

Professional Business Support Services

Key data

Price (EUR)*	41.8
Country	Finland
Bloomberg	TNOM.FH
Reuters	TNOM.HE
Free float	59.6%
Market cap (EURm)	291
Net debt (current Y/E) (EURm)	28
No. of shares (m)	7.0
Next event	Q1: 27-Apr

* Price as at close on 3 February 2020

CEO	Otto-Pekka Huhtala
CFO	Antti Aho

Company description

Talenom is an accountancy company operating in Finland and since 2019 also in Sweden. Talenom offers a wide range of accountancy and other services including tax and legal advisory and financial management tools for SMEs. Talenom has ca. 700 employees and 40 locations. Talenom has ca. 5% market share in the fragmented Finnish market. In June 2015, Talenom was listed on the Helsinki First North Growth Market and in June 2017 to the main list of Nasdaq Helsinki.

Ownership structure

Harri Tahkola	20.9%
Markus Tahkola	13.2%
Ilimarinen Mutual Pension Insurance Co	11.8%
Eveli Finnish Small Cap Fund	5.7%
Skandinaviska Enskilda Banken Ab (Nk)	5.0%

Source: Company data (3 February 2020)

Estimate changes

	20E	21E	22E
Sales	-1.0%	-1.0%	-1.0%
EBITDA	0.0%	0.0%	0.0%
EBIT (adj.)	-13.9%	-7.1%	-3.5%
EPS (adj.)	n.m.	n.m.	n.m.

Source: Danske Bank Equity Research estimates

Analyst(s)

Panu Laitinmäki

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Important disclosures and certifications are contained from page 11 of this report

Talenom

Growth case on track, margin expansion slower

Talenom reported Q4 EBIT below our expectations and the 2020 outlook comments point to a flattish EBIT margin, contrary to our earlier expectation of a continued increase. We have cut our 2020-22 EBIT estimates but leave sales almost unchanged. We continue to see Talenom as an attractive growth case that is still in the early stages, given only 5% market share in Finland and its recent entry to Sweden.

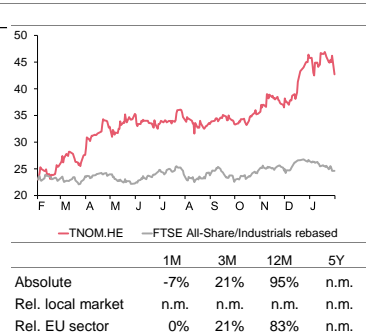
- Q4 growth strong, EBIT margin lower y/y.** Sales growth was 19.6% y/y in Q4, mainly driven by new customers. However, EBIT was flat y/y following strong growth of 26% in 9M 19. This was partly explained by changed seasonality related to a regulation change. Other reasons included higher depreciation and personnel costs (bonus related, we believe).
- 2020 guidance unchanged but softer tone.** Talenom already gave 2020 guidance after the Q3 report, expecting 2020 to be similar to 2019 (sales growth of 18.6% y/y and EBIT margin 18.0%, up from 17.5% in 2018). However, now it sounds like it means the same level of margins and not a similar increase y/y, as we had understood after Q3 comments. Talenom said automation benefits would not be fully visible in margins as the company invests in growth and better service for customers. Depreciation is higher because a new version of its own software was completed in Q4. Acquired units have lower margins vs the group. Talenom is targeting even smaller customers now, enabled by a higher level of automation. This was communicated earlier, but may burden margins short term, we believe.
- Estimate changes.** We maintain our sales estimates for 2020-22 almost unchanged, but cut 2020E EBIT by 14%, 2021E by 7% and 2022E by 3% due to lower margin assumptions. We now expect a 2020E EBIT margin of 18.7%, up slightly from 18.0% in 2019.
- Valuation.** The shares traded down almost 10% on the results but remain up 91% over the past 12 months. Valuation multiples are high at 13.0x 2020E EV/EBITDA and 21.3x 2020E EV/EBIT, but these are justified in our view given high growth, a scalable business model and stability in the existing business (low cyclicality of markets, recurring revenues and low customer churn). We estimate EV/EBIT to fall to 14.3x by 2022. We cut our 12M fair value range to EUR42.50-47.50 (was EUR47.50-52.50) due to estimate cuts.

Key financials

Year-end Dec (EUR)	2018	2019	2020E	2021E	2022E
Revenues (m)	49	58	69	80	91
Revenues growth	18.0%	18.6%	18.5%	16.0%	14.0%
EBITDA (m)	14	20	24	28	31
EBIT adj. (m)	9	10	13	16	19
EBIT growth	65.9%	21.8%	23.3%	27.5%	19.1%
Pre-tax profit (m)	8	10	12	15	19
EPS adj.	0.93	1.10	1.36	1.77	2.13
DPS	0.55	0.75	0.85	1.10	1.20
Dividend yield	2.9%	1.7%	2.0%	2.6%	2.9%
FCF yield (incl. recurr capex)	2.9%	2.3%	2.9%	3.8%	4.4%
EBIT margin (adj.)	17.5%	18.0%	18.7%	20.5%	21.5%
Net debt/EBITDA (x)	1.3	1.1	0.8	0.6	0.4
ROIC	20.0%	22.3%	21.5%	25.4%	27.8%
EV/sales (x)	3.0	5.8	4.5	3.9	3.4
EV/EBITDA (adj.) (x)	10.9	17.2	13.0	11.0	9.8
EV/EBIT (x)	17.4	25.8	18.7	15.9	13.8
EV/EBIT (adj.) (x)	17.4	27.7	21.3	17.0	14.3
P/E (adj.) (x)	20.5	40.9	30.7	23.6	19.7

Source: Company data, Danske Bank Equity Research estimates

Price performance



Source: FactSet

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Q4 19 review

Talenom's Q4 sales were close to our expectations. Sales growth was 19.6% y/y, as compared with our estimate of 22.0%. FY 19 sales grew 18.6% y/y, in line with Talenom's guidance for growth to be better than the 18.0% in 2018. Most of the growth came from new customers, according to management. Billing for existing customers did increase somewhat, but the impact was not significant, we believe.

The bigger deviation was in EBIT, which was flat y/y and 38% below our estimate. Talenom explained that Q4 sales and EBIT had a EUR0.3m negative impact from a change in regulation, which results in different seasonality, as some payroll-related accounting work is now done throughout the year and not around Q4. This impact will be seen in Q1 as well. However, even taking that into account, Q4 EBIT margin would have been flat y/y – a change in trend following eight quarters of increasing EBIT margin y/y.

Table 1 : Q4 19 actual vs. expected

EURm	Actual Q4 19	Danske Q4 19	Diff %	Cons. Q4 19	Diff %	Q4 18
Sales	14.9	15.2	-2%	15.1	-1%	12.5
EBITDA	4.0	4.7	-13%	4.7	-14%	3.0
EBIT	1.5	2.4	-38%	2.4	-39%	1.5
Financial items, net	-0.2	-0.2	0%		n.m	-0.2
Pre-tax profit	1.3	2.2	-42%	2.2	-43%	1.3
Net profit	1.0	1.7	-40%	2.0	-49%	1.0
EPS	0.15	0.24	-38%	0.22	-32%	0.14
Sales growth	19.6%	22.0%		21.1%		16.5%
EBITDA growth	33.2%	53.7%		55.0%		34.1%
EBITDA margin	27.1%	30.7%		31.1%		24.3%
EBIT-margin	9.8%	15.5%		15.9%		11.8%

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

2020 guidance had already been given after the Q3 19 results but management comments sounded less bullish to us. Talenom expects 2020 to be "similar" to 2019, without specifying exactly what it means. After the Q3 report, we understood that margins would continue increasing, driven by organic growth and automation of service production. Now, we got the impression that Talenom's guidance means more flattish margins. We believe that Talenom's increasing focus on even smaller customer (less than EUR0.4m in revenues) could burden margins short term, as well as investments in Sweden.

Talenom said that so far everything in Sweden has proceeded as planned or better. The company has had some early successes with cross-border sales i.e. Finnish customers turning to Talenom in Sweden. Management was optimistic that it could ramp up growth in Sweden faster than in Finland, because it can utilise all the experience and know-how accumulated so far in Finland. The Swedish market was said to offer similar potential as Finland. However, it is still early stages in Sweden and we do not expect it to be a large contributor to 2020E growth.

Talenom also commented that there has not been price pressure in the market – on the contrary. Due to increasing cost of software, there is more cost pressure in the accounting services market, which would be positive for pricing of services. Talenom, with its own software, is not exposed to cost risk of external software, we note.

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We have cut our 2020-21E EBIT margins

Table 2 : Quarterly estimates

EURm	2018	Q1 19	Q2 19	Q3 19	Q4 19	2019	Q1 20E	Q2 20E	Q3 20E	Q4 20E	2020E
Sales	48.9	14.8	14.8	13.5	14.9	58.0	17.4	17.6	16.1	17.6	68.7
Growth y/y	18.0%	16.1%	17.7%	21.1%	19.6%	18.5%	18.0%	19.0%	19.0%	18.0%	18.5%
Personnel costs	-26.2	-7.3	-7.7	-7.1	-7.8	-29.9	-8.6	-9.0	-8.3	-9.2	-35.0
% of sales	53.6%	49.7%	52.2%	52.3%	52.4%	51.6%	49.3%	51.0%	51.8%	52.0%	51.0%
Materials & services	-2.6	-0.8	-0.8	-0.8	-1.3	-3.6	-0.9	-0.9	-1.0	-1.5	-4.3
Other costs	-7.1	-1.4	-1.3	-1.4	-1.8	-5.9	-1.8	-1.6	-1.6	-1.9	-7.0
EBITDA	13.7	5.4	5.1	4.5	4.0	19.0	6.2	6.2	5.3	5.1	22.8
EBITDA margin	28.0%	36.4%	34.4%	33.0%	27.1%	32.7%	35.7%	35.4%	32.9%	29.0%	33.3%
D&A	-5.1	-1.9	-1.9	-2.1	-2.5	-8.5	-10.0	-11.0	-12.5	-14.5	-10.0
EBIT	8.5	3.4	3.2	2.4	1.5	10.4	3.7	3.7	2.8	2.6	12.8
EBIT margin	17.5%	23.3%	21.4%	17.4%	10.1%	18.0%	21.4%	21.2%	17.4%	14.7%	18.7%
Net financials	-0.6	-0.2	-0.2	-0.2	-0.2	-0.8	-0.2	-0.2	-0.2	-0.2	-1.0
Pre-tax profit	8.0	3.2	3.0	2.2	1.3	9.6	3.5	3.5	2.6	2.4	11.9
Taxes	-1.6	-0.6	-0.7	-0.5	-0.2	-2.0	-0.7	-0.7	-0.5	-0.5	-2.4
Tax rate	20.1%	18.5%	23.1%	20.9%	17.3%	20.4%	20.0%	20.0%	20.0%	20.0%	20.0%
Net income	6.4	2.6	2.3	1.7	1.0	7.6	2.8	2.8	2.0	1.9	9.5

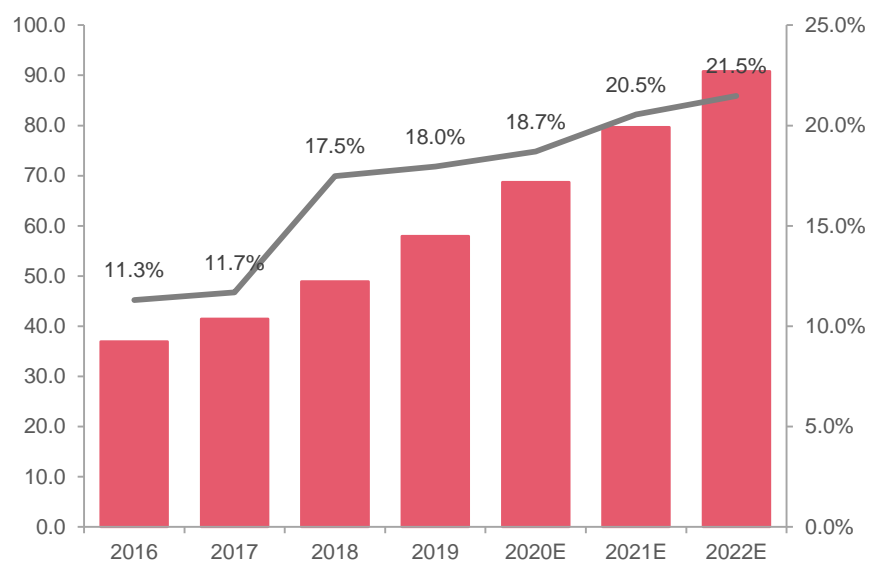
Source: Company data, Danske Bank Equity Research estimates

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 and, since 2019, in Sweden and has a high share of recurring revenues and a scalable business model. Talenom has shown accelerating growth recently and we expect this to continue in the coming years. Despite the strong growth phase, the EBIT margin increased to 18.5% in 2019. Although the shares have performed well, valuation multiples for 2020-21E still look reasonable compared to companies with similar characteristics, in our view.

We discussed our view on Talenom in detail in our recent report, *Talenom – A winning growth model in accounting services, 16 January 2020*.

Chart 1: Talenom sales (EURm) and EBIT margin



Source: Company data, Danske Bank Equity Research estimates

Unique model in a conservative industry

Talenom is a Finnish accounting services provider whose strategy has the following three elements. 1) Talenom aims to provide easy and automated financial processes for customers, which are mainly smaller companies. 2) Talenom has automated the bookkeeping process, which improves profitability. 3) Talenom aims to provide more value-added services to its existing customers, including tax, legal and other advisory services.

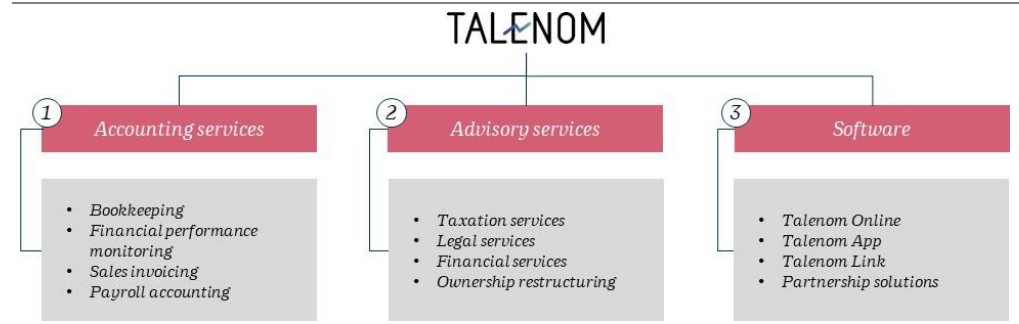
The underlying logic is that through highly automated and efficient processes in basic service production, Talenom can offer more value-added services with existing resources, providing additional revenues and better customer satisfaction.

Talenom's main strategic choices include separation of service production and sales force (which is not typical in this industry) as well as focus on organic growth instead of M&A. Talenom produces most of its services in two centralised service centres. It has invested heavily in own software development and automation of operations and has developed a scalable bookkeeping production line. This has improved profitability and releases personnel resources for value-added advisory services. Organic growth is seen as a better way to grow due to lower total cost and lower risks, but the significant sales force (up to 15% of personnel) 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.

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Talenom’s service offering is described below. Traditional accounting services, including bookkeeping, represented 96% of sales as of H1 19. The value-added services, including advisory and financial services, represented 4% of sales. Talenom has developed its own software but it does not sell it separately. The software is used by Talenom’s own customers and Talenom internally. Therefore, Talenom has no revenues related to software sales. The main advantage of own software is better service for customers (easy-to-use tools) and better efficiency for Talenom that receives most of the accounting material in digital form.

Figure 1. Overview of Talenom’s service offering

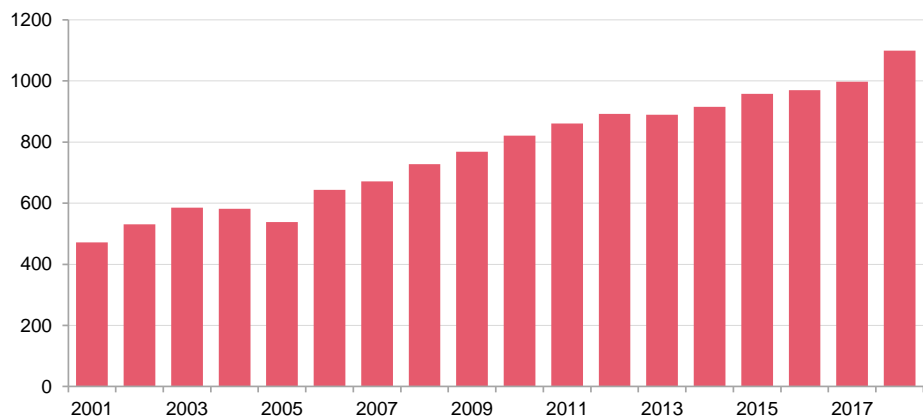


Source: Company data, Danske Bank Equity Research

Defensive but growing market

The Finnish accounting services market has shown healthy growth (4.3% CAGR from 2003 to 2018) and low cyclicalty. Demand has been resilient even in economic downturns because bookkeeping is regulated and companies need to report their finances even in tough times. The market is highly fragmented with >4,000 companies and the top-5 having less than 30% of the market. The market is likely to consolidate as digitalisation puts pressure on smaller providers. In particular, the upcoming software upgrade cycles may drive many smaller entrepreneurs to retire or exit the business, which would be beneficial for Talenom’s new customer acquisition.

Chart 2. Value of Finnish accounting services market (EURm), 2001-18E



Source: Statistics Finland

Sweden is a long-term opportunity

Talenom entered Sweden in April 2019 through a small acquisition (5% of group sales). We believe that the Swedish accounting services market offers similar growth potential as Finland, as it is fragmented and not very advanced in digitalisation. We believe that Talenom is still in a ‘learning phase’ and Sweden’s contribution to growth in the next one to two years is likely to remain small. However, it remains a long-term option and we view it as positive that Talenom

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has taken its first steps in internationalisation early, long before the limits of growth in Finland have been reached. We believe that news related to Sweden (more M&A or acceleration of organic growth) is a potential share price driver.

Valuation

We have reduced our 12M valuation range for Talenom to EUR42.5-47.5 (was EUR47.5-52.5) due to estimate cuts. Our range is still based on similar estimates as previously, i.e. at mid-point, Talenom would be valued in line with Asiakastieto on 2020-21E EV/EBIT and P/E multiples. In our view, the following characteristics support relatively high multiples for Talenom.

- High revenue growth rate and a favourable long-term outlook for further growth (only 5% market share in a fragmented market).
- 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 of <3% we believe) and non-cyclical end-markets.

Table 3. 12M fair value range for Talenom

	Share price						
	37.5	40.0	42.5	45.0	47.5	50.0	52.5
2020E							
EV/EBITDA (x)	12.8	13.5	14.3	15.0	15.8	16.6	17.3
EV/EBIT (x)	22.7	24.0	25.4	26.8	28.1	29.5	30.8
P/E (x)	27.5	29.3	31.2	33.0	34.8	36.7	38.5
FCF yield	2.4%	2.2%	2.1%	2.0%	1.9%	1.8%	1.7%
2021E							
EV/EBITDA (x)	10.6	11.3	11.9	12.5	13.2	13.8	14.5
EV/EBIT (x)	17.7	18.8	19.9	20.9	22.0	23.1	24.1
P/E (x)	21.2	22.6	24.0	25.4	26.9	28.3	29.7
FCF yield	3.4%	3.2%	3.0%	2.9%	2.7%	2.6%	2.4%
2022E							
EV/EBITDA (x)	9.0	9.6	10.1	10.7	11.2	11.7	12.3
EV/EBIT (x)	14.8	15.7	16.6	17.5	18.4	19.3	20.2
P/E (x)	17.6	18.8	20.0	21.2	22.3	23.5	24.7
FCF yield	4.3%	4.0%	3.8%	3.6%	3.4%	3.2%	3.1%

Source: Danske Bank Equity Research estimates

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Table 3. 12M fair value range for Talenom

2020E	37.5	40.0	Share price				
			42.5	45.0	47.5	50.0	52.5
EV/EBITDA (x)	12.8	13.5	14.3	15.0	15.8	16.6	17.3
EV/EBIT (x)	22.7	24.0	25.4	26.8	28.1	29.5	30.8
P/E (x)	27.5	29.3	31.2	33.0	34.8	36.7	38.5
FCF yield	2.4%	2.2%	2.1%	2.0%	1.9%	1.8%	1.7%
2021E	37.5	40.0	42.5	45.0	47.5	50.0	52.5
EV/EBITDA (x)	10.6	11.3	11.9	12.5	13.2	13.8	14.5
EV/EBIT (x)	17.7	18.8	19.9	20.9	22.0	23.1	24.1
P/E (x)	21.2	22.6	24.0	25.4	26.9	28.3	29.7
FCF yield	3.4%	3.2%	3.0%	2.9%	2.7%	2.6%	2.4%
2022E	37.5	40.0	42.5	45.0	47.5	50.0	52.5
EV/EBITDA (x)	9.0	9.6	10.1	10.7	11.2	11.7	12.3
EV/EBIT (x)	14.8	15.7	16.6	17.5	18.4	19.3	20.2
P/E (x)	17.6	18.8	20.0	21.2	22.3	23.5	24.7
FCF yield	4.3%	4.0%	3.8%	3.6%	3.4%	3.2%	3.1%

Source: Danske Bank Equity Research estimates

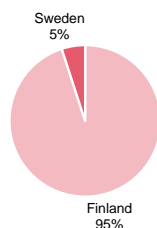
Risks

- Competition and organic growth.** The market is fragmented and barriers to entry are low, because provision of bookkeeping services is not regulated. This could result in price erosion and make it more difficult for Talenom to continue to grow organically through new customer acquisition, if competitors are willing to accept lower prices to keep their customers. In addition, the company has become larger but the average customer size has not grown (on the contrary, Talenom's target is to increasingly focus on smaller companies), which means that Talenom needs to win an ever higher number of customers every year to keep up its high relative growth rate. This is possible but has risks.
- Price pressure.** As a long-term risk, we see increased price pressure in the accounting services industry because of automation and digitalisation, i.e. the same drivers that are beneficial for Talenom currently. As the industry becomes more digitalised and costs of service production decline, price competition could intensify, which in turn would affect Talenom's margins and growth rate negatively.
- Technology risk.** Talenom's competitive advantage in our view is the proprietary software enabling efficiency of operations. Competitors could catch up with Talenom's technology or new competitors could enter the market with disruptive solutions that could reduce bookkeeping companies' share of the total value chain.
- Balance sheet risk.** Talenom has capitalised significant amounts of its customer acquisition and development costs to the balance sheet. If it needs to write down these assets, loan covenants could be at risk (the company has equity ratio-based covenants, in addition to net debt / EBITDA covenant). We believe the risk of write-downs is low, however.

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Company summary

Sales breakdown by geographical area



Sales breakdown by division

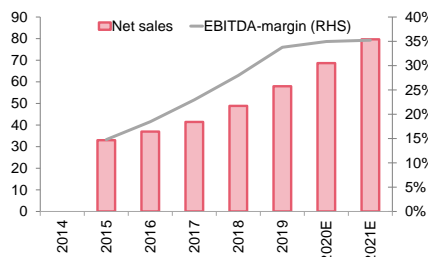
Company information

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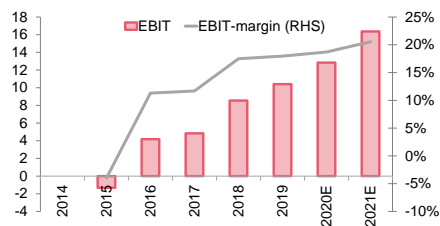
Main shareholders

Name	Votes (%)	Capital (%)
Harri Tahkola	20.9%	20.9%
Markus Tahkola	13.2%	13.2%
Ilmarinen Mutual Pension Insurance Compa	11.8%	11.8%
Evli Finnish Small Cap Fund	5.7%	5.7%
Skandinaviska Enskilda Banken Ab (Nomine	5.7%	5.0%

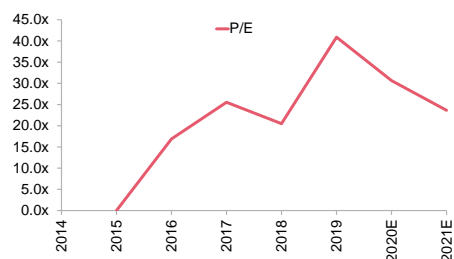
Net sales and EBITDA margin (EURm)



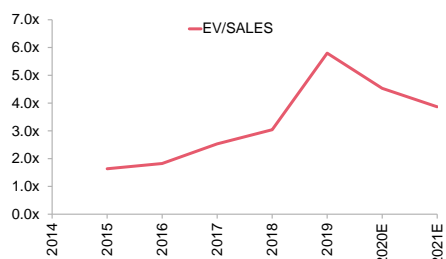
EBIT and EBIT margin (EURm)



P/E NTM



EV/sales NTM (x)



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

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Summary tables

INCOME STATEMENT

Year end Dec, EURm	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E	2023E
Net sales	33	37	41	49	58	69	80	91	103	
Cost of sales & operating costs	-28	-30	-32	-36	-39	-45	-52	-61	-69	
EBITDA	5	7	10	14	20	24	28	31	35	
EBITDA, adj.	5	7	10	14	20	24	28	31	35	
Depreciation	-6	-3	-5	-5	-9	-10	-11	-12	-12	
EBITA	-1	4	5	9	11	15	18	20	23	
EBIT incl. EO, bef. ass.	-1	4	5	9	10	13	16	19	22	
EBIT, adj.	-0	4	5	9	10	13	16	19	22	
Financial items, net	0	-1	-1	-1	-1	-1	-1	-1	-1	
Pre-tax profit	-2	4	4	8	10	12	15	19	21	
Taxes	0	-1	-1	-2	-2	-2	-3	-4	-4	
Net profit, rep.	-2	3	3	6	8	10	12	15	17	
Net profit, adj.	-1	3	4	6	8	10	12	15	17	

CASH FLOW

EURm	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E	2023E
EBITDA	5	7	10	14	20	24	28	31	35	
Change in working capital	0	-0	1	-1	1	-1	0	0	0	
Net interest paid	-1	0	0	0	0	-1	-1	-1	-1	
Taxes paid	-0	-0	-0	-1	-2	-2	-3	-4	-4	
Other operating cash items	0	0	0	0	-0					
Cash flow from operations	4	7	10	12	18	21	24	27	30	
Capex	-8	-5	-7	-8	-11	-13	-15	-16	-16	
Div to min										
Free cash flow	-4	2	2	4	7	9	11	13	16	
Disposals/(acquisitions)		-0		-1	-2					
Free cash flow to equity	-4	1	2	3	5	9	11	13	16	
Dividend paid		-0	-1	-2	-4	-5	-6	-8	-8	
Share buybacks	-0									
New issue common stock	7			-0						
Incr./(decr.) in debt	2	-1		1						
Minorities & other financing CF	-1	-1	-1	-1	0	0	-2	-2	-2	
Cash flow from financing	8	-2	-2	-2	-3	-5	-8	-9	-10	
Disc. ops & other										
Incr./(decr.) in cash	4	-1	1	1	2	2	3	3	5	

BALANCE SHEET

EURm	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E	2023E
Cash & cash equivalents	5	4	5	6	8	8	4	7	11	16
Inventory										
Trade receivables	4	5	5	5	7	8	9	10	12	
Other current assets		0	0	0						
Goodwill	18	18	18	18	21	21	21	21	21	
Other intangible assets	10	7	8	10	15	13	13	13	13	
Fixed tangible assets	2	3	3	2	3	12	17	22	27	
Associated companies										
Other non-current assets	0	5	7	9	10	10	10	10	10	
Total assets	41	42	46	51	71	74	84	94	105	
Shareholders' equity	10	12	14	19	24	28	34	41	50	
Of which minority interests										
Current liabilities	7	7	9	9	11	11	13	14	16	
Interest-bearing debt	24	23	23	24	30	30	30	30	30	
Pension liabilities										
Oth non-curr. liabilities		0	0	0	1	1	1	1	1	
Total liabilities	31	31	32	33	48	50	52	54	56	
Total liabilities and equity	41	42	46	51	71	78	86	96	106	
Net debt	18	18	18	18	22	20	17	13	8	

Source: Company data, Danske Bank Equity Research estimates

Summary tables

PER SHARE DATA	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E	2023E
No. of shares, fully diluted (y.e.) (m)		6.8	6.8	6.8	6.9	7.0	7.0	7.0	7.0	7.0
No. of shares, fully diluted (avg.) (m)		6.8	6.8	6.8	6.8	6.9	7.0	7.0	7.0	7.0
EPS (EUR)		-0.36	0.43	0.50	0.93	1.10	1.36	1.77	2.13	2.42
EPS adj. (EUR)		-0.21	0.43	0.55	0.93	1.10	1.36	1.77	2.13	2.42
DPS (EUR)		0.07	0.20	0.32	0.55	0.75	0.85	1.10	1.20	1.30
CFFO/share (EUR)		0.6	1.0	1.4	1.8	2.6	3.0	3.5	3.9	4.3
Book value/share (EUR)		1.46	1.72	2.05	2.72	3.38	3.99	4.91	5.94	7.16
MARGINS AND GROWTH	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E	2023E
EBITDA margin		14.8%	18.5%	23.0%	28.0%	33.8%	35.0%	35.2%	34.3%	33.9%
EBITA margin		-4.0%	11.3%	11.7%	17.5%	19.5%	21.7%	22.1%	22.2%	22.7%
EBIT margin		-4.0%	11.3%	11.7%	17.5%	18.0%	18.7%	20.5%	21.5%	21.5%
EBIT adj margin		-1.0%	11.3%	12.4%	17.5%	18.0%	18.7%	20.5%	21.5%	21.5%
Sales growth			12.0%	12.1%	18.0%	18.6%	18.5%	16.0%	14.0%	13.0%
EBITDA growth			39.9%	39.4%	43.8%	43.1%	22.7%	16.9%	11.1%	11.7%
EBITA growth			n.m.	15.9%	76.5%	32.4%	31.7%	18.2%	14.7%	15.3%
EPS adj growth			n.m.	28.3%	70.2%	18.3%	23.9%	29.7%	20.3%	13.9%
PROFITABILITY	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E	2023E
ROIC (after tax, incl. GW, adj.)		-2.4%	11.5%	13.2%	20.0%	22.3%	21.5%	25.4%	27.8%	29.2%
ROIC (after tax, excl. GW, adj.)		-6.8%	31.2%	32.5%	43.2%	47.3%	36.5%	39.5%	41.4%	41.9%
ROE (adj.)		-29.4%	26.8%	29.0%	39.0%	36.0%	37.0%	39.7%	39.2%	37.0%
ROIC (adj.) - WACC		-9.9%	3.9%	5.6%	12.4%	14.8%	13.9%	17.8%	20.2%	21.6%
MARKET VALUE	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E	2023E
Share price (EUR)		5.26	7.20	12.8	19.1	45.0	41.8	41.8	41.8	41.8
No. shares reduced by buybacks (m)		6.8	6.8	6.8	6.9	7.0	7.0	7.0	7.0	7.0
Mkt cap used in EV (m)		36	49	87	131	314	291	291	291	291
Net debt, year-end (m)		18	18	18	18	22	20	17	13	8
MV of min/ass and oth (m)		0	0	0	0	0	0	0	0	0
Enterprise value (m)		54	67	105	149	336	311	308	305	300
VALUATION	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E	2023E
EV/sales (x)		1.6	1.8	2.5	3.0	5.8	4.5	3.9	3.4	2.9
EV/EBITDA (x)		11.1	9.9	11.0	10.9	17.2	13.0	11.0	9.8	8.6
EV/EBITA (x)		n.m.	16.1	21.7	17.4	25.8	18.7	15.9	13.8	11.9
EV/EBIT (x)		n.m.	16.1	20.4	17.4	27.7	21.3	17.0	14.3	12.5
P/E (reported) (x)		n.m.	16.9	25.5	20.5	40.9	30.7	23.6	19.7	17.2
P/E (adj.) (x)		n.m.	16.9	23.4	20.5	40.9	30.7	23.6	19.7	17.2
P/BV (x)		3.61	4.19	6.25	7.00	13.3	10.5	8.51	7.04	5.84
EV/invested capital (x)			-202.8	-489.8	-1,652.1	2,100.9	1,960.0	1,944.2	1,928.1	1,900.2
Dividend yield		1.33%	2.78%	2.50%	2.89%	1.67%	2.03%	2.63%	2.87%	3.11%
Total yield (incl. buybacks)		1.34%	2.78%	2.50%	2.89%	1.67%	2.03%	2.63%	2.87%	3.11%
FCFE-yield		-12.13%	3.27%	2.79%	2.90%	2.26%	2.94%	3.77%	4.43%	5.33%
FINANCIAL RATIOS	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E	2023E
Net debt/EBITDA (x)		3.7	2.7	1.9	1.3	1.1	0.8	0.6	0.4	0.2
Net debt/equity (x), year-end		1.8	1.6	1.3	0.9	0.9	0.7	0.5	0.3	0.2
Dividend payout ratio		n.m.	46.9%	63.9%	59.1%	68.2%	62.3%	62.2%	56.4%	53.6%
Interest coverage (x)			7.2	8.1	13.5					
Cash conversion (FCF/net profit)		n.m.	55.3%	71.2%	59.8%	93.0%	90.0%	89.1%	87.1%	91.9%
Capex/sales		25.6%	14.1%	17.9%	17.2%	19.4%	19.4%	18.5%	17.1%	15.6%
NWC/sales		-8.2%	-7.1%	-8.3%	-6.4%	-7.2%	-4.6%	-4.5%	-4.5%	-4.4%
QUARTERLY P&L		Q1 19	Q2 19	Q3 19	Q4 19	Q1 20E	Q2 20E	Q3 20E	Q4 20E	
Sales (m)		15	15	13	15	17	18	16	18	18
EBITDA (m)		5	5	4	4	6	6	5	5	5
EBIT before non-recurring items (m)		3	3	2	2	4	4	3	3	3
Net profit (adj.) (m)		3	2	2	1	3	3	2	2	2
EPS (adj.) (EUR)		44.2	38.0	28.4	12.4	25.8	25.7	18.8	17.4	17.4
EBITDA margin		36.4%	34.4%	33.0%	27.1%	35.7%	35.4%	32.9%	29.0%	29.0%
EBIT margin (adj.)		23.3%	21.4%	17.4%	10.1%	21.4%	21.2%	17.4%	14.7%	14.7%

Source: Company data, Danske Bank Equity Research estimates

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