

Professional Business Support Services

Key data

Price (EUR)*	9.84
Country	Finland
Bloomberg	TNOM.FH
Reuters	TNOM.HE
Free float	59.6%
Market cap (EURm)	432
Net debt (current Y/E) (EURm)	45
No. of shares (m)	43.9
Next event	Q1: 26-Apr

* Price as at close on 8 February 2022

CEO	Otto-Pekka Huhtala
CFO	Matti Elonen

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

Hari Tahkola	18.5%
Markus Tahkola	11.0%
SEB Funds	5.8%
Allianz Vie S.A.	5.0%
Evli Funds	3.8%

Source: Company data ("d Mmmm YYYY")

Estimate changes

	22E	23E	24E
Sales	0.8%	1.9%	2.8%
EBITDA	3.3%	3.9%	4.5%
EBIT (adj.)	-4.9%	2.0%	7.3%
EPS (adj.)	n.m.	n.m.	n.m.

Source: Danske Bank Equity Research estimates

Analyst(s)

Daniel Lepistö
Panu Laitinmäki

Find our research here:
<https://research.danskebank.com>

Important disclosures and certifications are contained from page 10 of this report

Talenom

Improving organic growth in scope for 2022

Talenom reported Q4 sales of EUR21.8m (+32% y/y), 3% above Factset consensus, but missed consensus EBIT by 13%. The 2022 guidance was announced earlier, and was for sales of EUR100-110m and EBIT of EUR15-18m. Commentary on organic growth outlook was upbeat, lifting our confidence for the future. We remain positive, but lower our fair value range to EUR11-13 (EUR13-15 previously), due to lower peer multiples.

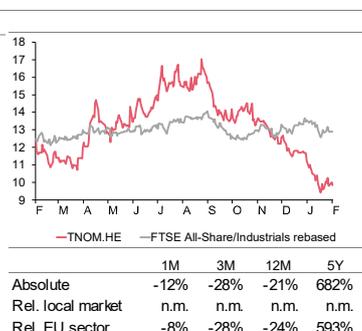
- Impact on the investment case.** Talenom ended the year reporting impressive EUR21.8m sales (32% y/y growth) with suppressed profitability of EUR2.8m EBIT (13% margin). The company had already highlighted the soft profitability with the 2022 guidance issued in late December (which implied a 14-18% EBIT margin for FY 2022). The Q4 margin pressure was predominantly due to integration costs and lower profitability level of the acquisitions, and increased software amortisation as a result of higher capex during 2020-21. Overall, for Talenom, 2022 is set to be a year of accelerated growth and ramp-up of services abroad, with temporarily diluted margins. Our positive view on the investment case remains intact.
- Organic growth prospects seem strong.** Even though Talenom's strategy shifted more towards inorganic growth last year, the company has not stopped growing organically. In absolute terms in FY2021, growth clearly recovered from the pandemic year 2020, and as the company has now started new customer acquisitions in Sweden and as its freemium platform TiliJaska has grown its user base 25x in one year without marketing; we see prospects for accelerating organic growth for the coming years.
- Estimate changes.** We lift our 2022-24 sales estimates due to a more optimistic organic growth outlook, and make various adjustments to our profitability estimates.
- Valuation.** We lower our fair value range to EUR11-13 (from EUR13-15) for Talenom, due to lower peer multiples, but remain very positive on the case. At the moment, Talenom trades at some 15-20% discount to Nordic SaaS peers on EV/EBIT and P/E, which we argue is unwarranted. Our fair-value mid-point implies EV/EBIT 26.8x for 2023E, roughly in line with Nordic peers.

Key financials

Year-end Dec (EUR)	2020	2021	2022E	2023E	2024E
Revenues (m)	65.2	82.8	105	119	133
Revenues growth	12.4%	27.1%	26.9%	13.2%	12.0%
EBITDA (m)	23.3	27.7	33.0	39.1	47.2
EBIT adj. (m)	12.9	14.8	16.2	20.9	28.0
EBIT growth	23.7%	14.6%	9.6%	28.9%	34.2%
Pre-tax profit (m)	12.0	14.0	15.5	20.1	27.2
EPS adj.	0.22	0.25	0.28	0.37	0.50
DPS	0.15	0.17	0.18	0.19	0.20
Dividend yield	1.0%	1.5%	1.8%	1.9%	2.0%
FCFE yield (pre-IFRS16)	0.9%	0.3%	0.7%	3.7%	5.0%
EBIT margin (adj.)	19.8%	17.8%	15.4%	17.5%	21.0%
Net debt/EBITDA (x)	1.2	1.4	1.4	1.0	0.6
ROIC	18.1%	15.5%	14.1%	16.9%	22.1%
EV/sales (x)	10.4	6.7	4.5	4.0	3.5
EV/EBITDA (adj.) (x)	29.2	20.0	14.5	12.0	9.7
EV/EBITA (adj.) (x)	33.4	22.9	16.4	13.5	10.7
EV/EBIT (adj.) (x)	52.7	37.4	29.5	22.6	16.4
P/E (adj.) (x)	67.9	47.2	34.9	26.9	19.8

Source: Company data, Danske Bank Equity Research estimates

Price performance



Source: FactSet

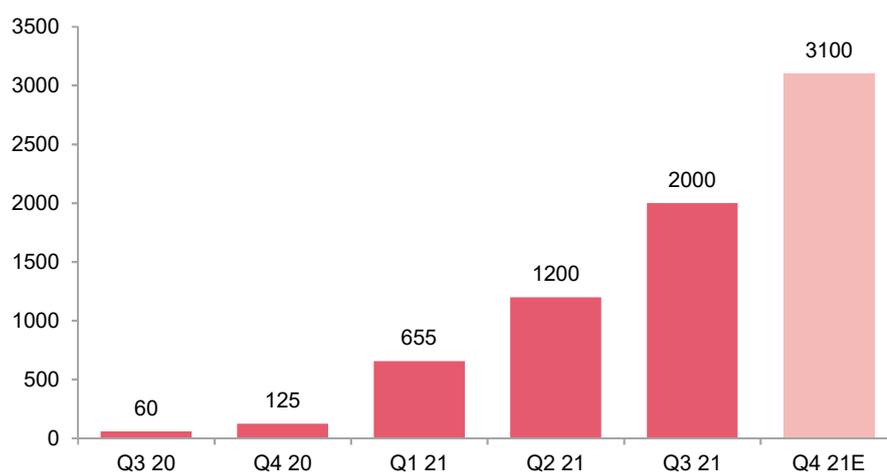
Not for US distribution

Q4 21 key conclusions

Talenom's Q4 sales were 3% above consensus (FactSet) estimates, while EBIT was 13% below. The overall message from management seemed confident, and especially the prospects for the Small Firm & Entrepreneur service platform TiliJaska seemed stronger than ever. Management reported a user base of 3,100 customers (from 125 customers at launch in Q4 20) with 75 signed last-week, implying a run-rate of 3,900 annual new users. This number is solely from Finland, and achieved without publicly marketing the service. We see potential to further accelerate the user growth as marketing starts and the service is opened in Sweden and Spain, as well.

We expect a small organic growth effect to be visible in the Q1 22 revenues based on our impression that the majority of freemium users will purchase the annual financial statements and tax report for EUR250 on average, translating into a EUR0.2-0.5m sales impact for Q1 22, we believe. Overall, we estimate FY22E organic growth of 8.7% (our estimate 8.4% in 2021), suggesting clear improvement in absolute terms. We are feeling more confident on the organic growth outlook due to Swedish sales ramping up and good momentum on the freemium platform.

Chart 1: TiliJaska and Light Entrepreneur service user base



Source: Company data, Danske Bank Equity Research estimates

Overall, the company is clearly ambitious. It trusts its concept (Talenom Online), and is confident that potential future growth in Sweden will not be hampered by local competition. Talenom has previously indicated that 70-90% of the current customers in Sweden are expected to convert to the Talenom software as the localisation proceeds, which should be ongoing by autumn 2022 and is expected eventually to lift Sweden's profitability to be on a par with Finland's three years after the localisation starts (thus by the end of 2025).

Table 1: Estimate summary

EURm	Actual	Danske	Diff %	Consensus (FactSet)		Q4 20
	Q4 21	Q4 21E		Q4 21E	Diff %	
Sales	21.8	21.6	0%	21.2	3%	16.5
EBIT	2.8	3.3	-15%	3.2	-13%	2.4
Net profit or loss	1.9	2.5	-25%	2.4	-22%	1.8
Basic EPS	0.04	0.06	-30%	0.05	-20%	0.04
						0
Sales growth	32.2%	31.5%		28.8%		16.5%
EBIT growth	15.1%	35.7%		32.0%		34.1%
EBIT-margin	12.8%	15.2%		15.1%		14.7%

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

Not for US distribution

Table 2: Quarterly estimates

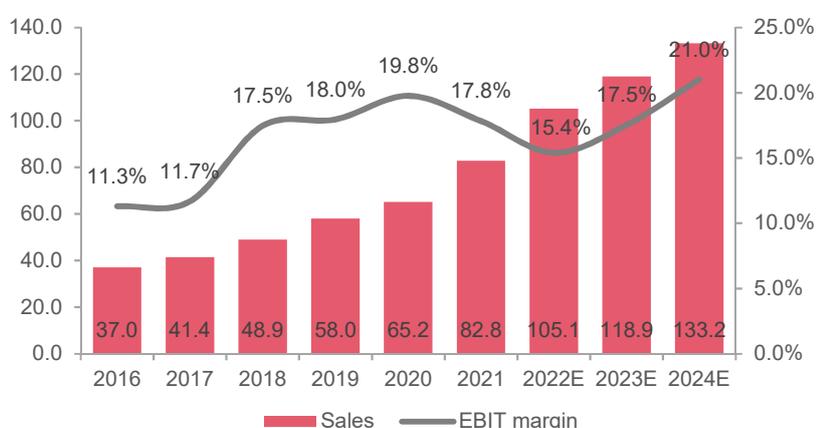
EURm	2020	Q1 21	Q2 21	Q3 21	Q4 21	2021	Q1 22E	Q2 22E	Q3 22E	Q4 22E	2022E	2023E
Sales	65.2	20.3	21.4	19.4	21.8	82.8	25.0	27.2	24.9	28.1	105.1	118.9
Growth y/y	12.4%	17.0%	29.6%	30.4%	32.2%	27.1%	23.0%	27.0%	28.5%	29.0%	26.9%	13.2%
Personnel costs	-33.9	-10.8	-11.5	-10.1	-12.2	-44.6	-13.5	-14.9	-13.1	-15.9	-57.4	-63.8
% of sales	-52.1%	-53.2%	-54.0%	-52.1%	-56.1%	-53.9%	-54.2%	-55.0%	-52.6%	-56.6%	-54.6%	-53.6%
Materials and services	-2.5	-0.5	-0.8	-0.8	-0.9	-3.1	-1.0	-1.0	-1.1	-1.1	-4.2	-4.4
Other costs	-5.6	-1.9	-2.0	-2.1	-2.3	-8.2	-2.5	-2.7	-2.7	-2.8	-10.8	-11.9
EBITDA	23.3	7.2	7.2	6.7	6.6	27.7	8.0	8.5	8.1	8.3	33.0	39.1
EBITDA margin	35.7%	35.4%	33.7%	34.5%	30.3%	33.4%	32.0%	31.5%	32.5%	29.7%	31.4%	32.9%
D&A	-10.4	-2.5	-2.6	-2.7	-2.6	-2.8	-2.8	-3.1	-3.2	-3.8	-12.9	-16.8
EBIT	12.9	4.4	4.1	3.4	2.8	14.8	4.0	4.4	3.8	3.9	16.2	20.9
EBIT margin	19.8%	21.7%	19.4%	17.8%	12.7%	17.8%	16.1%	16.3%	15.3%	14.0%	15.4%	17.5%
Net financials	-0.9	-0.2	-0.3	-0.2	-0.2	-0.8	-0.2	-0.3	-0.2	-0.2	-0.7	-0.8
Pre-tax profit	12.0	4.2	3.8	3.3	2.6	14.0	3.9	4.1	3.7	3.8	15.5	20.1
Taxes	-2.4	-0.7	-0.7	-0.6	-0.4	-3.2	-0.9	-0.8	-0.8	-0.8	-3.1	-4.0
Tax rate	20.3%	16.6%	18.6%	18.9%	15.6%	22.9%	23.3%	18.9%	20.7%	20.2%	20.0%	20.0%
Net income	9.6	3.5	3.1	2.7	2.2	10.8	3.0	3.4	2.9	3.0	12.4	16.1

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 organic sales CAGR of over 10% during the coming years. The company's current appetite for M&A is driven both by Talenom's international expansion strategy and the company's 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 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*.

Chart 2: Talenom sales (EURm) and EBIT margin



Source: Company data, Danske Bank Equity Research estimates

Differentiating 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 Talenom's own profitability within three years, according to management estimates. This allows Talenom to purchase recurring revenue with low risk and keep its sales growth up 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)

Not for US distribution

burdens the cash flow (the costs are partly capitalised so they are not fully visible in the income 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 EUR11-13 (from EUR13-15), 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.

At our fair value mid-point Talenom would be trading roughly on a par with Nordic SaaS players, but clearly below the high-growth, high-margin peers Fortnox and Lemonsoft. We believe that a valuation clearly below these peers is warranted for the case, but overall Talenom has several long-term structural positives in its business and new services that closely relate to SaaS companies.

Table 3: Peer group multiples

Company	Ticker	Mkt cap		Price	EV/Sales			EV/EBITDA			EV/EBIT			P/E		
		EURm (lcl ccy)			2021	2022E	2023E	2021	2022E	2023E	2021	2022E	2023E	2021	2022E	2023E
Nordic Information services																
Enento Group Oyj	ENENTO FH	776	32.40	5.8	5.3	5.0	15.8	13.9	12.8	25.1	20.7	18.2	27.9	24.4	21.5	
Karnov Group AB	KAR SS	561	54.50	8.8	4.6	4.0	20.6	13.8	12.4	31.9	21.0	18.5	21.3	18.0	16.4	
Aallon Group Oyj	AALLON FH	41	10.70	1.7	1.4	1.3	14.3	9.9	8.9	16.6	11.4	10.1	20.2	15.1	14.7	
Nordic SaaS software																
Admicom Oyj	ADMCM FH	347	69.60	15.9	10.7	9.3	33.3	23.1	19.6	34.5	24.7	21.6	37.3	32.0	28.2	
Basware Oyj	BAS1V FH	351	24.30	3.2	2.5	2.3	21.6	16.8	14.1	69.6	47.0	32.1	n.a.	347.1	81.0	
Fortnox AB	FNOX SS	2,657	45.60	37.6	21.8	16.4	86.1	49.6	36.4	108.7	61.8	43.5	107.4	78.0	55.7	
Heeros Oyj	HEEROS FH	26	4.95	2.7	2.0	1.8	12.4	9.6	8.0	34.1	29.7	19.1	42.1	26.9	19.4	
Lemonsoft Oyj	LEMON FH	271	14.85	n.a.	57.1	47.1	38.1									
Lime Tech. AB	LIME SS	371	292.20	11.9	8.5	7.3	35.3	25.6	21.9	60.6	40.5	32.3	48.2	40.1	32.7	
Simcorp A/S	SIM DC	3,221	592.00	7.9	5.9	5.5	26.8	20.3	18.4	29.7	22.2	19.7	31.9	29.0	25.5	
Nordic SaaS software				9.9	7.2	6.4	30.1	21.7	19.0	47.5	35.1	26.8	45.2	40.1	32.7	
Nordic Information services				5.8	4.6	4.0	15.8	13.8	12.4	25.1	20.7	18.2	21.3	18.0	16.4	
Peer group median				7.9	5.3	5.0	21.6	16.8	14.1	34.1	24.7	19.7	37.3	30.5	26.8	
Talenom	TNOM FH	430	9.80	5.8	4.5	3.9	17.5	14.4	12.0	32.8	29.4	22.5	41.0	34.7	26.8	
Vs Nordic SaaS software				-41%	-37%	-38%	-42%	-34%	-37%	-31%	-16%	-16%	-9%	-13%	-18%	
Vs Nordic Information services				1%	-2%	-2%	11%	4%	-3%	31%	42%	24%	93%	93%	64%	
Vs Peer group median				-26%	-15%	-21%	-19%	-14%	-15%	-4%	19%	14%	10%	14%	0%	

Source: Danske Bank Equity Research estimates, Prices at 17:30 EET 8 February 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. On the other hand, given Talenom's increasing automation (and scalability), a significantly higher total addressable market (than for example Admicom) and a 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

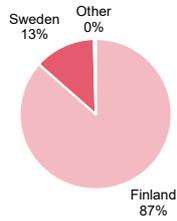
Table 4: Valuation range

	Share price, EUR				
	10.0	11.0	12.0	13.0	14.0
2022E					
EV/Sales (x)	4.5	4.9	5.3	5.8	6.2
EV/EBITDA (x)	14.4	15.7	17.1	18.4	19.7
EV/EBIT (x)	29.3	32.0	34.7	37.4	40.1
P/E (x)	35.4	39.0	42.5	46.1	49.6
2023E	10.0	11.0	12.0	13.0	14.0
EV/Sales (x)	4.0	4.3	4.7	5.1	5.4
EV/EBITDA (x)	12.0	13.2	14.3	15.4	16.5
EV/EBIT (x)	22.6	24.7	26.8	28.9	31.0
P/E (x)	27.3	30.0	32.8	35.5	38.2

Source: Danske Bank Equity Research estimates

Company summary

Sales breakdown by geographical area



Sales breakdown by division



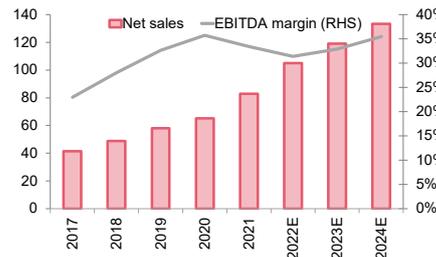
Company information

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

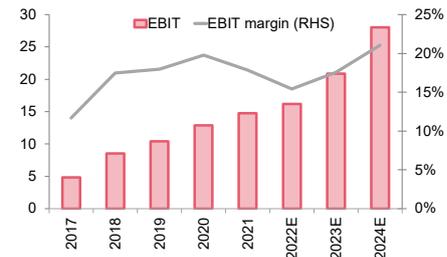
Main shareholders

Name	Votes (%)	Capital (%)
Harri Tahkola	18.5%	18.5%
Markus Tahkola	11.0%	11.0%
SEB Funds	5.8%	5.8%
Allianz Vie S.A.	5.0%	5.0%
Evli Funds	3.8%	3.8%

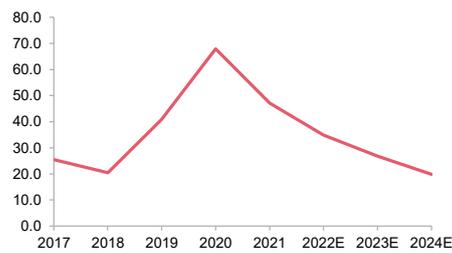
Net sales and EBITDA margin (EURm)



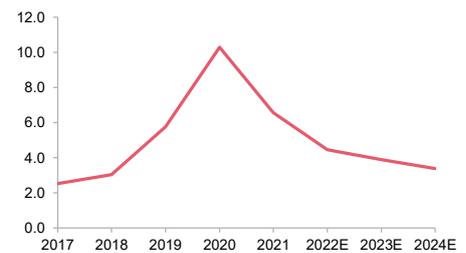
EBIT and EBIT margin (EURm)



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	2021	2022E	2023E	2024E
Net sales	33.0	37.0	41.4	48.9	58.0	65.2	82.8	105	119	133
Cost of sales & operating costs	-28.4	-30.5	-32.3	-35.9	-39.4	-42.0	-55.9	-72.4	-80.1	-86.3
EBITDA	4.9	6.8	9.5	13.7	18.9	23.3	27.7	33.0	39.1	47.2
EBITDA, adj.	4.9	6.8	9.5	13.7	18.9	23.3	27.7	33.0	39.1	47.2
Depreciation	-6.2	-2.6	-0.7	-0.7	-2.5	-2.9	-3.6	-3.9	-4.1	-4.3
EBITA	-1.3	4.2	8.8	13.0	16.4	20.4	24.1	29.0	35.0	42.9
EBIT incl. EO, bef. ass.	-1.3	4.2	4.8	8.5	10.4	12.9	14.8	16.2	20.9	28.0
EBIT, adj.	-0.3	4.2	5.2	8.5	10.4	12.9	14.8	16.2	20.9	28.0
Financial items, net	-1.1	-0.6	-0.5	-0.6	-0.8	-0.9	-0.8	-0.7	-0.8	-0.8
Pre-tax profit	-2.5	3.6	4.3	8.0	9.6	12.0	14.0	15.5	20.1	27.2
Taxes	0.0	-0.7	-0.9	-1.6	-2.0	-2.4	-3.2	-3.1	-4.0	-5.4
Net profit, rep.	-2.4	2.9	3.4	6.4	7.6	9.6	10.8	12.4	16.1	21.8
Net profit, adj.	-1.5	2.9	3.7	6.4	7.6	9.6	10.8	12.4	16.1	21.8

CASH FLOW

EURm	2015	2016	2017	2018	2019	2020	2021	2022E	2023E	2024E
EBITDA	4.9	6.8	9.5	13.7	18.9	23.3	27.7	33.0	39.1	47.2
Change in working capital	0.1	-0.1	0.5	-0.5	1.4	1.4	-0.2	0.8	1.1	1.1
Net interest paid	-0.8	0.0	0.1	0.1	0.1	0.1	0.1	-0.7	-0.8	-0.8
Taxes paid	0.0	0.0	-0.4	-1.1	-2.4	-1.9	-2.9	-3.1	-4.0	-5.4
Other operating cash items	0.0	0.1	0.1	0.1	0.3	0.6	0.9	0.6		
Cash flow from operations	4.1	6.8	9.9	12.2	18.3	23.4	25.6	30.5	35.4	42.1
Capex	-8.4	-5.2	-7.4	-8.4	-11.3	-15.4	-16.8	-17.2	-17.8	-18.4
Div to min										
Free cash flow	-4.3	1.6	2.4	3.8	7.1	8.1	8.8	13.3	17.7	23.7
Disposals/(acquisitions)		-0.4		-0.5	-1.8	-2.2	-7.6	-10.6	-2.1	-2.3
Free cash flow to equity	-4.3	1.2	2.4	3.3	5.2	5.9	1.2	2.7	15.5	21.4
Dividend paid		-0.5	-1.4	-2.2	-3.8	-5.4	-6.6	-7.5	-7.9	-8.3
Share buybacks	0.0									
New issue common stock	6.6			-0.2		1.9				
Incr./(decr.) in debt	2.1	-1.0		1.0			10.0	10.6	2.1	2.3
Minorities & other financing CF	-0.6	-0.7	-0.5	-0.9	0.4	-1.0	-3.6	-2.0	-1.8	-1.8
Cash flow from financing	8.1	-2.2	-1.9	-2.3	-3.4	-4.6	-0.2	1.2	-7.5	-7.8
Disc. ops & other										
Incr./(decr.) in cash	3.8	-1.0	0.5	1.0	1.9	1.3	1.0	3.9	8.0	13.6

BALANCE SHEET

EURm	2015	2016	2017	2018	2019	2020	2021	2022E	2023E	2024E
Cash & cash equivalents	5.4	4.3	4.9	5.9	7.8	9.1	10.1	14.0	22.1	35.7
Inventory										
Trade receivables	4.4	4.8	5.5	5.5	6.5	7.1	9.8	11.6	13.1	14.7
Other current assets		0.1	0.0	0.0						
Goodwill	18.4	18.4	18.4	18.4	20.7	24.0	37.3	41.5	42.4	43.3
Other intangible assets	9.8	6.7	7.8	10.5	14.9	22.9	36.3	44.5	47.6	50.6
Fixed tangible assets	2.1	2.5	2.5	2.2	2.6	2.5	2.8	3.2	2.6	1.9
Associated companies										
Other non-current assets	0.4	5.2	6.8	8.7	10.4	11.4	12.7	12.2	12.2	12.2
Total assets	40.5	42.0	45.9	51.2	71.3	84.9	118	136	149	167
Shareholders' equity	9.9	11.7	13.9	18.7	23.6	32.2	44.7	49.6	57.8	71.2
Of which minority interests										
Current liabilities	7.1	7.5	8.9	8.6	10.7	13.3	19.7	22.3	24.9	27.6
Interest-bearing debt	23.5	22.7	22.6	23.6	28.1	30.0	40.2	50.8	52.9	55.2
Pension liabilities										
Oth non-curr. liabilities		0.4	0.4	0.3	0.5	1.3	4.2	4.2	4.2	4.2
Total liabilities	30.6	30.6	32.0	32.5	47.8	52.8	73.0	86.0	90.8	96.0
Total liabilities and equity	40.5	42.3	45.9	51.2	71.3	84.9	118	136	149	167
Net debt	18.1	18.4	17.8	17.7	20.3	20.9	30.1	36.7	30.9	19.6

Source: Company data, Danske Bank Equity Research estimates

Summary tables

PER SHARE DATA	2015	2016	2017	2018	2019	2020	2021	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	0.25	0.28	0.37	0.50
EPS adj. (EUR)	-0.04	0.07	0.09	0.16	0.18	0.22	0.25	0.28	0.37	0.50
DPS (EUR)	0.01	0.03	0.05	0.09	0.13	0.15	0.17	0.18	0.19	0.20
CFFO/share (EUR)	0.1	0.2	0.2	0.3	0.4	0.5	0.6	0.7	0.8	1.0
Book value/share (EUR)	0.24	0.29	0.34	0.45	0.56	0.74	1.02	1.13	1.32	1.62
MARGINS AND GROWTH	2015	2016	2017	2018	2019	2020	2021	2022E	2023E	2024E
EBITDA margin	14.8%	18.5%	23.0%	28.0%	32.6%	35.7%	33.4%	31.4%	32.9%	35.4%
EBITA margin	-4.0%	11.3%	21.3%	26.6%	28.3%	31.2%	29.1%	27.6%	29.5%	32.2%
EBIT margin	-4.0%	11.3%	11.7%	17.5%	18.0%	19.8%	17.8%	15.4%	17.5%	21.0%
EBIT adj margin	-1.0%	11.3%	12.4%	17.5%	18.0%	19.8%	17.8%	15.4%	17.5%	21.0%
Sales growth		12.0%	12.1%	18.0%	18.6%	12.4%	27.1%	26.9%	13.2%	12.0%
EBITDA growth		39.9%	39.4%	43.8%	38.3%	23.1%	18.8%	19.1%	18.8%	20.6%
EBITA growth		n.m.	n.m.	47.8%	26.1%	24.1%	18.4%	20.5%	20.6%	22.4%
EPS adj growth		n.m.	28.3%	70.2%	18.3%	20.9%	11.9%	13.8%	29.8%	35.6%
PROFITABILITY	2015	2016	2017	2018	2019	2020	2021	2022E	2023E	2024E
ROIC (after tax, incl. GW, adj.)	-2.4%	11.5%	13.2%	20.0%	18.9%	18.1%	15.5%	14.1%	16.9%	22.1%
ROIC (after tax, excl. GW, adj.)	-6.8%	31.2%	32.5%	43.2%	33.6%	29.6%	26.3%	24.5%	29.0%	37.9%
ROE (adj.)	-29.4%	26.8%	29.0%	39.0%	36.0%	34.4%	28.1%	26.2%	29.9%	33.7%
ROIC (adj.) - WACC	-9.1%	4.7%	6.5%	13.2%	12.1%	11.4%	8.8%	7.4%	10.1%	15.3%
MARKET VALUE	2015	2016	2017	2018	2019	2020	2021	2022E	2023E	2024E
Share price (EUR)	0.88	1.20	2.13	3.18	7.50	15.1	11.7	9.84	9.84	9.84
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	513	432	432	432
Net debt, year-end (m)	18	18	18	18	29	29	39	45	40	28
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	679	552	477	471	460
VALUATION	2015	2016	2017	2018	2019	2020	2021	2022E	2023E	2024E
EV/sales (x)	1.64	1.82	2.53	3.04	5.91	10.42	6.66	4.54	3.96	3.45
EV/EBITDA (x)	11.1	9.9	11.0	10.9	18.1	29.2	20.0	14.5	12.0	9.7
EV/EBITA (x)	n.m.	16.1	11.9	11.4	20.9	33.4	22.9	16.4	13.5	10.7
EV/EBIT (x)	n.m.	16.1	20.4	17.4	32.9	52.7	37.4	29.5	22.6	16.4
P/E (reported) (x)	n.m.	16.9	25.5	20.5	40.9	67.9	47.2	34.9	26.9	19.8
P/E (adj.) (x)	n.m.	16.9	23.4	20.5	40.9	67.9	47.2	34.9	26.9	19.8
P/BV (x)	3.61	4.19	6.25	7.00	13.3	20.2	11.5	8.70	7.47	6.06
EV/invested capital (x)	5.6	5.7	7.8	8.2	10.7	17.8	11.0	8.3	8.0	7.6
Dividend yield	1.33%	2.78%	2.50%	2.89%	1.67%	1.00%	1.45%	1.83%	1.93%	2.03%
Total yield (incl. buybacks)	1.34%	2.78%	2.50%	2.89%	1.67%	1.00%	1.45%	1.83%	1.93%	2.03%
FCFE-yield	-12.13%	3.27%	2.79%	2.90%	2.26%	1.24%	1.71%	3.09%	4.09%	5.50%
FINANCIAL RATIOS	2015	2016	2017	2018	2019	2020	2021	2022E	2023E	2024E
Net debt/EBITDA (x)	3.7	2.7	1.9	1.3	1.5	1.2	1.4	1.4	1.0	0.6
Net debt/equity (x), year-end	1.8	1.6	1.3	0.9	1.2	0.9	0.9	0.9	0.7	0.4
Dividend payout ratio	n.m.	46.9%	63.9%	59.1%	68.2%	67.7%	68.6%	63.8%	51.9%	40.3%
Interest coverage (x)	-1.2	7.2	8.1	13.5	12.4	15.0	19.2	22.5	26.3	35.4
Cash conversion (FCF/net profit)	n.m.	55.3%	71.2%	59.8%	93.0%	84.3%	81.2%	107.7%	110.0%	109.0%
Capex/sales	25.6%	14.1%	17.9%	17.2%	19.4%	23.6%	20.3%	16.4%	15.0%	13.8%
NWC/sales	-8.2%	-7.1%	-8.3%	-6.4%	-7.2%	-9.6%	-11.9%	-10.2%	-9.9%	-9.7%
QUARTERLY P&L			Q1 21	Q2 21	Q3 21	Q4 21	Q1 22E	Q2 22E	Q3 22E	Q4 22E
Sales (m)			20.3	21.4	19.4	21.8	25.0	27.2	24.9	28.1
EBITDA (m)			7.2	7.2	6.7	6.6	8.0	8.5	8.1	8.3
EBIT before non-recurring items (m)			4.4	4.1	3.4	2.8	4.0	4.4	3.8	3.9
Net profit (adj.) (m)			3.3	3.1	2.5	1.9	3.1	3.4	2.9	3.0
EPS (adj.) (EUR)			0.08	0.07	0.06	0.04	0.07	0.08	0.07	0.07
EBITDA margin			35.4%	33.7%	34.5%	30.3%	32.0%	31.5%	32.5%	29.7%
EBIT margin (adj.)			21.7%	19.4%	17.8%	12.7%	16.1%	16.3%	15.3%	14.0%

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.

This commissioned research report should be considered marketing material, as it has been requested and paid for by Talenom and has therefore not been prepared in accordance with the legal requirements designed to promote the independence of investment research. However, the report is still subject to prohibition on dealing ahead of the dissemination of the report.

Analyst certification

Each research analyst responsible for the content of this commissioned research report certifies that the views expressed in the research report accurately reflect the research analyst's personal view about the financial instruments and issuers covered by the research report.

Regulation

Authorised and regulated by the Danish Financial Services Authority (Finanstilsynet). Deemed authorised by the Prudential Regulation Authority. Subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. Details of the Temporary Permissions Regime, which allows EEA-based firms to operate in the UK for a limited period while seeking full authorisation, are available on the Financial Conduct Authority's website.

Danske Bank's commissioned research reports are prepared in accordance with the recommendations of the Danish Securities Dealers Association.

Conflicts of interest

Danske Bank has established procedures to prevent conflicts of interest and to ensure the provision of high-quality research based on research objectivity and independence from outside influences. These procedures are documented in Danske Bank's research policies. Employees within Danske Bank's Research Departments have been instructed that any request that might impair the objectivity of research and independence from outside influence of research shall be referred to Research Management and the Compliance Department. Danske Bank's Research Departments are physically separated from other business areas within Danske Bank and surrounded by arrangements (Chinese Walls) to restrict the flows of sensitive information.

Research analysts are remunerated in part based on the overall profitability of Danske Bank, which includes investment banking revenues, but do not receive bonuses or other remuneration linked to specific corporate finance or debt capital transactions.

Danske Bank, its affiliates, subsidiaries and staff may perform services for or solicit business from Talenom and may hold long or short positions in, or otherwise be interested in, the financial instruments mentioned in this research report. The Equity and Corporate Bonds analysts of Danske Bank and persons in other departments of Danske Bank with which the relevant analysts have close links are not permitted to invest in 1) financial instruments that are covered by the relevant Equity or Corporate Bonds analyst and 2) the research sector within the geographical area (the Nordics) to which the analyst is linked.

Danske Bank, its affiliates and subsidiaries are engaged in commercial banking, securities underwriting, dealing, trading, brokerage, investment management, investment banking, custody and other financial services activities, may be a lender to Talenom and have whatever rights as are available to a creditor under applicable law and the applicable loan and credit agreements. At any time, Danske Bank, its affiliates and subsidiaries may have credit or other information regarding Talenom that is not available to or may not be used by the personnel responsible for the preparation of this report, which might affect the analysis and opinions expressed in this research report.

On 8 February 2022, Danske Bank, its affiliates and subsidiaries, in the aggregate, beneficially own 1% or more of a class of financial instruments issued by Talenom.

Danske Bank is a market maker and a liquidity provider and may hold positions in the financial instruments of the issuer(s) mentioned in this research report.

No parts of this research report have been disclosed to Talenom for factual check.

Within the previous 12 months, Danske Bank has acted as Sole Bookrunner of a public offer of Secondary placement (block trade) for Talenom Oyj.

As an investment bank, Danske Bank, its affiliates and subsidiaries provide a variety of financial services, including investment banking services. It is possible that Danske Bank and/or its affiliates and/or its subsidiaries might seek to become engaged to provide such services to Talenom in the next three months.

Financial models and/or methodology used in this research report

Investment views and opinions in this research report are formed on the basis of a combined selection of discounted cash flow analysis, industry knowledge, peer group analysis and company-specific and market technical elements (events affecting both the financial and operational profile of the company). Forecasting of company sales and earnings is based on segmented bottom-up models using subjective views of relevant future market developments. In addition, the expected macroeconomic environment is taken into account. The output is aggregated into models for group profit and loss, balance sheets and cash flow estimates – all taking into account the recent development in historical research reports.

More information about the valuation and/or methodology and the underlying assumptions is accessible via www.danskebank.com/equityresearch.

Risk warning

Major risks connected with investment views or opinions in this research report, including a sensitivity analysis of relevant assumptions, are stated throughout the text.

Expected updates

This research product will be updated on a semi-annual basis as a minimum.

Completion and first dissemination

The completion date and time in this research report mean the date and time when the author hands over the final version of the research report to Danske Bank's editing function for legal review and editing.

The date and time of first dissemination mean the date and estimated time of the first dissemination of this research report. The estimated time may deviate up to 15 minutes from the effective dissemination time due to technical limitations.

See the back page of this research report for the date and time of first dissemination.

Not for US distribution

Recommendation structure

This report does not have a target price or a buy/sell recommendation but it does include a valuation discussion and a suggested valuation range.

Validity time period

This communication as well as previous communications referred to below are valid until the earlier of (a) dissemination of a superseding communication by the author, or (b) significant changes in circumstances following its dissemination, including events relating to the market or the issuer, which can influence the price of the issuer or financial instrument.

General disclaimer

This commissioned research report has been prepared by Danske Bank A/S. It is provided for informational purposes only and should not be considered investment, legal or tax advice. It does not constitute or form part of, and shall under no circumstances be considered as, an offer to sell or a solicitation of an offer to purchase or sell any relevant financial instruments (i.e. financial instruments mentioned herein or other financial instruments of any issuer mentioned herein and/or options, warrants, rights or other interests with respect to any such financial instruments) ('Relevant Financial Instruments').

This commissioned research report has been prepared independently and solely on the basis of publicly available information that Danske Bank A/S considers to be reliable but Danske Bank A/S has not independently verified the contents hereof. While reasonable care has been taken to ensure that its contents are not untrue or misleading, no representation or warranty, express or implied, is made as to and no reliance should be placed on the fairness, accuracy, completeness or reasonableness of the information, opinions and projections contained in this commissioned research report and Danske Bank A/S, its affiliates and subsidiaries accept no liability whatsoever for any direct or consequential loss, including without limitation any loss of profits, arising from reliance on this commissioned research report.

The opinions expressed herein are the opinions of the research analysts and reflect their opinion as of the date hereof. These opinions are subject to change and Danske Bank A/S does not undertake to notify any recipient of this research report of any such change nor of any other changes related to the information provided in this commissioned research report.

This commissioned research is not intended for, and may not be redistributed to, retail customers in the United Kingdom and may under no circumstances be distributed in the United States.

This research report is protected by copyright and is intended solely for the designated addressee. It may not be reproduced or distributed, in whole or in part, by any recipient for any purpose without Danske Bank A/S's prior written consent.

Disclaimer related to distribution in the United Kingdom

In the United Kingdom, this document is for distribution only to (I) persons who have professional experience in matters relating to investments falling within article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the 'Order'); (II) high net worth entities falling within article 49(2)(a) to (d) of the Order; or (III) persons who are an elective professional client or a per se professional client under Chapter 3 of the FCA Conduct of Business Sourcebook (all such persons together being referred to as 'Relevant Persons'). In the United Kingdom, this document is directed only at Relevant Persons, and other persons should not act or rely on this document or any of its contents.

Disclaimer related to distribution in the European Economic Area

This document is being distributed to and is directed only at persons in member states of the European Economic Area ('EEA') who are 'Qualified Investors' within the meaning of Article 2(e) of the Prospectus Regulation (Regulation (EU) 2017/1129) ('Qualified Investors'). Any person in the EEA who receives this document will be deemed to have represented and agreed that it is a Qualified Investor. Any such recipient will also be deemed to have represented and agreed that it has not received this document on behalf of persons in the EEA other than Qualified Investors or persons in the UK and member states (where equivalent legislation exists) for whom the investor has authority to make decisions on a wholly discretionary basis. Danske Bank A/S will rely on the truth and accuracy of the foregoing representations and agreements. Any person in the EEA who is not a Qualified Investor should not act or rely on this document or any of its contents.

Report completed: 8 February 2022 at 19:10 CET

Report disseminated: 9 February 2022 at 06:45 CET

Not for US distribution