

Revenio Group

Company report

11/1/2024 11:35 am EET



Juha Kinnunen
+358 40 778 1368
juha.kinnunen@inderes.fi

✓ Inderes corporate customer

This report is a summary translation of the report “Pientä pullistumista kulurakenteessa” published on 11/1/2024 at 8:05 am EET.

inde
res.

Slight increase in cost structure

We reiterate our Accumulate recommendation for Revenio with a target price of EUR 32.0. Q3 results were below our expectations, but the main reason for the disappointment was negative FX effects. However, our forecasts for the next few years have been lowered slightly as the company's cost structure has slightly ballooned, but we believe that the increased potential from the Thirona Retina acquisition more than offsets this. The valuation of the stock is very reasonable (2025e adjusted EV/EBIT 21x) if the company remains on track for earnings growth, but good performance is still required.

Currency effects slow growth and cost structure increases

Revenio's revenue growth in Q3 (+9%) was well below expectations, but the exchange rate-adjusted growth of 15% was in line with expectations. A better picture of the demand for Revenio's products is provided by comparable growth. In our view, the market got unnecessarily spooked by weak reported growth yesterday, just as it got overly excited about then-currency-driven growth in 2022. Sales of tonometers grew "very well" and growth in imaging devices was "in the double digits," so growth was apparently fairly balanced. EBIT in Q3 was 5.5 MEUR, significantly below expectations (7.0 MEUR). Approximately EUR 0.5 MEUR of the deviation is explained by currency effects, but the cost structure was still about 1 MEUR higher than expected. According to the company, 85% of the cost increase was due to higher marketing and personnel costs, the latter of which we of course tried to include in our estimates. Marketing costs were significantly higher due to product launches (ST500). In addition, the acquisition of Thirona Retina's AI software will weigh on profitability in the short term.

Small negative changes in the outlook for the next few good years

As expected, Revenio reaffirmed its guidance for 2024, expecting revenue growth of 5-10% at constant exchange rates and a good level of profitability excluding one-off items. Comparable revenue growth for Q1-Q3'24 was 8.9%, and the company should hit the guidance range without any problems. Ophthalmic market growth was modest at the beginning of the year, but Revenio has performed well this year. There were small negative changes in potential future value drivers as HOME2 did not receive a separate reimbursement code in the US and the FDA submission for an AI partner (iCare as a DRSpplus device) is likely to be delayed until next year. Revenio's FDA submission for its proprietary ILLUME solution appears to be on track and, if successful, could be approved by the end of 2025. Similarly, iCare MAIA microperimeter development is well underway and the company continues to expect first commercial shipments in early 2025. On the other hand, we now include the Thirona acquisition in our forecasts, which compensates for small dents in the growth outlook. However, Thirona is increasing costs, which has lowered our 2025 earnings forecasts by about 5%.

Valuation requires staying on earnings growth track

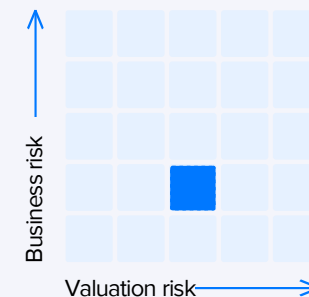
Assuming next year's earnings growth materializes, Revenio's valuation (2025e adjusted EV/EBIT 21x) is attractive, but the investor should be compensated for bearing the forecast risk even if the valuation assumes earnings growth. Overall, the long-term potential offered by the acquisition of the highly affordable Thirona AI software offsets the slightly lower forecasts and minor weaknesses in the outlook. In our view, the relative valuation is very reasonable if Revenio, one of the best companies in the peer group, is priced in line with the median (2025e). In our view, the risk/reward of the stock is still quite attractive.

Recommendation

Accumulate
(was Accumulate)

EUR 32.00
(was EUR 32.00)

Share price:
29.50



Key figures

	2023	2024e	2025e	2026e
Revenue	97	104	121	141
growth-%	0%	8%	16%	17%
EBIT adj.	28.5	26.8	35.3	44.4
EBIT-% adj.	29.5 %	25.7 %	29.2 %	31.4 %
Net Income	19.1	18.5	26.6	34.0
EPS (adj.)	0.80	0.76	1.04	1.32
P/E (adj.)	31.5	38.7	28.4	22.4
P/B	6.7	7.2	6.3	5.4
Dividend yield-%	1.5 %	1.2 %	1.8 %	2.4 %
EV/EBIT (adj.)	23.4	29.0	21.5	16.5
EV/EBITDA	22.0	25.9	19.7	15.1
EV/S	6.9	7.5	6.3	5.2

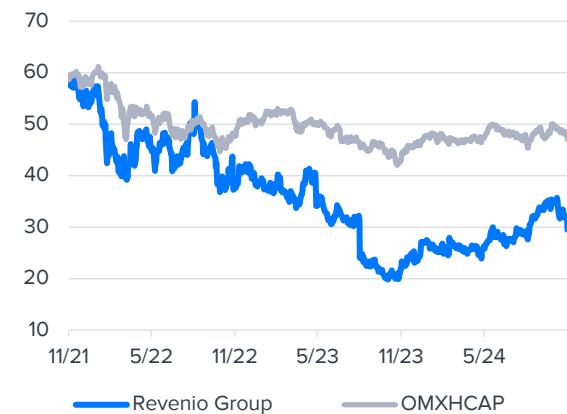
Source: Inderes

Guidance

(Unchanged)

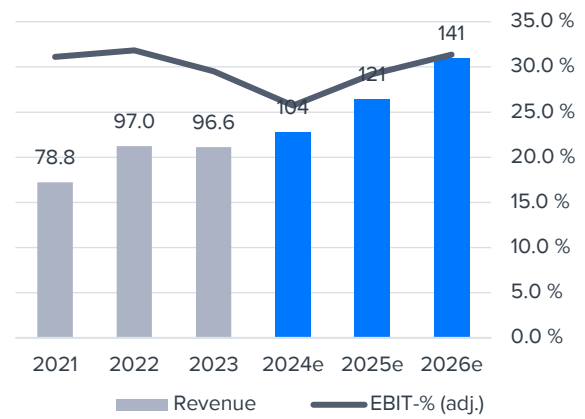
Revenio Group's exchange rate-adjusted revenue is estimated to grow 5-10 percent from the previous year and profitability, excluding non-recurring items, is estimated to remain at a good level.

Share price



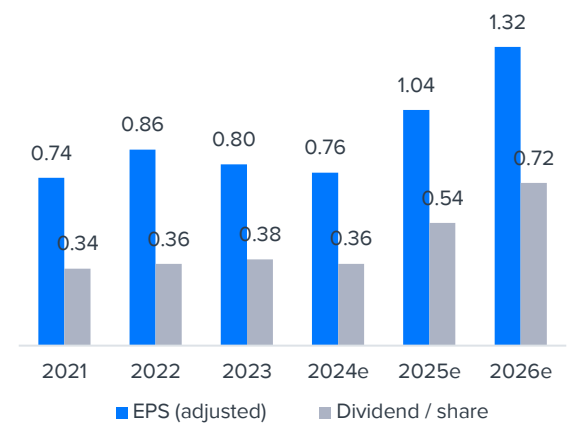
Source: Millstream Market Data AB

Revenue and EBIT-%



Source: Inderes

EPS and dividend



Source: Inderes



Value drivers

- Long-term growth outlook is strong
- Generally quite good predictability of the result and cash flow
- Strong competitive protection and growth drivers give support
- New products and software systems have attractive long-term growth potential
- Excellent track record of value creation
- Potential acquisitions (OCT)



Risk factors

- Weakening of patent protection for the Icare tonometer after 2023
- Speed and success of the HOME product's ramp-up
- Success in strong growth of imaging devices
- Success of growth investments (new products)
- High valuation level of the share poses a risk for investors

Valuation	2024e	2025e	2026e
Share price	29.5	29.5	29.5
Number of shares, millions	26.6	26.6	26.6
Market cap	784	784	784
EV	777	757	731
P/E (adj.)	38.7	28.4	22.4
P/E	42.5	29.5	23.0
P/B	7.2	6.3	5.4
P/S	7.5	6.5	5.5
EV/Sales	7.5	6.3	5.2
EV/EBITDA	25.9	19.7	15.1
EV/EBIT (adj.)	29.0	21.5	16.5
Payout ratio (%)	52.0 %	54.0 %	56.0 %
Dividend yield-%	1.2 %	1.8 %	2.4 %

Source: Inderes

Growth structures increases

Slower-than-expected revenue growth due to negative FX effects

Revenio's revenue increased by 8.9% to 23.9 MEUR in Q3. This was a clear disappointment, but it was explained by much stronger-than-expected exchange rate movements. Comparable revenue growth was 15.1%, in line with our forecast (+14.7%). We have not included the sometimes-ambiguous effects of currency fluctuations in our forecasts, and the comparable figure is more indicative of the actual demand for Revenio's products. It is also worth noting that EUR/USD has moved in the opposite direction so far in Q4, so the impact should be short lived.

Revenio reported that sales of tonometers grew very strongly in Q3. The iCare HOME2, iCare IC200, iCare TONOVER pro launched earlier this year and the sensors performed particularly well. The iCare ST500, launched in September, has also been very well received and will soon be available for delivery. The company also reported double-digit year-on-year growth in imaging device sales, driven by the iCare EIDON product family and, as always, iCare DRSplus. In terms of the distribution of growth, it now appears to have been stronger than expected for

tonometers and slightly slower than expected for imaging devices.

Geographically, sales grew in all of the company's key markets. In the US, the company noted that decision-making by private equity-owned opticians is still slow and the small momentum seen earlier in the year has not yet translated into larger orders. Presumably, however, orders will come in eventually.

Cost structure grew faster than expected

Q3 EBIT was 5.5 MEUR (Q3'23: 6.0 MEUR), significantly below our 7.0 MEUR forecast, which was at the same level as the consensus. The currency headwind impacts the EBIT line with an efficiency of more than 50%, so the "neutral" level would have been around 6.0 MEUR. This impact is particularly visible in the gross margin, which was 69.1% in Q3, slightly weaker than in the comparison period (Q3'23: 70.8%). In addition, the result included a small (-0.1 MEUR) one-off charge related to the acquisition of Thirona, and Thirona is expected to have incurred a small operating loss.

Even taking into account these "adjustments", the cost structure was approximately 1.0 MEUR higher

than expected and did not include significant costs related to the FDA approval of the iCare ILLUME solution. This is mainly due to significantly higher marketing costs (e.g. the launch of the ST500) and increased personnel costs, which we had of course already tried to include in our forecasts. According to the company, these two issues accounted for roughly 85% of the cost increase.

The faster-than-expected increase in the cost structure is also reflected in future forecasts, putting some pressure on profitability expectations. More important, however, is the growth in revenue, which, thanks to high gross margins, is enabling profitability to be scaled up.

Taxes and working capital commitment weigh on cash flow

Cash flow from operating activities amounted to 2.9 MEUR (Q3'23: 5.6 MEUR), which was slightly subdued in relation to EBIT. There is significant quarter-to-quarter variability in cash flows, so it is best not to draw too many conclusions. In Q3, cash flow was mainly impacted by tax payments and moderate working capital commitment.

Estimates MEUR / EUR	Q3'23	Q3'24	Q3'24e	Q3'24e	Consensus		Difference (%)	2024e
	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. inderes	Inderes
Revenue	22.0	23.9	25.2	25.1			-5%	104
EBIT	6.0	5.5	7.0	7.0			-22%	25.0
EPS (reported)	0.17	0.16	0.20	0.20			-22%	0.69
Revenue growth-%	-8.9 %	8.9 %	14.7 %	14.3 %			-5.8 pp	7.8 %
Liikevoitto-%	27.4 %	23.0 %	27.9 %	27.9 %			-4.9 pp	24.0 %

Source: Inderes & Modular Finance (10/24/2024) (consensus)

Small negative changes in the outlook for the next few good years

Guidance reiterated as expected

Revenio reaffirmed its guidance of 5-10% comparable revenue growth and good profitability excluding one-time effects. For the first nine months, revenue growth was 8.9% in constant currencies and the company is well on track. The rest of the year will be characterized by a very strong comparison period, during which growth will slow. We expect revenue growth of 6-7% in Q4, and with the EUR/USD currency pair remaining at current levels, reported growth in Q4 should be slightly higher than comparable growth. As usual, we expect a very strong year-end, and the guidance is realistic and we expect the company to end within the range.

Market growth has been sluggish this year

The market for ophthalmic diagnostic equipment has been very modest since the beginning of the year. Against this backdrop, the company's performance has been strong and we believe it has significantly strengthened its market position in the current year. Last year, the situation was in many ways reversed, as the market slowdown quickly hit Revenio, which operates with a minimal order book.

In general, however, there is considerable uncertainty about the outlook. As one might expect, geopolitical risks have increased and their potential impact on the global economy, as well as that of the US presidential election, is difficult to predict.

Small pieces of negative news in potential future earnings drivers

In the US, the Center for Medicare & Medicaid Services (CMS) decided not to issue an HCPCS reimbursement code for the iCare HOME2 eye pressure monitor, which could have further supported sales of the device and the adoption of home eye pressure monitoring. Revenio commented that it will monitor the development of CPT codes and evaluate whether the company will apply for additional reimbursement codes in the future. Despite the lack of a reimbursement code, iCare HOME2 sales are growing strongly in the US, but the search for scale continues. However, the product is not completely without reimbursement options, as it can benefit from three other separate reimbursement codes. More to the point, the decision means that a "level correction" in HOME2 sales is unlikely anytime

soon.

Another negative factor is that the ongoing partner FDA submission in the US (iCare DRSplus as a device + partner AI) does not seem to be progressing, i.e. it will probably be postponed until next year. Revenio's FDA submission for its proprietary ILLUME solution appears to be on track and, if successful, could be approved by the end of 2025. Similarly, iCare MAIA microperimeter development is well underway and the company continues to expect first commercial shipments in early 2025.

Thirona Retina included in the forecasts

We have included the Thirona acquisition in our forecasts and it slightly offsets the small dent in the growth outlook mentioned above. On the other hand, it's more visible on the cost side, which was already elevated. Our understanding is that Thirona is currently loss-making and will incur an estimated additional annual "cost" of around 0.5-0.8 MEUR before sales can be scaled up. In the big picture, this requires FDA approval of the ILLUME package, which will take at least another year.

Estimate revisions	2024e	2024e	Change	2025e	2025e	Change	2026e	2026e	Change
MEUR / EUR	Old	New	%	Old	New	%	Old	New	%
Revenue	105	104	-1%	121	121	0%	142	141	0%
EBITDA	31.7	30.0	-5%	40.0	38.5	-4%	48.2	48.4	1%
EBIT (exc. NRIs)	28.6	26.8	-6%	36.9	35.3	-5%	44.9	44.4	-1%
EBIT	26.8	25.0	-7%	36.0	34.3	-5%	43.9	43.4	-1%
PTP	26.5	24.7	-7%	36.3	34.5	-5%	44.8	44.2	-1%
EPS (excl. NRIs)	0.83	0.76	-8%	1.09	1.04	-4%	1.33	1.32	-1%
DPS	0.40	0.36	-9%	0.57	0.54	-5%	0.73	0.72	-1%

Source: Inderes

Revenio Interim Report Q3/2024



Valuation requires staying on earnings growth track

Quality company with good long-term growth prospects

It has been easy to paint Revenio's high-quality earnings growth story well into the future, as the core business has maintained a strong growth trajectory while the company's profitability has scaled upwards. Last year, there were cracks in the excellent development, but the train is practically back on track.

Revenio is well positioned in an industry with strong structural long-term growth drivers and deep moats (patents, brand, slow-moving industry and high barrier of entry). In the coming years, we believe the earnings growth prospects are good as new products slowly start to drive growth. Now a new potential driver is the Thirona AI. In addition, Revenio will continue to expand its product portfolio both through own product development and acquisitions, which we believe are very well positioned to create shareholder value.

With earnings growth, multiples turn attractive

Revenio's 2025e adjusted EV/EBIT is around 21x, which we believe is low for the company. If the earnings growth we expect materializes, we expect the stock to be at a higher level a year from now. However, the outlook for next year is relatively weak for the time being, so investors need the upside to take the risk.

The valuation for 12 months from now is already based on 2026 forecasts with an adjusted EV/EBIT of just 16x. Of course, there's a clear upside to this, but first we want to make sure that the company can continue on the earnings growth path that we expect. Next up is a seasonally strong Q4 and 2025 guidance, which should point to accelerating growth.

Overall, we think that Revenio's valuation is currently moderate, but the company is no longer particularly cheap. With a very positive outlook for next year and several drivers supporting the company, we believe the risk/reward of the stock remains good.

Relative valuation is quite neutral

Revenio has historically traded at a premium to the peer group we use, which we believe is justified as long as the size of the premium remains reasonable. The company is growing well ahead of the industry, and we believe its earnings growth outlook is strong, although a significant number of future earnings drivers are still maturing. The median 2025e EV/EBIT for the peer group is now around 21x, in line with Revenio.

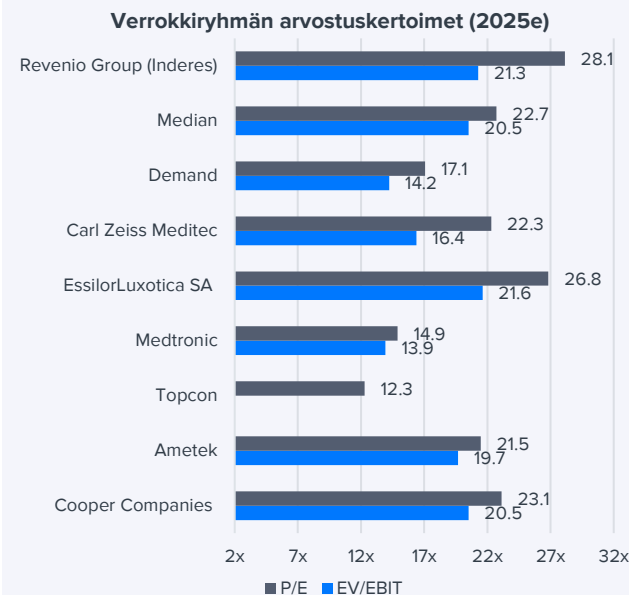
In our view, Revenio is one of the best companies in the group along with Zeiss, but Zeiss is currently attractively priced (2025e EV/EBIT 16x) relative to the group median. Peer analysis is one element of valuation and we currently view it as fairly neutral, but changes in peer valuations do not drive our view.

DCF calculation

We have not made any major changes to our DCF analysis, which remains at an indicative value of EUR 32-33/share at the current required return of 8.4% (unleveraged). In the DCF calculation, the share of terminal value is 66%, which we believe is reasonable given the company's profile. We also believe that the level of ambition of the guidance is appropriate for the company.

Valuation	2024e	2025e	2026e
Share price	29.5	29.5	29.5
Number of shares, millions	26.6	26.6	26.6
Market cap	784	784	784
EV	777	757	731
P/E (adj.)	38.7	28.4	22.4
P/E	42.5	29.5	23.0
P/B	7.2	6.3	5.4
P/S	7.5	6.5	5.5
EV/Sales	7.5	6.3	5.2
EV/EBITDA	25.9	19.7	15.1
EV/EBIT (adj.)	29.0	21.5	16.5
Payout ratio (%)	52.0 %	54.0 %	56.0 %
Dividend yield-%	1.2 %	1.8 %	2.4 %

Source: Inderes

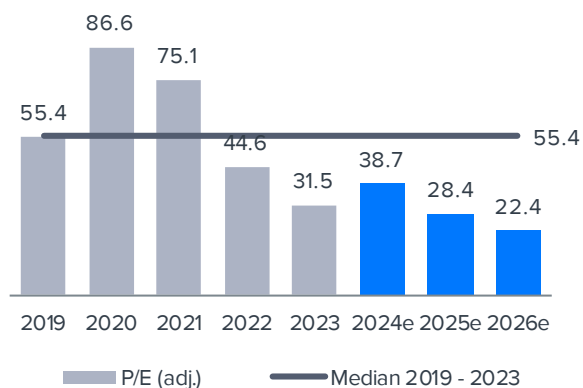


Valuation table

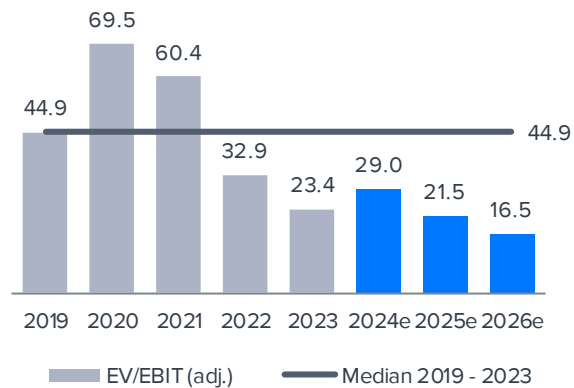
Valuation	2019	2020	2021	2022	2023	2024e	2025e	2026e	2027e
Share price	26.3	50.3	55.6	38.6	25.2	29.5	29.5	29.5	29.5
Number of shares, millions	26.0	26.6	26.7	26.6	26.6	26.6	26.6	26.6	26.6
Market cap	697	1337	1482	1026	670	784	784	784	784
EV	700	1335	1482	1015	667	777	757	731	708
P/E (adj.)	55.4	86.6	75.1	44.6	31.5	38.7	28.4	22.4	19.2
P/E	73.0	>100	85.7	47.1	35.1	42.5	29.5	23.0	19.6
P/B	10.8	19.2	18.9	11.3	6.7	7.2	6.3	5.4	4.7
P/S	14.1	21.9	18.8	10.6	6.9	7.5	6.5	5.5	4.9
EV/Sales	14.1	21.9	18.8	10.5	6.9	7.5	6.3	5.2	4.4
EV/EBITDA	47.9	61.5	57.7	30.6	22.0	25.9	19.7	15.1	12.9
EV/EBIT (adj.)	44.9	69.5	60.4	32.9	23.4	29.0	21.5	16.5	13.8
Payout ratio (%)	85.1 %	63.7 %	52.4 %	43.9 %	52.9 %	52.0 %	54.0 %	56.0 %	60.0 %
Dividend yield-%	1.1 %	0.6 %	0.6 %	0.9 %	1.5 %	1.2 %	1.8 %	2.4 %	3.1 %

Source: Inderes

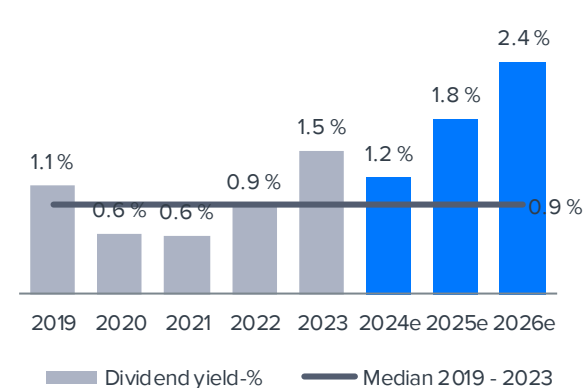
P/E (adj.)



EV/EBIT (oik.)



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
Revenio Group	839	837	29.9	23.6	25.7	21.1	8.0	7.0	40.2	31.1	1.3	1.5
Cooper Companies	19286	21608	24.3	22.0	20.2	18.4	6.0	5.6	28.7	25.8		
Ametek	36000	38075	23.2	21.2	18.9	17.6	5.9	5.6	25.0	23.2	0.7	0.7
Topcon	1029	1416			10.6	8.8	1.1	1.0	55.2	20.9	2.7	3.0
Medtronic	106837	125460	16.5	15.7	14.6	14.0	4.2	4.1	17.4	16.6	3.1	3.1
EssilorLuxotica SA	97820	108204	25.3	22.2	16.2	14.7	4.1	3.8	31.1	27.9	1.8	2.0
Carl Zeiss Meditec	5496	5724	24.3	17.3	17.9	13.5	2.8	2.5	32.3	24.7	1.4	1.5
Demand	7629	9617	16.1	14.7	12.3	11.4	3.2	3.0	20.3	17.3		
Optomed (Inderes)	73	68					4.7	3.5				
Revenio Group (Inderes)	784	777	29.0	21.5	25.9	19.7	7.5	6.3	38.7	28.4	1.2	1.8
Average			26.2	22.2	19.2	16.7	4.7	4.2	34.9	26.7	1.7	1.6
Median			24.3	22.0	18.4	16.2	4.7	4.1	31.2	25.2	1.4	1.5
Diff-% to median			19%	-3%	41%	22%	59%	55%	24%	12%	-14%	20%

Source: Refinitiv / Inderes

Income statement

Income statement	2021	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24	Q2'24	Q3'24	Q4'24e	2024e	2025e	2026e	2027e
Revenue	78.8	97.0	23.2	22.3	22.0	29.1	96.6	23.6	25.4	23.9	31.1	104	121	141	161
Tonometers (estimate)	49.2	58.6	14.7	14.3	11.5	16.4	56.8	14.8	15.6	12.7	17.0	60.1	67.2	76.6	85.8
Imaging devices (estimate)	28.3	36.2	7.8	7.4	9.8	12.0	37.0	8.0	9.0	10.4	13.1	40.6	49.0	57.4	66.6
Oculo / Software (estimate)	0.9	2.2	0.6	0.7	0.7	0.8	2.8	0.8	0.8	0.8	0.9	3.4	4.5	7.5	9.0
Other products (estimate)	0.4	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
EBITDA	25.7	33.1	7.1	5.6	7.1	10.5	30.3	6.2	7.1	6.7	10.1	30.0	38.5	48.4	55.0
Depreciation	-3.6	-3.4	-0.9	-1.0	-1.0	-1.0	-3.9	-1.1	-1.8	-1.2	-1.0	-5.1	-4.2	-5.0	-4.5
EBIT (excl. NRI)	24.5	30.9	6.5	5.8	6.5	9.8	28.5	5.4	6.2	5.8	9.3	26.8	35.3	44.4	51.4
EBIT	22.1	29.7	6.2	4.7	6.0	9.5	26.3	5.1	5.3	5.5	9.1	25.0	34.3	43.4	50.5
Net financial items	0.0	-0.6	-0.4	-0.2	-0.1	-0.3	-1.0	-0.3	0.2	-0.1	-0.1	-0.3	0.2	0.8	1.5
PTP	22.1	29.1	5.8	4.5	5.9	9.2	25.4	4.8	5.5	5.4	9.0	24.7	34.5	44.2	52.0
Taxes	-4.8	-7.3	-1.5	-1.2	-1.5	-2.1	-6.3	-1.2	-1.3	-1.6	-2.1	-6.2	-7.8	-10.2	-12.0
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	17.3	21.8	4.2	3.3	4.4	7.1	19.1	3.6	4.1	3.8	6.9	18.5	26.6	34.0	40.0
EPS (adj.)	0.74	0.86	0.17	0.17	0.18	0.28	0.80	0.14	0.19	0.16	0.27	0.76	1.04	1.32	1.54
EPS (rep.)	0.65	0.82	0.16	0.12	0.17	0.27	0.72	0.14	0.16	0.14	0.26	0.69	1.00	1.28	1.51
Key figures	2021	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24	Q2'24	Q3'24	Q4'24e	2024e	2025e	2026e	2027e
Revenue growth-%	29.1%	23.1%	14.9%	-8.7%	-8.9%	3.0%	-0.5%	1.8%	14.2%	8.9%	6.7%	7.8%	16.0%	17.2%	14.0%
Adjusted EBIT growth-%		25.9%	10.6%	-22.1%	-18.6%	1.4%	-7.7%	-16.7%	7.8%	-9.9%	-4.8%	-6.1%	31.7%	25.8%	15.8%
EBITDA-%	32.6%	34.1%	30.5%	25.3%	32.1%	36.1%	31.4%	26.3%	27.8%	27.9%	32.4%	28.9%	31.9%	34.2%	34.1%
Adjusted EBIT-%	31.1%	31.8%	27.9%	26.0%	29.5%	33.6%	29.5%	22.9%	24.5%	24.4%	29.9%	25.7%	29.2%	31.4%	31.8%
Net earnings-%	22.0%	22.5%	18.3%	14.8%	20.1%	24.5%	19.8%	15.3%	16.3%	15.9%	22.2%	17.7%	22.1%	24.1%	24.8%

Source: Inderes

Balance sheet

Assets	2022	2023	2024e	2025e	2026e
Non-current assets	70.8	77.5	84.8	85.3	83.4
Goodwill	59.8	59.4	63.6	63.6	63.6
Intangible assets	4.3	7.1	9.6	9.6	6.4
Tangible assets	2.8	2.3	2.5	3.0	4.2
Associated companies	0.0	0.0	0.0	0.0	0.0
Other investments	0.4	2.3	2.5	2.5	2.5
Other non-current assets	1.9	3.6	3.6	3.6	3.6
Deferred tax assets	1.6	2.8	3.1	3.1	3.1
Current assets	52.5	48.3	46.8	64.8	92.3
Inventories	6.7	10.5	10.4	10.9	11.3
Other current assets	0.0	0.0	0.0	0.0	0.0
Receivables	13.7	16.3	15.6	16.9	18.4
Cash and equivalents	32.1	21.5	20.8	37.0	62.6
Balance sheet total	136	137	142	160	184

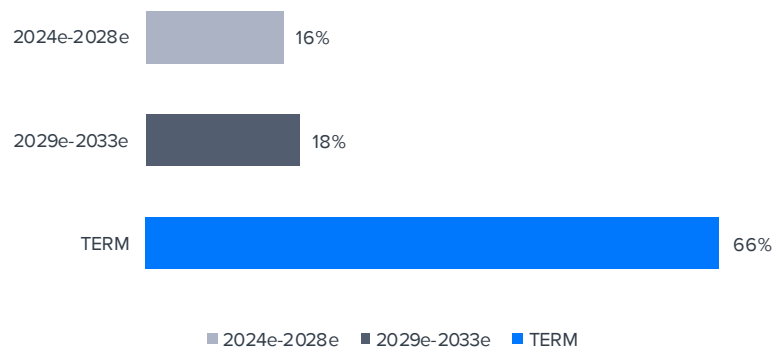
Source: Inderes

Liabilities & equity	2022	2023	2024e	2025e	2026e
Equity	90.9	99.9	108	125	145
Share capital	5.3	5.3	5.3	5.3	5.3
Retained earnings	34.3	43.5	51.9	68.9	88.5
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	51.3	51.1	51.1	51.1	51.1
Minorities	0.0	0.0	0.0	0.0	0.0
Non-current liabilities	20.1	16.9	13.0	10.9	10.9
Deferred tax liabilities	3.7	3.3	3.3	3.3	3.3
Provisions	0.5	0.6	0.6	0.6	0.6
Interest bearing debt	15.8	13.0	9.1	7.0	7.0
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	25.2	20.6	21.0	23.5	28.5
Interest bearing debt	5.0	5.6	4.4	3.0	3.0
Payables	20.2	15.0	16.6	20.5	25.5
Other current liabilities	0.0	0.0	0.0	0.0	0.0
Balance sheet total	136	137	142	160	184

DCF calculation

DCF model	2023	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	TERM
Revenue growth-%	-0.5 %	7.8 %	16.0 %	17.2 %	14.0 %	14.0 %	12.0 %	10.0 %	8.0 %	5.0 %	3.2 %	3.2 %
EBIT-%	27.3 %	24.0 %	28.4 %	30.7 %	31.3 %	32.0 %	31.0 %	30.0 %	30.0 %	30.0 %	30.0 %	30.0 %
EBIT (operating profit)	26.3	25.0	34.3	43.4	50.5	58.9	63.9	68.0	73.4	77.1	79.6	
+ Depreciation	3.9	5.1	4.2	5.0	4.5	4.7	5.1	5.6	5.7	6.0	6.1	
- Paid taxes	-7.9	-6.5	-7.8	-10.2	-12.0	-14.0	-15.3	-16.3	-17.6	-18.5	-19.1	
- Tax, financial expenses	-0.4	-0.2	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	
+ Tax, financial income	0.1	0.1	0.2	0.3	0.4	0.6	0.7	0.7	0.8	0.8	0.9	
- Change in working capital	-11.6	2.4	2.1	3.0	2.6	-0.2	-0.2	-0.2	-0.2	-0.1	-0.1	
Operating cash flow	10.5	25.9	32.8	41.4	46.0	49.8	54.1	57.7	62.1	65.3	67.3	
+ Change in other long-term liabilities	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-8.2	-11.1	-3.7	-2.1	-4.3	-5.5	-6.0	-5.5	-6.1	-5.8	-6.1	
Free operating cash flow	2.3	14.8	29.1	39.3	41.7	44.3	48.1	52.2	56.0	59.5	61.1	
+/- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	2.3	14.8	29.1	39.3	41.7	44.3	48.1	52.2	56.0	59.5	61.1	1204
Discounted FCFF		14.6	26.5	33.0	32.3	31.6	31.7	31.7	31.3	30.7	29.1	573
Sum of FCFF present value		866	851	825	792	759	728	696	664	633	602	573
Enterprise value DCF		866										
- Interest bearing debt		-18.6										
+ Cash and cash equivalents		21.5										
-Minorities		0.0										
-Dividend/capital return		-10.1										
Equity value DCF		859										
Equity value DCF per share		32.3										

Cash flow distribution

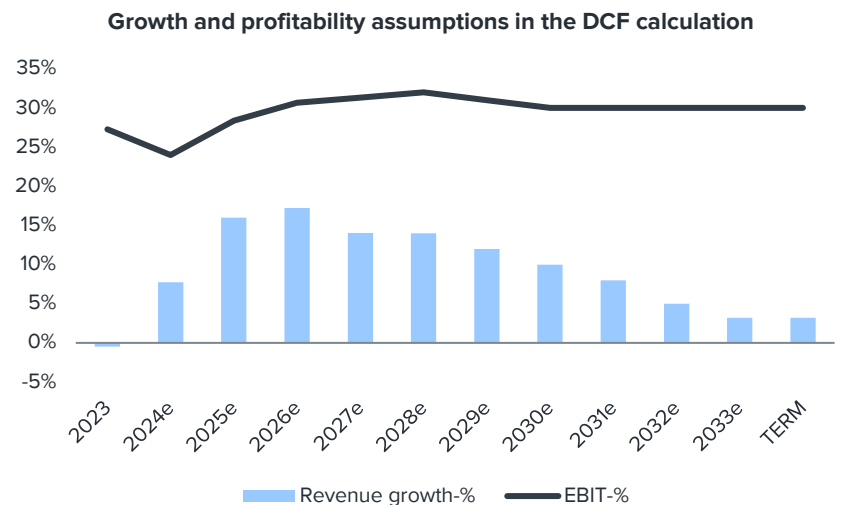
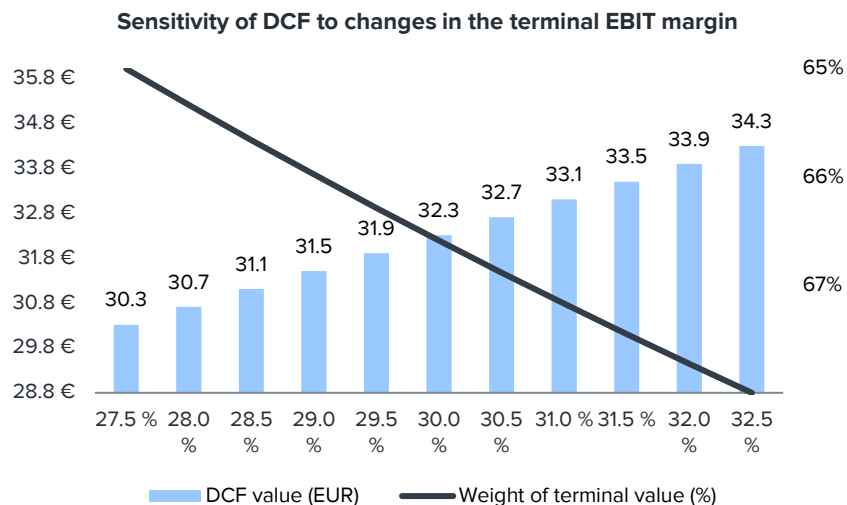
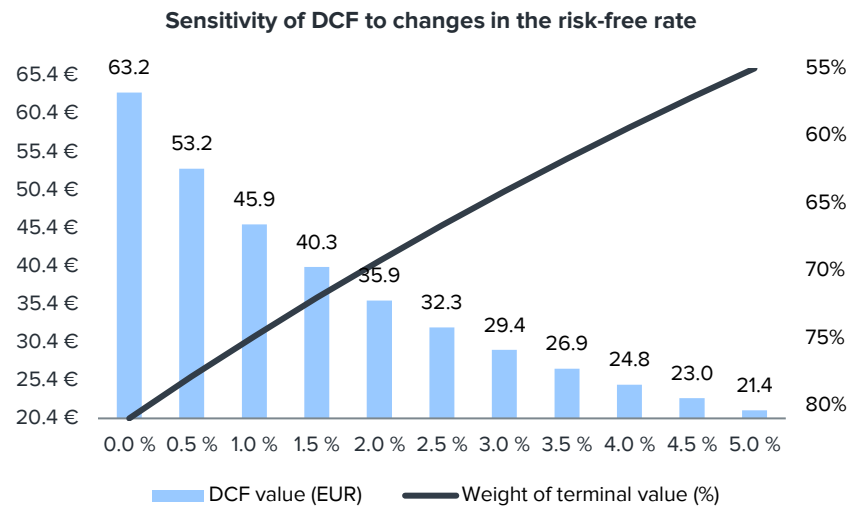
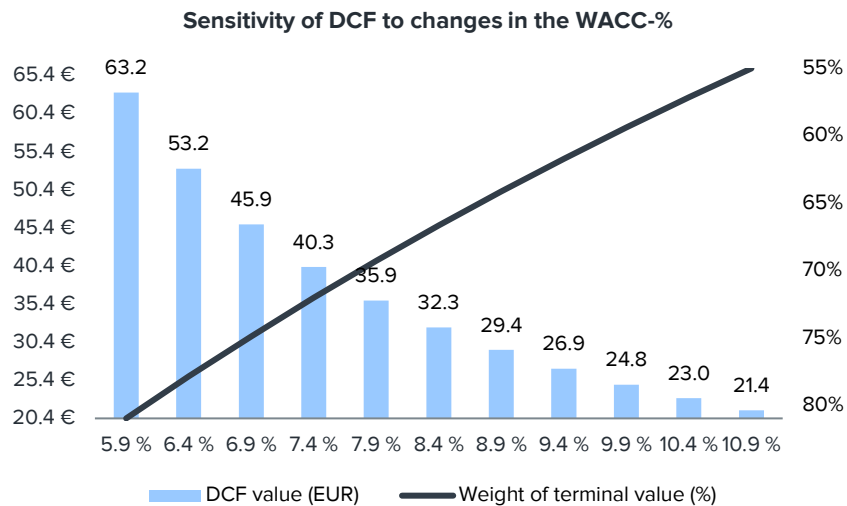


WACC

Tax-% (WACC)	20.0 %
Target debt ratio (D/(D+E))	0.0 %
Cost of debt	4.0 %
Equity Beta	1.25
Market risk premium	4.75%
Liquidity premium	0.00%
Risk free interest rate	2.5 %
Cost of equity	8.4 %
Weighted average cost of capital (WACC)	8.4 %

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	78.8	97.0	96.6	104.1	120.7	EPS (reported)	0.65	0.82	0.72	0.69	1.00
EBITDA	25.7	33.1	30.3	30.0	38.5	EPS (adj.)	0.74	0.86	0.80	0.76	1.04
EBIT	22.1	29.7	26.3	25.0	34.3	OCF / share	0.85	0.90	0.40	0.97	1.23
PTP	22.1	29.1	25.4	24.7	34.5	FCF / share	0.25	0.79	0.09	0.56	1.09
Net Income	17.3	21.8	19.1	18.5	26.6	Book value / share	2.94	3.42	3.76	4.07	4.71
Extraordinary items	-2.4	-1.2	-2.2	-1.8	-1.0	Dividend / share	0.34	0.36	0.38	0.36	0.54
Balance sheet	2021	2022	2023	2024e	2025e	Growth and profitability	2021	2022	2023	2024e	2025e
Balance sheet total	124.6	136.1	137.4	142.2	159.7	Revenue growth-%	29%	23%	0%	8%	16%
Equity capital	78.4	90.9	99.9	108.3	125.3	EBITDA growth-%	18%	29%	-9%	-1%	28%
Goodwill	59.8	59.8	59.4	63.6	63.6	EBIT (adj.) growth-%	28%	26%	-8%	-6%	32%
Net debt	0.0	-11.3	-2.9	-7.4	-27.0	EPS (adj.) growth-%	27%	17%	-7%	-5%	36%
Cash flow	2021	2022	2023	2024e	2025e	EBITDA-%	32.6 %	34.1 %	31.4 %	28.9 %	31.9 %
EBITDA	25.7	33.1	30.3	30.0	38.5	EBIT (adj.)-%	31.1 %	31.8 %	29.5 %	25.7 %	29.2 %
Change in working capital	2.4	-1.5	-11.6	2.4	2.1	EBIT-%	28.0 %	30.6 %	27.3 %	24.0 %	28.4 %
Operating cash flow	22.7	24.0	10.5	25.9	32.8	ROE-%	23.4 %	25.7 %	20.0 %	17.7 %	22.8 %
CAPEX	-15.8	-2.9	-8.2	-11.1	-3.7	ROI-%	22.1 %	27.6 %	23.3 %	21.2 %	27.2 %
Free cash flow	6.7	21.1	2.3	14.8	29.1	Equity ratio	63.0 %	66.8 %	72.7 %	76.1 %	78.4 %
						Gearing	0.0 %	-12.5 %	-2.9 %	-6.8 %	-21.6 %
Valuation multiples	2021	2022	2023	2024e	2025e						
EV/S	18.8	10.5	6.9	7.5	6.3						
EV/EBITDA	57.7	30.6	22.0	25.9	19.7						
EV/EBIT (adj.)	60.4	32.9	23.4	29.0	21.5						
P/E (adj.)	75.1	44.6	31.5	38.7	28.4						
P/B	18.9	11.3	6.7	7.2	6.3						
Dividend-%	0.6 %	0.9 %	1.5 %	1.2 %	1.8 %						

Source: Inderes

Disclaimer and recommendation history

The information presented in Inderes reports is obtained from several different public sources that Inderes considers to be reliable. Inderes aims to use reliable and comprehensive information, but Inderes does not guarantee the accuracy of the presented information. Any opinions, estimates and forecasts represent the views of the authors. Inderes is not responsible for the content or accuracy of the presented information. Inderes and its employees are also not responsible for the financial outcomes of investment decisions made based on the reports or any direct or indirect damage caused by the use of the information. The information used in producing the reports may change quickly. Inderes makes no commitment to announcing any potential changes to the presented information and opinions.

The reports produced by Inderes are intended for informational use only. The reports should not be construed as offers or advice to buy, sell or subscribe investment products. Customers should also understand that past performance is not a guarantee of future results. When making investment decisions, customers must base their decisions on their own research and their estimates of the factors that influence the value of the investment and take into account their objectives and financial position and use advisors as necessary. Customers are responsible for their investment decisions and their financial outcomes.

Reports produced by Inderes may not be edited, copied or made available to others in their entirety, or in part, without Inderes' written consent. No part of this report, or the report as a whole, shall be transferred or shared in any form to the United States, Canada or Japan or the citizens of the aforementioned countries. The legislation of other countries may also lay down restrictions pertaining to the distribution of the information contained in this report. Any individuals who may be subject to such restrictions must take said restrictions into account.

Inderes issues target prices for the shares it follows. The recommendation methodology used by Inderes is based on the share's 12-month expected total shareholder return (including the share price and dividends) and takes into account Inderes' view of the risk associated with the expected returns. The recommendation policy consists of four tiers: Sell, Reduce, Accumulate and Buy. As a rule, Inderes' investment recommendations and target prices are reviewed at least 2–4 times per year in connection with the companies' interim reports, but the recommendations and target prices may also be changed at other times depending on the market conditions. The issued recommendations and target prices do not guarantee that the share price will develop in line with the estimate. Inderes primarily uses the following valuation methods in determining target prices and recommendations: Cash flow analysis (DCF), valuation multiples, peer group analysis and sum of parts analysis. The valuation methods and target price criteria used are always company-specific and they may vary significantly depending on the company and (or) industry.

Inderes' recommendation policy is based on the following distribution relative to the 12-month risk-adjusted expected total shareholder return.

Buy	The 12-month risk-adjusted expected shareholder return of the share is very attractive
Accumulate	The 12-month risk-adjusted expected shareholder return of the share is attractive
Reduce	The 12-month risk-adjusted expected shareholder return of the share is weak
Sell	The 12-month risk-adjusted expected shareholder return of the share is very weak

The assessment of the 12-month risk-adjusted expected total shareholder return based on the above-mentioned definitions is company-specific and subjective. Consequently, similar 12-month expected total shareholder returns between different shares may result in different recommendations, and the recommendations and 12-month expected total shareholder returns between different shares should not be compared with each other. The counterpart of the expected total shareholder return is Inderes' view of the risk taken by the investor, which varies considerably between companies and scenarios. Thus, a high expected total shareholder return does not necessarily lead to positive performance when the risks are exceptionally high and, correspondingly, a low expected total shareholder return does not necessarily lead to a negative recommendation if Inderes considers the risks to be moderate.

The analysts who produce Inderes' research and Inderes employees cannot have 1) shareholdings that exceed the threshold of significant financial gain or 2) shareholdings exceeding 1% in any company subject to Inderes' research activities. Inderes Oyj can only own shares in the target companies it follows to the extent shown in the company's model portfolio investing real funds. All of Inderes Oyj's shareholdings are presented in itemised form in the model portfolio. Inderes Oyj does not have other shareholdings in the target companies analysed. The remuneration of the analysts who produce the analysis are not directly or indirectly linked to the issued recommendation or views. Inderes Oyj does not have investment bank operations.

Inderes or its partners whose customer relationships may have a financial impact on Inderes may, in their business operations, seek assignments with various issuers with respect to services provided by Inderes or its partners. Thus, Inderes may be in a direct or indirect contractual relationship with an issuer that is the subject of research activities. Inderes and its partners may provide investor relations services to issuers. The aim of such services is to improve communication between the company and the capital markets. These services include the organisation of investor events, advisory services related to investor relations and the production of investor research reports.

More information about research disclaimers can be found at www.inderes.fi/research-disclaimer.

Inderes has made an agreement with the issuer and target of this report, which entails compiling a research report.

Recommendation history (>12 mo)

Date	Recommendation	Target	Share price
2/21/2020	Accumulate	31.00 €	28.85 €
3/19/2020	Buy	24.00 €	18.48 €
4/23/2020	Accumulate	25.00 €	22.75 €
8/7/2020	Reduce	34.00 €	33.50 €
10/23/2020	Reduce	36.00 €	38.05 €
12/21/2020	Reduce	44.00 €	48.65 €
2/12/2021	Accumulate	60.00 €	53.00 €
4/26/2021	Accumulate	65.00 €	59.20 €
<i>Analyst changed</i>			
6/9/2021	Accumulate	65.00 €	59.50 €
8/6/2021	Reduce	65.00 €	64.80 €
10/22/2021	Accumulate	58.00 €	55.40 €
2/11/2022	Accumulate	48.00 €	44.30 €
4/7/2022	Reduce	48.00 €	47.96 €
4/29/2022	Reduce	48.00 €	47.58 €
8/5/2022	Reduce	52.00 €	54.30 €
10/28/2022	Reduce	40.00 €	39.48 €
1/27/2023	Reduce	40.00 €	37.62 €
2/10/2023	Reduce	38.00 €	37.26 €
1/27/2023	Reduce	40.00 €	37.62 €
2/10/2023	Reduce	38.00 €	37.26 €
3/20/2023	Accumulate	38.00 €	34.66 €
4/28/2023	Reduce	38.00 €	39.24 €
8/3/2023	Accumulate	26.00 €	24.08 €
8/11/2023	Accumulate	26.00 €	23.20 €
10/4/2023	Buy	26.00 €	19.81 €
10/27/2023	Buy	24.50 €	19.90 €
12/7/2023	Accumulate	25.50 €	23.66 €
2/16/2024	Reduce	28.00 €	27.94 €
4/4/2024	Accumulate	28.00 €	25.86 €
4/26/2024	Accumulate	28.00 €	23.86 €
8/9/2024	Accumulate	32.00 €	28.82 €
11/1/2024	Accumulate	32.00 €	29.50 €



Inderes democratizes investor information by connecting investors and listed companies.

We help over 400 listed companies better serve investors. Our investor community is home to over 70,000 active members.

We build solutions for listed companies that enable frictionless and effective investor relations. For listed companies, we offer Commissioned Research, IR Events, AGMs, and IR Software.

Inderes is listed on the Nasdaq First North growth market and operates in Finland, Sweden, Norway, and Denmark.

Inderes Oyj

Itämerentori 2

FI-00180 Helsinki, Finland

+358 10 219 4690

Award-winning research at [inderes.fi](https://www.inderes.fi)



**STARMINE
ANALYST AWARDS
FROM REFINITIV**



THOMSON REUTERS
ANALYST AWARDS



Juha Kinnunen
2012, 2016, 2017, 2018, 2019, 2020



Mikael Rautanen
2014, 2016, 2017, 2019



Sauli Vilén
2012, 2016, 2018, 2019, 2020



Antti Viljakainen
2014, 2015, 2016, 2018, 2019, 2020



Olli Koponen
2020



Joni Grönqvist
2019, 2020



Erkki Vesola
2018, 2020



Petri Gostowski
2020



Atte Riikola
2020

**Connecting investors
and listed companies.**