

MULTITUDE

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Roni Peuranheimo
+358 505610455
roni.peuranheimo@inderes.fi

INDERES CORPORATE CUSTOMER

COMPANY REPORT



A solid finish for the year expected

Multitude hasn't given any preliminary announcements of its Q4 numbers, and thus the company will most likely reach its guidance range. As our estimate was slightly below the range, we made small positive estimate revisions before the earnings. Overall, Multitude seems to have finished the year with a good momentum and the guidance for 2025 indicates continued earnings growth. In our view, the risk/reward ratio is tilted to the positive side with the current valuation. We reiterate our Accumulate recommendation and our target price of EUR 5.7.

Small estimate changes before the earnings announcement

Multitude will report its Q4'24 results on Thursday morning, April 3. The company seems to be reaching its EBIT guidance set for 2024 (approximately 67.5 MEUR). Thus, the end of last year has been rather strong for Multitude. Our previous forecast was slightly below the guidance, which resulted in us making minor positive estimate revisions before the earnings announcement. Additionally, we have revised our estimates regarding the [Lea Bank minority investment](#) and added [the Tier 2 –instruments](#) in our estimates.

Multitude Q4'24 preview: Strong earnings growth expected

We expect Multitude's net operating income to have grown approximately 8% to 57.6 MEUR (Q4'23: 53.4 MEUR). In terms of net interest income, we expect the growth rate to be more modest in the largest business unit Consumer Banking, and clearly faster in the earlier stage business units, SME Banking and Wholesale Banking. We believe demand for new loans has generally been at a healthy level in Q4. In our estimates growth is also supported by fee income growth (previously a very small income stream), which is the result of the new embedded finance partner in Poland.

We expect Multitude's earnings before taxes to reach 7.2 MEUR, which would be a significant increase from the

comparison period (Q4'23: 3.4 MEUR). The main driver behind the earnings growth is growth in net operating income, while we don't expect growth in costs resulting in an increased cost/income ratio. We also expect the impairment losses to be approximately on the comparison period level, which would be a good accomplishment considering the estimated growth of the loan portfolio. Generally, the trend in impairment losses was very good in 2024 after a weaker Q1 and we expect the good trend to continue. For the whole year, we expect the EBIT to land at 67.3 MEUR, which would be in line with the estimated range of 66.5-68.5 MEUR that the company gave in connection with the Q3'24 results. We expect Multitude's Board to propose a 0.22 EUR dividend per share, which would be at the lower end of the dividend policy (25% of the estimated net profit). Multitude has already given a guidance the for 2025, where it expects a net profit level of 23 MEUR (our estimate is currently at 23.4 MEUR). Thus, there shouldn't be major surprises regarding the outlook.

Risk/reward ratio remains attractive

In our view, the acceptable P/B for Multitude is currently in the range of 0.7-1.0x, derived from assumptions about sustainable return on equity and cost of equity. We have raised our cost of equity slightly concerning the higher-than-expected cost of Tier 2 financing. Treating the perpetual bonds on the balance sheet as debt, Multitude's current P/B is 0.7x, which is at the lower end of the range, suggesting a modest valuation. Our dividend discount model also suggests upside potential. Compared to its peer group, the valuation is relatively neutral, but the peer group itself trades at relatively low multiples. In return for the rather high risk profile, the expected return is good at the current valuation and we see the risk/reward ratio tilted to the positive side as the business momentum seems to be good as well.

Recommendation

Accumulate

(prev. Accumulate)

Target price:

5,70 EUR

(prev. 5,70 EUR)

Share price:

4,76

Business risk



Valuation risk



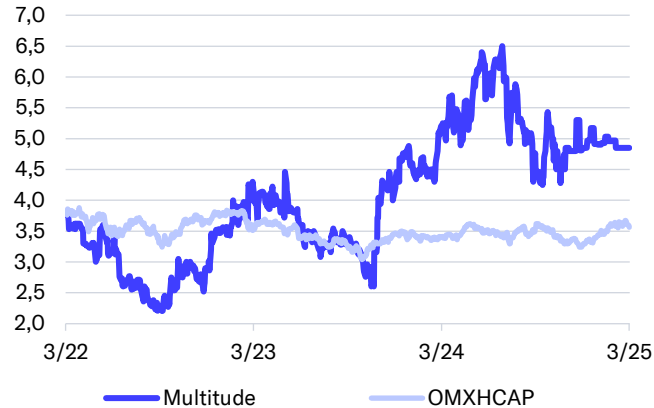
	2023	2024e	2025e	2026e
Total net operating income	204,0	218,9	233,9	247,3
growth-%	5 %	7 %	7 %	6 %
Total operating costs	-96,4	-97,8	-102,3	-106,5
Cost/income ratio	47,3 %	44,7 %	43,8 %	43,1 %
EBT	19,0	21,8	27,1	31,9
Net income	16,4	19,1	23,4	27,1
EPS (adj.)	0,51	0,61	0,86	1,03
P/E (adj.)	8,7	7,8	5,6	4,6
P/B	0,5	0,5	0,5	0,5
P/B (perpetual bonds as debt)	0,7	0,7	0,6	0,6
Dividend yield-%	4,3 %	4,6 %	5,7 %	6,6 %

Guidance

(Unchanged)

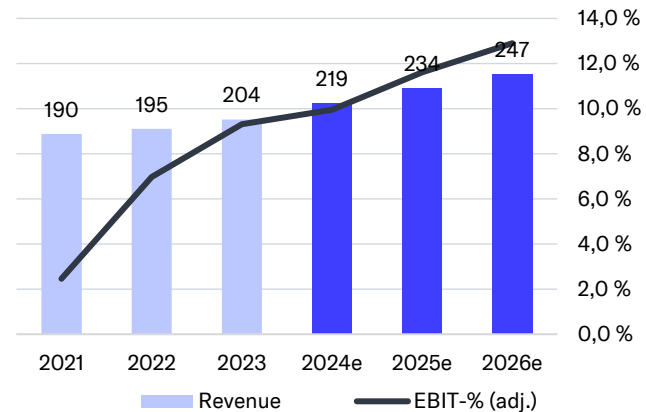
Multitude expects to reach EBIT level of 67,5 MEUR in 2024. Multitude expect to reach net profit level of 23 MEUR in 2025 and 30 MEUR in 2026.

Share price



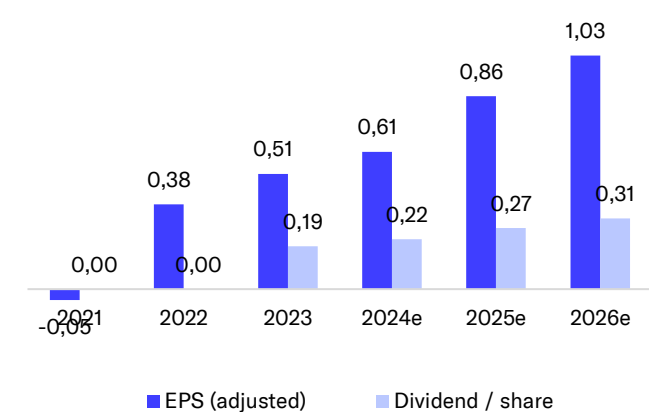
Source: Millstream Market Data AB

Revenue and EBIT-% (adj.)



Source: Inderes

EPS and DPS



Source: Inderes

Value drivers

- Organic growth potential is good due to the large market and low market share
- Cost structure scales with growth
- Partnerships can be a good way to target new customer segments
- Potential acquisitions to strengthen the product portfolio and market position

Risk factors

- Regulatory changes to, for example, interest rate caps can change the working environment
- Economic cycles have a direct impact on banks' lending and funding activities
- Increased competition in the digital banking/lending industry
- The loan portfolio consists mostly of high risk (unsecured) loans

Valuation	2024e	2025e	2026e
Share price	4,76	4,76	4,76
Number of shares, millions	21,6	21,6	21,6
Market cap	103	103	103
P/E (adj.)	7,8	5,6	4,6
P/E	7,8	5,6	4,6
P/B	0,5	0,5	0,5
P/B (perpetual bond as debt)	0,7	0,6	0,6
ROE-%	10,2 %	11,8 %	12,7 %
Payout ratio (%)	25,0 %	25,0 %	25,0 %

Multitude Q4'24 preview: A solid finish for the year

Multitude will report its Q4'24 results on Thursday morning April 3. The company hasn't given a profit warning or any preliminary information about its 2024 numbers, which means that the company reached its EBIT guidance set for 2024 (approximately 67.5 MEUR).

Healthy growth expected

We expect Multitude's net operating income to have grown approximately 8% to 57.6 MEUR (Q4'23: 53.4 MEUR). We expect the growth rate to be more modest in the largest business unit, Consumer Banking, and clearly faster in the earlier stage business units, SME Banking and Wholesale Banking. We expect the gross interest income growth to still be faster than the net interest income growth as the interest expenses are still growing somewhat faster than the gross interest income. We believe the demand situation has generally been at a healthy level in Q4. In our estimates growth is also supported by fee income growth as a result of the new embedded finance partner in Poland. This has normally been a very small income stream for Multitude.

Guidance indicates a strong year end

Multitude's guidance projected a 50% annual EBIT growth from 2021 to 2024, a target they have achieved to date. This target

would imply approximately an EBIT level of 67.5 MEUR for 2024 and the company has previously mentioned that it expects to land at 66.5-68.5 MEUR. Our previous estimate expected an EBIT of 65.4 MEUR, which was slightly below the range. The company has given no preliminary numbers nor issued a profit warning and thus it seems that the company will meet the guidance range. We have raised our estimates slightly and now expect Multitude to land at 67.3 MEUR EBIT for the full year (Q4'24e: 20.1 MEUR).

Since interest expenses are an essential cost item for Multitude and banks in general (comparable to 'raw material'), earnings before taxes (EBT) and net income are more informative metrics for evaluating a bank's profitability. For Q4, we expect the EBT to land at 7.2 MEUR, which would be a significant improvement from the comparison period (Q4'23: 3.4 MEUR). The main driver for the increase is growth in net operating income, which enables the cost structure to scale. Additionally, we expect impairment losses to be approximately at the comparison period level while the loan portfolio keeps growing. Generally, impairment losses represent a significant expense for Multitude and exhibit considerable volatility from quarter to quarter. Thus, there is often significant uncertainty in the estimates regarding impairment losses.

We expect Multitude's Board to propose a 0.22 EUR dividend per share, which would mean a 25% payout ratio of our net profit estimate for the year. We believe the company will keep the dividend clearly closer to the lower end of the policy range as it wants to allocate capital to growth.

Guidance for 2025 has already been given

Multitude already gave a guidance for 2025 in conjunction with the Q3'23 results and thus there are no significant risks or uncertainties regarding the outlook. The company expects a net profit level of 23 MEUR for 2025. Our estimate is in line with the guidance as our net profit estimate is currently at 23.4 MEUR. We are naturally interested in hearing more about the drivers behind the expected profit improvement. We are also interested in hearing comments about the demand outlook and payment behavior development (reflecting impairment losses). At least the Swedish market is facing significant changes in 2025 as, for example, the interest rate cap is tightened and the tax-deductibility of loans is removed, which we believe will cause Multitude to lower its price. In Sweden, the banking license requirement is also most likely to be tightened. This could force some players to leave the market and since Multitude has a license it could even be positive for the company.

Estimates MEUR / EUR	Q4'23	Q4'24	Q4'24e	Q4'24e	Consensus		2024e
	Comparison	Actualized	Inderes	Consensus	Low	High	Inderes
Net operating income	53,4		57,6				219
Impairment losses	-25,8		-25,8				-99,4
Operating expenses	-25,3		-24,6				-97,8
EBT	3,4		7,2				21,8
EPS (adj.)	0,12		0,23				0,61
DPS	0,19		0,22				0,22

Estimate revisions

Small positive operative estimate revisions

- We made small positive estimate revisions for Q4'24, both in terms of growth and earnings. Additionally, we raised our midterm estimates slightly as well
- We revised our estimates regarding [Lea Bank](#). Previously the minority investment (originally planned 18.6%) was fully included in our Q4'24 estimates. Eventually, only a 9.9% stake was bought in Q4 and an additional stake of 11.0% was bought in Q1'25
- We added the 25 MEUR of [Tier 2 funding](#) to our estimates, which also made us raise our cost of equity slightly

Estimate revisions	2024e	2024e	Change	2025e	2025e	Change	2026e	2026e	Change
MEUR / EUR	Old	New	%	Old	New	%	Old	New	%
Net operating income	215	219	2 %	229	234	2 %	242	247	2 %
Impairment losses	-98	-99	2 %	-101	-104	3 %	-105	-109	4 %
Operating expenses	-98	-98	0 %	-101	-102	1 %	-106	-106	0 %
EBT	20,1	21,8	9 %	26,6	27,1	2 %	30,9	31,9	3 %
EPS (excl. NRIs)	0,53	0,61	14 %	0,83	0,86	2 %	1,00	1,03	4 %
DPS	0,20	0,22	9 %	0,27	0,27	2 %	0,30	0,31	3 %

Dividend discount model (DDM)

	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	TERM
Net profit (MEUR)	19,1	23,4	27,1	32,7	32,6	32,6	33,1	33,6	34,1	
Perpetual interest	-5,9	-5,4	-5,0	-4,9	-4,9	-4,9	-4,9	-4,9	-4,9	
Profit after perpetual interest (MEUR)	13,2	18,0	22,2	27,9	27,7	27,7	28,2	28,7	29,2	
Dividend (per share)	0,22	0,27	0,31	0,38	0,45	0,53	0,61	0,93	1,03	9,4
Payout ratio (% of net profit)	25 %	25 %	25 %	25 %	30 %	35 %	40 %	60 %	65 %	
Discounted dividends	0,23	0,25	0,26	0,27	0,29	0,30	0,31	0,41	0,40	3,69
Discounted cumulative dividends	6,41	6,18	5,93	5,68	5,40	5,11	4,82	4,51	4,10	3,69
Equity value per share	6,4									

Riskfree rate	2,50 %
Market risk premium	4,75 %
Equity beta	1,7
Liquidity premium	2,0 %
Cost of equity	12,6 %

Peer group valuation

Peer group valuation Company	Market cap MEUR	P/E		Dividend yield-%		P/B 2024e	ROE-% 2024e
		2024e	2025e	2024e	2025e		
Alisa Pankki			13,8			0,7	
Resurs Holding	8	8,5	8,6	6,2	8,1	0,6	8,0 %
Norion Bank	6	6,2	5,6	4,0	10,2	0,8	14,6 %
Morrow Bank	11	11,0	8,1		6,3	1,0	9,6 %
TF Bank	15	14,8	11,3	0,9	1,8	3,0	22,3 %
Instabank	9	8,9	7,4		6,8	0,9	10,0 %
Multitude (Inderes)	103	7,8	5,6	4,6	5,7	0,5	10,2 %
Average		9,9	9,1	3,7	6,6	1,2	
Median		8,9	8,4	4,0	6,8	0,86	
Diff-% to median		-12 %	-34 %	16 %	-16 %	-37 %	

Source: Refinitiv / Inderes

Income statement

Income statement	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24	Q2'24	Q3'24	Q4'24e	2024e	2025e	2026e	2027e
Total net operating income	195	48,6	50,5	51,6	53,4	204	55,5	53,5	52,3	57,6	218,9	233,9	247,3	260,4
Consumer Banking (Net interest income)		45,0	45,5	47,0			48,2	46,9	45,5	48,3	188,9	197,8	205,6	215,0
SME Banking (Net interest income)		4,7	4,6	4,9			6,1	6,3	6,3	6,8	25,5	29,3	32,4	35,0
Wholesale Banking (Net interest income)		0,7	0,8	1,1			1,3	1,4	1,7	1,2	5,7	8,3	10,1	11,0
Other income		-1,7	-0,5	-1,4		204	0,0	-1,0	-1,3	1,3	-1,1	-1,5	-0,8	-0,6
Total operating costs	-101,5	-24,5	-22,5	-24,1	-25,3	-96,4	-24,3	-24,3	-24,6	-24,6	-97,8	-102,3	-106,5	-110,1
Impairment losses	-78,7	-20,9	-21,3	-21,3	-25,8	-89,3	-28,3	-23,8	-21,5	-25,8	-99,4	-104,4	-108,9	-111,1
EBT (exl. NRI)	13,6	3,2	6,6	5,8	3,4	19,0	3,0	5,4	6,2	7,2	21,8	27,1	31,9	39,2
EBT	13,6	3,2	6,6	5,8	3,4	19,0	3,0	5,4	6,2	7,2	21,8	27,1	31,9	39,2
Taxes	-1,8	-0,4	-1,3	-1,1	0,2	-2,6	-0,4	-0,7	-0,7	-0,8	-2,7	-3,7	-4,8	-6,5
Net earnings	11,8	2,8	5,3	4,7	3,6	16,4	2,6	4,7	5,5	6,4	19,1	23,4	27,1	32,7
Interest on perpetual loans	-3,7	-1,2	-1,3	-1,8	-1,1	-5,4	-1,0	-1,9	-1,6	-1,5	-5,9	-5,4	-5,0	-4,9
EPS (adj.)	0,38	0,07	0,19	0,14	0,12	0,51	0,07	0,13	0,18	0,23	0,61	0,86	1,03	1,30

Key numbers	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24	Q2'24	Q3'24	Q4'24e	2024e	2025e	2026e	2027e
Net operating income growth-%						4,6 %	14,3 %	6,1 %	1,4 %	7,9 %	7,3 %	6,8 %	5,7 %	5,3 %
EBT growth-%						39,7 %	-6,5 %	-18,4 %	6,7 %	114,0 %	14,7 %	24,5 %	17,5 %	23,0 %
Cost-to-income-%	51,0 %	50,4 %	44,6 %	46,4 %	47,7 %	47,3 %	43,7 %	45,4 %	47,1 %	42,7 %	44,7 %	43,8 %	43,1 %	42,3 %
ROE-% (from net profit)	6,8 %	6,1 %	11,7 %	10,8 %	7,4 %	9,0 %	5,6 %	10,1 %	11,7 %	13,5 %	10,2 %	11,8 %	12,7 %	14,1 %
ROE-% (from profit after perpetual interest)	6,6 %	4,7 %	12,1 %	9,3 %	6,7 %	8,2 %	4,4 %	8,0 %	11,0 %	13,6 %	9,2 %	11,7 %	13,1 %	14,9 %
Total capital ratio*	18,9 %		18,5 %			17,3 %		17,3 %			16,6 %	20,0 %	20,7 %	21,9 %

Source: Inderes

Balance sheet

Assets	2022	2023	2024e	2025e	2026e
Cash and cash equivalents	153,3	283,7	279,8	238,0	235,0
Loans to customers	507,1	575,9	650,4	672,1	706,8
Debt investments	21,1	62,1	135,0	164,7	189,4
Intangible assets	31,4	29,5	33,0	33,0	33,0
Other investments and assets	40,3	39,6	51,8	61,8	65,0
Total assets	753	991	1150	1170	1229

Source: Inderes

Liabilities & equity	2022	2023	2024e	2025e	2026e
Share capital	40,1	40,1	40,2	40,2	40,2
Retained earnings	75,7	87,3	96,9	110,2	126,5
Unrestricted equity reserve	14,7	14,7	14,7	14,7	14,7
Perpetual bonds	50,0	45,0	45,0	45,0	45,0
Other equity	-0,6	-3,5	-4,2	-4,2	-4,2
Total equity	180	184	193	206	222
Deposits from customers	503,4	732,4	826,0	806,5	848,1
Debt securities	47,4	47,8	100,0	125,0	125,0
Lease liabilities	4,6	5,0	4,5	4,5	4,7
Other liabilities	17,9	22,1	26,8	27,7	29,1
Total liabilities	573,3	807,2	957,3	963,7	1007,0
Total equity and liabilities	753	991	1150	1170	1229

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Recommendation history (>12 mo)

Date	Recommendation	Target	Share price
20.12.2024	Accumulate	5,70 €	4,81 €
27.3.2025	Accumulate	5,70 €	4,76 €



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Inderes Ab

Vattugatan 17, 5tr
Stockholm
+46 8 411 43 80

Inderes Oyj

Porkkalankatu 5
00180 Helsinki
+358 10 219 4690

inderes.se

inderes.fi

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