

Professional Business Support Services

Key data

Price (EUR)*	11.7
Country	Finland
Bloomberg	TNOM.FH
Reuters	TNOM.HE
Free float	59.6%
Market cap (EURm)	511
Net debt (current Y/E) (EURm)	35
No. of shares (m)	43.9
Next event	Q4: 8-Feb

\* Price as at 16:49 EET on 4 January 2022

CEO	Otto-Pekka Huhtala
CFO	Antti Aho

Company description

Talenom is an accounting services company operating in Finland, Sweden and Spain. Talenom offers a wide range of accountancy and other services including tax and legal advisory, banking services and financial management tools for SMEs. Talenom has over 1000 employees and 55 locations, and provides accounting through its proprietary in-house software. The company is headquartered in Oulu, Finland.

Ownership structure

Harri Tahkola	18.6%
Markus Tahkola	11.0%
Danske Invest Finnish Equity Fund	4.7%
Conficap	4.2%
Evli Suomi Pienyhtiöt	3.9%

Source: Company data

Estimate changes

	21E	22E	23E
Sales	0.0%	11.5%	11.5%
EBITDA	-0.7%	-0.1%	3.8%
EBIT (adj.)	-2.2%	-5.6%	-0.8%
EPS (adj.)	n.m.	n.m.	n.m.

Source: Danske Bank Equity Research estimates

Analyst(s)

Daniel Lepistö  
Panu Laitinmäki

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<https://research.danskebank.com>

Important disclosures and certifications are contained from page 12 of this report

# Talenom

## Leading consolidator in a fragmented industry

**We see potential for Talenom to maintain >20% annual growth with continued M&A activity, driven by the low valuations of target companies and predictable synergies from in-house software. Looking at organic growth, we believe the freemium platform TiliJaska will be the key driver. We lower our fair value range to EUR13-15 (from EUR14-16), due to lower peer multiples, but see clear upside potential in our M&A scenario.**

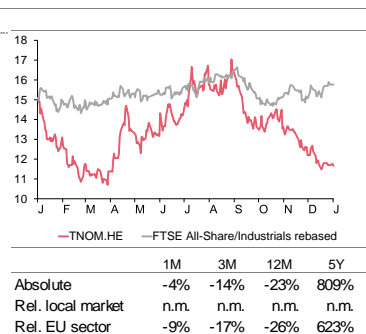
- Investment case.** We have revisited our investment case with the early release of 2022 guidance, which points towards EUR100-110m in sales and EUR15-18m in EBIT. For the first time, Talenom has incorporated inorganic growth in its guidance, as the company expects M&A activity to remain strong this year. We find this reasonable, as these small acquisitions are easy to budget due to the high number of acquisition candidates in the Nordics and Talenom's good reputation as a consolidator in the industry. However, the high M&A activity and elevated software investments in 2020-22E should cause Talenom's margins to come under pressure somewhat. We believe this dilution will be temporary and that Talenom will quickly return to best-in-class profitability once the high M&A activity slows down and the software amortisation decreases in the coming years.
- Q4 results preview.** We expect EUR21.6m in sales (+32% y/y) and EUR3.3m in EBIT, with around one-third of the growth organic and the rest from acquisitions.
- Estimate changes.** We have added the two most recent acquisitions and the expected upcoming acquisitions to our 2022 estimates. We also estimate 3% M&A growth for 2023-24, as we expect Talenom to maintain its M&A strategy in the coming years.
- Valuation.** We adjust our fair value range to EUR13-15 (from EUR14-16) for Talenom, due to lower peer multiples. At our fair value mid-point, Talenom trades at EV/EBIT of 31.5x for 2023E, at a slight discount to Nordic pure SaaS peers. Talenom is a service company with its own software and thus its business model is not as scalable as those of its pure software peers. Our M&A scenario indicates fair value of EUR15-19 at 20-25x EV/EBIT in 2026.

### Key financials

Year-end Dec (EUR)	2019	2020	2021E	2022E	2023E
Revenues (m)	58.0	65.2	82.7	104	117
Revenues growth	18.6%	12.4%	26.9%	26.0%	12.0%
EBITDA (m)	18.9	23.3	27.8	31.9	37.7
EBIT adj. (m)	10.4	12.9	15.3	17.0	20.4
EBIT growth	21.8%	23.7%	18.7%	11.3%	20.2%
Pre-tax profit (m)	9.6	12.0	14.5	16.4	19.8
EPS adj.	0.18	0.22	0.26	0.30	0.36
DPS	0.13	0.15	0.16	0.17	0.18
Dividend yield	1.7%	1.0%	1.4%	1.5%	1.5%
FCFE yield (pre-IFRS16)	1.7%	0.9%	-1.5%	1.3%	3.4%
EBIT margin (adj.)	18.0%	19.8%	18.5%	16.3%	17.5%
Net debt/EBITDA (x)	1.5	1.2	1.3	1.2	0.8
ROIC	18.9%	18.0%	16.7%	15.6%	17.7%
EV/sales (x)	5.9	10.4	6.6	5.3	4.6
EV/EBITDA (adj.) (x)	18.1	29.2	19.7	17.2	14.4
EV/EBIT (adj.) (x)	20.9	34.2	21.8	18.9	15.6
EV/EBIT (adj.) (x)	32.9	52.8	35.8	32.3	26.5
P/E (adj.) (x)	40.9	67.9	44.3	39.0	32.3

Source: Company data, Danske Bank Equity Research estimates

### Price performance



Source: FactSet

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## M&A a clear path to add scale and create value

Looking at Talenom's current M&A activity, we would summarise the M&A scenario potential as follows: by 2026, Talenom could more than double sales and almost triple EBIT, due to the low valuations of target companies (0.3-1.0x EV/sales) and predictable synergies from the incorporation of Talenom's in-house software. According to Talenom, it takes about 2-3 years to bring a locally acquired accounting firm's profitability to the group level.

Applying our M&A scenario, which indicates that Talenom could more than double its revenues with over 20% EBIT margin by 2026, suggests clear upside potential for the case.

### M&A scenario indicative valuation (EURm)

<b>Sales (2026E)</b>	<b>185</b>				
Finland	120				
Sweden	50				
<b>EBIT (margin 23%)</b>	<b>43</b>				
WACC	6.7%				
<b>EV/EBIT in 2026E</b>	<b>15.0x</b>	<b>17.5x</b>	<b>20.0x</b>	<b>22.5x</b>	<b>25.0x</b>
EV	638	745	851	957	1064
Present value	492	574	657	739	821
<b>Per share (EUR)</b>	<b>11.2</b>	<b>13.1</b>	<b>15.0</b>	<b>16.8</b>	<b>18.7</b>

Source: Danske Bank Equity Research estimates

We find it feasible that Talenom can continue acquiring small local accounting firms to boost its near-term sales growth and, with over 4,000 accounting firms in Finland, this suggests a credible ongoing M&A story. It normally takes the company two to three years to bring the profitability of these companies to its own level (>20% EBIT margin), due to its in-house accounting software, Talenom Online, and high automation level.

M&A scenario

Current estimates (EURm)	2019	2020	2021E	2022E	2023E	2024E	2025E	2026E
Sales	58.0	65.2	82.7	104.2	116.7	129.6	141.3	152.6
Growth	18.6%	12.4%	26.9%	26.0%	12.0%	11.0%	9.0%	8.0%
EBIT	10.4	12.9	15.3	17.0	20.4	26.1	31.9	38.1
EBIT margin	18.0%	19.8%	18.5%	16.3%	17.5%	20.2%	22.6%	25.0%
EPS (EUR)	0.18	0.22	0.26	0.30	0.36	0.46	0.57	
<b>2022E acquisition(s) at EV/Sales 0.6x</b>								
Size of acquisition(s)				9.0				
Sales (target 0.6x sales)				15.0	15.5	15.9	16.4	16.9
Growth					3%	3%	3%	3%
EBIT				0.0	1.5	2.4	3.3	3.4
EBIT margin				0%	10%	15%	20%	20%
<b>2023E acquisition(s) at EV/sales 0.6x</b>								
Size of acquisition(s)					11.0			
Sales (target 0.6x sales)					15.0	15.5	15.9	16.4
Growth						3%	3%	3%
EBIT					0.0	1.5	2.4	3.3
EBIT margin					0%	10%	15%	20%
<b>2024E acquisition(s) at EV/sales 0.6x</b>								
Size of acquisition(s)						11.0		
Sales (target 0.6x sales)						15.0	15.5	15.9
Growth							3%	3%
EBIT						0.0	1.5	2.4
EBIT margin						0%	10%	15%
<b>Consolidated numbers</b>								
			2021	2022E	2023E	2024E	2025E	2026E
Sales			82.7	104.2	131.7	160.0	172.6	184.9
Growth			26.9%	26.0%	26.4%	21.5%	7.9%	7.1%
EBIT			15.3	17.0	20.4	27.7	35.8	43.8
EBIT margin			18.5%	16.3%	15.5%	17.3%	20.7%	23.7%
Current market cap			516	516	516	516	516	516
Enterprise value			551	554	546	533	515	516
EV/EBIT			36.1	32.6	26.7	19.3	14.4	11.8
<b>Current multiples vs scenario multiples</b>								
EV/Sales current	5.9x	9.2x	6.7x	5.3x	4.7x	4.1x	3.6x	3.4x
<b>EV/Sales scenario</b>				<b>5.3x</b>	<b>4.1x</b>	<b>3.3x</b>	<b>3.0x</b>	<b>2.8x</b>
EV/EBIT current	32.9x	46.4x	36.1x	32.6x	26.7x	20.4x	16.2x	13.5x
<b>EV/EBIT scenario</b>				<b>32.6x</b>	<b>26.7x</b>	<b>19.3x</b>	<b>14.4x</b>	<b>11.8x</b>

Note: FY22-24E current estimates include 3% M&A growth. This is already included in 'size of acquisitions' value.

Source: Company data, Danske Bank Equity Research estimates

The upside potential is clearly higher in comparison to our standalone scenario, where we see Talenom mostly focused on organic growth and international expansion, and M&A activity slowing to some 3% of total annual growth. The main difference with the M&A scenario is the margin pressure in 2022-24E, as the numerous expected acquisitions would initially dampen any margin expansion. However, as Talenom eventually eases the pace of acquisition, fast synergies and experience from earlier integrations should help Talenom's underlying margins to increase again.

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*Standalone valuation scenario (EURm)*

<b>Sales (2026E)</b>	<b>152</b>				
Finland	111				
Sweden	41				
<b>EBIT (margin 25%)</b>	<b>38</b>				
WACC	6.7%				
<b>EV/EBIT in 2026E</b>	<b>15.0x</b>	<b>17.5x</b>	<b>20.0x</b>	<b>22.5x</b>	<b>25.0x</b>
EV	570	665	760	855	950
Present value	440	513	586	660	733
<b>Per share (EUR)</b>	<b>10.0</b>	<b>11.7</b>	<b>13.4</b>	<b>15.0</b>	<b>16.7</b>

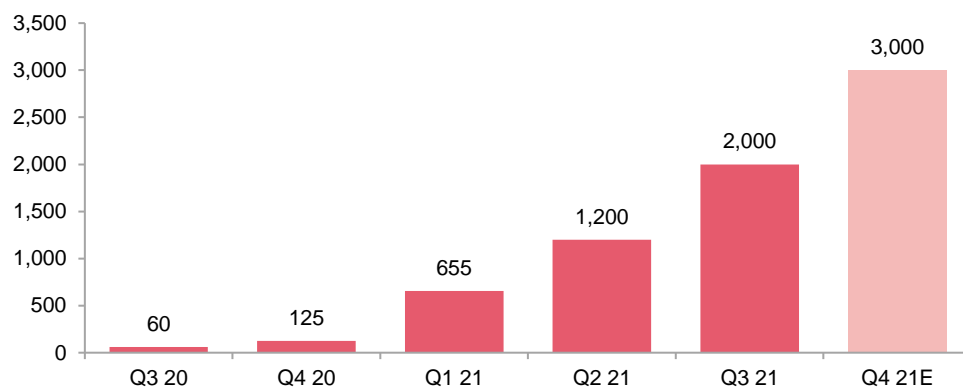
*Source: Danske Bank Equity Research estimates*

*Freemium platform TiliJaska to support organic growth*

Talenom’s freemium platform TiliJaska has grown its local user base rapidly to over 2,000 after launching in Q3 20. Around half of these users are micro/small enterprises and the rest light entrepreneurs. We believe that a small quantifiable positive organic effect can be expected already in Q1 22 revenues due to the majority of freemium users purchasing the annual closing of the books and tax report for EUR250 on average, translating into around 10% of the total growth in the quarter on our estimates.

In the longer term, many of these freemium users on Talenom’s platform tend to convert into fully paying customers as their transaction activity and the size of their business grows. For Talenom, users converted into fully paying customers are the preferred way of acquiring new customers, due to the low acquisition cost.

*TiliJaska and Light Entrepreneur service user base*



*Source: Danske Bank Equity Research estimates*

*Estimates*

We estimate around one-third of the 2022E sales growth (our estimate 26%) to be organic and the rest to come from acquisitions. We project organic growth to accelerate in absolute terms (EUR6.1m in 2022E vs EUR5.4m in 2021E) but decrease in relative terms, due to the recent high proportion of M&A growth. In the coming years (2023-24E) we estimate M&A growth to account for 3% of growth, as we believe these small acquisitions to be a permanent part of Talenom’s DNA.

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*Table 3: Quarterly estimates*

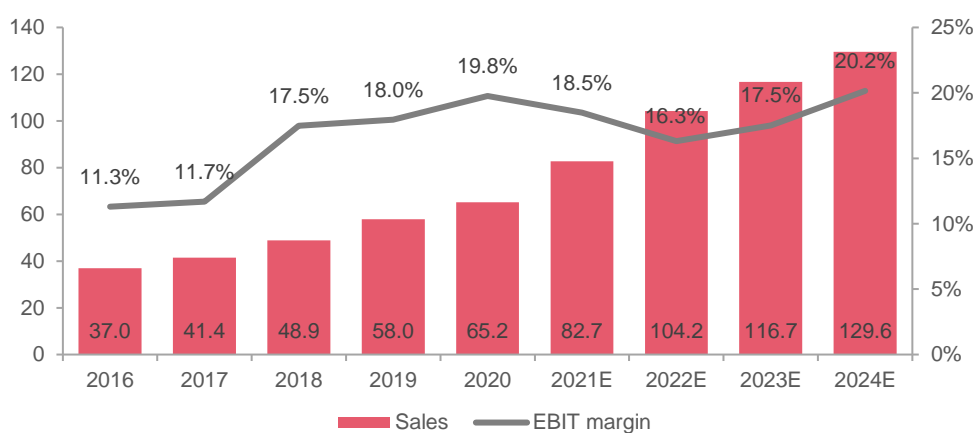
<b>EURm</b>	<b>2020</b>	<b>Q1 21</b>	<b>Q2 21</b>	<b>Q3 21</b>	<b>Q4 21E</b>	<b>2021E</b>	<b>Q1 22E</b>	<b>Q2 22E</b>	<b>Q3 22E</b>	<b>Q4 22E</b>	<b>2022E</b>	<b>2023E</b>
<b>Sales</b>	<b>65.2</b>	<b>20.3</b>	<b>21.4</b>	<b>19.4</b>	<b>21.6</b>	<b>82.7</b>	<b>24.6</b>	<b>27.4</b>	<b>24.6</b>	<b>27.7</b>	<b>104.2</b>	<b>116.7</b>
Growth y/y	12.4%	17.0%	29.6%	30.4%	31.5%	26.9%	21.0%	28.0%	27.0%	28.0%	26.0%	12.0%
Personnel costs	-33.9	-10.8	-11.5	-10.1	-12.2	-44.7	-13.4	-15.1	-13.1	-16.0	-57.6	-63.3
% of sales	-52.1%	-53.2%	-54.0%	-52.1%	-56.5%	-54.0%	-54.4%	-55.2%	-53.3%	-57.8%	-55.3%	-54.3%
Materials and services	-2.5	-0.5	-0.8	-0.8	-0.8	-2.9	-0.7	-1.1	-1.1	-1.0	-4.0	-4.3
Other costs	-5.6	-1.9	-2.0	-2.1	-2.1	-8.0	-2.5	-2.8	-2.9	-2.9	-11.1	-11.9
<b>EBITDA</b>	<b>23.3</b>	<b>7.2</b>	<b>7.2</b>	<b>6.7</b>	<b>6.7</b>	<b>27.8</b>	<b>8.1</b>	<b>8.4</b>	<b>7.6</b>	<b>7.9</b>	<b>31.9</b>	<b>37.7</b>
EBITDA margin	35.7%	35.4%	33.7%	34.5%	30.9%	33.6%	32.8%	30.8%	30.8%	28.4%	30.6%	32.3%
D&A	-10.4	-2.5	-2.6	-2.7	-2.6	-2.8	-2.8	-3.1	-3.2	-3.4	-12.5	-14.9
<b>EBIT</b>	<b>12.9</b>	<b>4.4</b>	<b>4.1</b>	<b>3.4</b>	<b>3.3</b>	<b>15.3</b>	<b>4.5</b>	<b>4.8</b>	<b>3.8</b>	<b>3.9</b>	<b>17.0</b>	<b>20.4</b>
EBIT margin	19.8%	21.7%	19.4%	17.8%	15.2%	18.5%	18.5%	17.4%	15.4%	14.2%	16.3%	17.5%
Net financials	-0.9	-0.2	-0.3	-0.2	-0.2	-0.8	-0.2	-0.3	-0.2	-0.2	-0.6	-0.6
<b>Pre-tax profit</b>	<b>12.0</b>	<b>4.2</b>	<b>3.8</b>	<b>3.3</b>	<b>3.1</b>	<b>14.5</b>	<b>4.4</b>	<b>4.5</b>	<b>3.6</b>	<b>3.8</b>	<b>16.4</b>	<b>19.8</b>
Taxes	-2.4	-0.7	-0.7	-0.6	-0.4	-3.1	-0.9	-0.8	-0.8	-0.6	-3.3	-4.0
Tax rate	20.3%	16.6%	18.6%	18.9%	13.0%	21.1%	20.6%	17.5%	20.9%	16.6%	20.0%	20.0%
<b>Net income</b>	<b>9.6</b>	<b>3.5</b>	<b>3.1</b>	<b>2.7</b>	<b>2.7</b>	<b>11.4</b>	<b>3.5</b>	<b>3.7</b>	<b>2.9</b>	<b>3.2</b>	<b>13.1</b>	<b>15.9</b>

Source: Company data, Danske Bank Equity Research estimates

## Executive summary

We see Talenom as a growth case driven by market share gains in fragmented and non-cyclical end-markets in accounting services. The company operates in Finland, Sweden and most recently Spain. Over 90% of Talenom's revenue is recurring and we expect the company to maintain its high organic sales growth in the coming years. The company's current appetite for M&A is driven by its international expansion strategy and ability to convert acquired local (Finnish) businesses to its current profitability level, due to its largely automated in-house accounting software. In our view, Talenom will continue to acquire smaller accounting firms mostly for their existing customer bases, which is set to drive revenues in the near term but keep the company's profitability expansion modest. We discussed our view on Talenom in detail in our longer report, *Talenom: A winning growth model with inorganic support*, 16 June 2021.

Talenom sales (EURm) and EBIT margin



Source: Company data, Danske Bank Equity Research estimates

### Differentiated model in a conservative industry

Talenom is a Finnish accounting service provider whose strategy has the following three elements. 1) Talenom aims to provide easy and automated financial accounting for customers, which are mainly smaller companies. 2) Talenom has its own in-house software, which has largely automated the bookkeeping process, improving profitability and eliminating Talenom's dependency on third-party accounting software firms. 3) With increased automation, Talenom aims to provide more value-added services to its existing customers, including hourly-paid financial consulting and other tax, legal and advisory services.

Talenom's own accounting software has been developed for over 10 years and the high automation increases process efficiency, which significantly improves accountant productivity, enabling faster processes and higher capacity of firms for accountants to oversee. Moreover, the streamlined accounting process enables Talenom to create value through M&A, as the company is able to convert acquired local companies to its own profitability within three years, according to management estimates. This allows Talenom to purchase recurring revenue with low risk and maintain its sales growth even in times of weakening organic growth.

Talenom's main strategic choices include investing heavily in own software development and automation of operations and it has developed a scalable bookkeeping production line, with dedicated teams for different industries. This has improved company profitability and releases people for value-added consultancy work. Organic growth is seen by management as the best way to grow due to lower total cost, but the significant salesforce (up to 15% of personnel) burdens the cash flow (the costs are partly capitalised so they are not fully visible in the income

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statement). Talenom's core business is stable with >90% recurring revenues, low customer churn and long contracts.

*Valuation*

We lower our 12M valuation range for Talenom to EUR13-15 (from EUR14-16), due to lower peer multiples, but overall we remain very positive about the case. In our view, the TiliJaska small company solution is set to support organic growth in the medium term and continued bolt-on acquisitions should keep reported sales growth at a high level. Our M&A scenario indicates a fair value range of EUR15-19, with EV/EBIT of 20-25x in 2026, discounted to the present day.

Our valuation range implies that Talenom would be valued at a slight discount to Nordic SaaS software companies and at a considerable premium to Nordic information services companies on the 2023E EV/EBIT valuation mid-point. Long-term, Talenom has several good structural drivers that support its current high valuation.

*Peer group multiples*

Company	Ticker	Mkt cap		Price	EV/Sales (x)			EV/EBITDA (x)			EV/EBIT (x)			P/E (x)		
		EURm	lcl ccy		21E	22E	23E	21E	22E	23E	21E	22E	23E	21E	22E	23E
<b>Nordic Information services</b>																
Enento Group	ENENTO FH	784	32.60	5.8	5.3	5.0	15.8	13.9	12.7	25.0	20.9	18.3	28.1	24.1	21.3	
Karnov Group	KAR SS	698	66.70	8.8	8.6	8.4	20.8	19.1	18.5	49.3	41.4	40.6	26.6	23.6	22.8	
Aallon Group	AALLON FH	45	11.85	1.7	1.5	1.5	14.3	11.2	10.1	16.6	13.0	11.5	22.3	17.4	16.6	
<b>Nordic SaaS software</b>																
Admicom	ADMCM FH	399	81.00	15.9	13.2	11.4	33.3	28.1	23.9	34.5	30.1	25.4	44.5	39.0	32.9	
Basware	BAS1V FH	451	31.15	3.2	3.1	2.9	21.8	19.9	17.4	67.2	53.3	38.8	n.a.	222.5	81.0	
Exsitec Holding	EXS SS	283	230.00	5.3	4.1	3.6	33.5	24.6	21.1	72.0	48.3	36.0	43.8	34.5	29.2	
Fortnox	FNOX SS	3,435	580.00	37.7	28.0	21.4	85.0	62.0	45.3	107.1	74.0	51.8	137.8	96.8	70.2	
Heeros	HEEROS FH	24	5.26	2.7	2.1	1.9	14.0	9.7	8.1	54.3	49.0	26.0	73.4	24.6	19.1	
Lime Technologies	LIME SS	447	346.40	11.9	10.1	8.8	35.4	29.9	25.5	61.1	47.6	38.0	58.1	47.2	38.4	
Simcorp A/S	SIM DC	3,983	731.40	7.8	7.3	6.8	26.6	24.9	22.2	29.6	27.1	24.1	39.3	35.0	30.7	
<b>Nordic SaaS software</b>				<b>7.8</b>	<b>7.3</b>	<b>6.8</b>	<b>33.3</b>	<b>24.9</b>	<b>22.2</b>	<b>61.1</b>	<b>48.3</b>	<b>36.0</b>	<b>51.3</b>	<b>39.0</b>	<b>32.9</b>	
Nordic Information services				5.8	5.3	5.0	15.8	13.9	12.7	25.0	20.9	18.3	26.6	23.6	21.3	
Peer group median				6.8	6.3	5.9	24.2	22.2	19.8	51.8	44.5	31.0	43.8	34.7	29.9	
<b>Talenom</b>	<b>TNOM FH</b>	<b>515</b>	<b>11.76</b>	<b>6.7</b>	<b>5.3</b>	<b>4.7</b>	<b>19.8</b>	<b>17.4</b>	<b>14.5</b>	<b>36.1</b>	<b>32.6</b>	<b>26.7</b>	<b>44.7</b>	<b>39.4</b>	<b>32.5</b>	
<b>vs Nordic SaaS software</b>				<b>-15%</b>	<b>-27%</b>	<b>-31%</b>	<b>-40%</b>	<b>-30%</b>	<b>-35%</b>	<b>-41%</b>	<b>-33%</b>	<b>-26%</b>	<b>-13%</b>	<b>1%</b>	<b>-1%</b>	
vs Nordic Information services				15%	0%	-6%	26%	25%	14%	44%	56%	46%	68%	67%	53%	
vs Peer group median				-2%	-16%	-20%	-18%	-22%	-27%	-30%	-27%	-14%	2%	13%	9%	

Source: Danske Bank Equity Research estimates, Prices at close on 3 January 2022

Talenom shares some similarities with Nordic SaaS software companies like Fortnox and Admicom, but as Talenom is a services company and not a pure software provider, it has structurally lower scalability in its business and we believe it deserves a discount to pure software players. On the other hand, given Talenom's increasing automation (and scalability), significantly higher total addressable market (than for example Admicom) and new concept for small customers, which shares similarities with Fortnox products, the comparability to SaaS peers becomes more relevant. The following key factors support the relatively high multiples for Talenom, in our view.

- High revenue growth rate and a favourable long-term outlook for further growth (only 5-6% market share in a fragmented market in Finland and under 1% in Sweden and the new market of Spain completely untapped).
- High margins with potential to improve further along with higher revenue.
- Low risks in current customer base (>90% recurring revenues, on average 10-year customer contracts, low churn) and non-cyclical end-markets.

*Not for US distribution*

Valuation range

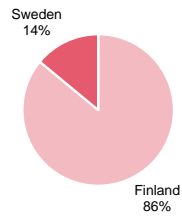
	Share price, EUR				
	12.0	13.0	14.0	15.0	16.0
<b>2022E</b>	<b>12.0</b>	<b>13.0</b>	<b>14.0</b>	<b>15.0</b>	<b>16.0</b>
EV/Sales (x)	5.4	5.8	6.2	6.6	7.0
EV/EBITDA (x)	17.5	18.9	20.3	21.6	23.0
EV/EBIT (x)	32.8	35.4	38.0	40.6	43.1
P/E (x)	40.5	43.9	47.3	50.6	54.0
<b>2023E</b>	<b>12.0</b>	<b>13.0</b>	<b>14.0</b>	<b>15.0</b>	<b>16.0</b>
EV/Sales (x)	4.8	5.1	5.5	5.9	6.3
EV/EBITDA (x)	14.7	15.9	17.1	18.2	19.4
EV/EBIT (x)	27.2	29.3	31.5	33.6	35.8
P/E (x)	33.4	36.2	39.0	41.8	44.6

Source: Danske Bank Equity Research estimates



## Company summary

### Sales breakdown by geographical area



### Sales breakdown by division



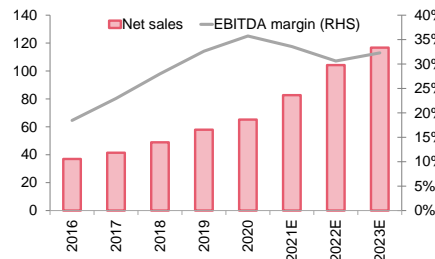
### Company information

Talenom  
Yrttipellontie 2, 90230 Oulu  
Finland  
www.talenom.fi

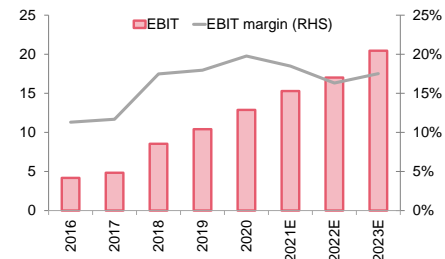
### Main shareholders

Name	Votes (%)	Capital (%)
Harri Tahkola	18.6%	18.6%
Markus Tahkola	11.0%	11.0%
Danske Invest Finnish Equity Fund	4.7%	4.7%
Conficap	4.2%	4.2%
Ev li Suomi Pienyhtiöt	3.9%	3.9%

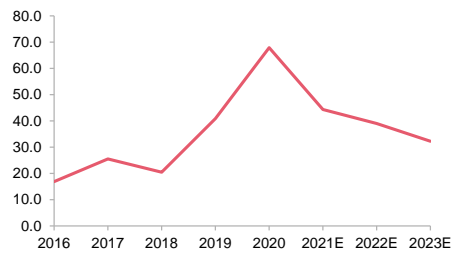
### Net sales and EBITDA margin (EURm)



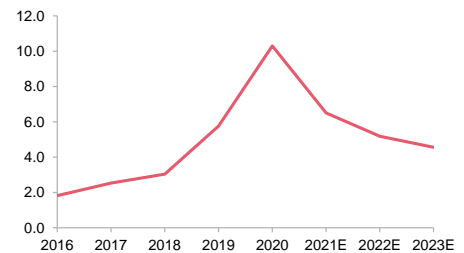
### EBIT and EBIT margin (EURm)



### P/E NTM (x)



### EV/sales NTM (x)



Source: FactSet, Company data, Danske Bank Equity Research estimates

Not for US distribution

## Summary tables

### INCOME STATEMENT

Year end Dec, EURm	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E	2024E
Net sales	33.0	37.0	41.4	48.9	58.0	65.2	82.7	104	117	130
Cost of sales & operating costs	-28.4	-30.5	-32.3	-35.9	-39.4	-42.0	-54.9	-72.3	-79.1	-84.4
<b>EBITDA</b>	<b>4.9</b>	<b>6.8</b>	<b>9.5</b>	<b>13.7</b>	<b>18.9</b>	<b>23.3</b>	<b>27.8</b>	<b>31.9</b>	<b>37.7</b>	<b>45.2</b>
EBITDA, adj.	4.9	6.8	9.5	13.7	18.9	23.3	27.8	31.9	37.7	45.2
Depreciation	-6.2	-2.6	-0.7	-0.7	-2.5	-3.4	-2.6	-2.8	-2.9	-3.1
<b>EBITA</b>	<b>-1.3</b>	<b>4.2</b>	<b>8.8</b>	<b>13.0</b>	<b>16.4</b>	<b>19.9</b>	<b>25.1</b>	<b>29.1</b>	<b>34.8</b>	<b>42.1</b>
<b>EBIT incl. EO, bef. ass.</b>	<b>-1.3</b>	<b>4.2</b>	<b>4.8</b>	<b>8.5</b>	<b>10.4</b>	<b>12.9</b>	<b>15.3</b>	<b>17.0</b>	<b>20.4</b>	<b>26.1</b>
EBIT, adj.	-0.3	4.2	5.2	8.5	10.4	12.9	15.3	17.0	20.4	26.1
Financial items, net	-1.1	-0.6	-0.5	-0.6	-0.8	-0.9	-0.8	-0.6	-0.6	-0.6
<b>Pre-tax profit</b>	<b>-2.5</b>	<b>3.6</b>	<b>4.3</b>	<b>8.0</b>	<b>9.6</b>	<b>12.0</b>	<b>14.5</b>	<b>16.4</b>	<b>19.8</b>	<b>25.5</b>
Taxes	0.0	-0.7	-0.9	-1.6	-2.0	-2.4	-3.1	-3.3	-4.0	-5.1
<b>Net profit, rep.</b>	<b>-2.4</b>	<b>2.9</b>	<b>3.4</b>	<b>6.4</b>	<b>7.6</b>	<b>9.6</b>	<b>11.4</b>	<b>13.1</b>	<b>15.9</b>	<b>20.4</b>
Net profit, adj.	-1.5	2.9	3.7	6.4	7.6	9.6	11.4	13.1	15.9	20.4

### CASH FLOW

EURm	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E	2024E
EBITDA	4.9	6.8	9.5	13.7	18.9	23.3	27.8	31.9	37.7	45.2
Change in working capital	0.1	-0.1	0.5	-0.5	1.4	1.4	1.4	1.7	1.0	1.0
Net interest paid	-0.8	0.0	0.1	0.1	0.1	0.1	-0.8	-0.6	-0.6	-0.6
Taxes paid	0.0	0.0	-0.4	-1.1	-2.4	-1.9	-3.1	-3.3	-4.0	-5.1
Other operating cash items	0.0	0.1	0.1	0.1	0.3	0.6				
<b>Cash flow from operations</b>	<b>4.1</b>	<b>6.8</b>	<b>9.9</b>	<b>12.2</b>	<b>18.3</b>	<b>23.4</b>	<b>25.3</b>	<b>29.7</b>	<b>34.1</b>	<b>40.4</b>
Capex	-8.4	-5.2	-7.4	-8.4	-11.3	-15.4	-22.0	-23.1	-16.8	-17.3
Div to min										
<b>Free cash flow</b>	<b>-4.3</b>	<b>1.6</b>	<b>2.4</b>	<b>3.8</b>	<b>7.1</b>	<b>8.1</b>	<b>3.3</b>	<b>6.5</b>	<b>17.3</b>	<b>23.1</b>
Disposals/(acquisitions)		-0.4		-0.5	-1.8	-2.2	-11.0			
<b>Free cash flow to equity</b>	<b>-4.3</b>	<b>1.2</b>	<b>2.4</b>	<b>3.3</b>	<b>5.2</b>	<b>5.9</b>	<b>-7.7</b>	<b>6.5</b>	<b>17.3</b>	<b>23.1</b>
Dividend paid		-0.5	-1.4	-2.2	-3.8	-5.4	-6.6	-7.0	-7.5	-7.9
Share buybacks	0.0									
New issue common stock	6.6			-0.2		1.9	11.0			
Incr./(decr.) in debt	2.1	-1.0		1.0			10.0			
Minorities & other financing CF	-0.6	-0.7	-0.5	-0.9	0.4	-1.0	-2.2	-2.0	-2.0	-2.0
<b>Cash flow from financing</b>	<b>8.1</b>	<b>-2.2</b>	<b>-1.9</b>	<b>-2.3</b>	<b>-3.4</b>	<b>-4.6</b>	<b>12.2</b>	<b>-9.0</b>	<b>-9.5</b>	<b>-9.9</b>
Disc. ops & other										
<b>Incr./(decr.) in cash</b>	<b>3.8</b>	<b>-1.0</b>	<b>0.5</b>	<b>1.0</b>	<b>1.9</b>	<b>1.3</b>	<b>4.5</b>	<b>-2.5</b>	<b>7.8</b>	<b>13.2</b>

### BALANCE SHEET

EURm	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E	2024E
Cash & cash equivalents	5.4	4.3	4.9	5.9	7.8	9.1	13.6	11.1	18.9	32.2
Inventory										
Trade receivables	4.4	4.8	5.5	5.5	6.5	7.1	9.0	11.3	12.6	14.0
Other current assets		0.1	0.0	0.0						
Goodwill	18.4	18.4	18.4	18.4	20.7	24.0	33.0	33.0	33.0	33.0
Other intangible assets	9.8	6.7	7.8	10.5	14.9	22.9	36.1	45.7	46.1	45.5
Fixed tangible assets	2.1	2.5	2.5	2.2	2.6	2.5	2.8	3.5	4.6	5.5
Associated companies										
Other non-current assets	0.4	5.2	6.8	8.7	10.4	11.4	11.4	11.4	11.4	11.4
<b>Total assets</b>	<b>40.5</b>	<b>42.0</b>	<b>45.9</b>	<b>51.2</b>	<b>71.3</b>	<b>84.9</b>	<b>115</b>	<b>125</b>	<b>136</b>	<b>151</b>
<b>Shareholders' equity</b>	<b>9.9</b>	<b>11.7</b>	<b>13.9</b>	<b>18.7</b>	<b>23.6</b>	<b>32.2</b>	<b>48.0</b>	<b>54.1</b>	<b>62.5</b>	<b>75.0</b>
Of which minority interests										
Current liabilities	7.1	7.5	8.9	8.6	10.7	13.3	16.6	20.6	22.9	25.3
Interest-bearing debt	23.5	22.7	22.6	23.6	28.1	30.0	40.0	40.0	40.0	40.0
Pension liabilities										
Oth non-curr. liabilities		0.4	0.4	0.3	0.5	1.3	1.3	1.3	1.3	1.3
<b>Total liabilities</b>	<b>30.6</b>	<b>30.6</b>	<b>32.0</b>	<b>32.5</b>	<b>47.8</b>	<b>52.8</b>	<b>66.8</b>	<b>71.0</b>	<b>73.6</b>	<b>76.2</b>
<b>Total liabilities and equity</b>	<b>40.5</b>	<b>42.3</b>	<b>45.9</b>	<b>51.2</b>	<b>71.3</b>	<b>84.9</b>	<b>115</b>	<b>125</b>	<b>136</b>	<b>151</b>
Net debt	18.1	18.4	17.8	17.7	20.3	20.9	26.4	28.9	21.1	7.8

Source: Company data, Danske Bank Equity Research estimates

Summary tables

PER SHARE DATA	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E	2024E
No. of shares, fully diluted (y.e.) (	40.9	40.9	40.9	41.2	41.8	43.2	43.9	43.9	43.9	43.9
No. of shares, fully diluted (avg.)	40.9	40.9	40.9	41.1	41.5	43.2	43.5	43.9	43.9	43.9
EPS (EUR)	-0.06	0.07	0.08	0.16	0.18	0.22	0.26	0.30	0.36	0.46
EPS adj. (EUR)	-0.04	0.07	0.09	0.16	0.18	0.22	0.26	0.30	0.36	0.46
DPS (EUR)	0.01	0.03	0.05	0.09	0.13	0.15	0.16	0.17	0.18	0.19
CFFO/share (EUR)	0.1	0.2	0.2	0.3	0.4	0.5	0.6	0.7	0.8	0.9
Book value/share (EUR)	0.24	0.29	0.34	0.45	0.56	0.74	1.10	1.23	1.43	1.71
MARGINS AND GROWTH	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E	2024E
EBITDA margin	14.8%	18.5%	23.0%	28.0%	32.6%	35.7%	33.6%	30.6%	32.3%	34.9%
EBITA margin	-4.0%	11.3%	21.3%	26.6%	28.3%	30.5%	30.4%	27.9%	29.8%	32.5%
EBIT margin	-4.0%	11.3%	11.7%	17.5%	18.0%	19.8%	18.5%	16.3%	17.5%	20.2%
EBIT adj margin	-1.0%	11.3%	12.4%	17.5%	18.0%	19.8%	18.5%	16.3%	17.5%	20.2%
Sales growth		12.0%	12.1%	18.0%	18.6%	12.4%	26.9%	26.0%	12.0%	11.0%
EBITDA growth		39.9%	39.4%	43.8%	38.3%	23.1%	19.3%	14.9%	18.1%	19.9%
EBITA growth		n.m.	n.m.	47.8%	26.1%	21.3%	26.2%	15.9%	19.4%	21.1%
EPS adj growth		n.m.	28.3%	70.2%	18.3%	20.9%	18.6%	13.6%	21.0%	28.6%
PROFITABILITY	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E	2024E
ROIC (after tax, incl. GW, adj.)	-2.4%	11.5%	13.2%	20.0%	18.9%	18.0%	16.7%	15.6%	17.7%	22.5%
ROIC (after tax, excl. GW, adj.)	-6.8%	31.2%	32.5%	43.2%	33.6%	29.3%	27.2%	24.8%	27.3%	34.7%
ROE (adj.)	-29.4%	26.8%	29.0%	39.0%	36.0%	34.4%	28.5%	25.7%	27.2%	29.6%
ROIC (adj.) - WACC	-9.1%	4.7%	6.5%	13.2%	12.1%	11.3%	10.0%	8.9%	11.0%	15.8%
MARKET VALUE	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E	2024E
Share price (EUR)	0.88	1.20	2.13	3.18	7.50	15.1	11.7	11.7	11.7	11.7
No. shares reduced by buybacks	40.9	40.9	40.9	41.2	41.8	43.2	43.9	43.9	43.9	43.9
Mkt cap used in EV (m)	36	49	87	131	314	650	511	511	511	511
Net debt, year-end (m)	18	18	18	18	29	30	35	38	30	17
MV of min/ass and oth (m)	0	0	0	0	0	0	0	0	0	0
Enterprise value (m)	54	67	105	149	343	680	547	549	542	529
VALUATION	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E	2024E
EV/sales (x)	1.64	1.82	2.53	3.04	5.91	10.44	6.61	5.27	4.64	4.08
EV/EBITDA (x)	11.1	9.9	11.0	10.9	18.1	29.2	19.7	17.2	14.4	11.7
EV/EBITA (x)	n.m.	16.1	11.9	11.4	20.9	34.2	21.8	18.9	15.6	12.6
EV/EBIT (x)	n.m.	16.1	20.4	17.4	32.9	52.8	35.8	32.3	26.5	20.3
P/E (reported) (x)	n.m.	16.9	25.5	20.5	40.9	67.9	44.3	39.0	32.3	25.1
P/E (adj.) (x)	n.m.	16.9	23.4	20.5	40.9	67.9	44.3	39.0	32.3	25.1
P/BV (x)	3.61	4.19	6.25	7.00	13.3	20.2	10.6	9.45	8.18	6.82
EV/invested capital (x)	5.6	5.7	7.8	8.2	10.7	17.5	10.6	9.1	8.9	8.7
Dividend yield	1.33%	2.78%	2.50%	2.89%	1.67%	1.00%	1.37%	1.46%	1.54%	1.63%
Total yield (incl. buybacks)	1.34%	2.78%	2.50%	2.89%	1.67%	1.00%	1.37%	1.46%	1.54%	1.63%
FCFE-yield	-12.13%	3.27%	2.79%	2.90%	2.26%	1.24%	0.64%	1.28%	3.37%	4.52%
FINANCIAL RATIOS	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E	2024E
Net debt/EBITDA (x)	3.7	2.7	1.9	1.3	1.5	1.2	1.3	1.2	0.8	0.4
Net debt/equity (x), year-end	1.8	1.6	1.3	0.9	1.2	0.9	0.7	0.7	0.5	0.2
Dividend payout ratio	n.m.	46.9%	63.9%	59.1%	68.2%	67.7%	60.9%	56.9%	49.8%	40.9%
Interest coverage (x)	-1.2	7.2	8.1	13.5	12.4	15.0	19.7	26.9	32.4	41.3
Cash conversion (FCF/net profit)	n.m.	55.3%	71.2%	59.8%	93.0%	84.3%	28.7%	49.9%	108.8%	113.4%
Capex/sales	25.6%	14.1%	17.9%	17.2%	19.4%	23.6%	26.6%	22.2%	14.4%	13.4%
NWC/sales	-8.2%	-7.1%	-8.3%	-6.4%	-7.2%	-9.6%	-9.2%	-8.9%	-8.8%	-8.7%
QUARTERLY P&L			Q1 20	Q2 20	Q3 20	Q4 20	Q1 21	Q2 21	Q3 21	Q4 21E
Sales (m)			17.4	16.5	14.8	16.5	20.3	21.4	19.4	21.6
EBITDA (m)			6.2	6.2	5.8	5.0	7.2	7.2	6.7	6.7
EBIT before non-recurring items (m)			3.7	3.6	3.1	2.4	4.4	4.1	3.4	3.3
Net profit (adj.) (m)			2.8	2.7	2.3	1.8	3.3	3.1	2.5	2.5
EPS (adj.) (EUR)			0.06	0.06	0.05	0.04	0.08	0.07	0.06	0.06
EBITDA margin			36.0%	37.5%	39.1%	30.7%	35.4%	33.7%	34.5%	30.9%
EBIT margin (adj.)			21.4%	21.8%	21.2%	14.7%	21.7%	19.4%	17.8%	15.2%

Source: Company data, Danske Bank Equity Research estimates

## Disclosures

This commissioned research report has been prepared by Equity Research, a division of Danske Bank A/S ('Danske Bank'). The authors of this research report are Daniel Lepistö and Panu Laitinmäki.

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