

Solteq

Company report

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✓ Inderes corporate customer

This report is a summary translation of the report “Pienempää vaihdetta silmään” published on 02/18/2022 at 07:45 am

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Switching to a smaller gear

We revise our target price for Solteq to EUR 4.60 (previously € 6.00) and lower our recommendation to Accumulate (previously Buy). Solteq's Q4 was a continuation of soft Q3. However, the whole year was strong, and the company is clearly better positioned to continue growth and internationalization with investments and acquisitions. The valuation picture of the share is attractive, and the potential is clearly higher than our forecasts. Short-term talent market risks and transformation into a Nordic software company that is still in the early stages lead us to switch to a smaller gear.

Soft Q4, but the whole year was strong

Solteq's Q1 revenue grew by 12% to EUR 18.3 million, which was slightly below our estimate. The growth was mainly organic. Like other companies in the sector, Solteq talked about a competitive talent market, which limits development in the short term. The component shortage of Q3 is easing off and, to our understanding, the company will be able to deliver the orders that were delayed in Q3 during H1'22. In Q4, Operating profit was EUR 1.3 million, which was below both our estimate and the comparison period. Increased cost level and elevated subcontracting costs weighed down the result. However, the whole year 2021 was strong and the board proposed a dividend of EUR 0.10, which corresponds to 44% of the result and is in line with our expectations.

Solteq's guidance sees result improving in 2022

Solteq commented in its guidance that its revenue is expected to grow clearly and operating profit to improve in 2022. We estimate that the drivers that caused softness in Q4 will also affect Solteq this year. Thus, we lowered our operating profit forecasts for the next few years by just under 10% and other earnings forecasts by slightly over 15%. We estimate that revenue will grow by 11% this year and EBIT by 8% to EUR 7.7 million, which corresponds with 10% of revenue (2021 adj.: 11%). We expect Solteq's revenue to grow by 8-9% in 2023-24 and EBIT % to rise to 13% mainly driven by stronger growth in own product business and better profitability.

Valuation picture is attractive considering the uncertainty

For its investment profile, Solteq should be considered among Nordic IT service companies, but the transformation into a product and software company is constantly progressing. Thanks to the improved earnings level, the company's cash flow has been strengthened and its balance sheet position and risk profile have decreased. In our estimates, the multiples for 2022 are on average 4% above Finnish peers and 22% below Nordic peers, which is moderate considering the earnings growth and potential of the product business. With just 10% earnings growth and 4-5% dividend yield, the expected return on the share is at an attractive level of nearly 15%. Solteq's main risks are related to the commercialization of products, internationalization and the hot talent market.

Monitoring international revenue and continuing income

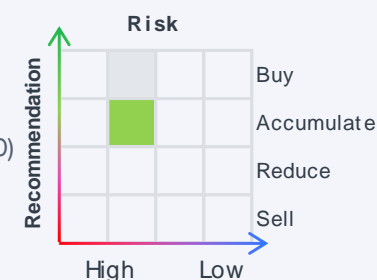
We are following Solteq's international business because successful internalization of its own solutions opens up a much greater market potential for the products. 22% of revenue came from outside Finland in 2021, which is at the level of the comparison period and therefore a slight disappointment. The share of recurring earnings increased 2 pp to 31.5% in 2021 and remained slightly below the 1/3 target. The company expects the share to increase over two years to more than 50% of revenue. When the company achieves its target, the investment profile becomes more interesting and more strongly that of a product house, allowing higher multiples to be accepted for the share.

Recommendation

Accumulate
(previous Buy)

EUR 4.60
(previous EUR 6.00)

Share price:
3.92



Key figures

	2021	2022e	2023e	2024e
Revenue	69.1	76.7	83.4	90.3
growth-%	14%	11%	9%	8%
EBIT adj.	7.4	7.7	9.8	11.6
EBIT-% adj.	10.7 %	10.0 %	11.8 %	12.9 %
Net Income	4.1	4.7	6.7	8.2
EPS (adj.)	0.23	0.24	0.35	0.42

P/E (adj.)	18.2	16.3	11.3	9.3
P/B	2.8	2.5	2.2	1.9
Dividend yield-%	2.4 %	3.8 %	4.6 %	5.4 %
EV/EBIT (adj.)	13.8	12.2	9.0	7.1
EV/EBITDA	8.3	7.1	5.8	4.9
EV/S	1.5	1.2	1.1	0.9

Source: Inderes

Guidance

(New guidance)

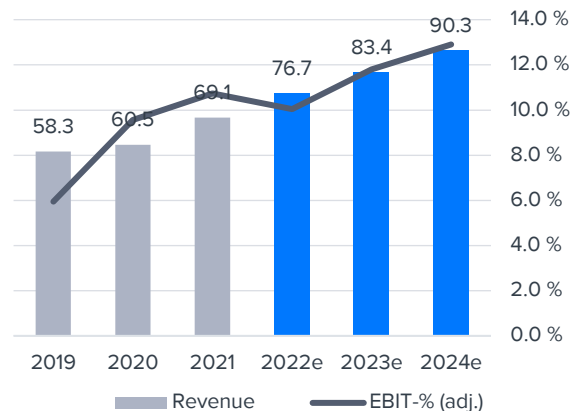
In 2022, Solteq Group's revenue is expected to grow clearly and operating profit to improve.

Share price



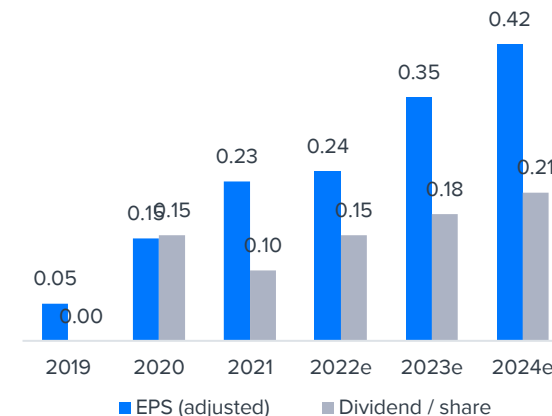
Source: Thomson Reuters

Revenue and EBIT %



Source: Inderes

EPS and dividend



Source: Inderes



Value drivers

- Success in product business
- Profitability improvement
- Improved visibility
- Organic and acquisition-driven growth
- Improved sales structure
- Improved cash flow and lighter financing costs



Risk factors

- Weak organic growth
- Unsuccessful internationalization
- Unsuccessful acquisitions and R&D investments
- Relatively high gearing
- Uncertainty linked to rearrangement of financing
- Component shortage

Valuation	2022e	2023e	2024e
Share price	3.92	3.92	3.92
Number of shares, million:	19.4	19.4	19.4
Market cap	76	76	76
EV	94	88	82
P/E (adj.)	16.3	11.3	9.3
P/E	16.3	11.3	9.3
P/FCF	9.8	8.0	7.1
P/B	2.5	2.2	1.9
P/S	1.0	0.9	0.8
EV/Sales	1.2	1.1	0.9
EV/EBITDA	7.1	5.8	4.9
EV/EBIT (adj.)	12.2	9.0	7.1
Payout ratio (%)	62%	52%	50%
Dividend yield-%	3.8 %	4.6 %	5.4 %

Source: Inderes

Soft Q4

Revenue grew strongly, although it fell slightly short of expectations

Solteq's Q4 revenue grew by 12% to EUR 18.3 million, which was slightly below our estimate. The growth was mainly organic. The interest in revenue was again particularly focused on the growth of Solteq Software, as the company has invested heavily in its own products in recent years, and it became the most significant value driver for the share. Solteq Software grew by only 13%, driven by the Utilities business, while Solteq Digital (service business) grew by 10% (estimate: +30% and +6%). Solteq also talked about a competitive talent market, which we estimate to limit growth and the realization of profitability potential in the short term. The component shortage is easing off and, to our understanding, the company will be able to deliver the orders that were delayed in Q3 during H1'22.

We are also following the international business

because successful internalization of Solteq's own solutions opens up a much greater market potential for the products. 22% of revenue came from outside Finland in 2021, which is at the level of the comparison period and therefore a slight disappointment.

In Q1, the company also started reporting on the recurring earnings of Solteq Software. The company had estimated that recurring earnings will rise to around one-third of the segment's revenue during 2021. The share of recurring earnings was 31.5% throughout 2021, which is slightly below the target, but corresponds to an increase of 2 pp y/y. In absolute terms, recurring earnings grew every quarter. The company expects the share of recurring earnings to increase over two years to more than 50% of revenue. If Solteq is successful in reaching this target, the company's investment profile becomes even more interesting and pushes it more

towards a product house.

Result missed expectations weighed down by cost structure

In Q4, operating profit was EUR 1.3 million, which was below our EUR 1.5 million estimate and the comparison period (1.8 MEUR). The operating profit margin decreased to 7% y/y (Q4'20: 11%) and missed our 8% forecast. Increased cost levels and elevated subcontracting costs weighed down the result and profitability. By business area, Solteq Digital's EBIT margin was -3% and Solteq Software's 15% (estimates 7% and 9%). Earnings per share were EUR 0.03, which was below our EUR 0.04 expectation. In 2021, EPS were EUR 0.21. Investments in own product development totaled EUR 2.8 million in 2021. The board proposed a dividend of up to EUR 0.10, which was in line with our EUR 0.10 expectation and corresponds to 44% of the year's result.

Estimates MEUR / EUR	Q4'20	Q4'21	Q4'21e	Q4'21e	Consensus		Difference (%)	2021
	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. inderes	Actualizedt
Revenue	16.4	18.3	18.8				-3%	69.1
EBITDA	3.1	2.6	2.8				-7%	12.3
EBIT	1.8	1.3	1.5				-16%	7.1
PTP	0.8	0.7	1.1				-32%	5.2
EPS (reported)	0.03	0.03	0.04				-33%	
DPS	0.15	0.10	0.10				0%	0.10
Revenue growth-%	4.5 %	11.5 %	14.4 %				-3 pp	14.2 %
Operating profit-%	10.9 %	7.1 %	8.2 %				-1.1 pp	10.3 %

Source: Inderes

We lowered earnings forecasts by 6-20%

We reduced operating forecasts by 6-10% and other earnings forecasts by 15-20%

With a softer-than-expected Q4 report and talent competition that remains tough, we reduced operating profit forecasts by 6-11% for the coming years. In addition, we increased depreciation by about EUR 0.5 million and thus our other earnings forecasts for the next few years decreased by 15-20%. In H1, the company continues to invest heavily in its products, which limits profitability, but the situation should become easier by H2. We also added the Energy acquisition to our forecasts (revenue 2.4 MEUR and EBIT 0.3 MEUR).

Expectations for 2022-2024

The change of CEO at the beginning of 2022 will inevitably create a point of discontinuity. However, we understand that the company is in good condition internally, which facilitates the transition phase. In

addition, demand in Solteq's service business areas is good and product businesses have shown good trends for almost two years.

Solteq commented in its guidance that its revenue is expected to grow clearly and operating profit to improve in 2022. We estimate that Solteq's revenue grows by 11% to EUR 77 million, driven by Solteq Software growth (16%) in 2022. Organic revenue growth is estimated to be 8%. We expect that Solteq's EBITDA will be EUR 13.3 million or 17% of revenue. Due to large depreciations, we estimate that the company's operating profit will be EUR 7.7 million or 10% of revenue. Therefore, we forecast an 8% increase in operating profit in 2022. The 6% bond that is expensive given the current situation of the company weighs down other result lines.

We expect Solteq's revenue to grow by 8-9% in 2023-2024. In our estimates, growth is driven by

Solteq Software (13-15%) and the company's international operations.

In terms of profitability, we predict that the operating profit margin will gradually increase to 13% in 2022-2023 (2020 adj. operating profit: 10%, 2021: 11% and 2022e: 10%) mainly driven by growth and profitability in Solteq's own software and product business.

Estimate revisions	2021	2021	Change	2022e	2022e	Change	2023e	2023e	Change
MEUR / EUR	Inderes	Actualized	%	Old	New	%	Old	New	%
Revenue	69.6	69.1	-1%	75.8	76.7	1%	82.5	83.4	1%
EBITDA	12.3	12.3	0%	14.2	13.3	-6%	17.1	15.3	-10%
EBIT (exc. NRIs)	7.5	7.4	-2%	9.2	7.7	-16%	11.7	9.8	-16%
EBIT	7.3	7.1	-3%	9.2	7.7	-16%	11.7	9.8	-16%
PTP	5.6	5.2	-6%	7.4	5.9	-20%	10.2	8.4	-18%
EPS (excl. NRIs)	0.24	0.23	-4%	0.30	0.24	-21%	0.42	0.35	-18%
DPS	0.10	0.10	0%	0.15	0.15	0%	0.18	0.18	0%

Source: Inderes

Valuation picture remains attractive

Peer group

In our view, Solteq should be considered among Nordic IT service companies, but the transformation into a product and software company is still progressing, although slightly slower than before. As Solteq Software's share grows, and especially as the share of recurring earnings increases, the company can gradually be valued more as a product company. Hence, we are also looking at Nordic software companies in the peer group.

Therefore, a solid Nordic peer group can be found for Solteq not only from the service business, but also from software companies, to which the valuation can be mirrored. Compared to pure IT service companies the company has more continuous and scalable business, which become more valuable in the current situation of tighter talent competition. If the internationalization of the product business is successful, the company has potential for a clearly stronger earnings growth, and we can gradually start accepting higher valuation multiples it. Compared to software companies, Solteq Software's share of the group revenue is "only" 40%, but the growth is strong.

Compared to other IT service companies, Solteq currently capitalizes more R&D costs in the balance sheet (~3% of revenue). The company also removes capitalized costs from its balance sheet more strongly. Thus, we feel the result rows starting from the operating profit level are more comparable with the peers. EBITDA depicts the profitability potential and cash flow potential in a situation where the company no longer capitalizes product development.

In the peer group, we have used Inderes' estimates for the IT service companies we monitor, which takes into account GWA of the peers and improves comparability between Finnish IT service companies. We accept

higher valuation factors than the sector for Solteq due to the rapid growth of the product business, even though the competition for talent slightly slows down growth.

Valuation multiples

In our view, you cannot look at only one indicator when examining Solteq's valuation indicators due to the growth and profitability differences between the segments, the trends and for accounting reasons. Therefore, we view valuation indicators as a whole. With our 2022 estimates the company's P/E, EV/EBIT, EV/EBITDA and EV/Sales ratios are 16x, 12x, 7x and 1.2x. In relative terms, the ratios are 4% over the Finnish peers and 22% lower than the Nordic peers. We accept higher valuation multiples for the company than the sector average through growth. All in all, we consider the company's valuation multiples to be attractive.

Components of the expected returns for the share

We examine the expected returns for Solteq's shares as the sum of earnings growth, dividend yield and the accepted valuation multiples. According to our estimate, the company has preconditions to reach annual earnings growth of just under 10% (from the 2022e level) in coming years. With our dividend estimates the dividend yield is 4 to 5%. We estimate the cash flow to be sufficient for the necessary product investments and expect the company to distribute ~50% of the result in dividends over the next few years.

Thus, we estimate that the share's expected return consisting of just earnings growth and dividend yield will be around 15%. In addition, as earnings growth continues and the transformation progresses, there is still even clear upside in the multiples. Thus, the expected return is competitive, but in the short-term, the hot talent market keeps us alert.

Valuation	2022e	2023e	2024e
Share price	3.92	3.92	3.92
Number of shares, million:	19.4	19.4	19.4
Market cap	76	76	76
EV	94	88	82
P/E (adj.)	16.3	11.3	9.3
P/E	16.3	11.3	9.3
P/FCF	9.8	8.0	7.1
P/B	2.5	2.2	1.9
P/S	1.0	0.9	0.8
EV/Sales	1.2	1.1	0.9
EV/EBITDA	7.1	5.8	4.9
EV/EBIT (adj.)	12.2	9.0	7.1
Payout ratio (%)	62%	52%	50%
Dividend yield-%	3.8 %	4.6 %	5.4 %

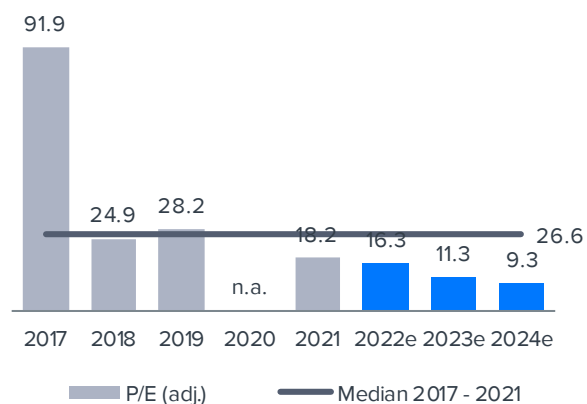
Source: Inderes

Valuation table

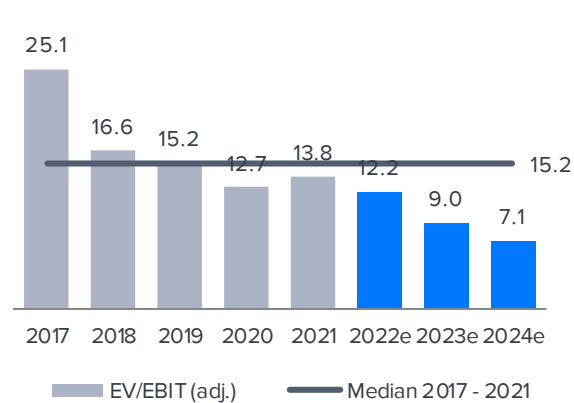
Valuation	2017	2018	2019	2020	2021	2022e	2023e	2024e	2025e
Share price	1.52	1.30	1.49	2.80	4.11	3.92	3.92	3.92	3.92
Number of shares, millions	18.5	19.3	19.3	19.3	19.4	19.4	19.4	19.4	19.4
Market cap	28	25	29	54	80	76	76	76	76
EV	53	52	53	73	102	94	88	82	75
P/E (adj.)	91.9	24.9	28.2	n.a.	18.2	16.3	11.3	9.3	7.6
P/E	neg.	70.5	10.2	27.3	19.4	16.3	11.3	9.3	7.6
P/FCF	neg.	neg.	7.0	8.1	70.9	9.8	8.0	7.1	6.4
P/B	1.4	1.2	1.2	2.0	2.8	2.5	2.2	1.9	1.7
P/S	0.6	0.4	0.5	0.9	1.2	1.0	0.9	0.8	0.8
EV/Sales	1.0	0.9	0.9	1.2	1.5	1.2	1.1	0.9	0.8
EV/EBITDA	22.1	10.8	5.4	7.1	8.3	7.1	5.8	4.9	4.0
EV/EBIT (adj.)	25.1	16.6	15.2	12.7	13.8	12.2	9.0	7.1	5.6
Payout ratio (%)	0.0 %	0.0 %	0.0 %	146.3 %	47.3 %	62.4 %	52.0 %	50.0 %	50.0 %
Dividend yield-%	0.0 %	0.0 %	0.0 %	5.4 %	2.4 %	3.8 %	4.6 %	5.4 %	6.6 %

Source: Inderes

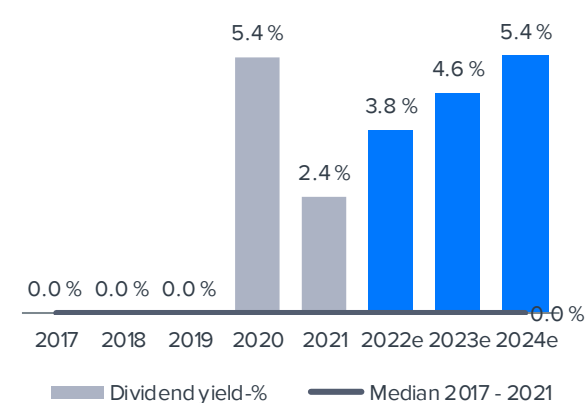
P/E (adj.)



EV/EBIT



Dividend yield-%



Peer group valuation

Peer group valuation Company	Share price	Market cap MEUR	EV MEUR	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%	
				2022e	2023e	2022e	2023e	2022e	2023e	2022e	2023e	2022e	2023e
Bilot*	5.30	31	22	18.6	11.5	9.5	6.7	0.7	0.6	14.9	11.6	1.9	2.5
Digia*	7.18	198	215	11.0	9.6	9.0	7.9	1.2	1.1	13.0	12.1	2.8	3.2
Gofore*	23.90	368	351	23.4	20.3	17.6	16.3	2.9	2.6	28.3	25.5	1.5	1.7
Loihde*	16.65	100	57	10.2	8.0	7.4	6.1	0.4	0.4	20.4	17.8	1.7	1.9
Innofactor*	1.33	49	50	9.2	7.9	6.2	5.4	0.7	0.7	12.5	10.6	6.8	7.5
Nixu*	5.86	44	47	80.9	18.4	22.8	12.0	0.9	0.8	334.2	23.9		
Silli*	13.16	94	97	12.4	10.4	8.3	7.2	1.0	0.9	11.8	10.3	3.0	3.8
TietoEVRY*	25.70	3122	3837										
Vincit*	6.14	80	76	10.5	8.1	7.5	6.1	0.9	0.8	12.0	10.0	3.6	3.9
Netum*	4.33	50	48	10.8	9.2	10.7	8.9	1.7	1.5	14.8	13.3	1.8	2.1
Bouvet	69.00	720	702	18.2	15.9	15.3	13.6	2.3	2.0	24.2	21.2	4.1	4.7
ENEA	203.00	427	481	16.6	14.8	11.0	10.0	4.5	4.3	20.5	18.0		
KnowIT	318.50	846	852	19.3	16.3	12.0	10.8	1.5	1.4	22.4	19.3	2.3	2.4
Netcompany	430.00	2954	3247	23.0	19.0	19.2	16.6	4.3	3.7	27.0	21.9	0.8	1.2
Leaddesk	18.00	98	100	67.0	28.7	18.3	14.4	3.2	2.6	33.3	26.1		
Admicom	66.20	329	313	27.2	22.4	23.2	19.6	10.3	9.1	32.2	27.4	2.6	2.0
Basware	22.95	338	391	46.0	25.2	15.8	13.0	2.4	2.2	305.2	54.1		
Efecte	12.60	81	74		37.1	74.3	24.8	3.7	3.1	185.0	37.0		
Formpipe	36.30	199	200	33.8	25.0	19.0	15.6	4.4	4.0	43.2	32.6	1.9	1.9
Heeros	4.45	25	24	23.6	23.6	23.6	7.9	2.0	1.8	26.1	18.8		
Lime Technologies	274.00	381	402	43.3	34.5	27.2	23.2	8.9	7.7	42.9	35.0	0.8	0.9
Qt	103.80	2504	2511	56.2	36.5	50.9	34.1	16.0	12.4	70.1	45.6	0.2	0.3
Carasent	28.25	238	152	38.0	21.7	23.3	16.2	7.7	6.5	92.3			
Solteq (Inderes)	3.92	76	94	12.2	9.0	7.1	5.8	1.2	1.1	16.3	11.3	3.8	4.6
Average				28.5	19.3	19.6	13.5	3.7	3.2	63.0	23.4	2.4	2.7
Median Nordic IT service companies				16.6	11.5	10.7	8.9	1.2	1.1	20.4	17.8	2.3	2.5
Diff-% to median				-27%	-22%	-34%	-35%	1%	-2%	-20%	-36%	69%	84%
Median Finnish IT service companies				11.0	9.6	9.0	7.2	0.9	0.8	14.8	12.1	2.4	2.9
Diff-% to median				11%	-6%	-22%	-20%	34%	32%	10%	-6%	63%	61%
Median Nordic software companies				40.6	25.2	23.3	16.2	4.4	4.0	43.2	33.8	1.3	1.4
Diff-% to median				-70%	-64%	-70%	-64%	-72%	-74%	-62%	-66%	186%	220%

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

Income statement

Income statement	2019	2020	Q1'21	Q2'21	Q3'21	Q4'21	2021	Q1'22e	Q2'22e	Q3'22e	Q4'22e	2022e	2023e	2024e	2025e
Revenue	58.3	60.5	17.4	18.5	14.9	18.3	69.1	18.9	21.1	16.6	20.2	76.7	83.4	90.3	96.6
Solteq Digital	41.2	41.6	11.2	11.9	9.5	11.7	44.3	11.7	13.4	10.3	12.4	47.9	50.3	52.8	56.5
Solteq Software	17.1	18.8	6.2	6.6	5.4	6.6	24.8	7.1	7.7	6.3	7.8	28.8	33.2	37.5	40.1
EBITDA	9.7	10.4	3.5	3.7	2.3	2.8	12.3	2.8	3.3	3.1	4.2	13.3	15.3	16.9	18.6
Depreciation	-4.0	-5.0	-1.3	-1.3	-1.2	-1.4	-5.1	-1.4	-1.4	-1.4	-1.5	-5.6	-5.5	-5.3	-5.1
EBIT (excl. NRI)	3.5	5.8	2.3	2.5	1.2	1.4	7.4	1.4	1.9	1.7	2.7	7.7	9.8	11.6	13.5
EBIT	5.7	5.4	2.2	2.4	1.1	1.3	7.1	1.4	1.9	1.7	2.7	7.7	9.8	11.6	13.5
Solteq Digital	4.4	3.1	1.3	1.9	0.9	1.5	5.6	1.4	1.7	1.1	1.6	5.9	5.5	5.3	7.9
Solteq Software	1.3	2.2	0.9	0.6	0.2	-0.2	1.6	0.0	0.2	0.6	1.1	1.8	4.3	6.4	5.6
Net financial items	-2.0	-2.6	-0.4	-0.5	-0.5	-0.6	-1.9	-0.5	-0.5	-0.5	-0.5	-1.8	-1.4	-1.4	-1.0
PTP	3.7	2.7	1.8	2.0	0.7	0.7	5.2	1.0	1.4	1.2	2.2	5.9	8.4	10.2	12.5
Taxes	-0.9	-0.8	-0.4	-0.4	-0.2	-0.1	-1.1	-0.2	-0.3	-0.3	-0.5	-1.2	-1.7	-2.0	-2.5
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	0.0
Net earnings	2.8	2.0	1.5	1.6	0.5	0.6	4.1	0.8	1.1	1.0	1.8	4.7	6.7	8.2	10.0
EPS (adj.)	0.05	0.15	0.08	0.08	0.03	0.04	0.23	0.04	0.06	0.05	0.09	0.24	0.35	0.42	0.52
EPS (rep.)	0.15	0.10	0.08	0.08	0.03	0.03	0.21	0.04	0.06	0.05	0.09	0.24	0.35	0.42	0.52

Key figures	2019	2020	Q1'21	Q2'21	Q3'21	Q4'21	2021	Q1'22e	Q2'22e	Q3'22e	Q4'22e	2022e	2023e	2024e	2025e
Revenue growth-%	2.5 %	3.7 %	10.9 %	22.7 %	12.2 %	11.3 %	14.2 %	8.6 %	14.1 %	11.2 %	10.3 %	11.1 %	8.8 %	8.2 %	7.0 %
Adjusted EBIT growth-%		66.6 %	161.6 %	64.2 %	-11.0 %	-30.0 %	28.2 %	-38.8 %	-23.3 %	39.8 %	90.1 %	3.9 %	27.7 %	18.4 %	16.1 %
EBITDA-%	16.7 %	17.2 %	20.1 %	20.2 %	15.3 %	15.1 %	17.8 %	14.7 %	15.5 %	18.7 %	20.6 %	17.3 %	18.4 %	18.8 %	19.3 %
Adjusted EBIT-%	6.0 %	9.6 %	13.2 %	13.4 %	8.1 %	7.8 %	10.7 %	7.5 %	9.0 %	10.2 %	13.4 %	10.0 %	11.8 %	12.9 %	14.0 %
Net earnings-%	4.8 %	3.3 %	8.4 %	8.4 %	3.3 %	3.3 %	5.9 %	4.0 %	5.4 %	5.9 %	8.8 %	6.1 %	8.1 %	9.0 %	10.4 %

Source: Inderes

Balance sheet

Assets	2020	2021	2022e	2023e	2024e
Non-current assets	58.2	60.5	59.4	58.2	57.3
Goodwill	38.9	41.7	41.7	41.7	41.7
Intangible assets	11.3	10.5	8.9	7.5	6.3
Tangible assets	7.4	7.7	8.1	8.3	8.6
Associated companies	0.0	0.0	0.0	0.0	0.0
Other investments	0.4	0.4	0.4	0.4	0.4
Other non-current assets	0.2	0.2	0.2	0.2	0.2
Deferred tax assets	0.0	0.0	0.0	0.0	0.0
Current assets	16.5	15.4	21.7	28.5	35.9
Inventories	0.1	0.1	0.1	0.1	0.1
Other current assets	0.0	0.0	0.0	0.0	0.0
Receivables	11.5	13.8	15.3	16.7	18.1
Cash and equivalents	4.9	1.5	6.2	11.7	17.8
Balance sheet total	74.7	76.3	81.5	87.1	93.6

Source: Inderes

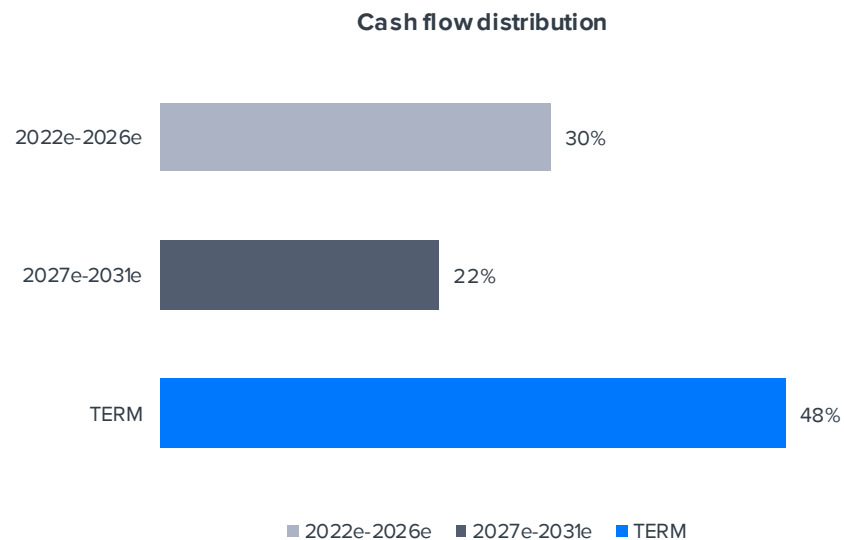
Liabilities & equity	2020	2021	2022e	2023e	2024e
Equity	26.5	28.1	30.8	34.6	39.3
Share capital	1.1	1.1	1.1	1.1	1.1
Retained earnings	12.5	13.7	16.4	20.3	24.9
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	0.0	0.0	0.0	0.0	0.0
Other equity	12.9	13.3	13.3	13.3	13.3
Minorities	0.0	0.0	0.0	0.0	0.0
Non-current liabilities	29.6	29.0	29.0	29.0	29.0
Deferred tax liabilities	0.6	0.6	0.6	0.6	0.6
Provisions	0.1	0.0	0.0	0.0	0.0
Long term debt	24.1	23.0	23.0	23.0	23.0
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	4.8	5.4	5.4	5.4	5.4
Current liabilities	18.6	19.6	21.7	23.5	25.4
Short term debt	0.0	1.0	1.0	1.0	1.0
Payables	16.2	18.6	20.7	22.5	24.4
Other current liabilities	2.4	0.0	0.0	0.0	0.0
Balance sheet total	74.7	76.7	81.5	87.1	93.6

DCF calculation

DCF model	2021	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	TERM
EBIT (operating profit)	7.1	7.7	9.8	11.6	13.5	13.3	14.0	13.5	14.1	13.4	13.7	
+ Depreciation	5.1	5.6	5.5	5.3	5.1	5.2	5.3	4.4	4.4	4.5	4.6	
- Paid taxes	-1.1	-1.2	-1.7	-2.0	-2.5	-2.5	-2.6	-2.6	-2.7	-2.5	-2.6	
- Tax, financial expenses	-0.4	-0.4	-0.3	-0.3	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	
+ 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	-2.2	0.5	0.5	0.5	0.4	0.4	0.4	0.4	0.3	0.3	0.2	
Operating cash flow	8.5	12.2	13.8	15.1	16.4	16.3	16.8	15.6	16.0	15.6	15.7	
+ Change in other long-term liabilities	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-7.9	-4.5	-4.3	-4.4	-4.4	-4.5	-4.6	-4.6	-4.7	-4.7	-4.7	
Free operating cash flow	1.1	7.7	9.5	10.7	11.9	11.8	12.3	11.0	11.3	10.8	11.0	
+/- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	1.1	7.7	9.5	10.7	11.9	11.8	12.3	11.0	11.3	10.8	11.0	153
Discounted FCFF		7.2	8.1	8.3	8.4	7.6	7.3	5.9	5.6	4.9	4.6	63.4
Sum of FCFF present value		131	124	116	108	99.3	91.7	84.4	78.5	72.9	68.0	63.4
Enterprise value DCF		131										
- Interesting bearing debt		-24.0										
+ Cash and cash equivalents		1.5										
-Minorities		0.0										
-Dividend/capital return		0.0										
Equity value DCF		109										
Equity value DCF per share		5.6										

Wacc	
Tax-% (WACC)	20.0 %
Target debt ratio (D/(D+E))	15.0 %
Cost of debt	6.0 %
Equity Beta	1.50
Market risk premium	4.75%
Liquidity premium	1.00%
Risk free interest rate	2.0 %
Cost of equity	10.1 %
Weighted average cost of capital (WACC)	9.3 %

Source: Inderes



Summary

Income statement	2019	2020	2021	2022e	2023e	Per share data	2019	2020	2021	2022e	2023e
Revenue	58.3	60.5	69.1	76.7	83.4	EPS (reported)	0.15	0.10	0.21	0.24	0.35
EBITDA	9.7	10.4	12.3	13.3	15.3	EPS (adj.)	0.05	0.15	0.23	0.24	0.35
EBIT	5.7	5.4	7.1	7.7	9.8	OCF / share	0.19	0.65	0.44	0.63	0.71
PTP	3.7	2.7	5.2	5.9	8.4	FCF / share	0.21	0.34	0.06	0.40	0.49
Net Income	2.8	2.0	4.1	4.7	6.7	Book value / share	1.27	1.37	1.45	1.59	1.78
Extraordinary items	2.2	-0.4	-0.3	0.0	0.0	Dividend / share	0.00	0.15	0.10	0.15	0.18
Balance sheet	2019	2020	2021	2022e	2023e	Growth and profitability	2019	2020	2021	2022e	2023e
Balance sheet total	77.0	74.7	76.3	81.5	87.1	Revenue growth-%	3%	4%	14%	11%	9%
Equity capital	24.5	26.5	28.1	30.8	34.6	EBITDA growth-%	104%	7%	18%	8%	15%
Goodwill	38.8	38.9	41.7	41.7	41.7	EBIT (adj.) growth-%	11%	67%	28%	4%	28%
Net debt	24.0	19.3	22.5	17.8	12.3	EPS (adj.) growth-%	1%	175%	55%	6%	44%
Cash flow	2019	2020	2021	2022e	2023e	EBITDA-%	16.7 %	17.2 %	17.8 %	17.3 %	18.4 %
EBITDA	9.7	10.4	12.3	13.3	15.3	EBIT (adj.)-%	6.0 %	9.6 %	10.7 %	10.0 %	11.8 %
Change in working capital	-4.4	3.8	-2.2	0.5	0.5	EBIT-%	9.8 %	8.8 %	10.3 %	10.0 %	11.8 %
Operating cash flow	3.7	12.6	8.5	12.2	13.8	ROE-%	12.1 %	7.8 %	15.0 %	15.9 %	20.6 %
CAPEX	-4.8	-5.7	-7.9	-4.5	-4.3	ROI-%	10.8 %	10.4 %	13.9 %	14.4 %	17.4 %
Free cash flow	4.1	6.6	1.1	7.7	9.5	Equity ratio	31.9 %	35.5 %	36.8 %	37.8 %	39.7 %
						Gearing	97.9 %	72.7 %	80.1 %	57.7 %	35.6 %
Valuation multiples	2019	2020	2021	2022e	2023e						
EV/S	0.9	1.2	1.5	1.2	1.1						
EV/EBITDA (adj.)	5.4	7.1	8.3	7.1	5.8						
EV/EBIT (adj.)	15.2	12.7	13.8	12.2	9.0						
P/E (adj.)	28.2	19.2	18.2	16.3	11.3						
P/B	1.2	2.0	2.8	2.5	2.2						
Dividend-%	0.0 %	5.4 %	2.4 %	3.8 %	4.6 %						

Source: Inderes

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Recommendation history (>12 mo)

Date	Recommendation	Target price	Share price
2/20/2018	Reduce	1.50 €	1.50 €
4/27/2018	Reduce	1.65 €	1.63 €
8/13/2018	Reduce	1.55 €	1.53 €
10/26/2018	Reduce	1.55 €	1.46 €
3/1/2019	Reduce	1.45 €	1.50 €
5/2/2019	Reduce	1.50 €	1.48 €
5/17/2019	Reduce	1.50 €	1.44 €
8/13/2019	Reduce	1.50 €	1.48 €
10/30/2019	Reduce	1.45 €	1.41 €
2/25/2020	Reduce	1.45 €	1.45 €
2/28/2020	Reduce	1.30 €	1.33 €
4/5/2020	Reduce	1.00 €	1.00 €
5/4/2020	Reduce	1.10 €	1.08 €
8/14/2020	Accumulate	1.60 €	1.47 €
10/30/2020	Buy	2.00 €	1.59 €
12/8/2020	Reduce	3.00 €	3.00 €
2/3/2021	Accumulate	3.40 €	2.96 €
2/26/2021	Buy	4.80 €	4.04 €
3/2/2021	Buy	5.60 €	4.84 €
4/30/2021	Buy	7.00 €	6.08 €
8/13/2021	Accumulate	7.50 €	6.80 €
10/29/2021	Buy	6.00 €	4.57 €
2/18/2022	Accumulate	4.60 €	3.92 €



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