

Boreo

Company report

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✓ Inderes corporate customer

This report is a summary translation of the report "Varmaa hyökkäyspeiliä" published on 08/06/2021 at 06:30 am

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Solid attacking game

Boreo published its Q2 report on Thursday that operatively was nearly fully in line with our expectations. The company's businesses were in good shape and despite external challenges, financial performance is solid. The share's valuation has risen but relative to the convincingly progressing acquisition strategy and the longer-term value creation potential it includes we do not consider the price to be too high. Thus, we consider the annual risk adjusted return expectation to still be sufficient. Considering this, we reiterate our Accumulate recommendation and revise our target price to EUR 74 (previously EUR 51).

Expected performance at Group level

Boreo's Q2 revenue grew by 44% to EUR 36 million, which is slightly higher than the volume accumulation we anticipated. Around EUR 5.1 million of the absolute revenue growth came from M&A transactions carried out in the past year and correspondingly some EUR 5.9 million was generated by organic business development. Organic delivery flows developed quite clearly more rapidly than expected. This was based on the strong performance of Technical Trade and Electronics business where the deliverability burden due to the component allocation situation was weaker than we expected. In Q2, Boreo's operating result was EUR 2.3 million which was completely in line with our estimate. Good result development is supported by strong volume growth and efficiency improvements carried out in the past year. Performance was to some extent burdened by the logistics outsourcing carried out in the Finnish Electronics business. As a whole, Boreo's Q2 was in line both with expectations and stable basic performance by the company.

Small revisions

In line with its guidance policy, Boreo does not give separate short-term annual guidance. Based on more detailed comments by the management and general industry-specific news flow, the outlook for all businesses seems to have slightly strengthened. In line with this, we made small revisions in our estimate for the rest of the year. This year we expect Boreo's revenue to grow because of M&A transactions made over the past year and driven by well-developing organic delivery flows in the improving markets by 43% to EUR 138 million. We expect adjusted EBIT to rise to EUR 9.7 million. The key earnings drivers in our opinion are the effects from completed M&A transactions, organic growth, and benefits from the Group-level efficiency program. In the short-term, the largest operational sore spots are still connected to the allocation situation of components and thus to the company's own deliverability. So far, the situation has not caused paralyzing problems for Boreo at Group level.

It is worth playing the long game

Boreo's P/E ratios for 2021 and 2022 based on our estimates are 28x and 21x, while the corresponding EV/EBITDA ratios are 15x and 12x. The multiples for 2021 are elevated and they are quite clearly above the neutral multiple range we have estimated for the company. The multiples for 2022 are, however, tolerable and we also feel more useful as they take the M&A transactions carried out this year fully into consideration. In relative terms, Boreo is still priced at a discount of some 30% but, on the other hand, the absolute multiples of its peers are quite high in themselves. The annual return expectation formed by the strong earnings growth outlook and systematically progressing strategy does in our opinion still encourage share ownership.

Recommendation

Accumulate
(previous Accumulate)

EUR 74.00
(previous EUR 51.00)

Share price:
68.80



Key indicators

	2020	2021e	2022e	2023e
Revenue	97.6	138.2	155.1	161.2
growth %	63%	42%	12%	4%
EBIT adjusted	5.9	9.7	12.4	13.2
EBIT % adjusted	6.0%	7.0%	8.0%	8.2%
Net profit	2.3	6.9	8.6	9.4
EPS (adj.)	1.50	2.45	3.28	3.58

P/E (adjusted)	19.6	27.9	20.9	19.2
P/B	4.8	8.4	6.2	4.9
Dividend yield %	1.4%	0.6%	0.7%	0.8%
EV/EBIT (adjusted)	17.0	21.5	16.2	14.5
EV/EBITDA	15.9	15.0	12.3	11.1
EV/Sales	1.0	1.5	1.3	1.2

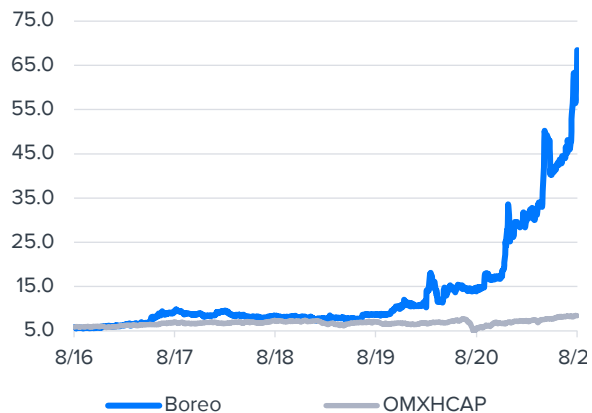
Source: Inderes

Guidance

(Unchanged)

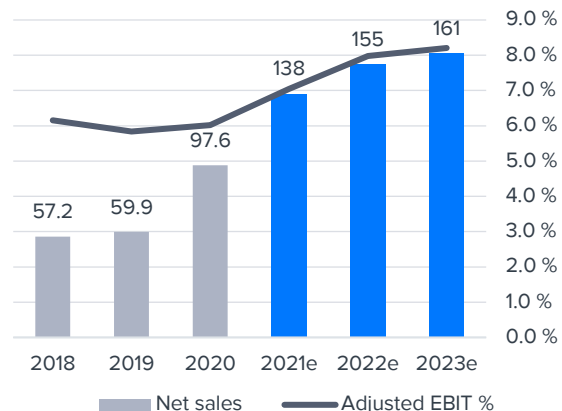
In line with its guidance policy, the company does not give separate short-term annual guidance.

Share price



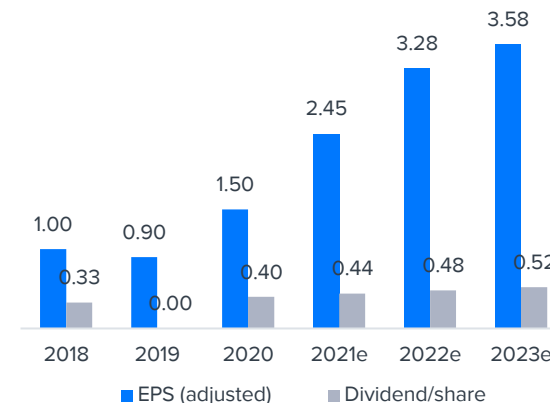
Source: Thomson Reuters

Revenue and EBIT %



Source: Inderes

EPS and dividend



Source: Inderes



Value drivers

- Carrying out acquisitions that support business and expand the sphere of activities
- Stable but moderate organic growth picture of current businesses
- Capital light structure of operations enables high capital return figures



Risk factors

- Failure in acquisitions
- Degeneration of a cost-efficient operating model
- Pricing power of the businesses is limited
- Industrial end demand always has cyclical characteristics

Valuation level	2021e	2022e	2023e
Share price	68.8	68.8	68.8
Number of shares, million	2.62	2.62	2.62
Market value	180	180	180
EV	210	201	192
P/E (adjusted)	28.0	21.0	19.2
P/E	26.0	21.0	19.2
P/Cash flow	neg.	16.6	14.9
P/B	8.4	6.2	4.9
P/S	1.3	1.2	1.1
EV/Sales	1.5	1.3	1.2
EV/EBITDA (adjusted)	15.0	12.3	11.1
EV/EBIT (adjusted)	21.6	16.3	14.5
Dividend/earnings (%)	16.6%	14.6%	14.5%
Dividend yield %	0.6%	0.7%	0.8%

Source: Inderes

Expected performance at Group level

Revenue exceeded expectations

Boreo's Q2 revenue grew by 44% to EUR 36 million which is slightly higher than the volume accumulation we anticipated. Around EUR 5.1 million of the absolute revenue growth came from M&A transactions carried out in the past year and correspondingly some EUR 5.9 million was generated by organic business development. Growth of organic delivery flows was quite clearly better than we anticipated. This was based on the strong performance of Technical Trade and Electronics business where the deliverability burden due to the global component allocation situation was weaker than we expected.

Of the business areas, Electronics grew by 5% to EUR 15.5 million due to small organic growth and the inorganic burden created by Milcon for one month. The small organic growth in Q2 can in our opinion be seen as excellent performance considering the deliverability challenges, the friction caused by

logistics outsourcing in Finnish operations, and the headwind of the Russian ruble (effect some EUR 1 million). In Technical Trade, revenue grew by 52% to EUR 12.2 million driven by the good EUR 1 million effect from Muottikolmio and extensively improved industrial end demand (e.g. device manufacturers). In Heavy Machines, the component situation caused to our understanding considerable damage due to prolonged delivery times for car manufacturers but thanks to PM Nordic and Sany Nordic being consolidated in the Group in January and the business launched in Estonia, revenue grew by 235% to EUR 7.4 million. ESKP found under Other operations in turn operated well and reached a revenue of EUR 1 million.

Operating result matched expectations

In Q2, Boreo's operating result was EUR 2.3 million which was completely in line with our estimate. Good result development was supported by strong revenue growth and efficiency improvements carried

out in the past year. The earnings level was in turn burdened by the logistics outsourcing carried out in the Finnish Electronics business. Relative profitability was, however, a satisfactory 6.4% considering the revenue models of the businesses. As a whole, Boreo's Q2 was in our opinion in line both with expectations and stable basic performance by the company.

Stable financial position

Boreo's operational cash flow dropped to EUR -0.3 million in Q2 (Q2'20: EUR 2.6 million) due to raised inventory levels to ensure deliverability and thus the stronger working capital commitment than normal. At the end of Q2, Boreo's net debt amounted to EUR 32.8 million and net debt/EBITDA was 2.6x. Considering this and the upper end of the target level (3x), the company's static risk of indebtedness was around EUR 5 million. In view of implementing the strategy, this type of balance sheet position still provides healthy leeway in our opinion.

Estimates MEUR / EUR	Q2'20	Q2'21	Q2'21e	Q2'21e	Consensus		Difference (%)	2021e
	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. inderes	Inderes
Revenue	25.0	36.0	33.3				8%	138
EBIT (adj.)	0.9	2.3	2.3				2%	10.0
EBIT	0.7	2.2	2.2				0%	10.5
EPS (adj.)	0.13	0.57	0.58				-2%	2.25
Revenue growth-%	82.6 %	44.0 %	33.2 %				10.8 pp	41.1 %
EBIT-% (adj.)	3.6 %	6.4 %	6.8 %				-0.4 pp	7.3 %

Source: Inderes

Small revisions

Estimate changes 2021e-2023e

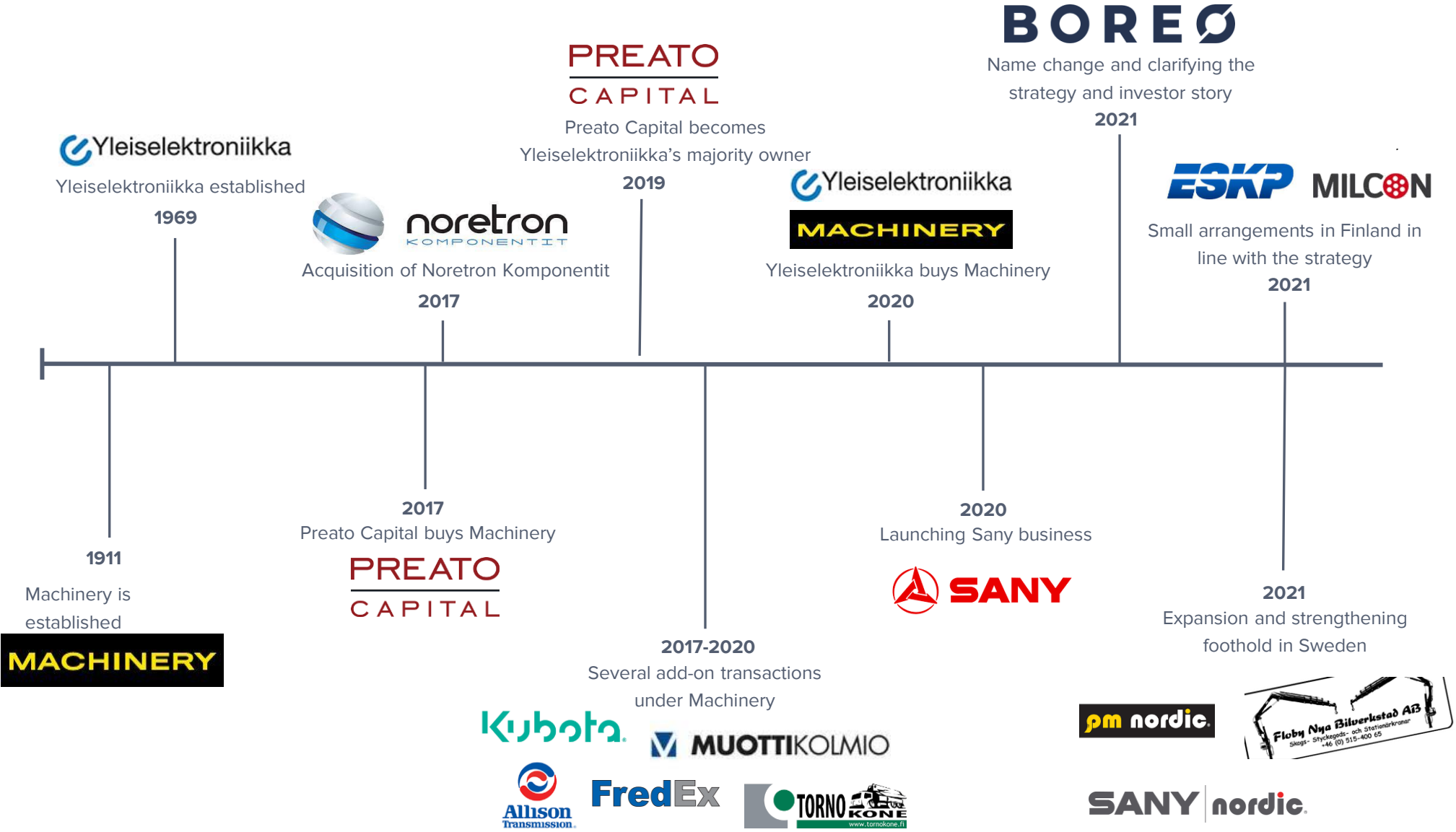
- In line with its guidance policy, Boreo does not give separate annual guidance.
- We only made slight revisions to our estimates for the rest of the year based on the Q2 report. Based on more detailed comments by the management and general industry-specific news flow, the demand outlook for all businesses seems to have strengthened. The biggest relief in the comments was in our opinion that the uncertainty in heavier investment goods (e.g. excavation) also seems to have decreased and customers' activity level has improved.
- In the short term, instead of business demand bigger challenges seem to be more related to own deliverability and securing it. Considering the unusually long delivery times of key car manufacturers we believe the situation is most difficult in Heavy Machines' Putzmeister business.
- Even though the Electronics business also undoubtedly suffers from the situation, the long operating history of the businesses and well-known supplier brands seem to help manage the situation slightly better than we previously expected.
- Considering the stronger general industrial outlook, expected normalizing component allocation situation next year, and the strong competitiveness of the businesses (e.g. extensive client portfolio and aftermarket abilities) we made slight revisions in our near-term estimates.

Operational result drivers 2021-2023e:

- We expect the organic volume growth of the businesses to be supported by a strengthening operating environment and accelerating industrial investment (incl. Progress in the Estonian Heavy Machines business). Considering the revenue models of the businesses and implemented efficiency improvements we expect organic growth to become visible as good earnings growth.
- M&A transactions carried out in the past year will generate direct inorganic effects in 2021-2022.
- We believe Boreo will be able to find common interfaces between its current businesses and thus realize certain sales and cost synergies. We believe the most attractive opportunities will be found between FNB's assembly abilities and the Putzmeister business (e.g. tank truck assembly) and ESKP's extensive logistics expertise. The effects of the efficiency program launched last year should in turn become more visible from H2'21 onwards.
- In the long term, we believe Boreo's current client relationships can open completely new product areas (e.g. Sany's cranes and road construction machines) and thus generate interesting growth take-offs for the company.

Estimate revisions	2021e	2021e	Change	2022e	2022e	Change	2023e	2023e	Change
MEUR / EUR	Old	New	%	Old	New	%	Old	New	%
Revenue	134	138	3%	148	155	4%	153	161	5%
EBITDA	9.4	9.7	4%	11.5	12.4	8%	12.6	13.2	5%
EBIT	10.0	10.2	2%	11.5	12.4	8%	12.6	13.2	5%
PTP	8.5	8.8	3%	9.8	10.7	9%	11.0	11.7	6%
EPS (excl. NRIs)	2.38	2.45	3%	3.00	3.28	9%	3.37	3.58	6%
DPS	0.44	0.44	0%	0.48	0.48	0%	0.52	0.52	0%

Shaping of Boreo



Source: Source: Boreo, companies, Inderes

It is worth playing the long game

Valuation has risen but not too much

Boreo's adjusted P/E ratios for 2021 and 2022 based on our estimates are 28x and 21x, while the corresponding EV/EBITDA ratios are 15x and 12x. It is challenging to define a precise and static multiple range for an acquisition driven value creator like Boreo. We even find it dangerous to some extent as a too limited approach can lead to look at the company from a too short perspective and only based on the earnings levels of current business activities. Because within one and especially two years it is likely that Boreo has more businesses than now applying a sealed multiple range and only looking at the current structure would be quite irrational.

On the other hand, there has to be some framework for examining the pricing. We believe it is sensible to approach the current price through relatively wide and neutral earnings multiples. The growth platform of the company that has strengthened considerably over the past 18 months, the broader selection of industrial fields, the quality of current activities, and convincingly progressing strategy could currently mean a P/E multiple of 15x-20x and an EV/EBITDA multiple of 10x-14x. Relative to these levels the 2021 multiples are elevated, but 2022 multiples are tolerable and within the range. We also believe 2022 multiples are more usable as they consider the M&A transactions carried out in the past year in full.

Price higher than the fair value of the current structure

Considering the competitive client portfolio, excellent return on capital potential, and good operational efficiency Boreo has, in our opinion, the preconditions to generate an EPS of EUR 2.90-3.40 with its current

structure. By applying a neutral 18x-19x earnings multiple we believe the range of the company's fair value could be around EUR 53-66 with sensible safety margins. When viewing our static fair value range one should realize that it does not as such consider the strategy progress. Because acquisitions are not opportunistic projects for Boreo, the company will carry out M&A transactions that meet its criteria also in future. This, in turn, automatically raises the company's earnings base and thus the fair value. The logic of this approach supports our view of a tolerable valuation as the difference between the upper limit of our static fair value range and the current market price is not too big.

We feel it is more reasonable to examine Boreo's fair value and the longer-term return expectation through the return on capital potential. Considering the business profiles, acquisition criteria, and relatively low dividend priorities we believe the company can allocate most of the generated free cash flow back to the business sustainably with a 20% return. With a dividend ratio of around 20%, the lower limit of our sustainable earnings level estimate, and with a neutral 18x earnings multiple the fair value per share would be around EUR 110 in five years. Translated to annual level this would mean an annual return expectation of around 10% when the equity return requirement we apply is around 9%. In light of this we consider the risk-adjusted return expectation to still encourage share ownership. We do, however, emphasize that this approach only indirectly considers equity-based acquisitions which increases the uncertainty of the model. On the other hand, this method gives a concrete indication of what kind of value creation potential Boreo actually has within the framework of its strategy.

Valuation	2021e	2022e	2023e
Share price	68.8	68.8	68.8
Number of shares, millions	2.62	2.62	2.62
Market cap	180	180	180
EV	210	201	192
P/E (adj.)	28.0	21.0	19.2
P/E	26.0	21.0	19.2
P/FCF	neg.	16.6	14.9
P/B	8.4	6.2	4.9
P/S	1.3	1.2	1.1
EV/Sales	1.5	1.3	1.2
EV/EBITDA	15.0	12.3	11.1
EV/EBIT (adj.)	21.6	16.3	14.5
Payout ratio (%)	16.6 %	14.6 %	14.5 %
Dividend yield-%	0.6 %	0.7 %	0.8 %

Source: Inderes

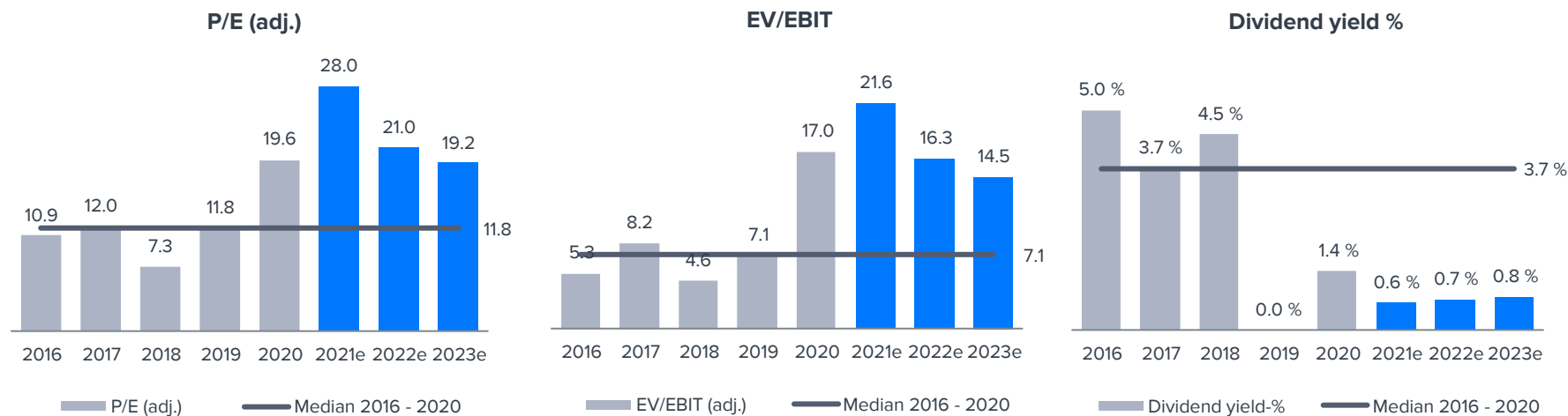
Long-term return expectation through ROE

	Lower	Upper
Sustainable ROE	15 %	20 %
Payout ratio	30 %	20 %
Long-term investing ability	70 %	80 %
Fair value growth rate	11 %	16 %
Sustainable earnings level now (EPS)	2,9	3,4
Neutral earnings multiple	18	19
Fair value now	53	66
Fair value 2026	87	138
Annual return expectation (excl. dividend)	5 %	15 %
Average return expectation	10 %	
Equity return requirement	9 %	
Return/risk multiple	1.1	

Valuation table

Valuation	2016	2017	2018	2019	2020	2021e	2022e	2023e	2024e
Share price	6.17	8.60	7.35	10.6	29.4	68.8	68.8	68.8	68.8
Number of shares, millions	2.55	2.55	2.55	2.55	2.55	2.62	2.62	2.62	2.62
Market cap	16	22	19	27	75	180	180	180	180
EV	12	21	16	25	100	210	201	192	182
P/E (adj.)	10.9	12.0	7.3	11.8	19.6	28.0	21.0	19.2	18.2
P/E	10.9	12.0	7.3	11.8	32.3	26.0	21.0	19.2	18.2
P/FCF	12.3	neg.	5.8	28.9	neg.	neg.	16.6	14.9	14.2
P/B	1.4	1.8	1.4	1.8	4.8	8.4	6.2	4.9	4.0
P/S	0.4	0.4	0.3	0.5	0.8	1.3	1.2	1.1	1.1
EV/Sales	0.3	0.4	0.3	0.4	1.0	1.5	1.3	1.2	1.1
EV/EBITDA	5.3	6.6	4.0	5.4	15.9	15.0	12.3	11.1	10.2
EV/EBIT (adj.)	5.3	8.2	4.6	7.1	17.0	21.6	16.3	14.5	13.1
Payout ratio (%)	55.1 %	44.6 %	32.9 %	0.0 %	43.9 %	16.6 %	14.6 %	14.5 %	14.8 %
Dividend yield-%	5.0 %	3.7 %	4.5 %	0.0 %	1.4 %	0.6 %	0.7 %	0.8 %	0.8 %

Source: Inderes



Peer group valuation

Peer group valuation	Share price	Market cap	EV	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%		P/B
Company		MEUR	MEUR	2021e	2022e	2021e	2022e	2021e	2022e	2021e	2022e	2021e	2022e	2021e
Indutrade AB	292.40	10,463	10,978	33.8	31.2	25.5	23.5	4.6	4.2	47.3	43.6	0.7	0.8	10.5
Bergman & Beving AB	174.00	447	557	25.3	20.7	14.9	12.5	1.5	1.3	23.8	19.3	1.7	2.0	2.8
Momentum Group AB	192.40	939	1,170		13.9		8.2		1.1	16.9	14.5	1.8	2.3	
Bufab AB (publ)	345.00	1,294	1,448	21.4	19.6	16.8	15.7	2.4	2.3	29.8	27.2	0.9	0.9	5.7
Christian Berner Tech Trade AB	38.50	62	77	16.0	12.2	10.3	8.7	1.1	1.0	18.3	14.2	2.2	2.2	3.4
Addtech AB	188.00	4,751	5,049	40.3	37.6	27.7	26.5	3.6	3.8	67.0	52.2	0.8	0.8	14.7
Beijer Ref AB (publ)	190.70	6,617	6,534	48.3	40.9	38.3	30.2	4.2	3.8	68.5	57.8	0.6	0.7	14.1
Beijer Alma AB	213.00	1,121	1,207	17.9	16.5	13.2	11.7	2.8	2.6	22.6	21.4			4.4
Lifco AB (publ)	260.90	10,830	11,331	33.0	29.9	26.6	24.4	6.3	5.8	49.9	45.5	0.6	0.7	11.3
Lagercrantz Group AB	126.10	2,403	2,379	35.0	32.5	24.0	22.9	4.4	4.6	62.1	44.4	0.7	1.0	13.1
Volati AB	168.00	1,371	1,499	24.1	22.4	17.0	14.7	2.3	2.1	32.8	32.3	0.9	0.8	6.0
Relais Group Oyj	25.80	449	477	29.0	24.1	16.1	14.0	2.3	2.0	28.7	40.5	1.5	1.7	5.4
Addnode Group AB (publ)	372.50	1,198	1,150	26.4	23.5	22.0	19.5	2.9	2.7	37.4	33.6	0.7		7.5
Instalco AB	475.00	2,384	2,483	29.6	26.5	24.7	22.6	2.6	2.3	45.0	40.9	0.6	0.7	10.3
Sdiptech AB (publ)	413.50	1,338	1,465	37.6	28.8	28.1	23.3	6.0	5.3	15.7	12.0			1.9
Boreo (Inderes)	68.80	180	210	21.6	16.3	15.0	12.3	1.5	1.3	28.0	21.0	0.6	0.7	8.4
Average				29.8	25.3	21.8	18.6	3.3	3.0	37.7	33.3	1.1	1.2	7.9
Median				29.3	24.1	23.0	19.5	2.8	2.6	32.8	33.0	0.8	0.9	6.8
Diff-% to median				-26%	-33%	-35%	-37%	-47%	-50%	-14%	-36%	-23%	-20%	24%

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

Income statement

Income statement	2019	Q1'20	Q2'20	Q3'20	Q4'20	2020	Q1'21	Q2'21	Q3'21	Q4'21	2021	2022	2023	2024
Revenue	59.9	18.7	25.0	27.0	26.9	97.6	28.9	36.0	38.0	35.2	138	155	161	167
Electronics	59.9	15.3	14.8	14.0	16.4	60.5	14.8	15.5	15.5	17.8	63.6	68.8	71.5	74.4
Technical Trade*	0.0	3.1	6.2	13.0	10.5	32.8	8.9	12.2	12.5	8.1	41.7	43.4	45.1	46.5
Heavy Machines	0.0	0.3	3.9	0.0	0.0	4.2	5.2	7.4	8.8	8.1	29.5	38.4	40.0	41.2
Other operations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0	1.2	1.2	3.4	4.5	4.6	4.7
EBITDA	4.5	0.5	1.2	2.3	2.2	6.3	3.0	3.2	4.3	3.5	14.0	16.4	17.2	17.9
Depreciation	-1.0	-0.4	-0.5	-0.5	-0.6	-2.0	-0.8	-0.9	-1.0	-1.0	-3.7	-4.0	-4.0	-4.0
EBIT (excl. NRI)	3.5	1.1	0.9	2.1	1.7	5.9	1.5	2.3	3.4	2.5	9.7	12.4	13.2	13.9
EBIT	3.5	0.1	0.7	1.8	1.6	4.3	2.2	2.2	3.3	2.5	10.2	12.4	13.2	13.9
Electronics	3.5	0.9	1.1	1.0	1.5	4.6	1.1	1.0	1.0	1.5	4.7	5.2	5.5	5.8
Technical Trade	0.0	0.2	-0.3	1.2	0.4	1.5	0.4	1.5	1.4	0.4	3.7	4.1	4.3	4.5
Heavy Machines	0.0	0.0	0.3	0.0	0.0	0.3	0.3	0.3	0.8	0.6	2.0	3.0	3.3	3.5
Other operations	0.0	-1.0	-0.4	-0.4	-0.3	-2.1	0.4	-0.5	0.0	0.0	-0.1	0.0	0.1	0.1
Net financial items	-0.2	-0.2	-0.3	0.1	-0.3	-0.7	-0.2	-0.4	-0.4	-0.4	-1.5	-1.6	-1.5	-1.5
PTP	3.3	-0.1	0.5	1.9	1.3	3.6	2.0	1.9	2.9	2.0	8.8	10.7	11.7	12.4
Taxes	-0.6	-0.1	-0.2	-0.2	-0.5	-1.0	-0.3	-0.4	-0.6	-0.4	-1.7	-2.1	-2.3	-2.5
Minority interest	-0.3	0.0	-0.1	-0.2	0.0	-0.3	0.0	-0.1	0.0	0.0	-0.1	0.0	0.0	0.0
Net earnings	2.3	-0.2	0.2	1.5	0.8	2.3	1.6	1.4	2.3	1.6	6.9	8.6	9.4	9.9
EPS (adj.)	0.90	0.30	0.13	0.69	0.36	1.50	0.34	0.56	0.93	0.62	2.45	3.28	3.58	3.78
EPS (rep.)	0.90	-0.07	0.07	0.58	0.33	0.91	0.61	0.52	0.89	0.62	2.65	3.28	3.58	3.78

Key figures	2019	Q1'20	Q2'20	Q3'20	Q4'20	2020	Q1'21	Q2'21	Q3'21	Q4'21	2021	2022	2023	2024
Revenue growth-%	4.6 %	23.8 %	82.6 %	78.4 %	68.9 %	63.0 %	54.5 %	44.2 %	40.9 %	30.8 %	41.6 %	12.2 %	4.0 %	3.4 %
Adjusted EBIT growth-%	-0.8 %	1.0 %	56.2 %	108.5 %	121.4 %	68.2 %	32.2 %	162.3 %	60.4 %	43.6 %	65.6 %	27.1 %	7.0 %	5.0 %
EBITDA-%	7.6 %	2.7 %	5.0 %	8.6 %	8.2 %	6.4 %	10.4 %	8.8 %	11.3 %	9.9 %	10.1 %	10.6 %	10.7 %	10.7 %
Adjusted EBIT-%	5.8 %	6.1 %	3.6 %	7.9 %	6.4 %	6.0 %	5.2 %	6.5 %	9.0 %	7.0 %	7.0 %	8.0 %	8.2 %	8.3 %
Net earnings-%	3.8 %	-1.0 %	0.7 %	5.5 %	3.1 %	2.4 %	5.5 %	3.8 %	6.1 %	4.6 %	5.0 %	5.5 %	5.8 %	5.9 %

Source: Inderes

Balance sheet

Assets	2019	2020	2021e	2022e	2023e
Non-current assets	4.8	27.8	38.7	37.0	35.0
Goodwill	0.6	22.0	30.9	30.9	30.9
Intangible assets	0.8	1.5	1.5	1.5	1.5
Tangible assets	2.9	3.4	6.3	4.6	2.6
Associated companies	0.0	0.0	0.0	0.0	0.0
Other investments	0.2	0.7	0.0	0.0	0.0
Other non-current assets	0.0	0.0	0.0	0.0	0.0
Deferred tax assets	0.1	0.2	0.0	0.0	0.0
Current assets	21.1	37.2	41.4	45.7	47.6
Inventories	7.3	18.2	16.6	17.8	18.5
Other current assets	0.0	0.0	0.0	0.0	0.0
Receivables	7.2	10.3	15.2	17.1	17.7
Cash and equivalents	6.6	8.7	9.7	10.9	11.3
Balance sheet total	25.8	65.0	80.1	82.7	82.5

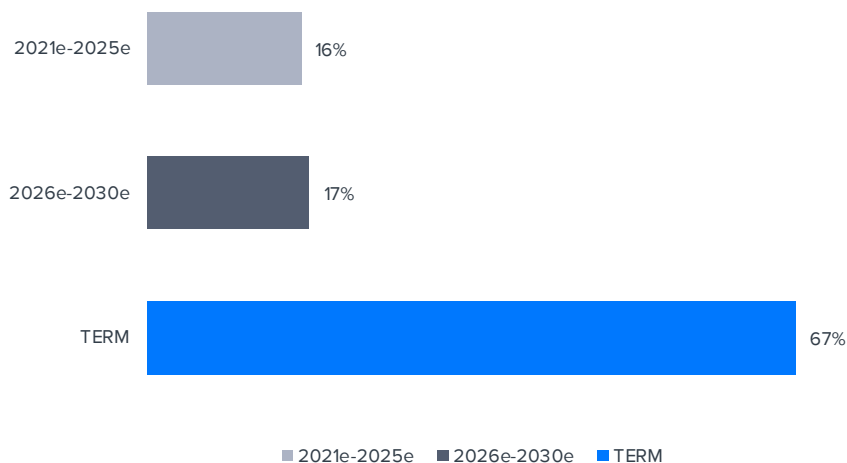
Source: Inderes

Liabilities & equity	2019	2020	2021e	2022e	2023e
Equity	16.2	16.6	21.4	28.8	37.0
Share capital	2.5	2.5	2.5	2.5	2.5
Retained earnings	12.6	13.0	18.9	26.3	34.5
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	0.1	0.1	0.0	0.0	0.0
Minorities	1.0	1.0	0.0	0.0	0.0
Non-current liabilities	2.0	22.0	29.6	23.7	17.7
Deferred tax liabilities	0.0	0.2	0.0	0.0	0.0
Provisions	0.0	0.0	0.0	0.0	0.0
Long term debt	2.0	21.8	29.6	23.7	17.7
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	0.0	0.0	0.0	0.0	0.0
Current liabilities	7.7	26.4	29.1	30.2	27.9
Short term debt	0.5	6.7	9.7	8.5	5.3
Payables	7.1	19.6	19.3	21.7	22.6
Other current liabilities	0.0	0.1	0.0	0.0	0.0
Balance sheet total	25.8	65.0	80.1	82.7	82.5

DCF calculation

DCF model	2020	2021e	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	TERM
EBIT (operating profit)	4.3	10.2	12.4	13.2	13.9	14.3	14.5	14.9	15.4	15.8	16.3	
+ Depreciation	2.0	3.7	4.0	4.0	4.0	0.2	0.9	1.1	1.2	1.3	1.4	
- Paid taxes	-0.9	-1.7	-2.1	-2.3	-2.5	-2.6	-2.6	-2.7	-2.8	-2.9	-3.4	
- Tax, financial expenses	-0.2	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.2	0.0	
+ Tax, financial income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	
- Change in working capital	-1.5	-3.6	-0.7	-0.5	-0.5	-0.4	-0.4	-0.5	-0.5	-0.5	-0.5	
Operating cash flow	3.7	8.4	13.1	14.1	14.7	11.2	12.1	12.6	13.1	13.5	13.9	
+ Change in other long-term liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-25.0	-14.8	-2.3	-2.0	-2.0	-2.0	-2.0	-1.8	-1.5	-1.5	-1.5	
Free operating cash flow	-21.2	-6.4	10.8	12.1	12.7	9.2	10.1	10.9	11.6	12.0	12.4	
+/- Other	0.0	0.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	-21.2	-5.5	10.8	12.1	12.7	9.2	10.1	10.9	11.6	12.0	12.4	265
Discounted FCFF		-5.4	9.8	10.1	9.8	6.6	6.7	6.7	6.6	6.4	6.1	130
Sum of FCFF present value		194	199	190	179	170	163	156	150	143	137	130
Enterprise value DCF		194										
- Interesting bearing debt		-28.5										
+ Cash and cash equivalents		8.7										
-Minorities		0.0										
-Dividend/capital return		-1.0										
Equity value DCF		173										
Equity value DCF per share		66.1										

Cash flow distribution



Wacc	
Tax-% (WACC)	20.0 %
Target debt ratio (D/(D+E))	20.0 %
Cost of debt	5.5 %
Equity Beta	1.05
Market risk premium	4.75%
Liquidity premium	1.70%
Risk free interest rate	2.0 %
Cost of equity	8.7 %
Weighted average cost of capital (WACC)	7.8 %

Source: Inderes

Summary

Income statement	2018	2019	2020	2021e	2022e	Per share data	2018	2019	2020	2021e	2022e
Revenue	57.2	59.9	97.6	138.2	155.1	EPS (reported)	1.00	0.90	0.91	2.65	3.29
EBITDA	4.1	4.5	6.3	14.0	16.4	EPS (adj.)	1.00	0.90	1.50	2.45	3.29
EBIT	3.5	3.5	4.3	10.2	12.4	OCF / share	1.46	1.34	1.46	3.20	5.02
PTP	3.6	3.3	3.6	8.8	10.7	FCF / share	1.27	0.37	-8.32	-2.11	4.14
Net Income	2.6	2.3	2.3	6.9	8.6	Book value / share	5.15	5.96	6.11	8.18	11.02
Extraordinary items	0.0	0.0	-1.6	0.5	0.0	Dividend / share	0.33	0.00	0.40	0.44	0.48
Balance sheet	2018	2019	2020	2021e	2022e	Growth and profitability	2018	2019	2020	2021e	2022e
Balance sheet total	23.1	25.8	65.0	80.1	82.7	Revenue growth-%	5%	5%	63%	42%	12%
Equity capital	13.8	16.2	16.6	21.4	28.8	EBITDA growth-%	31%	11%	38%	123%	17%
Goodwill	0.6	0.6	22.0	30.9	30.9	EBIT (adj.) growth-%	40%	-1%	68%	66%	27%
Net debt	-3.5	-4.0	19.8	29.7	21.3	EPS (adj.) growth-%	40%	-10%	67%	64%	34%
Cash flow	2018	2019	2020	2021e	2022e	EBITDA-%	7.1 %	7.6 %	6.4 %	10.1 %	10.6 %
EBITDA	4.1	4.5	6.3	14.0	16.4	EBIT (adj.)-%	6.2 %	5.8 %	6.0 %	7.0 %	8.0 %
Change in working capital	-0.4	-0.4	-1.5	-3.6	-0.7	EBIT-%	6.2 %	5.8 %	4.4 %	7.4 %	8.0 %
Operating cash flow	3.7	3.4	3.7	8.4	13.1	ROE-%	20.4 %	16.2 %	15.1 %	37.4 %	34.2 %
CAPEX	-0.5	-2.5	-25.0	-14.8	-2.3	ROI-%	24.0 %	20.7 %	13.4 %	19.3 %	20.3 %
Free cash flow	3.2	0.9	-21.2	-5.5	10.8	Equity ratio	60.0 %	62.6 %	25.5 %	26.7 %	34.9 %
						Gearing	-25.5 %	-24.9 %	119.3 %	138.7 %	73.9 %
Valuation multiples	2018	2019	2020	2021e	2022e						
EV/S	0.3	0.4	1.0	1.5	1.3						
EV/EBITDA (adj.)	4.0	5.4	15.9	15.0	12.3						
EV/EBIT (adj.)	4.6	7.1	17.0	21.6	16.3						
P/E (adj.)	7.3	11.8	19.6	28.0	21.0						
P/B	1.4	1.8	4.8	8.4	6.2						
Dividend-%	4.5 %	0.0 %	1.4 %	0.6 %	0.7 %						

Source: Inderes

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Accumulate	The 12-month risk-adjusted expected shareholder return of the share is attractive
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Recommendation history (>12 mo)

Date	Recommendation	Target price	Share price
27-04-20	Accumulate	15.50 €	14.20 €
08-05-20	Accumulate	15.50 €	14.40 €
07-08-20	Accumulate	16.00 €	14.80 €
03-09-20	Accumulate	18.00 €	16.50 €
06-11-20	Accumulate	20.00 €	18.60 €
18-12-20	Accumulate	29.00 €	26.60 €
19-02-21	Accumulate	33.00 €	31.00 €
05-03-21	Accumulate	35.00 €	31.20 €
06-04-21	Accumulate	40.00 €	36.50 €
30-04-21	Accumulate	44.00 €	40.30 €
21-05-21	Accumulate	46.00 €	42.00 €
14-07-21	Accumulate	51.00 €	47.80 €
06-08-21	Accumulate	74.00 €	68.80 €



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