

Talenom

Company report

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✓ Inderes corporate customer

This report is a summary translation of the report “Orgaaninen kasvu on tällä hetkellä tiukassa” published on 7/22/2024 at 8:25 am EEST.

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Organic growth doesn't come easy these days

We reiterate our Accumulate recommendation for Talenom but revise our target price to EUR 6.0 (previous EUR 6.3). Q2 results were in line with our expectations, but the operational development was not as favorable. In Finland and Sweden, organic growth was negative in a weak market environment, but on the cost side the measures taken are having the expected effect. Progress in Spain has been good and Sweden is also on track. In the coming years, we will see if Talenom in Sweden can improve productivity and profitability, which will likely determine the direction of the stock.

Growth challenges continued in Finland and Sweden

In Q2, Talenom's revenue totaled 33.9 MEUR, up 4.5% year-on-year. Growth was weaker than we had expected (+8.2%) and came entirely from Spain, while in Finland and Sweden organic growth was negative in a difficult market. The lower-than-expected revenue in the company's profit machine, Finland, was also directly reflected in EBIT (4.3 MEUR vs. 5.2 MEUR forecast). Although Talenom's reported Q2 EBIT (4.5 MEUR) was in line with our forecast (4.6 MEUR), the figure was boosted by a booking of +0.6 MEUR in unallocated items, i.e., the revaluation of additional purchase prices for acquisitions. This non-business item saved the company from an earnings miss in Finland in Q2. In Sweden and Spain, the performance was slightly better than we had expected, with EBITDA of +0.4 MEUR in both countries. In Sweden, the main priority at the moment is to make progress with the implementation of the company's own software and to complete other integration work. However, the introduction of proprietary software is expected to weigh on Swedish profitability throughout 2024. Spain, on the other hand, seems to be progressing better than expected, both in terms of profitability and organic growth.

Small negative operational revisions to forecasts, but guidance should hold

Talenom reaffirmed its guidance for 2024 with revenue of approximately 130-140 MEUR, EBITDA of 34-40 MEUR and EBIT of 14-17 MEUR. Our forecasts were already at the lower end of the guidance range, and the revenue guidance remains challenging due to the weak market outlook in Finland and Sweden. Our EBIT forecast for 2024 (14.3 MEUR) has increased slightly (was 14.1 MEUR), but this is explained by the revaluation of the aforementioned additional purchase prices. This will enable Talenom to meet its earnings guidance despite weaker-than-expected market developments. We lowered our earnings forecasts for the coming years by around 3% in line with the growth outlook, but organic growth still has the potential to accelerate rapidly as the market recovers. In terms of profitability, Sweden and Spain in particular seem to be on the right track, although current levels are of course still weak. In terms of internationalization, the next few years will be critical as 1) Sweden should gain efficiencies from the roll-out of own software and 2) organic growth should start to accelerate in both Sweden and Spain.

Valuation is reasonable, but requires success abroad

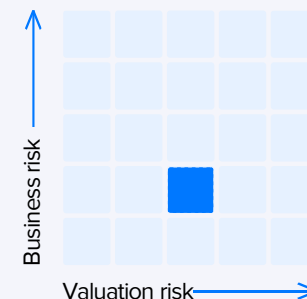
Talenom's valuation is quite attractive out to 2025 (P/E 21x and EV/EBIT 17x), but this includes strong earnings growth. EBIT continues to come solely from Finland next year, which means that the value of the Swedish and Spanish businesses will not be reflected in the earnings multiples. Our sum-of-the-parts calculation now indicates a value of around EUR 6.0-6.2 per share (was EUR 6.3), after a slight decline in Finnish earnings forecasts weighed on its value. The Swedish and Spanish values are quite close to their book values (around EUR 1.6 per share). If even a moderate part of the Finnish success story could be replicated overseas in the coming years, the stock would be very cheap in the medium term.

Recommendation

Accumulate
(previous Accumulate)

EUR 6.00
(previous EUR 6.30)

Share price:
5.28



Key figures

	2023	2024e	2025e	2026e
Revenue	122	130	145	165
growth-%	19%	7%	12%	13%
EBIT adj.	11.1	14.3	19.8	26.0
EBIT-% adj.	9.1 %	11.0 %	13.6 %	15.8 %
Net Income	3.4	7.7	11.9	16.8
EPS (adj.)	0.14	0.17	0.26	0.36
P/E (adj.)	43.2	31.4	20.7	14.6
P/B	5.0	4.4	4.3	3.8
Dividend yield-%	3.1 %	3.8 %	4.0 %	4.2 %
EV/EBIT (adj.)	32.1	22.7	16.7	12.6
EV/EBITDA	11.2	8.8	7.7	6.4
EV/S	2.9	2.5	2.3	2.0

Source: Inderes

Guidance

(Unchanged)

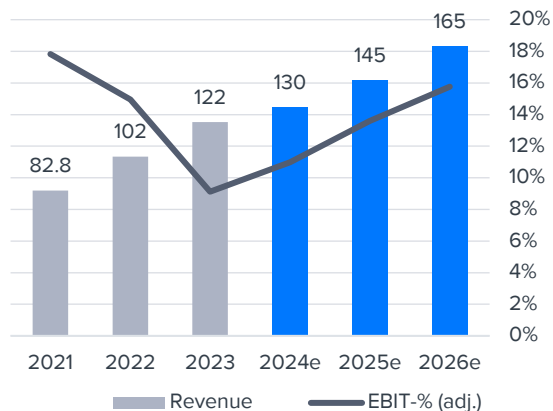
Talenom estimates that 2024 revenue will be about 130-140 MEUR, EBITDA 34-40 MEUR and EBIT 14-17 MEUR.

Share price



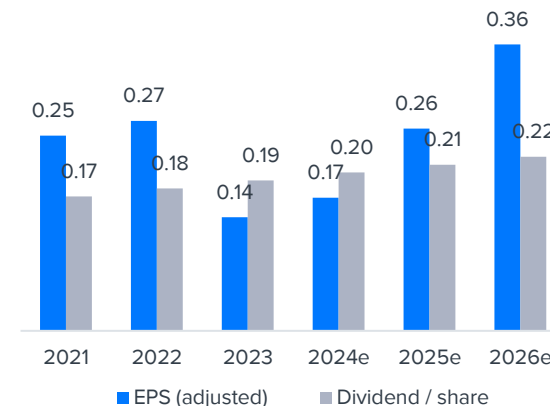
Source: Millstream Market Data AB

Revenue and EBIT-%



Source: Inderes

EPS and dividend



Source: Inderes



Value drivers

- Strong earnings growth after the acquisition-driven growth phase
- Clear competitive advantages contribute to increasing the market share
- Growth of Swedish and Spanish businesses and significant profitability improvement
- Fragmented market is transforming, which opens new opportunities
- Business model that utilizes economies of scale strengthens with growth
- In the long term, expansion elsewhere in Europe



Risk factors

- Failure to improve efficiency and profitability in Sweden
- Failure in internationalization
- Competitive advantage relies on technology, whose development tends to be fast
- Potential drop in customer retention
- Potential tightening competition in digital financial management
- Transformation can bring new challengers to the industry
- Risks associated with the balance sheet have increased

Valuation	2024e	2025e	2026e
Share price	5.28	5.28	5.28
Number of shares, millions	45.9	46.4	46.4
Market cap	242	245	245
EV	325	330	327
P/E (adj.)	31.4	20.7	14.6
P/E	31.4	20.7	14.6
P/B	4.4	4.3	3.8
P/S	1.9	1.7	1.5
EV/Sales	2.5	2.3	2.0
EV/EBITDA	8.8	7.7	6.4
EV/EBIT (adj.)	22.7	16.7	12.6
Payout ratio (%)	119%	82.2 %	60.9 %
Dividend yield-%	3.8 %	4.0 %	4.2 %

Source: Inderes

Growth challenges continued in Finland and Sweden

Revenue turned downward in Finland

In Q2, Talenom's revenue growth in Finland turned clearly negative (-3.6%), whereas we had expected a slight increase (+0.5%). Finland's revenue of 22.5 MEUR was disappointing. The weak market situation, which is partly delayed for Talenom, has continued. The defensive accounting market has also struggled after the Finnish slowdown hit the SME sector hard. However, Talenom's new customer acquisition has worked quite well and the net new customer revenue exceeds the net customer loss. However, this was not enough to compensate for lower transaction volumes and local price reductions by existing customers (e.g. in the construction sector). However, the success in winning new customers shows that Talenom has not lost its competitiveness in the sector.

Weaker-than-expected revenue growth in Finland had a direct impact on profitability and earnings, as the cost structure was virtually in line with our expectations. Q2 EBIT was 4.3 MEUR while our estimate was 5.2 MEUR. The difference is almost entirely explained by the revenue miss. Nevertheless, the EBITDA margin in Finland was a commendable 39.3%, a significant improvement year-on-year

(Q2'23: 35.2%), thanks to the efficiency measures implemented earlier. In practice, greater improvements would require a turnaround in revenue, with revenue being heavily reflected in the lower lines.

Sweden is progressing roughly as expected, but growth here is also tight

Revenue growth was also slightly negative (-1.0%) in Sweden, where organic growth was even weaker. Thus, Sweden's revenue stood at 7.2 MEUR, while our forecast was 7.5 MEUR. Here, too, the decline in revenue was due to the impact of the economic downturn: transaction volumes declined significantly, leading to a reduction in customer invoicing, both through of volume and price reductions. The company said it has prioritized customer retention to be better positioned for the upturn, making it easier to emerge from the doldrums.

In Sweden, Q2 EBITDA landed at 0.4 MEUR and the EBITDA margin was 6.0%, slightly above our forecast (5.0%). Profitability is currently low due to the resources and costs associated with implementing proprietary software. According to the company, the roll-out of its own software in Sweden has gone

according to plan and the company has been able to demonstrate the benefits of operational efficiencies. Talenom estimates that the implementation of the processes and platform will enable a reduction in routine working time of 75% of the current level. This provides a strong basis for profitability improvements, but these will take years to fully materialize. In addition, Talenom has carried out other integration work in Sweden during H1, but most of this has now been completed. However, the roll-out of proprietary software weighs on the bottom line throughout the year, and the fall is the busiest time after the peak season.

Spain is rolling forward

In Spain, Talenom's revenue was 4.2 MEUR. Most of the strong growth (+134%) came from acquisitions, but organic growth also appears to have been at a good level. In Spain, the economy is growing and the market situation is still good. EBITDA was also clearly positive (+0.4 MEUR), as the high fixed costs of the support functions were covered by the profitable accounting business. Spain therefore seems to be on a good track in terms of both profitability and organic growth.

Estimates MEUR / EUR	Q2'23	Q2'24	Q2'24e	Q2'24e	Consensus		Difference (%)	2024e
	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. Inderes	Inderes
Revenue	32.4	33.9	35.1	35.2	35.1	- 35.3	-3%	130
EBITDA	8.9	10.3	10.2	9.8	9.3	- 10.2	1%	37.0
EBIT	3.7	4.5	4.6	4.2	3.9	- 4.6	-1%	14.3
EPS (adj.)	0.05	0.06	0.06	0.06	0.05	- 0.06	0%	0.17
Revenue growth-%	20.1 %	4.5 %	8.2 %	8.5 %	8.3 %	- 8.9 %	-3.6 pp	6.9 %
EBIT-% (adj.)	11.3 %	13.3 %	13.0 %	11.9 %	11.1 %	- 13.0 %	0.3 pp	11.0 %

Source: Inderes & Bloomberg (3 forecasts, collected 7/15/2024) (consensus)

Guidance unchanged and likely to be reached

Guidance unchanged

As expected, Talenom's guidance was unchanged, i.e., the company expects 2024 revenue of approximately 130-140 MEUR, EBITDA of 34-40 MEUR and EBIT of 14-17 MEUR. The market outlook in Finland and Sweden is sluggish, although there are small positive signs. However, we believe that the situation has leveled off, taking into account the six-month lag before changes in the economic outlook are reflected in demand. This lag also means that the economic recovery that may be underway now will not help much in 2024. In Spain, the accounting market is growing, but its role in the group is limited for the time being (around 12% of revenue in 2024e).

Our forecasts were already at the low end of the 2024 guidance range. Now we have made small positive changes to the earnings estimates, but the revenue guidance is very tight. However, the company may have acquisitions in the pipeline in Spain that could immediately change the situation. During H1, Talenom benefited from the revaluation of additional purchase prices of acquisitions by just under 0.9 MEUR. Without this, the risk of a profit

warning would be very high right now. The original guidance was based on the assumption that demand in the Nordic countries would also be stable, but the market has continued to weaken. This was reflected in revenue and earnings in Finland. Still, the earnings growth outlook is very good once the market headwinds end.

Finland must get back to growth

We expect revenue in Finland to return to growth of around 2-3% for the rest of the year. This is influenced by weakening comparison periods. So growth will be virtually non-existent this year (+0.2% forecast), but we estimate that the Finnish business will still be able to achieve an EBITDA margin of around 39.2% if it can maintain cost discipline. This would imply a significant increase in EBIT (forecast 16.4 MEUR, 2023: 14.5 MEUR), but the forecast has been lowered compared to the previous one (17.4 MEUR). Finland remains responsible for the group's earnings. In the coming years, Finland's performance will improve as the market recovers and organic growth accelerates.

Year of implementation in Sweden

In Sweden, Talenom will achieve a slightly positive EBITDA this year (forecast 1.0 MEUR), but EBIT will still be clearly negative (forecast 1.9 MEUR). For Sweden, success this year in implementing its own software, training staff, improving efficiency and creating the conditions for organic growth will be crucial. Next year, revenue growth can be scaled up thanks to increased efficiency, and Sweden will then be in a position for strong earnings growth.

Spain is making good progress

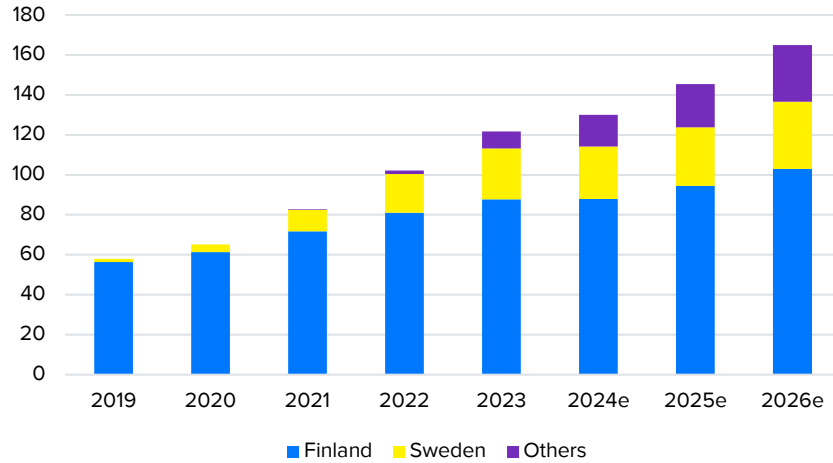
In Spain, growth will continue to be strong thanks to acquisitions, and we expect a few more deals towards the end of the year. We expect revenue to grow by around 87% to 15.9 MEUR, and EBITDA to be around 0.9 MEUR this year. Here, too, Talenom is setting the stage for organic growth, which we expect to accelerate towards the end of the year and further next year. The outlook for earnings growth in the coming years remains very good, and we have made modest positive revisions to our forecasts.

Estimate revisions MEUR / EUR	2024e	2024e	Change %	2025e	2025e	Change %	2026e	2026e	Change %
	Old	New		Old	New		Old	New	
Revenue	131	130	-1%	147	145	-1%	167	165	-1%
EBITDA	36.6	37.0	1%	43.9	43.1	-2%	51.6	50.8	-2%
EBIT (exc. NRIs)	14.1	14.3	1%	20.5	19.8	-3%	26.8	26.0	-3%
EBIT	14.1	14.3	1%	20.5	19.8	-3%	26.8	26.0	-3%
PTP	10.0	10.1	1%	16.3	15.6	-4%	22.5	21.8	-3%
EPS (excl. NRIs)	0.16	0.17	2%	0.27	0.26	-4%	0.37	0.36	-3%
DPS	0.20	0.20	0%	0.21	0.21	0%	0.22	0.22	0%

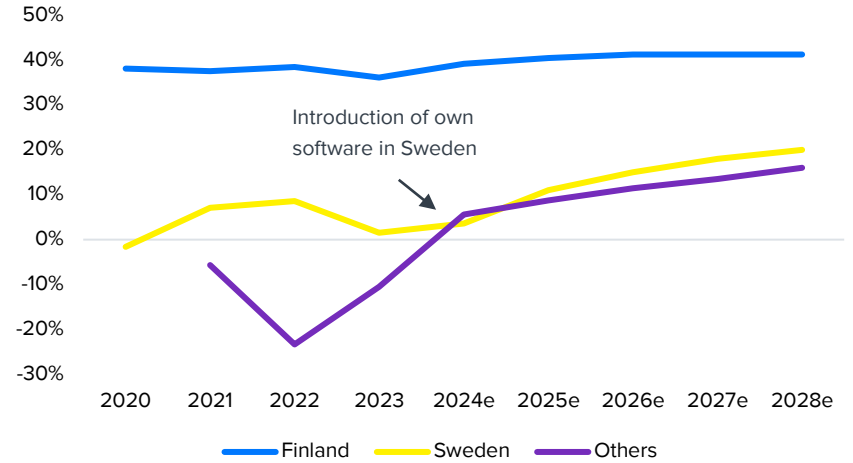
Source: Inderes

Country-specific forecasts in graphs

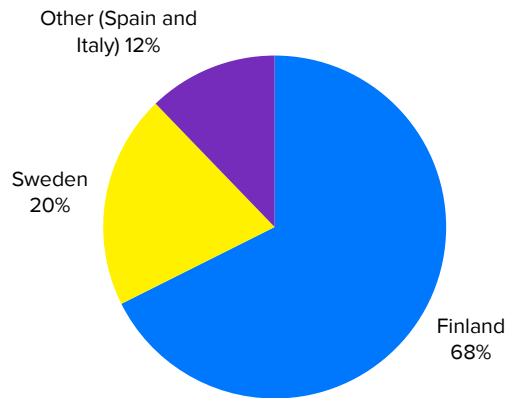
Revenue development in different countries (MEUR)



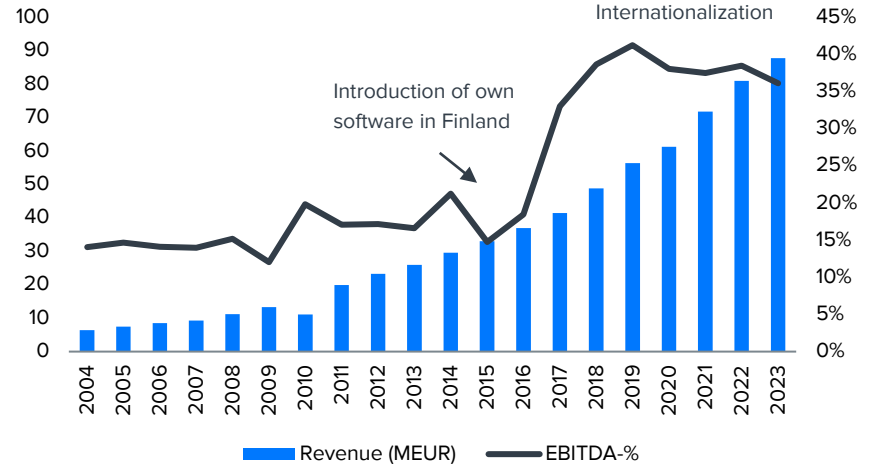
EBITDA margins by country (%)



Revenue breakdown (2024e)



Key figures for Finnish business



Valuation requires success abroad as well

Valuation multiples are reasonable if earnings growth comes through

Talenom's share price was volatile during the quarter but recovered to a relatively reasonable level after the Q2 report. The company is returning to earnings growth this year, but profitability remains weak as the international business continues to drag. The 2024e P/E of the share is 31x and EV/EBIT 23x, which are high in absolute terms but reasonable considering the earnings growth potential. Visibility to 2025 is still limited, but with the projected performance the multiples (P/E 21x and EV/EBIT 17x) are quite attractive. Relying on these is still a bit risky given the low visibility for next year, but at least in Q2 Sweden and Spain performed roughly as expected. The problem now was in particular the weakness of organic growth in Finland.

We believe that Talenom's EBIT margin will reach at least 15% in the medium term (2020: 11.0%, 2020: 19.8%), if the company succeeds in internationalization at least moderately. This gives Talenom excellent medium-term earnings growth prospects, but in the coming years the focus of earnings growth will increasingly shift to international operations. The risks associated with these are significantly higher than in Finland.

Talenom's business is mainly recurring and defensive, profitability is partially scalable and competitive advantages are strong in the SME sector selected by the company, as evidenced by the excellent profitability in Finland. The company has a strong position in the transforming accounting services industry, and we estimate Talenom to be one of the future winners, at least in Finland. The potential for success in the European market is also there in the long term, and in the coming years we will know that

the concept works in Sweden as the company rolls out its own software. However, the game is long and still largely unfinished.

Sum of the parts

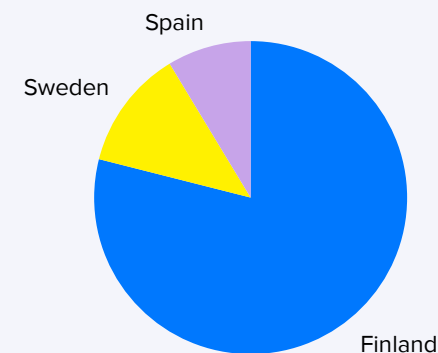
When Finland generates the Group's earnings and others destroy it, the image reflected by the valuation multiples does not give any value to the international business. This means that valuation multiples don't reflect the full potential of the international business in the coming years, which is what we believe in the medium term. Consequently, we also look at Talenom's valuation on a sum-of-the-parts basis, which is now around EUR 6.0-6.2/share (was EUR 6.3) The modest forecast changes have been moderately reflected in the value of the Finnish business, which we value at around 280 MEUR. Sweden is valued at around 44 MEUR and Spain (incl. Italy) at around 31 MEUR. Together, they amount to about €1.6 per share, which is relatively close to their book value, i.e., the investments made in them (mostly acquisitions). At the end of 2024, Talenom is estimated to have net interest-bearing debt of approximately 72 MEUR (excluding IFRS 16 liabilities), which is deducted from the enterprise value (EV). This brings the indicative market value of the sum of the parts to around 282 MEUR.

We believe that the calculation gives a reasonable picture of the distribution of Talenom's share value. In Finland, the value is very tangible, while in international business it is largely based on future potential and on the investments made. But if international growth turns sour, the destruction of value is likely to be limited. We think the company has a lot of potential, but even in a good scenario, it will take a significant amount of time to unlock it.

Valuation	2024e	2025e	2026e
Share price	5.28	5.28	5.28
Number of shares, millions	45.9	46.4	46.4
Market cap	242	245	245
EV	325	330	327
P/E (adj.)	31.4	20.7	14.6
P/E	31.4	20.7	14.6
P/B	4.4	4.3	3.8
P/S	1.9	1.7	1.5
EV/Sales	2.5	2.3	2.0
EV/EBITDA	8.8	7.7	6.4
EV/EBIT (adj.)	22.7	16.7	12.6
Payout ratio (%)	119%	82.2 %	60.9 %
Dividend yield-%	3.8 %	4.0 %	4.2 %

Source: Inderes

EV breakdown

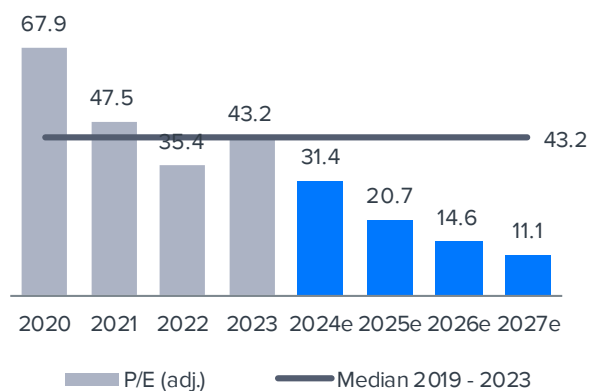


Valuation table

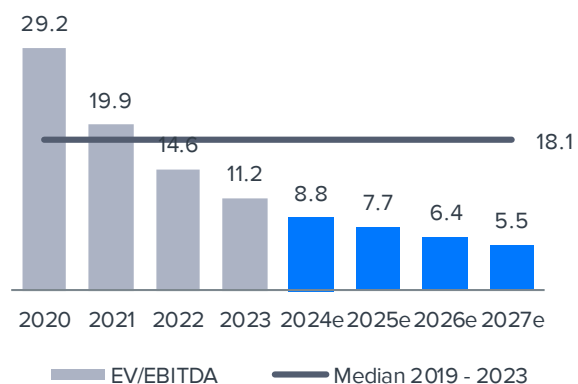
Valuation	2019	2020	2021	2022	2023	2024e	2025e	2026e	2027e
Share price	7.50	15.1	11.7	9.39	6.20	5.28	5.28	5.28	5.28
Number of shares, millions	41.7	43.2	43.8	44.5	45.4	45.9	46.4	46.4	46.4
Market cap	313	650	512	420	282	242	245	245	245
EV	342	679	552	475	357	325	330	327	314
P/E (adj.)	41.1	67.9	47.5	35.4	43.2	31.4	20.7	14.6	11.1
P/E	41.1	67.9	47.5	35.4	83.7	31.4	20.7	14.6	11.1
P/B	13.3	20.2	11.5	7.5	5.0	4.4	4.3	3.8	3.2
P/S	5.4	10.0	6.2	4.1	2.3	1.9	1.7	1.5	1.3
EV/Sales	5.9	10.4	6.7	4.6	2.9	2.5	2.3	2.0	1.7
EV/EBITDA	18.1	29.2	19.9	14.6	11.2	8.8	7.7	6.4	5.5
EV/EBIT (adj.)	32.8	52.7	37.4	31.1	32.1	22.7	16.7	12.6	9.9
Payout ratio (%)	68.4 %	67.7 %	69.0 %	68.3 %	256.6 %	119.0 %	82.2 %	60.9 %	52.5 %
Dividend yield-%	1.7 %	1.0 %	1.5 %	1.9 %	3.1 %	3.8 %	4.0 %	4.2 %	4.7 %

Source: Inderes

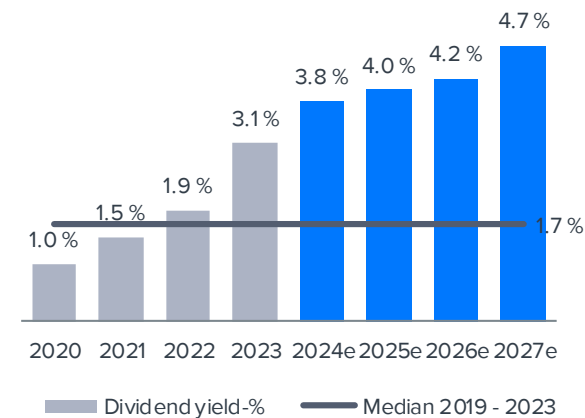
P/E (adj.)



EV/EBITDA



Dividend yield-%



Peer group valuation

Peer group valuation	Market cap	EV	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%	
Company	MEUR	MEUR	2024e	2025e	2024e	2025e	2024e	2025e	2024e	2025e	2024e	2025e
Aallon Group	31	31	9.9	8.8	6.2	5.6	0.9	0.8	12.5	11.9	2.9	3.0
Fortnox	3368	3345	44.2	33.6	36.0	27.9	18.7	15.0	56.2	43.0	0.4	0.5
Admicom	259	249	20.3	18.1	20.0	17.8	6.9	6.3	26.4	23.6	1.3	1.5
ECIT	226	333	15.2	12.0	7.3	6.3	1.0	1.0	15.5	12.7	0.8	1.3
Administer	34	46	23.0	13.3	7.1	5.4	0.6	0.6	53.3	20.0	2.5	3.5
Xero	12707	12707	104	67	48	37	13.5	11.1	141	86		
Enento	404	547	17.7	14.0	10.2	9.2	3.6	3.4	19.1	15.6	5.9	6.1
Fondia	24	21	9.3	6.6	7.4	5.4	0.8	0.7	13.3	10.3	4.8	6.4
Vincit	39	27	12.8	5.7	10.4	4.9	0.3	0.3	23.3	10.3	4.3	6.4
Gofore	349	325	12.0	10.3	10.5	9.0	1.7	1.5	16.2	14.1	2.2	2.6
Etteplan	326	387	10.6	8.8	7.5	6.2	1.0	0.9	13.0	10.8	2.8	3.9
Talenom (Inderes)	242	325	22.7	16.7	8.8	7.7	2.5	2.3	31.4	20.7	3.8	4.0
Average			25.3	18.0	15.5	12.3	4.5	3.8	35.4	23.4	2.8	3.5
Median			15.2	12.0	10.2	6.3	1.0	1.0	19.1	14.1	2.6	3.3
Diff-% to median			49%	39%	-14%	22%	145%	137%	65%	47%	43%	22%

Source: Refinitiv / Inderes

Income statement

Income statement	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24	Q2'24	Q3'24e	Q4'24e	2024e	2025e	2026e	2027e
Revenue	102	31.3	32.4	28.3	29.7	122	34.1	33.9	30.5	31.7	130	145	165	185
Finland	81.0	23.4	23.3	20.3	20.8	87.8	23.4	22.5	20.7	21.4	88.0	94.5	103	111
Sweden	19.4	6.7	7.3	5.5	5.9	25.5	7.0	7.3	5.8	6.3	26.3	29.3	33.7	38.8
Other countries	1.7	1.2	1.8	2.5	3.0	8.5	3.7	4.2	4.0	4.0	15.9	21.6	28.3	35.4
EBITDA	32.4	8.4	8.9	7.6	7.0	31.9	9.5	10.3	8.4	8.9	37.0	43.1	50.8	57.5
Depreciation	-17.1	-4.9	-5.2	-8.4	-5.4	-23.9	-5.6	-5.8	-5.7	-5.7	-22.7	-23.4	-24.8	-25.8
EBIT (excl. NRI)	15.3	3.5	3.7	2.4	1.6	11.1	3.9	4.5	2.7	3.2	14.3	19.8	26.0	31.8
EBIT	15.3	3.5	3.7	-0.8	1.6	8.0	3.9	4.5	2.7	3.2	14.3	19.8	26.0	31.8
Finland	16.0	4.0	3.8	3.4	3.2	14.5	4.9	4.3	3.4	3.8	16.4	19.8	23.3	26.1
Sweden	-0.1	0.3	0.0	-0.7	-1.8	-2.2	-0.7	-0.3	-0.5	-0.4	-1.9	0.4	1.9	3.6
Other countries	-0.6	-0.5	-0.4	-0.4	-0.6	-1.9	-0.5	-0.1	-0.2	-0.2	-1.1	-0.4	0.8	2.1
Non-allocated	0.0	-0.3	0.2	-3.2	0.7	-2.5	0.3	0.6	0.0	0.0	0.9	0.0	0.0	0.0
Net financial items	-0.7	-0.7	-0.8	-1.1	-1.1	-3.7	-1.0	-1.2	-1.0	-1.0	-4.2	-4.2	-4.2	-3.5
PTP	14.6	2.7	2.9	-1.9	0.5	4.3	2.8	3.3	1.7	2.2	10.1	15.6	21.8	28.3
Taxes	-2.8	-0.7	-0.7	0.2	0.3	-0.9	-0.8	-0.6	-0.4	-0.5	-2.3	-3.7	-5.0	-6.2
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net earnings	11.8	2.1	2.2	-1.7	0.8	3.4	2.0	2.7	1.3	1.7	7.7	11.9	16.8	22.1
EPS (adj.)	0.27	0.05	0.05	0.03	0.02	0.14	0.04	0.06	0.03	0.04	0.17	0.26	0.36	0.48
EPS (rep.)	0.27	0.05	0.05	-0.04	0.02	0.07	0.04	0.06	0.03	0.04	0.17	0.26	0.36	0.48

Key figures	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24	Q2'24	Q3'24e	Q4'24e	2024e	2025e	2026e	2027e
Revenue growth-%	23.3 %	24.2 %	20.1 %	20.0 %	12.8 %	19.2 %	8.8 %	4.5 %	7.7 %	6.7 %	6.9 %	11.7 %	13.5 %	12.3 %
Adjusted EBIT growth-%	3.4 %	-28.9 %	-28.6 %	-22.3 %	-27.4 %	-27.2 %	11.5 %	22.8 %	14.7 %	99.9 %	28.6 %	38.5 %	31.5 %	22.2 %
EBITDA-%	31.7 %	26.7 %	27.3 %	27.0 %	23.7 %	26.2 %	27.9 %	30.3 %	27.6 %	27.9 %	28.4 %	29.7 %	30.8 %	31.0 %
Adjusted EBIT-%	15.0 %	11.0 %	11.3 %	8.4 %	5.4 %	9.1 %	11.3 %	13.3 %	9.0 %	10.1 %	11.0 %	13.6 %	15.8 %	17.1 %
Net earnings-%	11.6 %	6.6 %	6.7 %	-6.0 %	2.8 %	2.8 %	6.0 %	7.8 %	4.4 %	5.3 %	5.9 %	8.2 %	10.2 %	11.9 %

Source: Inderes

Balance sheet

Assets	2022	2023	2024e	2025e	2026e
Non-current assets	123	145	154	162	168
Goodwill	55.0	66.6	70.6	74.6	76.6
Intangible assets	54.2	62.7	66.8	70.5	73.9
Tangible assets	2.8	4.7	5.2	5.8	6.2
Associated companies	0.0	0.0	0.0	0.0	0.0
Other investments	0.3	0.2	0.2	0.2	0.2
Other non-current assets	9.9	9.4	9.6	9.8	10.0
Deferred tax assets	0.4	1.5	1.5	1.5	1.5
Current assets	30.5	29.2	31.3	34.9	39.6
Inventories	0.0	0.0	0.0	0.0	0.0
Other current assets	0.0	0.0	0.0	0.0	0.0
Receivables	14.5	19.0	20.3	22.7	25.7
Cash and equivalents	16.0	10.3	11.0	12.2	13.9
Balance sheet total	156	176	184	195	205

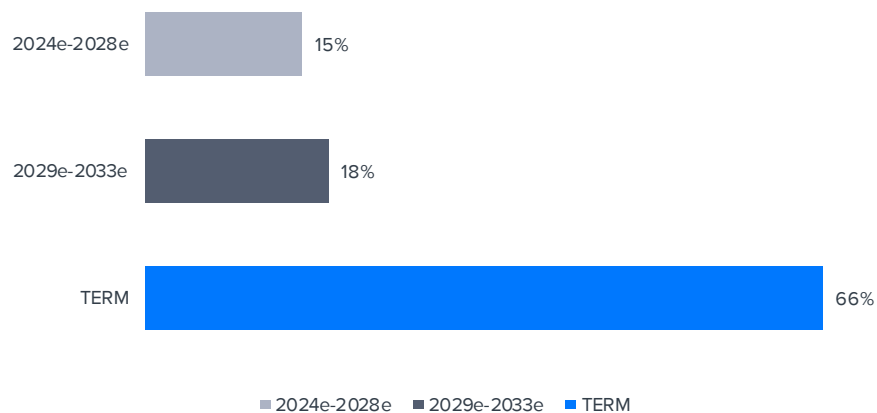
Source: Inderes

Liabilities & equity	2022	2023	2024e	2025e	2026e
Equity	56.0	55.8	54.9	57.6	64.6
Share capital	0.1	0.1	0.1	0.1	0.1
Retained earnings	29.1	24.9	23.9	26.6	33.7
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	26.9	30.9	30.9	30.9	30.9
Minorities	0.0	0.0	0.0	0.0	0.0
Non-current liabilities	62.3	81.4	81.9	89.4	87.9
Deferred tax liabilities	3.0	4.3	4.3	4.3	4.3
Provisions	0.0	0.0	0.0	0.0	0.0
Interest bearing debt	56.4	76.4	76.9	84.4	82.9
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	2.8	0.6	0.6	0.6	0.6
Current liabilities	38.0	38.5	47.7	48.3	52.6
Interest bearing debt	13.7	9.0	16.2	13.1	12.7
Payables	24.3	29.4	31.5	35.2	39.9
Other current liabilities	0.0	0.0	0.0	0.0	0.0
Balance sheet total	156	176	184	195	205

DCF calculation

DCF model	2023	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	TERM
Revenue growth-%	19.2 %	6.9 %	11.7 %	13.5 %	12.3 %	10.0 %	7.0 %	5.0 %	5.0 %	5.0 %	3.0 %	3.0 %
EBIT-%	6.5 %	11.0 %	13.6 %	15.8 %	17.1 %	17.0 %	16.0 %	15.5 %	15.0 %	15.0 %	15.0 %	15.0 %
EBIT (operating profit)	8.0	14.3	19.8	26.0	31.8	34.7	34.9	35.5	36.1	37.9	39.0	
+ Depreciation	23.9	22.7	23.4	24.8	25.8	27.1	28.1	29.6	30.8	31.8	32.7	
- Paid taxes	-0.7	-2.3	-3.7	-5.0	-6.2	-6.9	-7.1	-7.2	-7.4	-7.8	-8.1	
- Tax, financial expenses	-0.8	-1.0	-1.0	-1.0	-0.8	-0.7	-0.7	-0.6	-0.6	-0.6	-0.6	
+ Tax, financial income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Change in working capital	0.6	0.7	1.3	1.7	1.8	1.6	1.2	0.9	1.0	1.0	0.7	
Operating cash flow	31.1	34.4	39.7	46.5	52.3	55.7	56.6	58.2	60.0	62.4	63.8	
+ Change in other long-term liabilities	-2.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-43.5	-29.5	-30.5	-30.0	-26.4	-34.2	-32.9	-33.1	-34.6	-35.8	-35.5	
Free operating cash flow	-14.6	4.9	9.2	16.5	25.9	21.5	23.6	25.1	25.3	26.6	28.3	
+/- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	-14.6	4.9	9.2	16.5	25.9	21.5	23.6	25.1	25.3	26.6	28.3	556
Discounted FCFF		4.8	8.2	13.6	19.7	15.1	15.4	15.1	14.1	13.6	13.4	263
Sum of FCFF present value		396	391	383	370	350	335	319	304	290	277	263
Enterprise value DCF		396										
- Interest bearing debt		-85.5										
+ Cash and cash equivalents		10.3										
-Minorities		0.0										
-Dividend/capital return		-8.6										
Equity value DCF		312										
Equity value DCF per share		6.8										

Cash flow distribution

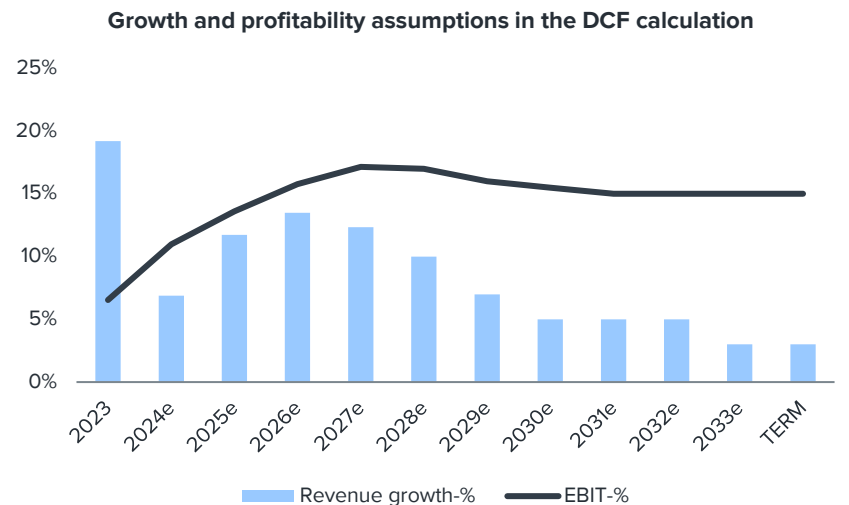
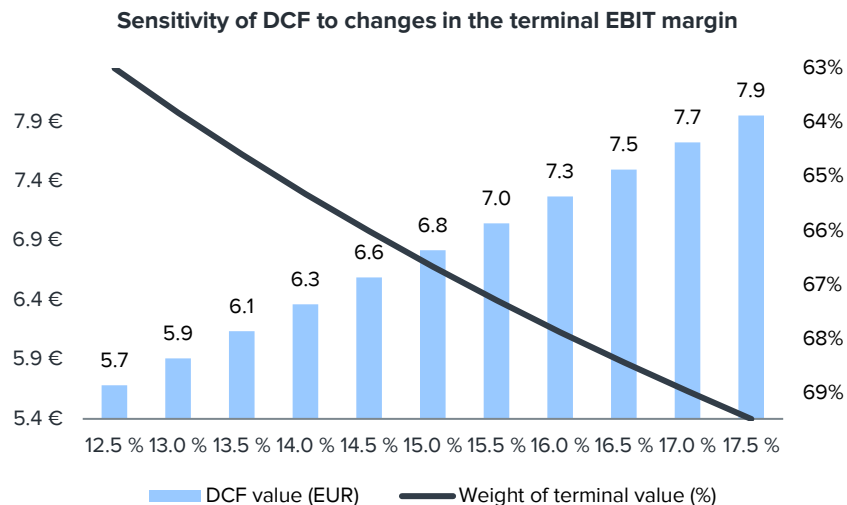
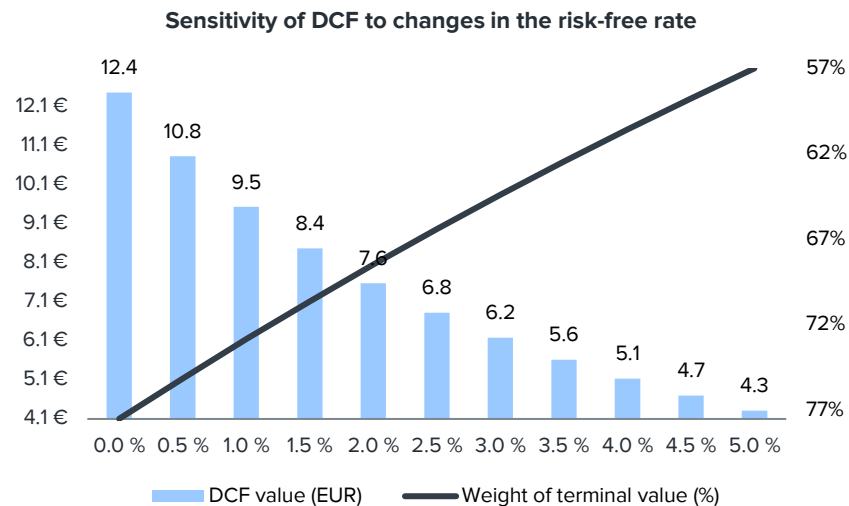
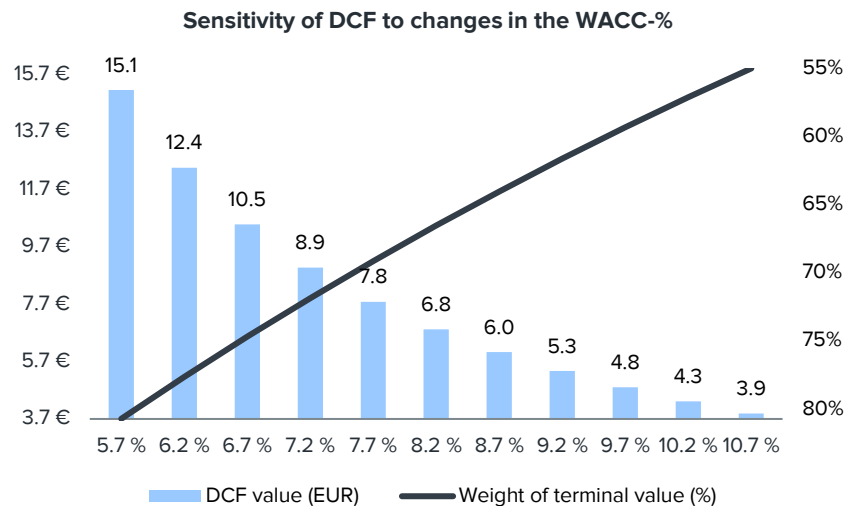


WACC

Tax-% (WACC)	22.0 %
Target debt ratio (D/(D+E))	20.0 %
Cost of debt	4.5 %
Equity Beta	1.33
Market risk premium	4.75%
Liquidity premium	0.60%
Risk free interest rate	2.5 %
Cost of equity	9.4 %
Weighted average cost of capital (WACC)	8.2 %

Source: Inderes

DCF sensitivity calculations and key assumptions in graphs



Source: Inderes. Note that the weight of the terminal value (%) is shown on an inverse scale for clarity.

Summary

Income statement	2021	2022	2023	2024e	2025e	Per share data	2021	2022	2023	2024e	2025e
Revenue	82.8	102.1	121.7	130.1	145.4	EPS (reported)	0.25	0.27	0.07	0.17	0.26
EBITDA	27.7	32.4	31.9	37.0	43.1	EPS (adj.)	0.25	0.27	0.14	0.17	0.26
EBIT	14.8	15.3	8.0	14.3	19.8	OCF / share	0.66	0.68	0.68	0.75	0.86
PTP	14.0	14.6	4.3	10.1	15.6	FCF / share	-0.26	-0.31	-0.32	0.11	0.20
Net Income	10.8	11.8	3.4	7.7	11.9	Book value / share	1.02	1.26	1.23	1.20	1.24
Extraordinary items	0.0	0.0	-3.2	0.0	0.0	Dividend / share	0.17	0.18	0.19	0.20	0.21
Balance sheet	2021	2022	2023	2024e	2025e	Growth and profitability	2021	2022	2023	2024e	2025e
Balance sheet total	117.7	156.3	175.7	184.5	195.3	Revenue growth-%	27%	23%	19%	7%	12%
Equity capital	44.7	56.0	55.8	54.9	57.6	EBITDA growth-%	19%	17%	-2%	16%	17%
Goodwill	37.3	55.0	66.6	70.6	74.6	EBIT (adj.) growth-%	15%	3%	-27%	29%	38%
Net debt	39.2	54.1	75.2	82.2	85.3	EPS (adj.) growth-%	11%	8%	-46%	17%	52%
Cash flow	2021	2022	2023	2024e	2025e	EBITDA-%	33.4 %	31.7 %	26.2 %	28.4 %	29.7 %
EBITDA	27.7	32.4	31.9	37.0	43.1	EBIT (adj.)-%	17.8 %	15.0 %	9.1 %	11.0 %	13.6 %
Change in working capital	3.3	0.2	0.6	0.7	1.3	EBIT-%	17.8 %	15.0 %	6.5 %	11.0 %	13.6 %
Operating cash flow	28.9	30.4	31.1	34.4	39.7	ROE-%	28.1 %	23.4 %	6.0 %	13.9 %	21.1 %
CAPEX	-41.9	-44.9	-43.5	-29.5	-30.5	ROI-%	18.0 %	13.9 %	6.1 %	10.0 %	13.1 %
Free cash flow	-11.3	-13.8	-14.6	4.9	9.2	Equity ratio	38.2 %	35.9 %	31.8 %	29.8 %	29.5 %
						Gearing	87.7 %	96.6 %	134.7 %	149.6 %	148.1 %
Valuation multiples	2021	2022	2023	2024e	2025e						
EV/S	6.7	4.6	2.9	2.5	2.3						
EV/EBITDA	19.9	14.6	11.2	8.8	7.7						
EV/EBIT (adj.)	37.4	31.1	32.1	22.7	16.7						
P/E (adj.)	47.5	35.4	43.2	31.4	20.7						
P/B	11.5	7.5	5.0	4.4	4.3						
Dividend-%	1.5 %	1.9 %	3.1 %	3.8 %	4.0 %						

Source: Inderes

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Talenom made a 1/5 split on 2/25/2020, prices and targets adjusted.

Date	Recommendation	Target	Share price
7/24/2019	Accumulate	6.00 €	5.68 €
7/30/2019	Accumulate	6.33 €	6.02 €
10/22/2019	Accumulate	6.33 €	5.67 €
1/8/2020	Reduce	7.33 €	7.42 €
2/4/2020	Reduce	7.00 €	6.97 €
2/26/2020	Accumulate	6.80 €	6.40 €
4/1/2020	Reduce	6.00 €	5.88 €
4/28/2020	Accumulate	7.50 €	7.14 €
6/15/2020	Reduce	8.20 €	8.20 €
8/4/2020	Reduce	9.00 €	9.32 €
10/27/2020	Reduce	10.00 €	10.20 €
11/19/2020	Reduce	12.00 €	12.20 €
2/9/2021	Reduce	12.00 €	12.50 €
3/2/2021	Accumulate	12.00 €	11.15 €
4/27/2021	Reduce	14.00 €	14.12 €
8/3/2021	Reduce	16.00 €	16.72 €
10/1/2021	Accumulate	15.00 €	13.98 €
11/2/2021	Accumulate	15.50 €	14.50 €
12/17/2021	Accumulate	13.50 €	11.92 €
2/9/2022	Buy	12.00 €	9.84 €
4/13/2022	Buy	12.00 €	9.99 €
4/27/2022	Buy	12.00 €	10.00 €
8/3/2022	Reduce	12.50 €	12.30 €
10/26/2022	Reduce	9.50 €	9.39 €
2/1/2023	Reduce	9.00 €	9.09 €
3/27/2023	Accumulate	9.00 €	7.69 €
4/21/2023	Accumulate	8.80 €	7.88 €
7/24/2023	Accumulate	8.00 €	6.96 €
10/13/2023	Buy	6.00 €	4.65 €
10/23/2023	Buy	6.00 €	4.70 €
12/28/2023	Accumulate	6.50 €	6.03 €
2/2/2024	Reduce	6.30 €	6.20 €
3/19/2024	Buy	6.30 €	5.18 €
4/19/2024	Accumulate	6.30 €	5.60 €
7/22/2024	Accumulate	6.00 €	5.28 €



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