

# Talenom

## Company report

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This report is a summary translation of the report "Horisontissa Euroopan isot markkinat" published on 10/26/2022 at 7:16 am

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# Europe's big markets on the horizon

We reiterate our Reduce recommendation for Talenom and revise our target price to EUR 9.5 (previously EUR 12.50). Talenom's Q3 figures were below our estimates, but the main focus was on the company's new financial targets for 2023-2025. Strong international growth is expected in the coming years, which will, however, come at the expense of profitability. With the growth, Talenom's future earnings potential undoubtedly increases but our earnings growth estimates for the next few years collapsed. Thus, the valuation (2023e P/E 33x and EV/EBIT 29x) looks challenging also after the strong share price drop, especially as proof of the strategy working will not be seen in years.

## Q3 figures were below our expectations

Talenom's net sales increased by close on 22% to EUR 23.6 million in Q3. About two-thirds of the growth came from acquisitions, which the company has been pounding out in recent years. Q3 EBIT decreased to EUR 3.1 million (Q3'21: 3.4 MEUR), as the lower profitability of acquisition targets, integration and other acquisition costs, and investments in new support structures hit the cost structure. Finland's core business developed relatively steadily as expected, but Sweden's development fell short of our expectations both in terms of growth and profitability. The key factor was the introduction of own software in Sweden, whose positive effects will take time. The balance sheet continued to grow as the company is in a strong investment phase (net investments Q1–Q3'22: 31.9 MEUR). As expected, Talenom reiterated its guidance and the company expects 2022 net sales to be EUR 100-110 million and EBIT to be EUR 15-18 million.

## Aggressive growth spurt ahead in Europe – but it is not free

In connection with the release, Talenom also set new financial targets for 2023-2025, which aim at: 1) over 30% annual net sales growth, 2) over 15% annual EBITDA growth, 3) growing euro-denominated EBIT, and 4) increasing dividend per share. So the company aims at a strong acceleration of growth, which is carried out through acquisition at the expense of relative profitability. We estimate that acquisitions will be directed in particular to Sweden and Spain, but the company also plans to expand to new countries in the next few years. At the same time, the relative share of the core business with excellent visibility reduces and risks (in both directions) increase considerably. If Talenom is successful it can create significant shareholder value and be a major player on a European scale in a decade's time, but the road is long and potentially painful. Profitability will be under pressure until approximately 2024, which means our earnings estimates decreased by some 20-30% and the earnings growth outlook for the next few years became subdued. Concrete signs of the strategy being successful will have to wait at least until 2024, so patience is a virtue.

## The valuation is not attractive as the growth driver weakened

Despite a strong decrease, the share's valuation multiples for the next few years have not decreased due to negative estimate changes. The 2023e P/E is now 33x and EV/EBIT about 29x, which are high relative to the overall valuation level and peers, as the pricing environment has changed. In the past, we expected Talenom to return quickly to the 20% earnings growth path, but now this is buried under growth investments and we believe a significant earnings improvement is not expected until 2025-2026. Therefore, the main driver now is strong net sales growth, which in the current market environment does not necessarily support the share. We find the company's bold conquest of Europe fascinating but need either greater confidence (proof) in the growth story being successful or a more favorable valuation to compensate for the risks.

## Recommendation

### Reduce

(previous Reduce)

### EUR 9.50

(previous EUR 12.5)

### Share price:

9.39



## Key figures

	2021	2022e	2023e	2024e
<b>Revenue</b>	83	103	128	159
<b>growth-%</b>	27%	24%	25%	24%
<b>EBIT adj.</b>	14.8	16.4	17.5	20.0
<b>EBIT-% adj.</b>	17.8 %	16.0 %	13.6 %	12.6 %
<b>Net Income</b>	10.8	12.4	13.0	13.9
<b>EPS (adj.)</b>	0.25	0.28	0.28	0.30

<b>P/E (adj.)</b>	47.5	34.0	33.0	31.2
<b>P/B</b>	11.5	8.4	7.8	7.1
<b>Dividend yield-%</b>	1.5 %	1.9 %	2.0 %	2.1 %
<b>EV/EBIT (adj.)</b>	37.4	29.2	28.7	26.1
<b>EV/EBITDA</b>	19.9	14.5	13.4	12.3
<b>EV/S</b>	6.7	4.7	3.9	3.3

Source: Inderes

## Guidance

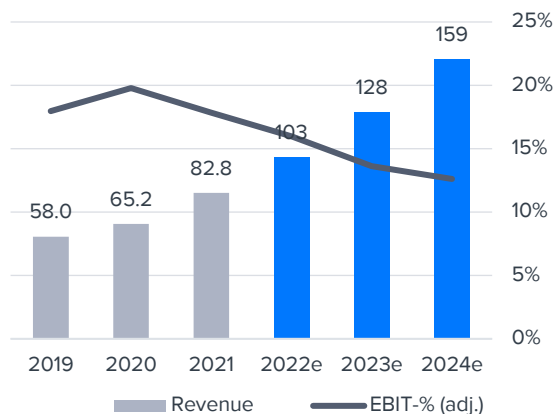
(Unchanged)

Talenom expects 2022 net sales to be EUR 100-110 million and operating profit to be EUR 15-18 million.

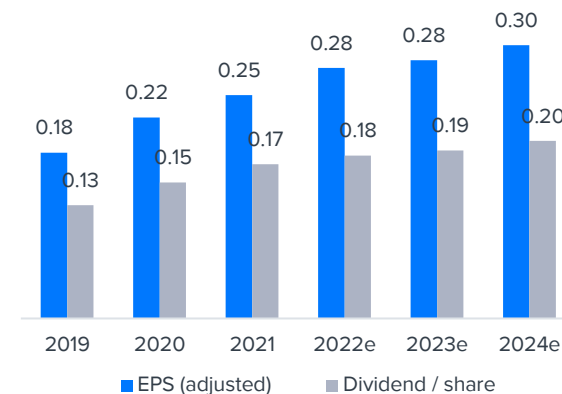
## Share price



## Revenue and EBIT %



## EPS and dividend



## Value drivers

- Strong earnings growth after the growth phase
- Clear competitive advantages will continue to contribute to increasing market share
- Strengthening Sweden's market position and international expansion
- Fragmented market is transforming, which opens new opportunities
- Business model that utilizes economies of scale strengthens with growth
- Expansion in Spain and elsewhere in Europe



## Risk factors

- Failure in improving Sweden's profitability
- Failure in internationalization
- Earnings disappointments and decline of acceptable valuation multiples
- Competitive edge relies on technology, whose development tends to be fast
- Potential drop in customer retention
- Potential tightening competition in digital financial management
- Transformation can bring new challengers to the industry

Valuation	2022e	2023e	2024e
Share price	9.39	9.39	9.39
Number of shares, millions	45.0	45.5	46.0
Market cap	422	427	432
EV	481	502	522
P/E (adj.)	34.0	33.0	31.2
P/E	34.0	33.0	31.2
P/FCF	neg.	neg.	neg.
P/B	8.4	7.8	7.1
P/S	4.1	3.3	2.7
EV/Sales	4.7	3.9	3.3
EV/EBITDA	14.5	13.4	12.3
EV/EBIT (adj.)	29.2	28.7	26.1
Payout ratio (%)	65.0 %	65.0 %	65.0 %
Dividend yield-%	1.9 %	2.0 %	2.1 %

Source: Inderes

# Q3 result clearly below expectations

## Noticeable softness

In Q3, Talenom's net sales grew by close on 22% to EUR 23.6 million falling short of our EUR 24.5 million estimate. Growth distribution was expected: two-thirds came from acquisitions and one-third was organic. Q3 EBIT decreased to EUR 3.1 million (Q3'21: 3.4 MEUR) and was clearly below our EUR 3.7 million forecast. This corresponded to an EBIT margin of 13.0% (Q3'21: 17.8%), which is muted for the company even in a seasonally weak period. EBITDA grew by to EUR 7.3 million (Q3'21: 6.7 MEUR) which was below our EUR 8.0 million estimate. This corresponded to an EBITDA margin of 30.8% (Q3'21: 34.5%).

Profitability was depressed by the weaker profitability of acquisitions compared to the company's core business, integration and other acquisition costs, and investments in structures that support growth. EBIT was also burdened by the depreciation level that increased considerably due to software and acquisition investments. Despite this, the EBIT decline from the levels of the comparison period was disappointing as we expected a slight improvement.

## Steady development in Finland as expected

The Finnish business accounted for about 80% of the company's net sales and increased by some 12% to

EUR 18.8 million on Q3, as expected. About 80% of the net sales growth was organic, which was driven by increased customer numbers and sales of value added services. The core business in Finland is very profitable and the company generated EUR 3.3 million EBIT and EUR 7.0 million EBITDA in Q3, corresponding to a 17.4% EBIT margin (Q3'21: 20.6%) and 37.3% EBITDA margin (Q3'21: 38.1%). Profitability continued to be positively affected by the development of automation, while acquisitions had a negative effect on profitability. In Finland, the business is on track and generates abundant cash flow which the company invests in growth areas.

## Sweden's development fell short of our expectations

The Swedish business accounted for about 18% of the company's net sales and increased by some 75% to EUR 4.3 million in Q3. Despite strong acquisition-driven growth, Sweden's net sales were below our expectations and no proof of organic growth was seen. On the other hand, seasonal variation may have messed with Sweden more than we expected. In Sweden, Talenom's EBITDA margin was 5.1%, as profitability was depressed by sales investments, building of support functions, development of management structures, and introduction of own

software. We had probably not been successful in forecasting the impact of the last item but the sharp weakening of profitability from the comparison period (Q3'21: 13.3%) was clearly disappointing. The introduction of own software, which has started in some offices in the country will in future play a key role in the development in Sweden.

Net sales from other countries (currently Spain) were less than EUR 0.5 million and earnings figures were insignificant for the time being, but the operating result somewhat surprisingly pushed itself into black. However, with the Nomo platform (transferred to Talenom from October 1, 2022), the result was heavily in red.

## Balance sheet continued to grow

Talenom's balance sheet has grown significantly due to numerous acquisitions. Goodwill (50.6 MEUR) has increased clearly from a year ago (Q3'21: 36.3 MEUR) as have intangible assets (45.1 MEUR, Q3'21: 34.4 MEUR). However, balance sheet growth is a natural consequence of the strong investment phase (net investments Q1-Q3'22: 31.9 MEUR). The balance sheet is still in order considering the company's profile: net gearing 96% and equity ratio 36%.

Estimates MEUR / EUR	Q3'21	Q3'22	Q3'22e	Q3'22e	Consensus		Difference (%)	2022e
	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. Inderes	Inderes
Revenue	19.4	23.6	24.5				-4%	103
EBITDA	6.7	7.3	8.0				-9%	33.2
EBIT	3.4	3.1	3.7				-16%	16.4
EPS (adj.)	0.06	0.05	0.06				-18%	0.28
Revenue growth-%	30.4 %	21.7 %	26.5 %				-4.8 pp	24.3 %
EBIT-% (adj.)	17.8 %	13.0 %	15.0 %				-1.9 pp	16.0 %

Source: Inderes

# Aggressive growth spurt ahead in Europe

## New medium-term objectives aim at strong growth

In connection with the Q3 review, Talenom also announced new medium-term financial targets, which were the main focus of the results announcement ([watch the announcement](#)). The 2023-2025 targets are: 1) over 30% annual net sales growth, 2) over 15% annual EBITDA growth, 3) growing euro-denominated EBIT, and 4) increasing dividend per share.

The new medium-term targets thus aim at significantly higher growth than the company's historical levels, which will happen at the expense of relative profitability. Historically, Talenom has grown at a rate of good 15% per year (CAGR), but in recent years, the pace has accelerated significantly. Thus, the over 30% growth target was a rather natural continuation of the strong acquisition-driven growth in recent years, but the pace is accelerated further. If the company reaches its growth targets its net sales would be more than twice as high as currently by the end of 2025.

According to the company, the digital transformation in the European accounting and banking sector is happening now, and the company wants to be part of it. The company says that the transformation is supported by legislative changes, market trends and changes in consumer behavior. For the equity and financial markets, the growth spurt comes at an unfortunate time as right now secure earnings growth is valued more than strong net sales growth. Financial expenses have also risen with interest rates. However, Talenom is developed in the long term and the company does not lack ambition.

## Acquisitions expected especially abroad

To achieve the growth target, Talenom naturally needs a lot of acquisitions. We estimate that Talenom can grow organically at a rate of about 10%, which we believe would require strong growth in Sweden and at least a reasonable market environment. Active sales development and digital sales mentioned by the company could provide support for this. However, most of the growth will be inorganic and Talenom intends to accelerate its aggressive acquisition strategy to further speed up growth.

We expect that the acquisitions will focus in particular on Sweden and Spain, because Finland's valuation levels, especially for larger acquisition targets, are considered quite high by Talenom due to fierce competition. In Sweden, there is a big market and plenty of accounting firms and valuations are generally moderate (around EV/EBITDA 4-6x). The situation on the Spanish market is apparently similar, but we have little information.

In addition to Sweden and Spain, Talenom is also looking into new countries. In our interview, the CEO said that by the end of 2025, Talenom will hopefully operate in five countries. Currently we estimate that Italy is the most likely new country but for others it is more a matter of guesswork. Opening each new country means a new and interesting growth opportunity for Talenom, but in the short term, expansions still require significant investments and increased expenditure. Thus the earnings effects in the short term are negative or, at the very least, put pressure on relative profitability. We believe that acquisitions in Finland would be far less risky.

### Medium-term (2023–2025) financial targets

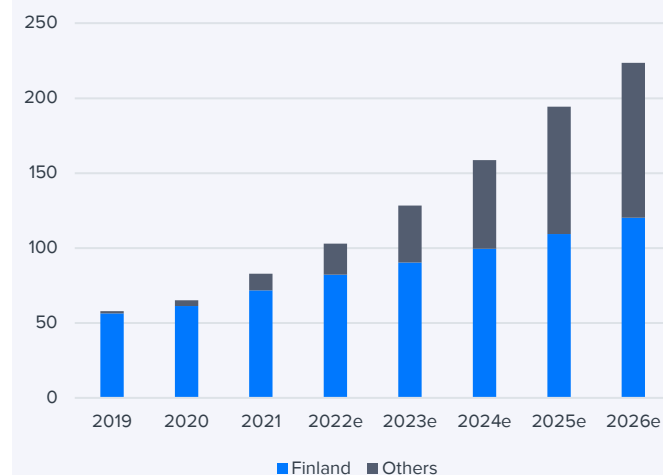
ANNUAL NET SALES GROWTH OVER 30%

ANNUAL EBITDA GROWTH OVER 15%

INCREASING EBIT IN EUROS

INCREASING DIVIDEND PER SHARE

### Possible net sales distribution (MEUR)



# The growth spurt comes at a cost

## Profitability lags behind

Compared to the growth target, Talenom aims for significantly slower EBITDA growth and only for EBIT 'growth'. This tells us that the focus of the strategy in the next few years is strongly on growth – and it will also be done at the expense of profitability. The company will harshly sacrifice its short-term profitability to achieve strong international growth.

As seen in recent years, Talenom's profitability is under pressure in periods of acquisition-driven growth. The profitability of the acquisition targets is primarily lower, on top of which there are integration costs, implementations and learning new practices, infra required by support activities (especially in new countries), and increased depreciation. This trend will continue and possibly strengthen in coming years as acquisition-driven growth continues to accelerate. It should be noted that in the initial phase, the profitability of acquisition targets tends to develop negatively (relative to the starting level) and positive development is generally only seen after about 12 months. Organic growth in Sweden also carries frontloaded costs, and positive results are seen with a significant delay.

A good reference point for Talenom's profitability comes from the COVID year 2020, when the company calmed down investments and reduced frontloaded costs. Then the company generated a 19.8% EBIT margin and net sales grew by 12.4%. Since then, growth has accelerated (2021: 27.1% and 2022e: 24.3%), but profitability has been under pressure and decreased by about 2 percentage points per year (2022e: 16.0%). Some of this is naturally related to the strong increase in investments and depreciation, but these are also clearly linked to growth investments.

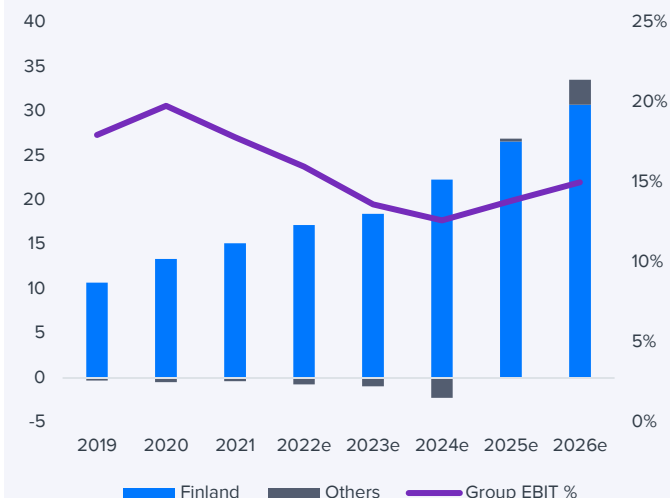
We now expect profitability to decline further in 2023 as investments increase. We estimate that the EBIT margin for 2023 will be about 13.6%, compared to our previous estimate of 16.4%. The change is large and reflects the impact of the new strategy and slightly the Q3 earnings disappointment.

## The ambitious strategy raises risks in both directions

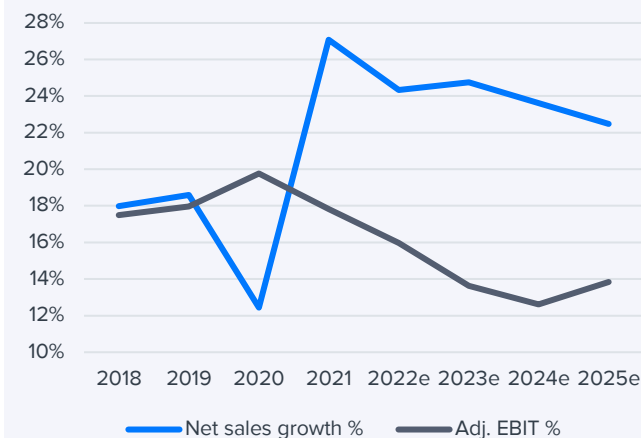
If Talenom's strategy succeeds it can achieve a significant market position in Sweden and a good growth base in several European countries, which will enable the company to generate strong shareholder value in the long term. Thanks to Finland's strong core, the financial resources are quite good and the technology base strong. Thus, the company may be successful in its project, and in 10 years' time Talenom can be a major player on a European scale. Then the company's market cap would probably also be in a different size class.

However, the path to this is long and it is clear that the company's risk profile will also increase significantly as international investments continue to grow. So far, Talenom has not actually proven its competitive advantage even in Sweden, where the company has operated for three years now. For example, there is only proof of improving the profitability of acquisition targets through automation in Finland. Therefore it is perfectly possible that the European conquest, with a rather aggressive timetable, will eventually end badly. This will become clear in the coming years when we see the actual effects of software and new practices in Sweden. If the company manages to raise the existing Swedish business to Talenom's general level in three years, probabilities will improve significantly. However, for the time being, we find it difficult to assess the potential for success.

Possible EBIT distribution (MEUR, %)



Link between growth and profitability



# Growth targets made us revise our estimates for the next few years

## The big picture for 2022 remains unchanged

As expected, Talenom reiterated its 2022 guidance that expects net sales to be EUR 100-110 million and operating profit to be EUR 15-18 million. The guidance will materialize and our estimates are now relatively close to the middle of the earnings range. However, our estimates decreased mainly due to the Q3 earnings disappointment and especially the weaker than expected profitability trend in Sweden, but there is no drama involved in the estimate changes for 2022.

## Dramatic changes in estimates for the coming years

We have dramatically lowered our earnings estimates for the next few years after the company's strategy update. The strategy that focuses strongly on international growth, contains major investments, but in the next few years we do not believe much earnings contribution can be expected from outside the Finnish core business. As the share of Finland is expected to decrease significantly (see graphs on previous pages), relative profitability will fall sharply. This happens at EBITDA level, but at the same time

the depreciation mass continues to grow and causes additional pressure on the lower result lines.

We estimate that Talenom's relative profitability will decline until 2024, after which a reasonable earnings contribution can be expected from the Swedish business. However, forecasting has become extremely difficult, since two countries can easily join "other countries" next to Spain in the coming years, and their initial contribution will be very small or slightly negative in the result lines. Talenom's previously excellent visibility is now virtually limited to the Finnish business, which we expect is still progressing on track. However, as the share of others grow, visibility is severely impaired.

We believe Talenom will meet its growth target of more than 30% if it so wishes. However, in our own estimates we expect the growth rate for 2023-2025 to be around 24% on average. Our estimates naturally include acquisitions (organically 10% which we believe to be realistic), but we expect that this is close to the growth rate that Talenom can achieve without using its own share in acquisitions. Simply

including acquisitions in the projections already increases complexity, but the use of own shares and assessment of possible dilution add a new dimension. In our forecasts, we aim to make our earnings estimates as realistic as possible: the increasing potential of the growth rate will be seen later. In the scenario now used in the estimates, Talenom's balance sheet weakens in the coming years, but remains in a tolerable condition without using own share.

## Earnings potential grows, but earnings growth is subdued in the next few years

We have previously estimated that Talenom is able to achieve a medium-term growth rate of about 20%, thanks to its very strong competitive advantages. Now, earnings growth seems to be overshadowed by the growth spurt, and we expect EPS to grow by about 14% 2022e-2025e (CAGR). Before 2025, profitability will dip, which may well result in significantly slower earnings growth.

Estimate revisions	2022e	2022e	Change	2023e	2023e	Change	2024e	2024e	Change
MEUR / EUR	Old	New	%	Old	New	%	Old	New	%
Revenue	104	103	-1%	128	128	1%	153	159	4%
EBITDA	34.3	33.2	-3%	38.9	37.5	-4%	45.5	42.5	-7%
EBIT (exc. NRIs)	17.6	16.4	-6%	20.9	17.5	-16%	26.8	20.0	-25%
EBIT	17.6	16.4	-6%	20.9	17.5	-16%	26.8	20.0	-25%
PTP	16.9	15.7	-7%	19.9	16.2	-19%	25.6	17.5	-32%
EPS (excl. NRIs)	0.30	0.28	-8%	0.35	0.28	-19%	0.45	0.30	-32%
DPS	0.20	0.18	-8%	0.23	0.19	-19%	0.29	0.20	-32%



# Valuation looks very different now

## The pricing picture has changed clearly

Talenom's share has fallen by nearly 24% from our previous update, as long-term interest rates have returned to growth and concerns about economic development have also increased. We also believe that Talenom's investment profile has changed. The previously relatively low risk defensive growth company is now increasingly moving to Europe, where the company does not have the same track record as in Finland. We believe that this clearly raises the risk profile of Talenom, which is still reasonable. On the other hand, the strategic choice to aggressively invest in international growth should strongly increase Talenom's future potential, which makes the company more of a growth stock. Sacrificing the earnings level of the next few years moves the aiming points further, and Talenom demands considerable patience from investors. Even in the positive scenario, concrete proof of the strategy's success is not expected until 2024-2025, when at least Sweden's profitability potential should be visible. In the current uncertain market situation, patience has been low, which may lead to significantly better buying opportunities into Talenom's growth story.

## Valuation multiples are high considering the earnings growth in the coming years

Despite a strong share price drop Talenom's longer-term valuation multiples have not decreased due to negative estimate changes. The 2023e P/E is now 33x and EV/EBIT about 29x, which are roughly at the same level as in our previous update. In the past, we expected Talenom to return quickly to the 20% earnings growth path, but now we believe a significant earnings improvement is not expected until 2025-2026. Compared to the expected growth rate

in 2023-2024, the share is currently relatively expensive, which reduces its attractiveness. An investor that buys now must have strong confidence that Talenom is reasonably successful in internationalization, and that the "built-in" substantial earnings growth of acquisitions is realized in the long term.

## Relative valuation is very tight

Talenom is expensive relative to its closest peers. The valuation level of Tilitoimisto Aallon Group is very moderate (P/E 2023e 12x), but we believe Talenom's competitive advantage and earnings growth outlook is clearly stronger. Admicom and the Swedish Fortnox are interesting but they are SaaS companies. As a result of the hiccup in Admicom's growth story, its valuation is already significantly cheaper than Talenom's (2023e P/E 17x). Fortnox's (2023e ~ 56x) multiples are much higher, but so are the earnings growth expectations. Administer would also be an interesting addition to the peer group, but there is no consensus estimates available for the company.

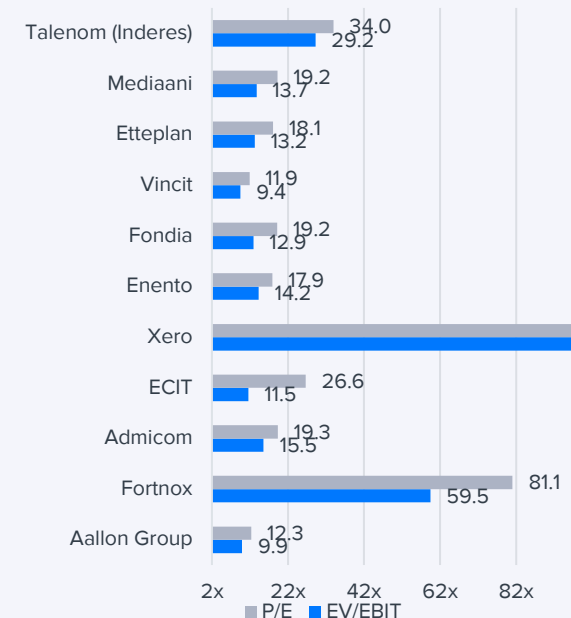
## Among the most interesting equity stories in Finland

The equity story of Talenom has many attractive elements and opportunities that few listed companies in Helsinki have. Most of the business is recurring, defensive, profitability is partially scalable, and competitive advantages are strong. The company already has a strong position in the growing, defensive and transforming accounting services industry, and we estimate Talenom to be one of the future winners at least in Finland. Add the new opportunities on international markets to this and you have a highly attractive equity story. The story requires years, however, and we believe that you can board it later with a better risk/return ratio.

Valuation	2022e	2023e	2024e
Share price	9.39	9.39	9.39
Number of shares, millions	45.0	45.5	46.0
Market cap	422	427	432
EV	481	502	522
P/E (adj.)	34.0	33.0	31.2
P/E	34.0	33.0	31.2
P/FCF	neg.	neg.	neg.
P/B	8.4	7.8	7.1
P/S	4.1	3.3	2.7
EV/Sales	4.7	3.9	3.3
EV/EBITDA	14.5	13.4	12.3
EV/EBIT (adj.)	29.2	28.7	26.1
Payout ratio (%)	65.0 %	65.0 %	65.0 %
Dividend yield-%	1.9 %	2.0 %	2.1 %

Source: Inderes

## Peer group's valuation multiples (2022e)

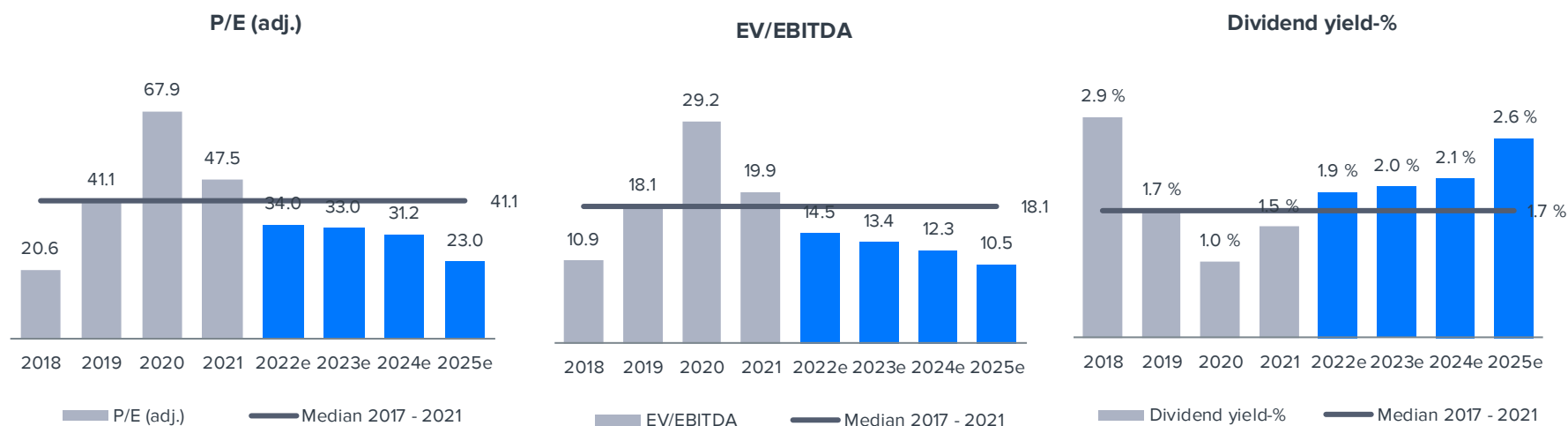




# Valuation table

Valuation	2017	2018	2019	2020	2021	2022e	2023e	2024e	2025e
Share price	2.13	3.18	7.50	15.1	11.7	9.39	9.39	9.39	9.39
Number of shares, millions	40.9	41.2	41.7	43.2	43.8	45.0	45.5	46.0	46.5
Market cap	87	131	313	650	512	422	427	432	436
EV	105	149	342	679	552	481	502	522	535
P/E (adj.)	23.4	20.6	41.1	67.9	47.5	34.0	33.0	31.2	23.0
P/E	25.5	20.6	41.1	67.9	47.5	34.0	33.0	31.2	23.0
P/FCF	40.3	90.2	neg.	>100	neg.	neg.	neg.	neg.	>100
P/B	6.2	7.0	13.3	20.2	11.5	8.4	7.8	7.1	6.2
P/S	2.1	2.7	5.4	10.0	6.2	4.1	3.3	2.7	2.2
EV/Sales	2.5	3.1	5.9	10.4	6.7	4.7	3.9	3.3	2.7
EV/EBITDA	11.0	10.9	18.1	29.2	19.9	14.5	13.4	12.3	10.5
EV/EBIT (adj.)	20.3	17.5	32.8	52.7	37.4	29.2	28.7	26.1	19.9
Payout ratio (%)	63.9 %	59.4 %	68.4 %	67.7 %	69.0 %	65.0 %	65.0 %	65.0 %	60.0 %
Dividend yield-%	2.5 %	2.9 %	1.7 %	1.0 %	1.5 %	1.9 %	2.0 %	2.1 %	2.6 %

Source: Inderes



# Peer group valuation

Peer group valuation	Market cap	EV	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%	
Company	MEUR	MEUR	2022e	2023e	2022e	2023e	2022e	2023e	2022e	2023e	2022e	2023e
Aallon Group	36	35	9.9	8.7	9.1	7.9	1.2	1.1	12.3	12.0	2.4	3.0
Fortnox	2545	2550	59.5	41.3	47.3	34.1	22.0	16.5	81.1	55.7	0.2	0.3
Admicom	219	220	15.5	14.3	15.0	14.1	7.0	6.1	19.3	17.7	3.0	3.1
ECIT	220	263	11.5	8.7	6.5	5.2	0.9	0.8	26.6	18.5	1.2	1.8
Xero	7256	7256	267.8	142.2	63.6	41.1	11.7	9.0	1789.3	200.2		
Enento	469	622	14	13	10	10	3.7	3.5	18	15	5.3	5.7
Fondia	24	20	12.9	9.8	9.4	7.3	0.9	0.8	19.2	15.3	4.7	4.7
Vincit	66	55	9.4	4.6	9.6	4.3	0.7	0.5	11.9	7.6	2.5	6.0
Gofore	325	310	15.1	12.3	14.0	11.3	2.1	1.7	19.6	16.3	1.7	1.9
Etteplan	325	394	13.2	12.6	8.2	7.3	1.1	1.0	18.1	15.3	2.5	3.3
<b>Talenom (Inderes)</b>	<b>422</b>	<b>481</b>	<b>29.2</b>	<b>28.7</b>	<b>14.5</b>	<b>13.4</b>	<b>4.7</b>	<b>3.9</b>	<b>34.0</b>	<b>33.0</b>	<b>1.9</b>	<b>2.0</b>
<b>Average</b>			<b>42.9</b>	<b>25.2</b>	<b>18.5</b>	<b>13.4</b>	<b>4.7</b>	<b>3.8</b>	<b>201.5</b>	<b>35.6</b>	<b>2.6</b>	<b>3.3</b>
<b>Median</b>			<b>13.7</b>	<b>12.3</b>	<b>10.3</b>	<b>7.9</b>	<b>1.2</b>	<b>1.1</b>	<b>19.2</b>	<b>16.3</b>	<b>2.5</b>	<b>3.2</b>
<b>Diff-% to median</b>			<b>113%</b>	<b>134%</b>	<b>41%</b>	<b>71%</b>	<b>292%</b>	<b>265%</b>	<b>77%</b>	<b>102%</b>	<b>-23%</b>	<b>-38%</b>

Source: Refinitiv / Inderes. NB: The market cap Inderes uses does not consider own shares held by the company.

# Income statement

Income statement	2020	Q1'21	Q2'21	Q3'21	Q4'21	2021	Q1'22	Q2'22	Q3'22	Q4'22e	2022e	2023e	2024e	2025e
Revenue	65.2	20.3	21.4	19.4	21.8	82.8	25.2	27.0	23.6	27.2	103	128	159	194
EBITDA	23.3	7.2	7.2	6.7	6.6	27.7	8.9	9.3	7.3	7.8	33.2	37.5	42.5	50.9
Depreciation	-10.4	-2.8	-3.1	-3.2	-3.8	-12.9	-4.0	-4.2	-4.2	-4.4	-16.8	-20.0	-22.5	-24.0
EBIT (excl. NRI)	12.9	4.4	4.1	3.4	2.8	14.8	4.9	5.1	3.1	3.4	16.4	17.5	20.0	26.9
EBIT	12.9	4.4	4.1	3.4	2.8	14.8	4.9	5.1	3.1	3.4	16.4	17.5	20.0	26.9
Net financial items	-0.9	-0.2	-0.3	-0.2	-0.2	-0.8	-0.1	-0.1	-0.3	-0.3	-0.8	-1.3	-2.5	-2.9
PTP	12.0	4.2	3.8	3.3	2.6	14.0	4.7	5.1	2.8	3.1	15.7	16.2	17.5	24.0
Taxes	-2.4	-0.9	-0.8	-0.8	-0.8	-3.2	-1.0	-1.0	-0.6	-0.6	-3.2	-3.2	-3.7	-5.0
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	9.6	3.3	3.1	2.5	1.9	10.8	3.7	4.1	2.2	2.5	12.4	13.0	13.9	19.0
EPS (adj.)	0.22	0.08	0.07	0.06	0.04	0.25	0.09	0.09	0.05	0.05	0.28	0.28	0.30	0.41
EPS (rep.)	0.22	0.08	0.07	0.06	0.04	0.25	0.09	0.09	0.05	0.05	0.28	0.28	0.30	0.41

Key figures	2020	Q1'21	Q2'21	Q3'21	Q4'21	2021	Q1'22	Q2'22	Q3'22	Q4'22e	2022e	2023e	2024e	2025e
Revenue growth-%	12.4 %	17.0 %	29.6 %	30.4 %	32.2 %	27.1 %	24.1 %	26.2 %	21.7 %	25.0 %	24.3 %	24.7 %	23.6 %	22.5 %
Adjusted EBIT growth-%	23.7 %	18.7 %	15.2 %	9.6 %	14.1 %	14.6 %	10.2 %	24.0 %	-10.8 %	22.1 %	11.4 %	6.4 %	14.5 %	34.3 %
EBITDA-%	35.7 %	35.4 %	33.7 %	34.5 %	30.3 %	33.4 %	35.2 %	34.4 %	30.8 %	28.6 %	32.3 %	29.2 %	26.8 %	26.2 %
Adjusted EBIT-%	19.8 %	21.7 %	19.4 %	17.8 %	12.7 %	17.8 %	19.3 %	19.0 %	13.0 %	12.4 %	16.0 %	13.6 %	12.6 %	13.8 %
Net earnings-%	14.7 %	16.5 %	14.3 %	13.1 %	8.5 %	13.0 %	14.9 %	15.0 %	9.2 %	9.1 %	12.1 %	10.1 %	8.7 %	9.8 %

Source: Inderes

# Balance sheet

Assets	2020	2021	2022e	2023e	2024e
<b>Non-current assets</b>	<b>66.1</b>	<b>96.0</b>	<b>123</b>	<b>150</b>	<b>173</b>
Goodwill	24.0	37.3	51.3	65.3	79.3
Intangible assets	31.3	46.4	59.1	70.4	79.5
Tangible assets	2.5	2.8	3.3	4.5	4.3
Associated companies	0.0	0.0	0.0	0.0	0.0
Other investments	0.3	0.9	0.9	0.9	0.9
Other non-current assets	8.0	8.6	8.7	8.8	8.9
Deferred tax assets	0.1	0.1	0.1	0.1	0.1
<b>Current assets</b>	<b>16.2</b>	<b>20.0</b>	<b>24.8</b>	<b>29.8</b>	<b>36.9</b>
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	7.1	9.8	12.2	14.1	17.5
Cash and equivalents	9.1	10.1	12.6	15.7	19.4
<b>Balance sheet total</b>	<b>84.9</b>	<b>118</b>	<b>149</b>	<b>179</b>	<b>209</b>

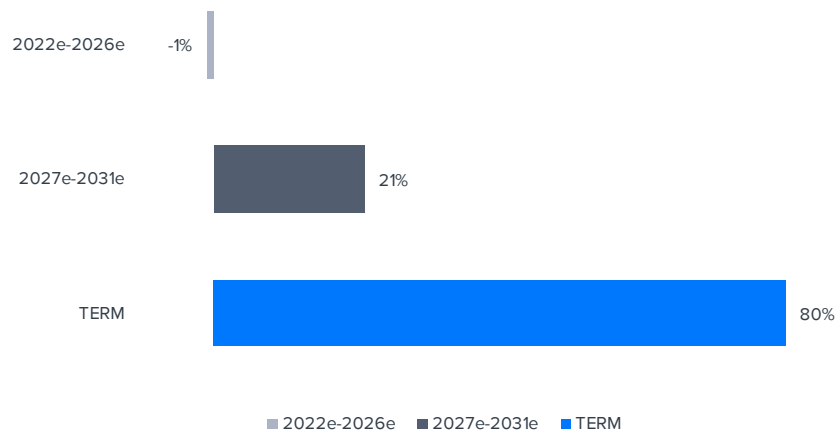
Source: Inderes

Liabilities & equity	2020	2021	2022e	2023e	2024e
<b>Equity</b>	<b>32.2</b>	<b>44.7</b>	<b>50.1</b>	<b>55.0</b>	<b>60.4</b>
Share capital	0.1	0.1	0.1	0.1	0.1
Retained earnings	17.3	23.1	28.0	32.9	38.3
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	0.0	0.0	0.0	0.0	0.0
Other equity	14.8	21.6	22.0	22.0	22.0
Minorities	0.0	0.0	0.0	0.0	0.0
<b>Non-current liabilities</b>	<b>37.1</b>	<b>50.4</b>	<b>67.4</b>	<b>83.3</b>	<b>94.5</b>
Deferred tax liabilities	0.7	2.0	2.0	2.0	2.0
Provisions	0.0	0.0	0.0	0.0	0.0
Long term debt	35.9	46.2	63.1	79.1	90.2
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	0.6	2.2	2.2	2.2	2.2
<b>Current liabilities</b>	<b>15.6</b>	<b>22.6</b>	<b>31.2</b>	<b>40.3</b>	<b>54.2</b>
Short term debt	2.3	3.2	7.8	11.8	19.6
Payables	12.1	16.6	20.6	25.7	31.8
Other current liabilities	1.2	2.9	2.9	2.9	2.9
<b>Balance sheet total</b>	<b>84.9</b>	<b>118</b>	<b>149</b>	<b>179</b>	<b>209</b>

# DCF calculation

DCF model	2021	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	TERM
Revenue growth-%	27.1%	24.3%	24.7%	23.6%	22.5%	15.0%	12.0%	8.0%	6.0%	5.0%	3.0%	3.0%
EBIT-%	17.8%	16.0%	13.6%	12.6%	13.8%	15.0%	17.0%	17.0%	17.0%	17.0%	17.0%	17.0%
<b>EBIT (operating profit)</b>	<b>14.8</b>	<b>16.4</b>	<b>17.5</b>	<b>20.0</b>	<b>26.9</b>	<b>33.5</b>	<b>42.6</b>	<b>46.0</b>	<b>48.7</b>	<b>51.2</b>	<b>52.7</b>	
+ Depreciation	12.9	16.8	20.0	22.5	24.0	25.6	28.3	30.3	30.8	31.9	32.7	
- Paid taxes	-1.9	-3.2	-3.2	-3.7	-5.0	-6.4	-8.2	-9.0	-9.6	-10.2	-10.5	
- Tax, financial expenses	-0.2	-0.2	-0.3	-0.5	-0.6	-0.7	-0.7	-0.7	-0.6	-0.6	-0.6	
+ 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	3.3	1.6	3.2	2.7	3.2	2.6	2.4	1.8	1.5	1.3	0.8	
<b>Operating cash flow</b>	<b>28.9</b>	<b>31.5</b>	<b>37.2</b>	<b>41.0</b>	<b>48.5</b>	<b>54.7</b>	<b>64.4</b>	<b>68.4</b>	<b>70.8</b>	<b>73.6</b>	<b>75.2</b>	
+ Change in other long-term liabilities	1.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-41.9	-42.9	-44.9	-45.9	-44.9	-34.0	-33.6	-29.4	-33.3	-33.4	-35.5	
<b>Free operating cash flow</b>	<b>-11.3</b>	<b>-11.4</b>	<b>-7.7</b>	<b>-4.9</b>	<b>3.6</b>	<b>20.8</b>	<b>30.8</b>	<b>39.1</b>	<b>37.5</b>	<b>40.2</b>	<b>39.7</b>	
+/- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	-11.3	-11.4	-7.7	-4.9	3.6	20.8	30.8	39.1	37.5	40.2	39.7	823
<b>Discounted FCFF</b>		<b>-11.3</b>	<b>-7.0</b>	<b>-4.1</b>	<b>2.8</b>	<b>15.1</b>	<b>20.7</b>	<b>24.3</b>	<b>21.6</b>	<b>21.5</b>	<b>19.6</b>	<b>407</b>
Sum of FCFF present value		510	522	529	533	530	515	494	470	448	427	407
<b>Enterprise value DCF</b>		<b>510</b>										
- Interesting bearing debt		-49.3										
+ Cash and cash equivalents		10.1										
-Minorities		0.0										
-Dividend/capital return		-7.4										
<b>Equity value DCF</b>		<b>464</b>										
<b>Equity value DCF per share</b>		<b>10.3</b>										
<b>Wacc</b>												
Tax-% (WACC)		20.0%										
Target debt ratio (D/(D+E))		15.0%										
Cost of debt		3.0%										
Equity Beta		1.20										
Market risk premium		4.75%										
Liquidity premium		0.75%										
Risk free interest rate		2.5%										
<b>Cost of equity</b>		<b>9.0%</b>										
<b>Weighted average cost of capital (WACC)</b>		<b>8.0%</b>										

## Cash flow distribution



# Summary

Income statement	2019	2020	2021	2022e	2023e	Per share data	2019	2020	2021	2022e	2023e
Revenue	58.0	65.2	82.8	103.0	128.4	EPS (reported)	0.18	0.22	0.25	0.28	0.28
EBITDA	18.9	23.3	27.7	33.2	37.5	EPS (adj.)	0.18	0.22	0.25	0.28	0.28
EBIT	10.4	12.9	14.8	16.4	17.5	OCF / share	0.44	0.54	0.66	0.70	0.82
PTP	9.6	12.0	14.0	15.7	16.2	FCF / share	-0.18	0.04	-0.26	-0.25	-0.17
Net Income	7.6	9.6	10.8	12.4	13.0	Book value / share	0.57	0.74	1.02	1.11	1.21
Extraordinary items	0.0	0.0	0.0	0.0	0.0	Dividend / share	0.13	0.15	0.17	0.18	0.19
Balance sheet	2019	2020	2021	2022e	2023e	Growth and profitability	2019	2020	2021	2022e	2023e
Balance sheet total	71.3	84.9	117.7	148.7	178.6	Revenue growth-%	19%	12%	27%	24%	25%
Equity capital	23.6	32.2	44.7	50.1	55.0	EBITDA growth-%	38%	23%	19%	20%	13%
Goodwill	20.7	24.0	37.3	51.3	65.3	EBIT (adj.) growth-%	22%	24%	15%	11%	6%
Net debt	29.2	29.0	39.2	58.3	75.2	EPS (adj.) growth-%	18%	21%	11%	12%	3%
Cash flow	2019	2020	2021	2022e	2023e	EBITDA-%	32.6 %	35.7 %	33.4 %	32.3 %	29.2 %
EBITDA	18.9	23.3	27.7	33.2	37.5	EBIT (adj.)-%	18.0 %	19.8 %	17.8 %	16.0 %	13.6 %
Change in working capital	1.2	2.4	3.3	1.6	3.2	EBIT-%	18.0 %	19.8 %	17.8 %	16.0 %	13.6 %
Operating cash flow	18.3	23.5	28.9	31.5	37.2	ROE-%	36.0 %	34.4 %	28.1 %	26.2 %	24.7 %
CAPEX	-25.7	-22.2	-41.9	-42.9	-44.9	ROI-%	20.2 %	19.8 %	18.0 %	15.3 %	13.1 %
Free cash flow	-7.6	1.8	-11.3	-11.4	-7.7	Equity ratio	33.2 %	38.1 %	38.2 %	33.9 %	31.0 %
						Gearing	123.9 %	90.3 %	87.7 %	116.5 %	136.7 %
Valuation multiples	2019	2020	2021	2022e	2023e						
EV/S	5.9	10.4	6.7	4.7	3.9						
EV/EBITDA (adj.)	18.1	29.2	19.9	14.5	13.4						
EV/EBIT (adj.)	32.8	52.7	37.4	29.2	28.7						
P/E (adj.)	41.1	67.9	47.5	34.0	33.0						
P/E	13.3	20.2	11.5	8.4	7.8						
Dividend-%	1.7 %	1.0 %	1.5 %	1.9 %	2.0 %						

Source: Inderes

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Based on a notification received on December 18, 2017 Inderes' analyst Juha Kinnunen has a holding of over EUR 50,000 in the target company Talenom Oyj.

## Recommendation history (>12 mo)

1/5 split on 2/25/2020, share prices and target prices adjusted

Date	Recommendation	Target price	Share price
05-02-19	Accumulate	4.17 €	3.83 €
25-02-19	Accumulate	4.42 €	3.97 €
05-04-19	Accumulate	5.33 €	4.82 €
24-04-19	Accumulate	6.00 €	5.33 €
05-06-19	Reduce	6.00 €	5.85 €
24-07-19	Accumulate	6.00 €	5.68 €
30-07-19	Accumulate	6.33 €	6.02 €
22-10-19	Accumulate	6.33 €	5.67 €
08-01-20	Reduce	7.33 €	7.42 €
04-02-20	Reduce	7.00 €	6.97 €
26-02-20	Accumulate	6.80 €	6.40 €
01-04-20	Reduce	6.00 €	5.88 €
28-04-20	Accumulate	7.50 €	7.14 €
15-06-20	Reduce	8.20 €	8.20 €
04-08-20	Reduce	9.00 €	9.32 €
27-10-20	Reduce	10.00 €	10.20 €
19-11-20	Reduce	12.00 €	12.20 €
09-02-21	Reduce	12.00 €	12.50 €
02-03-21	Accumulate	12.00 €	11.15 €
27-04-21	Reduce	14.00 €	14.12 €
03-08-21	Reduce	16.00 €	16.72 €
01-10-21	Accumulate	15.00 €	13.98 €
02-11-21	Accumulate	15.50 €	14.50 €
17-12-21	Accumulate	13.50 €	11.92 €
09-02-22	Buy	12.00 €	9.84 €
13-04-22	Buy	12.00 €	9.99 €
27-04-22	Buy	12.00 €	10.00 €
03-08-22	Reduce	12.50 €	12.30 €
26-10-22	Reduce	9.50 €	9.39 €





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