

Professional Business Support Services

Key data

Price (EUR)*	7.14
Country	Finland
Bloomberg	TNOM.FH
Reuters	TNOM.HE
Free float	59.6%
Market cap (EURm)	299
Net debt (current Y/E) (EURm)	29
No. of shares (m)	41.9
Next event	Q2: 3-Aug

* Price as at close on 27 April 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	20.4%
Markus Tahkola	12.9%
Imarinen Mutual Pension Insurance Co	5.2%
Danske Invest Finnish Equity Fund	4.4%
Conficap	4.3%

Source: Company data ("d Mmmm YYYY")

Estimate changes

	20E	21E	22E
Sales	7.6%	10.5%	10.5%
EBITDA	9.7%	8.2%	6.7%
EBIT (adj.)	11.4%	8.3%	5.8%
EPS (adj.)	n.m.	n.m.	n.m.

Source: Danske Bank Equity Research estimates

Analyst(s)

Panu Laitinmäki

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

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

Talenom

Growth continues despite COVID-19

Talenom's Q1 was a relief to us, confirming that COVID-19 does not derail Talenom's double-digit growth, even in 2020. The combination of a defensive business with existing customers and rapid growth through market share gains remains the main attraction in Talenom's investment case, justifying high multiples. We increase our 2020-22E estimates and our 12M fair value range to EUR7-9 (was EUR6-7).

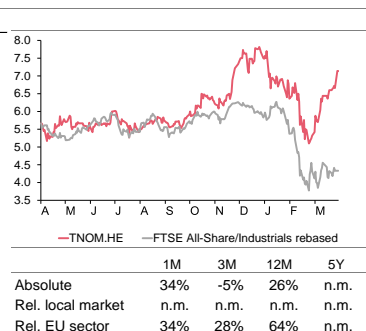
- Impact on the investment case.** Q1 was a relief, confirming that COVID-19's impact is limited and Talenom continues to grow significantly even in 2020. Q1 sales growth of 17% exceeded our estimate. The revised 2020 guidance for EUR64-68m sales and EUR12-14m in EBIT was better than we expected, and implies 10-17% sales growth and 15-35% EBIT growth. Talenom said that the low-end of range would be reached only if the restrictions in Finland continue well into autumn, and the high-end is realistic if Finland opens up in the summer. Customer bankruptcies have not become a big issue and we do not expect them to escalate given the government's measures to prevent them.
- Acquisitions more likely going forward.** Talenom earlier focused mainly on organic growth, but has now negotiated EUR10m of financing for potential acquisitions and is looking for targets in Finland and Sweden. Talenom seems more open to consolidation in its markets, where upcoming software upgrade cycles may encourage smaller companies to sell their business. We believe that an acquisition in Sweden in particular would be positive news, as it would be the next step for building a bigger presence in that country.
- Estimate changes.** We have increased our 2020-22E EBIT by 11%, 8% and 6% on the back of a better than expected Q1 and FY20 outlook. Our 2020 estimates are at the higher end of Talenom's guidance range and we expect 16% revenue growth in 2020-21E.
- Valuation.** The shares have recovered 32% in a month, which we think is fair given that COVID-19 impacts are relatively limited. Talenom is a strong growth case with potential to continue growing for many years given ca. 5% market share in Finland and close zero in Sweden. Near-term multiples are high (2020E EV/EBIT 21x and P/E 30x), but for a good reason and valuation also falls quickly along with earnings growth (2022E EV/EBIT 15x, P/E 21x). We lift our 12M fair value range to EUR7.00-9.00 (was EUR6.00-7.00).

Key financials

Year-end Dec (EUR)	2018	2019	2020E	2021E	2022E
Revenues (m)	49	58	67	78	90
Revenues growth	18.0%	18.6%	16.0%	16.0%	15.0%
EBITDA (m)	14	19	23	27	30
EBIT adj. (m)	9	10	13	16	18
EBIT growth	65.9%	21.8%	26.0%	21.0%	16.3%
Pre-tax profit (m)	8	10	12	15	18
EPS adj.	0.16	0.18	0.24	0.29	0.34
DPS	0.09	0.13	0.13	0.14	0.15
Dividend yield	2.9%	1.7%	1.8%	2.0%	2.1%
FCF yield (incl. recurr capex)	2.9%	2.3%	2.2%	3.0%	3.5%
EBIT margin (adj.)	17.5%	18.0%	19.5%	20.3%	20.6%
Net debt/EBITDA (x)	1.3	1.2	0.9	0.7	0.5
ROIC	20.0%	22.3%	22.0%	24.5%	25.8%
EV/Sales (x)	3.0	5.8	4.8	4.1	3.5
EV/EBITDA (adj.) (x)	10.9	17.8	13.8	11.7	10.4
EV/EBITA (x)	17.4	27.8	21.5	18.0	15.5
EV/EBIT (adj.) (x)	17.4	27.8	21.5	18.0	15.5
P/E (adj.) (x)	20.5	40.9	30.2	24.7	21.1

Source: Company data, Danske Bank Equity Research estimates

Price performance



Source: FactSet

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Q1 20 review

Talenom's Q1 was better than we expected. Sales growth was 17.4% y/y, above 14% expected by us. EBIT grew by 8% y/y with the EBIT margin down y/y. Growth mainly came from new customer acquisition, with some impact from small acquisitions. Talenom says that in the short-term acquisitions will burden margin, but will achieve group profitability longer term. Talenom revised its 2020 guidance: sales of EUR64-68m and EBIT of EUR12-14m. Previous guidance was vaguer, that 2020 would be a similar year as 2019, when sales growth was around 19%.

Table 1. Q1 20 results

EURm	Actual	Danske	Diff %	Consensus FactSet		Q1 19
	Q1 20	Q1 20		Q1 20	Diff %	
Sales	17.4	16.9	3%	17.0	2%	14.8
EBITDA	6.2	6.0	4%	5.8	8%	5.4
EBIT	3.7	3.5	5%	3.5	6%	3.4
Financial items, net	-0.2	-0.2	-13%		n.m	-0.2
Pre-tax profit	3.5	3.3	7%	3.3	6%	3.2
Net profit	2.8	2.6	7%	2.6	8%	2.6
Sales growth	17.4%	14.0%		15.0%		16.5%
EBITDA growth	16.0%	12.0%		7.8%		34.1%
EBITDA margin	36.0%	35.8%		34.1%		36.4%
EBIT-margin	21.4%	20.9%		20.6%		23.3%

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

Key takeaways from the conference call

Our main take is that COVID-19 impacts are smaller than we feared. The low-end of the new 2020 guidance range would be reached only if the situation continues well into autumn. If Finland opens up in summer (which to us seems most likely), then the high-end of the range could be reachable. Customer bankruptcies are not a big issue yet, and not expected to become a problem unless lockdowns continue well into H2, because government actions are helping keep companies afloat. Talenom has analysed the situation and does not seem to expect a big wave of bankruptcies. This relieves a key concern for us, because customer bankruptcies are the main risk for Talenom, whose business with existing customers is resilient. In addition, Talenom commented that the transaction-based revenue component would only weaken markedly if the situation persisted into the autumn (we previously feared negative impacts already in Q2 20). Talenom said that new customer acquisition had continued almost as normal in Q1 and the company has been able to win deals remotely.

Other than COVID, the main news was that Talenom spoke more about M&A. It has signed EUR10m of financing for M&A and is looking for targets in Finland and Sweden. We asked why Talenom has changed its communication on M&A. The CEO said that they see a lot of opportunities in the market, where smaller companies need to think about upgrading to new software and so may come up for sale. Also Talenom's own operations are more profitable and plugging in new lower-margin companies may therefore be more feasible, we understand. It will take some time for acquired companies to get to the group margin, but Talenom has been able to improve past acquisitions' margins to group level.

We see two new drivers for sales and earnings growth going forward. First, the financing services, where Talenom has a partner model and commission pricing (high-margin and low-risk business for Talenom). The CEO said that demand has grown multiple times, but we understand that the volumes will only follow later as Talenom has been setting up contracts with customers so far. This is good for the future as Q1 was not helped much by this service, we believe. Second, regarding entry to even smaller customers with less than EUR0.4m revenues, the CEO was optimistic about their new product to address that segment. The product is in pilot phase. Growth in this segment should contribute mostly to 2021.

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Estimate changes

We have increased our 2020E revenue estimates by 8% because the COVID-19 impacts look smaller than we had feared. We now expect 2020E sales of EUR67.2m, which is at high-end of the EUR64-68m guidance range and implies a bit slower 15.5% growth rate for Q2-Q4 than in the 17.4% reported in Q1. We note that the high-end of Talenom's guidance range implies unchanged 17.4% growth rate for Q2-Q4. The low-end would mean a slowdown to 8% growth in Q2-Q4.

We have increased 2021-22E revenues by 10%, which comes both from a higher base effect in 2020 but also from a higher assumed growth rate for 2021E, because we now expect the headwind from bankruptcies to be lower. Our earlier estimates reflected an assumption of higher bankruptcies in H2 20 cutting the number of customers in 2021 as well. This now seems to cautious, as also Talenom's new customer acquisition has continued better than we feared.

Our EBIT estimates for 2020-22E are up 11%, 8% and 6%. We have somewhat scaled back our assumptions for margin increase in the coming years, because Talenom flagged that acquisitions will burden margins near term and because the entry to the smaller customer segment may initially burden margins. However, we still expect EBIT margin to increase going forward, because we believe the scalability of the business model is good and costs will grow less than revenues. In addition, growth in financing services should come with very high gross margin.

Table 2. Quarterly estimates

EURm	2018	Q1 19	Q2 19	Q3 19	Q4 19	2019	Q1 20	Q2 20E	Q3 20E	Q4 20E	2020E	2021E
Sales	48.9	14.8	14.8	13.5	14.9	58.0	17.4	17.1	15.6	17.2	67.2	78.0
Growth y/y	18.0%	16.1%	17.7%	21.1%	19.6%	18.5%	17.4%	15.5%	15.5%	15.5%	16.0%	16.0%
Personnel costs	-26.2	-7.3	-7.7	-7.1	-7.8	-29.9	-8.6	-8.7	-7.9	-8.6	-33.8	-38.7
% of sales	-53.6%	-49.7%	-52.2%	-52.3%	-52.4%	-51.6%	-49.5%	-51.2%	-50.5%	-50.0%	-50.3%	-49.7%
Materials and services	-2.6	-0.8	-0.8	-0.8	-1.3	-3.6	-1.0	-0.9	-0.9	-1.4	-4.1	-4.8
Other costs	-7.1	-1.4	-1.3	-1.4	-1.8	-5.9	-1.5	-1.4	-1.4	-2.1	-6.4	-7.6
EBITDA	13.7	5.4	5.1	4.5	4.0	19.0	6.2	6.2	5.6	5.2	23.2	27.2
EBITDA margin	28.0%	36.4%	34.4%	33.0%	27.1%	32.7%	36.0%	36.4%	35.6%	30.3%	34.6%	34.9%
D&A	-5.1	-1.9	-1.9	-2.1	-2.5	-8.5	-10.1	-11.3	-12.9	-15.0	-10.1	-11.3
EBIT	8.5	3.4	3.2	2.4	1.5	10.4	3.7	3.7	3.0	2.7	13.1	15.9
EBIT margin	17.5%	23.3%	21.4%	17.4%	10.1%	18.0%	21.4%	21.6%	19.4%	15.6%	19.5%	20.3%
Net financials	-0.6	-0.2	-0.2	-0.2	-0.2	-0.8	-0.2	-0.2	-0.2	-0.2	-0.7	-0.7
Pre-tax profit	8.0	3.2	3.0	2.2	1.3	9.6	3.5	3.5	2.8	2.5	12.4	15.1
Taxes	-1.6	-0.6	-0.7	-0.5	-0.2	-2.0	-0.7	-0.7	-0.6	-0.5	-2.5	-3.0
Tax rate	20.1%	18.5%	23.1%	20.9%	17.3%	20.4%	20.1%	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	2.3	2.0	9.9	12.1

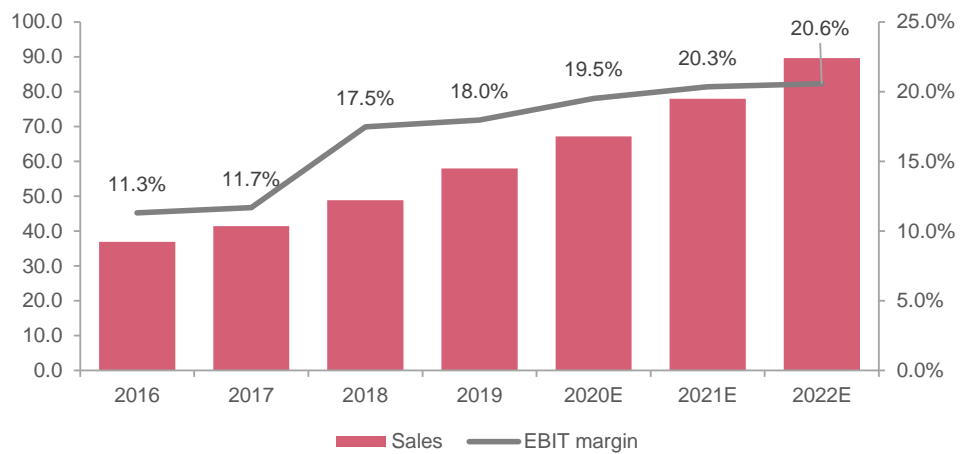
Source: Company data, Danske Bank Equity Research estimates

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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 with 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 book-keeping 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.

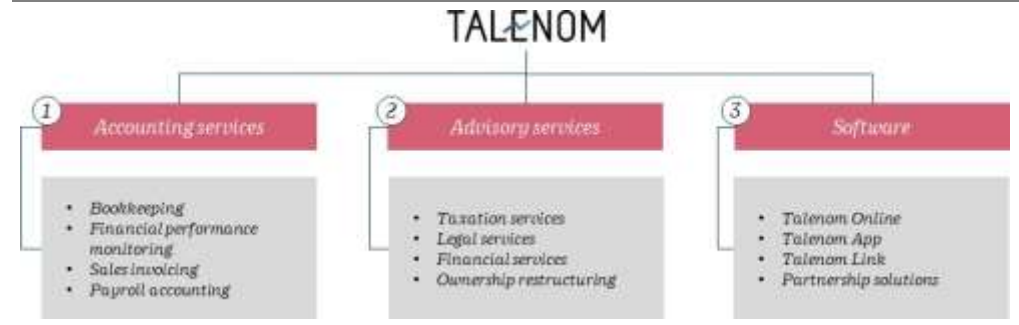
Talenom's main strategic choices include separation of service production and sales force (which is not typical in this industry) as well as focus on organic growth instead of M&A. Talenom produces most of its services in two centralised service centres. It has invested heavily in own software development and automation of operations and has developed a scalable book-keeping 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.

Talenom's service offering is described below. Traditional accounting services, including book-keeping, represented 96% of sales as of H1 19. The value-added services, including advisory

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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

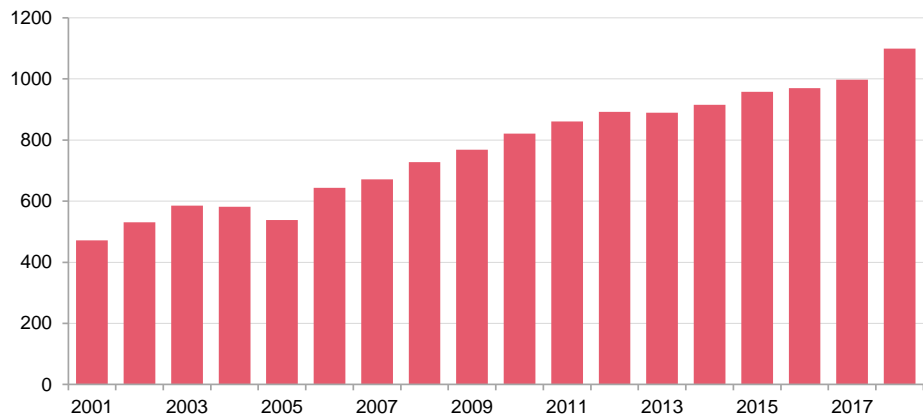


Source: Company data, Danske Bank Equity Research

Defensive but growing market

The Finnish accounting services market has shown healthy growth (4.3% CAGR from 2003 to 2018) and low cyclicality. Demand has been resilient even in economic downturns, because book-keeping 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 has taken its first steps in internationalisation early, long before the limits of growth in Finland

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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 increased our 12M valuation range for Talenom to EUR 7.00-9.00 (was EUR6.00-7.00) due to estimate increases and because the lowered uncertainty on the 2020 outlook and COVID-19 impacts justifies higher multiples for the shares, in our view.

At the mid-point of the range, Talenom would be valued roughly in line with Asiakastiето on 2020-21E EV/EBITDA multiples and at a slight premium on EV/EBIT and P/E. As we had discussed earlier, there are no perfect peers for Talenom, which shares some similarities to Nordic SaaS software companies like Admicom, but deserves a discount to those companies due to lower scalability as Talenom is a services company, not software provider. Asiakastiето and its peer Karnov are our preferred valuation benchmarks, combining stability of business and high margins. Asiakastiето's growth is much lower than Talenom's, but its cash flow is stronger while cash flow and high investments can be seen as Talenom's main disadvantage, at least near term when the company is in a rapid growth phase. In our view, the following characteristics support the 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) and non-cyclical end-markets.

Table 3. Valuation range

	Share price, EUR				
	6.0	7.0	8.0	9.0	10.0
2020E	6.0	7.0	8.0	9.0	10.0
EV/Sales (x)	4.2	4.8	5.4	6.0	6.7
EV/EBITDA (x)	12.1	13.9	15.7	17.5	19.3
EV/EBIT (x)	21.4	24.6	27.8	31.0	34.0
P/E (x)	25.4	29.6	33.8	38.1	42.3
2021E	6.0	7.0	8.0	9.0	10.0
EV/Sales (x)	3.6	4.1	4.7	5.2	5.7
EV/EBITDA (x)	10.3	11.8	13.4	14.9	16.4
EV/EBIT (x)	17.6	20.2	22.9	25.5	28.1
P/E (x)	20.7	24.2	27.6	31.1	34.5
2022E	6.0	7.0	8.0	9.0	10.0
EV/Sales (x)	3.1	3.6	4.0	4.5	5.0
EV/EBITDA (x)	8.8	10.1	11.5	12.8	14.2
EV/EBIT (x)	15.0	17.3	19.5	21.8	24.1
P/E (x)	17.7	20.6	23.6	26.5	29.5

Source: Danske Bank Equity Research estimates

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Table 4. Relative valuation

	Ticker	Price Mcap		EV/Sales			EV/EBITDA			EV/EBIT			P/E		
		Local	Local	2019	2020E	2021E	2019	2020E	2021E	2019	2020E	2021E	2019	2020E	2021E
Nordic information services															
Asiakastieto	ATG1V FH	32.9	790	6.2	5.9	5.6	17.7	16.0	14.4	27.5	25.4	21.2	35.4	29.4	24.7
Karnov	KAR SS	54.8	5,352	8.2	7.8	7.3	21.4	17.4	16.0	28.9	27.3	24.2	25.0	22.4	21.5
Nordic software															
Admicom	ADMCM FH	71.8	354	19.1	14.8	11.8	41.4	34.3	26.3	45.2	36.5	27.0	65.9	47.2	35.0
Fortnox	FNOX SS	206.0	12,357	18.3	17.2	13.3	54.3	49.5	38.4	55.8	49.5	37.4	88.7	69.0	53.5
Lime	LIME SS	186.0	2,471	7.0	7.6	6.4	24.0	26.8	21.0	38.9	43.1	30.6	53.4	46.7	34.6
SimCorp	SIM DC	610.0	24,156	9.0	7.2	6.1	28.8	25.8	21.0	32.1	27.0	21.9	33.7	37.6	29.2
Upsales	UPSALE SS	21.0	349	6.7	3.6	2.7	37.2	17.5	12.9	124.1	33.9	19.4	103.3	45.4	29.7
Median, Information services				7.2	6.9	6.4	19.6	16.7	15.2	28.2	26.3	22.7	30.2	25.9	23.1
Median, Software				9.0	7.6	6.4	37.2	26.8	21.0	45.2	36.5	27.0	65.9	46.7	34.6
Talenom	TNOM FH	7.14	314	5.8	5.0	4.3	18.2	14.8	12.6	33.1	26.2	21.6	40.9	31.7	25.9

Source: FactSet, Danske Bank Equity Research estimates

Prices as at close on 24 April, Talenom at at close on 27 April 2020

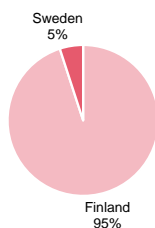
Risks

- **COVID-19.** The impacts could be bigger than we estimate.
- **Competition and organic growth.** The market is fragmented and barriers to entry are low, because provision of book-keeping 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.
- **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 book-keeping companies' share of the total value chain.
- **Balance sheet risk.** Talenom has capitalised significant amounts of its customer acquisition and development costs on 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

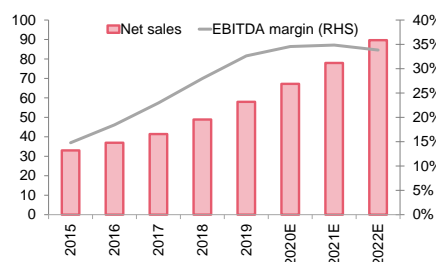
Company information

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

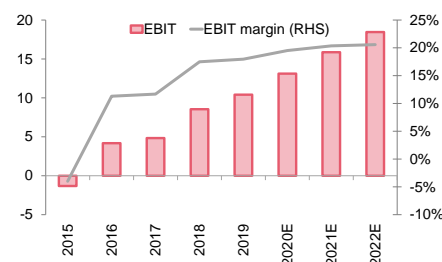
Main shareholders

Name	Votes (%)	Capital (%)
Harri Tahkola	20.4%	20.4%
Markus Tahkola	12.9%	12.9%
Ilmarinen Mutual Pension Insurance Compa	5.2%	5.2%
Danske Invest Finnish Equity Fund	4.4%	4.4%
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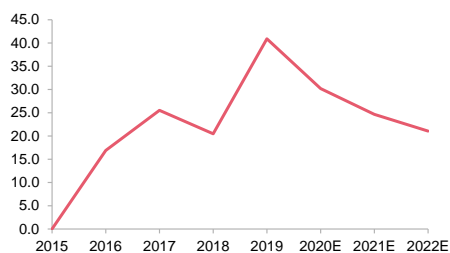
Net sales and EBITDA margin (EURm)



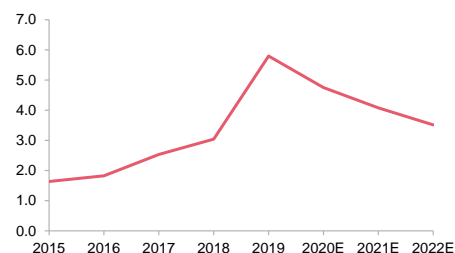
EBIT and EBIT margin (EURm)



P/E NTM (x)



EV/sales NTM (x)



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

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Summary tables

INCOME STATEMENT										
Year end Dec, EURm	2013	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E
Net sales			33	37	41	49	58	67	78	90
Cost of sales & operating costs			-28	-30	-32	-36	-39	-44	-51	-59
EBITDA			5	7	10	14	19	23	27	30
EBITDA, adj.			5	7	10	14	19	23	27	30
Depreciation			-6	-3	-5	-5	-9	-10	-11	-12
EBITA			-1	4	5	9	10	13	16	18
EBIT incl. EO, bef. ass.			-1	4	5	9	10	13	16	18
EBIT, adj.			-0	4	5	9	10	13	16	18
Financial items, net	0	0	-1	-1	-1	-1	-1	-1	-1	-1
Pre-tax profit			-2	4	4	8	10	12	15	18
Taxes			0	-1	-1	-2	-2	-2	-3	-4
Net profit, rep.			-2	3	3	6	8	10	12	14
Net profit, adj.			-1	3	4	6	8	10	12	14
CASH FLOW										
EURm	2013	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E
EBITDA			5	7	10	14	19	23	27	30
Change in working capital			0	-0	1	-1	1		0	0
Net interest paid			-1	0	0	0	0	-1	-1	-1
Taxes paid			-0	-0	-0	-1	-2	-2	-3	-4
Other operating cash items			0	0	0	0	0			
Cash flow from operations			4	7	10	12	18	20	24	27
Capex			-8	-5	-7	-8	-11	-13	-15	-16
Div to min										
Free cash flow			-4	2	2	4	7	7	9	10
Disposals/(acquisitions)				-0		-1	-2	-0		
Free cash flow to equity			-4	1	2	3	5	7	9	10
Dividend paid				-0	-1	-2	-4	-5	-5	-6
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
Cash flow from financing			8	-2	-2	-2	-3	-5	-7	-8
Disc. ops & other										
Incr./(decr.) in cash			4	-1	1	1	2	1	2	3
BALANCE SHEET										
EURm	2013	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E
Cash & cash equivalents			5	4	5	6	8	9	11	14
Inventory										
Trade receivables			4	5	5	5	7	8	9	10
Other current assets				0	0	0				
Goodwill			18	18	18	18	21	21	21	21
Other intangible assets			10	7	8	10	15	15	15	15
Fixed tangible assets			2	3	3	2	3	8	13	19
Associated companies										
Other non-current assets			0	5	7	9	10	10	10	10
Total assets			41	42	46	51	71	79	88	98
Shareholders' equity			10	12	14	19	24	28	35	43
Of which minority interests										
Current liabilities			7	7	9	9	11	11	13	14
Interest-bearing debt			24	23	23	24	30	30	30	30
Pension liabilities										
Oth non-curr. liabilities				0	0	0	1	1	1	1
Total liabilities			31	31	32	33	48	50	52	54
Total liabilities and equity			41	42	46	51	71	78	87	97
Net debt			18	18	18	18	22	21	19	16

Source: Company data, Danske Bank Equity Research estimates

Summary tables

PER SHARE DATA	2013	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E
No. of shares, fully diluted (y.e.) (m)			40.9	40.9	40.9	41.2	41.8	41.8	41.8	41.8
No. of shares, fully diluted (avg.) (m)			40.9	40.9	40.9	41.1	41.5	41.8	41.8	41.8
EPS (EUR)			-0.06	0.07	0.08	0.16	0.18	0.24	0.29	0.34
EPS adj. (EUR)			-0.04	0.07	0.09	0.16	0.18	0.24	0.29	0.34
DPS (EUR)			0.01	0.03	0.05	0.09	0.13	0.13	0.14	0.15
CFFO/share (EUR)			0.1	0.2	0.2	0.3	0.4	0.5	0.6	0.6
Book value/share (EUR)			0.24	0.29	0.34	0.45	0.56	0.68	0.84	1.03
MARGINS AND GROWTH	2013	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E
EBITDA margin			14.8%	18.5%	23.0%	28.0%	32.6%	34.6%	34.9%	33.8%
EBITA margin			-4.0%	11.3%	11.7%	17.5%	18.0%	19.5%	20.3%	20.6%
EBIT margin			-4.0%	11.3%	11.7%	17.5%	18.0%	19.5%	20.3%	20.6%
EBIT adj margin			-1.0%	11.3%	12.4%	17.5%	18.0%	19.5%	20.3%	20.6%
Sales growth			12.0%	12.1%	18.0%	18.0%	16.0%	16.0%	16.0%	15.0%
EBITDA growth			39.9%	39.4%	43.8%	38.3%	22.8%	17.0%	17.0%	11.6%
EBITA growth				n.m.	15.9%	76.5%	21.8%	26.0%	21.0%	16.3%
EPS adj growth				n.m.	28.3%	70.2%	18.3%	28.9%	22.5%	17.1%
PROFITABILITY	2013	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E
ROIC (after tax, incl. GW, adj.)			-2.4%	11.5%	13.2%	20.0%	22.3%	22.0%	24.5%	25.8%
ROIC (after tax, excl. GW, adj.)			-6.8%	31.2%	32.5%	43.2%	47.3%	38.9%	40.8%	40.5%
ROE (adj.)			-29.4%	26.8%	29.0%	39.0%	36.0%	38.2%	38.3%	36.3%
ROIC (adj.) - WACC			-9.9%	3.9%	5.6%	12.4%	14.8%	14.4%	16.9%	18.3%
MARKET VALUE	2013	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E
Share price (EUR)			0.88	1.20	2.13	3.18	7.50	7.14	7.14	7.14
No. shares reduced by buybacks (m)			40.9	40.9	40.9	41.2	41.8	41.8	41.8	41.8
Mkt cap used in EV (m)			36	49	87	131	314	299	299	299
Net debt, year-end (m)			18	18	18	18	22	21	19	16
MV of min/ass and oth (m)			0	0	0	0	0	0	0	0
Enterprise value (m)			54	67	105	149	336	319	318	315
VALUATION	2013	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E
EV/sales (x)			1.6	1.8	2.5	3.0	5.8	4.8	4.1	3.5
EV/EBITDA (x)			11.1	9.9	11.0	10.9	17.8	13.8	11.7	10.4
EV/EBITA (x)			n.m.	16.1	21.7	17.4	27.8	21.5	18.0	15.5
EV/EBIT (x)			n.m.	16.1	20.4	17.4	27.8	21.5	18.0	15.5
P/E (reported) (x)			n.m.	16.9	25.5	20.5	40.9	30.2	24.7	21.1
P/E (adj.) (x)			n.m.	16.9	23.4	20.5	40.9	30.2	24.7	21.1
P/BV (x)			3.61	4.19	6.25	7.00	13.3	10.6	8.55	6.90
EV/invested capital (x)				-202.8	-489.8	-1,652.1	2,101.2	2,005.9	2,001.4	1,990.5
Dividend yield			1.33%	2.78%	2.50%	2.89%	1.67%	1.82%	1.96%	2.10%
Total yield (incl. buybacks)			1.34%	2.78%	2.50%	2.89%	1.67%	1.82%	1.96%	2.10%
FCFE-yield			-12.13%	3.27%	2.79%	2.90%	2.26%	2.23%	2.95%	3.49%
FINANCIAL RATIOS	2013	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E
Net debt/EBITDA (x)			3.7	2.7	1.9	1.3	1.2	0.9	0.7	0.5
Net debt/equity (x), year-end			1.8	1.6	1.3	0.9	0.9	0.7	0.5	0.4
Dividend payout ratio			n.m.	46.9%	63.9%	59.1%	68.2%	55.0%	48.4%	44.2%
Interest coverage (x)				7.2	8.1	13.5				
Cash conversion (FCF/net profit)			n.m.	55.3%	71.2%	59.8%	93.0%	67.2%	72.8%	73.6%
Capex/sales			25.6%	14.1%	17.9%	17.2%	19.4%	19.9%	19.3%	17.9%
NWC/sales			-8.2%	-7.1%	-8.3%	-6.4%	-7.2%	-4.6%	-4.5%	-4.5%
QUARTERLY P&L			Q1 19	Q2 19	Q3 19	Q4 19	Q1 20	Q2 20E	Q3 20E	Q4 20E
Sales (m)			15	15	13	15	17	17	16	17
EBITDA (m)			5	5	4	4	6	6	6	5
EBIT before non-recurring items (m)			3	3	2	2	4	4	3	3
Net profit (adj.) (m)			3	2	2	1	3	3	2	2
EPS (adj.) (EUR)			0.76	0.33	0.25	0.15	0.07	0.07	0.05	0.05
EBITDA margin			36.4%	34.4%	33.0%	27.1%	36.0%	36.4%	35.6%	30.3%
EBIT margin (adj.)			23.3%	21.4%	17.4%	10.1%	21.4%	21.6%	19.4%	15.6%

Source: Company data, Danske Bank Equity Research estimates

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