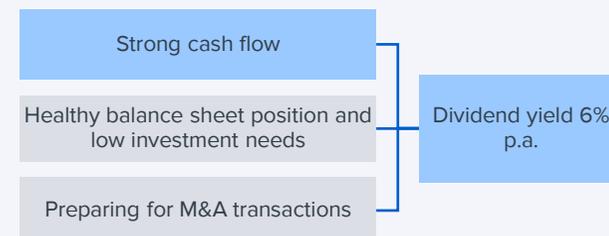
TSR drivers 2023-2025

■ Positive ■ Neutral ■ Negative

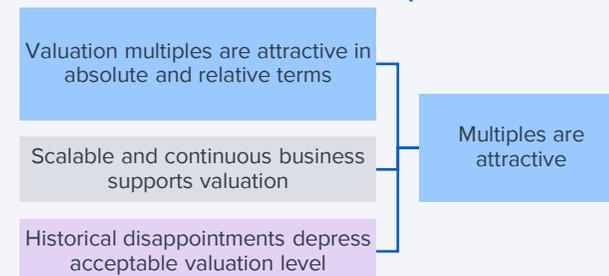
Performance



Dividend yield



Valuation multiples

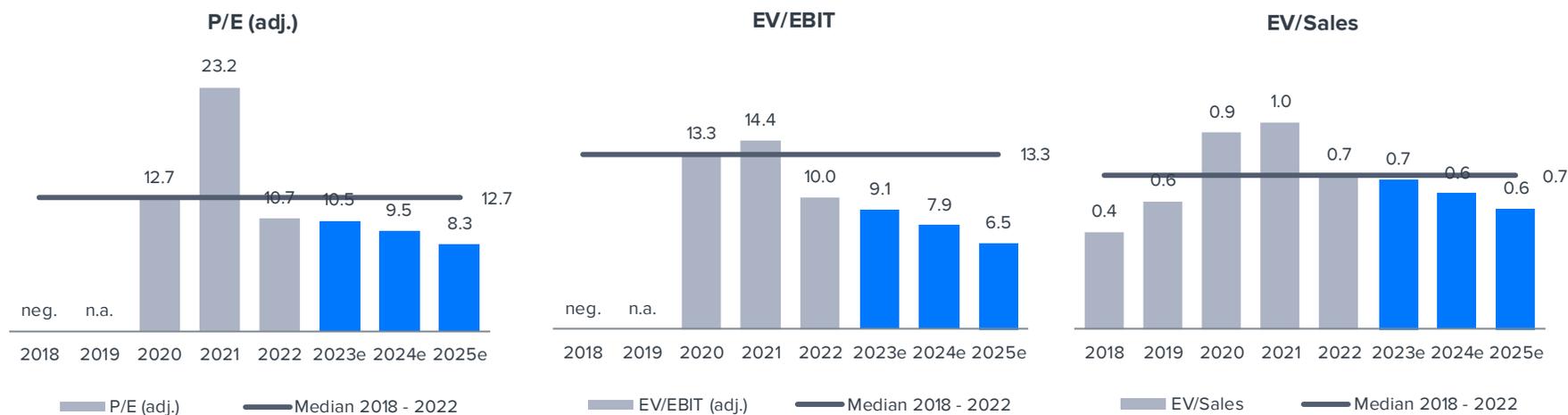


Share's expected total return around 15% p.a.

Valuation table

Valuation	2018	2019	2020	2021	2022	2023e	2024e	2025e	2026e
Share price	0.36	0.72	1.28	1.52	1.05	1.29	1.29	1.29	1.29
Number of shares, millions	36.2	36.8	37.4	36.6	36.2	35.9	35.9	35.9	35.9
Market cap	13	27	48	55	38	46	46	46	46
EV	28	38	60	63	50	55	52	47	43
P/E (adj.)	neg.	n.a.	12.7	23.2	10.7	10.5	9.5	8.3	7.5
P/E	neg.	63.3	27.1	12.3	11.5	11.0	9.9	8.5	7.7
P/FCF	neg.	2.7	neg.	7.3	neg.	7.6	7.2	6.5	5.9
P/B	0.6	1.2	2.0	2.2	1.5	1.7	1.6	1.5	1.3
P/S	0.2	0.4	0.7	0.8	0.5	0.6	0.6	0.5	0.5
EV/Sales	0.4	0.6	0.9	1.0	0.7	0.7	0.6	0.6	0.5
EV/EBITDA	neg.	7.4	8.4	6.3	6.5	6.2	5.5	4.7	4.0
EV/EBIT (adj.)	neg.	n.a.	13.3	14.4	10.0	9.1	7.9	6.5	5.5
Payout ratio (%)	0.0 %	0.0 %	84.9 %	65.1 %	65.4 %	59.9 %	61.3 %	59.6 %	59.7 %
Dividend yield-%	0.0 %	0.0 %	3.1 %	5.3 %	5.7 %	5.4 %	6.2 %	7.0 %	7.8 %

Source: Inderes



Peer group valuation

Valuation Company	Market cap MEUR	EV MEUR	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%	
			2023e	2024e	2023e	2024e	2023e	2024e	2023e	2024e	2023e	2024e
Digia*	148	161	8.6	7.5	7.0	6.2	0.9	0.8	10.4	9.5	3.4	3.6
Digital Workforce*	56	40	48.8	16.2	34.9	14.2	1.3	1.1	81.3	26.6		
Gofore*	407	377	13.1	11.4	12.1	10.6	2.0	1.7	17.8	16.4	1.9	2.2
Loihde*	96	73	15.5	11.5	6.4	5.2	0.5	0.5	23.6	18.7	1.8	1.9
Netum Group*	44	45	12.2	10.4	11.4	9.7	1.3	1.1	14.9	13.2	3.8	4.1
Nixu*	95	96	24.9	18.2	18.6	14.9	1.4	1.3	35.3	25.3		
Silli Solutions*	131	120	9.0	7.4	7.2	6.0	0.9	0.8	13.6	11.7	1.9	2.3
Solteq*	25	56	65.2	15.8	9.0	6.6	0.8	0.7		29.7		2.3
Tietoevry*	3427	4008	9.8	8.9	8.3	7.7	1.3	1.2	11.3	10.5	5.2	5.4
Vincit*	75	63	7.4	5.5	6.8	5.1	0.6	0.5	11.6	9.2	3.7	4.4
Witted Megacorp*	52	42	59.5	9.2	55.5	9.1	0.6	0.5	70.7	14.6		
Bouvet	572	584	15.9	14.6	13.3	12.5	2.0	1.8	20.4	18.8	4.3	4.7
Enea	141	172	14.9	13.9	6.2	6.2	2.0	1.9	16.8	17.5		
Knowit	549	648	16.1	13.2	9.2	8.6	1.0	0.9	19.4	15.6	3.2	3.5
Netcompany Group	1647	1896	16.8	13.9	13.3	11.4	2.3	2.1	18.7	15.4	0.6	1.1
Innofactor (Inderes)	46	55	9.1	7.9	6.2	5.5	0.7	0.6	10.5	9.5	5.4	6.2
Median Nordic companies			15.5	11.5	9.2	8.6	1.3	1.1	18.2	15.6	3.3	3.5
<i>Diff-% to median</i>			<i>-42%</i>	<i>-31%</i>	<i>-33%</i>	<i>-36%</i>	<i>-46%</i>	<i>-40%</i>	<i>-42%</i>	<i>-39%</i>	<i>65%</i>	<i>76%</i>
Median Finnish companies			13.1	10.4	9.0	7.7	0.9	0.8	16.3	14.6	3.4	3.0
<i>Diff-% to median</i>			<i>-31%</i>	<i>-24%</i>	<i>-31%</i>	<i>-29%</i>	<i>-23%</i>	<i>-23%</i>	<i>-36%</i>	<i>-35%</i>	<i>59%</i>	<i>111%</i>

Source: 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	Q1'23	Q2'23e	Q3'23e	Q4'23e	2023e	2024e	2025e
Revenue	66.2	66.4	17.0	16.9	16.7	20.5	71.1	20.2	19.9	17.8	21.7	79.6	82.4	85.2
EBITDA	7.2	10.1	2.0	1.4	1.9	2.5	7.8	2.5	1.9	1.8	2.6	8.9	9.3	10.1
Depreciation	-4.7	-3.6	-0.7	-0.7	-1.0	-0.6	-3.1	-0.8	-0.8	-0.8	-0.8	-3.1	-3.0	-3.0
EBIT (excl. NRI)	4.5	4.4	1.4	0.7	1.0	1.9	5.0	1.8	1.2	1.1	1.9	6.1	6.5	7.3
EBIT	2.5	6.5	1.3	0.7	1.0	1.8	4.8	1.7	1.2	1.1	1.9	5.8	6.3	7.1
Net financial items	-0.5	-0.8	-0.2	0.0	-0.2	-0.1	-0.6	-0.4	0.1	-0.1	-0.1	-0.6	-0.4	-0.3
PTP	2.1	5.7	1.1	0.6	0.8	1.7	4.2	1.3	1.3	0.9	1.7	5.3	5.9	6.8
Taxes	-0.3	-1.2	-0.3	-0.1	-0.2	-0.4	-0.9	-0.3	-0.3	-0.2	-0.3	-1.1	-1.2	-1.4
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	1.4	4.2	4.7	5.4
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	0.16
EPS (rep.)	0.05	0.12	0.02	0.02	0.02	0.04	0.09	0.03	0.03	0.02	0.04	0.12	0.13	0.15

Key figures	2020	2021	Q1'22	Q2'22	Q3'22	Q4'22	2022	Q1'23	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 %	19.2 %	17.5 %	6.6 %	5.5 %	11.9 %	3.6 %	3.4 %
Adjusted EBIT growth-%		-2%	4%	-47%	-3%	214%	14%	27%	64%	12%	4%	21%	8%	12%
EBITDA-%	10.8 %	15.2 %	12.0 %	8.1 %	11.6 %	11.9 %	11.0 %	12.3 %	9.7 %	10.3 %	12.2 %	11.2 %	11.3 %	11.8 %
Adjusted EBIT-%	6.8 %	6.6 %	8.2 %	4.4 %	6.1 %	9.1 %	7.1 %	8.8 %	6.2 %	6.4 %	8.9 %	7.6 %	7.9 %	8.6 %
Net earnings-%	2.7 %	6.8 %	5.0 %	3.2 %	3.6 %	6.5 %	4.7 %	5.1 %	5.1 %	4.2 %	6.4 %	5.3 %	5.7 %	6.4 %

Source: Inderes

Balance sheet

Assets	2021	2022	2023e	2024e	2025e
Non-current assets	35.7	39.3	38.0	36.7	35.2
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	3.0	1.8	0.4
Current assets	15.4	16.5	18.3	19.8	21.0
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	16.7	17.3	17.9
Cash and equivalents	2.0	2.0	1.6	2.5	3.1
Balance sheet total	51.1	55.8	56.3	56.4	56.2

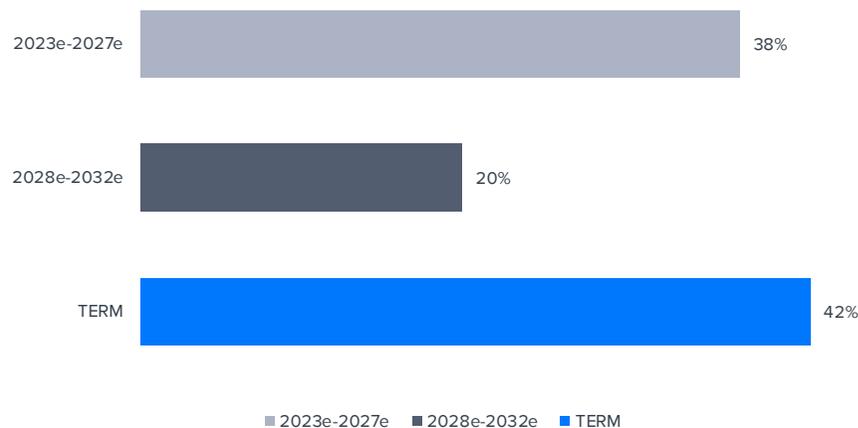
Source: Inderes

Liabilities & equity	2021	2022	2023e	2024e	2025e
Equity	25.5	24.8	26.8	29.0	31.5
Share capital	2.1	2.1	2.1	2.1	2.1
Retained earnings	3.1	5.3	7.3	9.5	12.1
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	10.1	7.6	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	8.3	5.7	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	19.4	19.9	19.8
Short term debt	3.5	7.0	2.3	2.2	1.5
Payables	14.3	14.8	17.1	17.7	18.3
Other current liabilities	0.0	0.0	0.0	0.0	0.0
Balance sheet total	51.1	55.8	56.3	56.4	56.2

DCF calculation

DCF model	2022	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	TERM
Revenue growth-%	7.2 %	11.9 %	3.6 %	3.4 %	3.4 %	2.5 %	2.5 %	2.5 %	2.5 %	2.5 %	15 %	15 %
EBIT-%	6.7 %	7.3 %	7.7 %	8.3 %	8.7 %	8.0 %	7.8 %	7.5 %	7.0 %	7.0 %	7.0 %	7.0 %
EBIT (operating profit)	4.8	5.8	6.3	7.1	7.6	7.2	7.2	7.1	6.8	7.0	7.1	
+ Depreciation	3.1	3.1	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	-1.5	-1.4	-1.5	-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	8.9	9.3	10.1	10.7	8.9	8.9	8.9	8.6	8.7	8.9	
+ 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	-3.5	
Free operating cash flow	-0.2	6.1	6.4	7.1	7.8	5.8	5.8	5.7	5.4	5.5	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	6.1	6.4	7.1	7.8	5.8	5.8	5.7	5.4	5.5	5.4	69.8
Discounted FCFF		5.7	5.5	5.6	5.6	3.8	3.5	3.1	2.7	2.5	2.3	29.4
Sum of FCFF present value		69.8	64.0	58.5	52.9	47.3	43.5	40.0	36.9	34.2	31.6	29.4
Enterprise value DCF		69.8										
- Interesting bearing debt		-14.4										
+ Cash and cash equivalents		2.0										
-Minorities		0.0										
-Dividend/capital return		-2.2										
Equity value DCF		55.2										
Equity value DCF per share		1.54										

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	79.6	82.4	EPS (reported)	0.05	0.12	0.09	0.12	0.13
EBITDA	7.2	10.1	7.8	8.9	9.3	EPS (adj.)	0.10	0.07	0.10	0.12	0.13
EBIT	2.5	6.5	4.8	5.8	6.3	OCF / share	0.13	0.24	0.20	0.25	0.26
PTP	2.1	5.7	4.2	5.3	5.9	FCF / share	-0.01	0.21	0.00	0.17	0.18
Net Income	1.8	4.5	3.3	4.2	4.7	Book value / share	0.63	0.70	0.68	0.75	0.81
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	56.3	56.4	Revenue growth-%	3%	0%	7%	12%	4%
Equity capital	23.4	25.5	24.8	26.8	29.0	EBITDA growth-%	n.a.	n.a.	-23%	14%	5%
Goodwill	26.5	26.4	26.8	26.8	26.8	EBIT (adj.) growth-%	n.a.	n.a.	14%	21%	8%
Net debt	12.3	7.9	12.4	8.9	5.4	EPS (adj.) growth-%	n.a.	n.a.	50%	25%	11%
Cash flow	2020	2021	2022	2023e	2024e	EBITDA-%	10.8 %	15.2 %	11.0 %	11.2 %	11.3 %
EBITDA	7.2	10.1	7.8	8.9	9.3	EBIT (adj.)-%	6.8 %	6.6 %	7.1 %	7.6 %	7.9 %
Change in working capital	-2.0	-1.1	-0.7	0.1	0.0	EBIT-%	3.8 %	9.8 %	6.7 %	7.3 %	7.7 %
Operating cash flow	5.0	8.9	7.3	8.9	9.3	ROE-%	7.7 %	18.4 %	13.2 %	16.3 %	16.8 %
CAPEX	-2.2	-1.3	-7.4	-2.8	-2.9	ROI-%	6.9 %	17.7 %	12.8 %	15.3 %	17.1 %
Free cash flow	-0.5	7.6	-0.2	6.1	6.4	Equity ratio	41.4 %	49.9 %	44.4 %	47.6 %	51.4 %
Valuation multiples	2020	2021	2022	2023e	2024e	Gearing	52.6 %	30.8 %	50.0 %	33.3 %	18.6 %
EV/S	0.9	1.0	0.7	0.7	0.6						
EV/EBITDA (adj.)	8.4	6.3	6.5	6.2	5.5						
EV/EBIT (adj.)	13.3	14.4	10.0	9.1	7.9						
P/E (adj.)	12.7	23.2	10.7	10.5	9.5						
P/B	2.0	2.2	1.5	1.7	1.6						
Dividend-%	3.1 %	5.3 %	5.7 %	5.4 %	6.2 %						

Source: Inderes

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Recommendation history (>12 mo)

Date	Recommendation	Target	Share price
31-10-18	Reduce	0.52 €	0.50 €
28-01-19	Reduce	0.35 €	0.40 €
06-03-19	Reduce	0.45 €	0.47 €
15-05-19	Reduce	0.58 €	0.60 €
05-06-19	Sell	0.68 €	0.71 €
24-07-19	Reduce	0.68 €	0.63 €
30-10-19	Reduce	0.80 €	0.75 €
26-02-20	Reduce	0.90 €	0.78 €
01-04-20	Accumulate	0.68 €	0.66 €
05-05-20	Accumulate	0.90 €	0.84 €
23-06-20	Accumulate	0.95 €	0.90 €
24-06-20	Reduce	1.30 €	1.19 €
28-10-20	Accumulate	1.40 €	1.28 €
19-02-21	Accumulate	1.80 €	1.43 €
28-04-21	Accumulate	2.00 €	1.97 €
10-06-21	Accumulate	2.00 €	1.72 €
23-07-21	Buy	2.00 €	1.86 €
27-10-21	Reduce	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	Accumulate	1.00 €	1.02 €
25-10-22	Accumulate	1.00 €	1.00 €
10-02-23	Accumulate	1.35 €	1.20 €
26-04-23	Accumulate	1.45 €	1.29 €



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