

Orthex

Company report

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✓ Inderes corporate customer

This report is a summary translation of the report "Hinnotteluvoima piti pintansa" published on 11/8/2023 at 8:52 am EET

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Pricing power held its own

Orthex's Q3 report was very strong. Despite weak retail sales, the company's FX-adjusted revenue turned to growth and the gross margin that recovered with sharp leverage pushed earnings well above our expectations. Our forecast changes were positive and largely driven by the higher gross margin. Thus, we raise our target price to EUR 6.0 (was EUR 5.4). Thanks to a favorable earnings-based valuation and a too wide price discount to the peers we raise our recommendation to Buy (was Accumulate).

Performance in the Nordic countries was particularly good

Orthex's Q3 revenue decreased by 1% from the comparison period, but after FX adjustment, growth was an impressive 3% and the company's revenue exceeded our forecast that anticipated a 4% decrease. Growth was stronger than we predicted in the Nordic countries, but slightly below our estimate in other European markets, where the company carried out fewer campaigns than in the comparison period. The company's gross margin was at a whopping level of close to 32%, which, together with stronger growth than we expected, resulted in a clear forecast overshoot. EBIT for the quarter was 3.5 MEUR, while we expected 2.3 MEUR. The company's other cost lines met our expectations. Thanks to the handsome cash flow and sharply recovered performance, the gearing (net debt/adj. EBITDA) falls rapidly and was only 1.4x at the end of the review period (Q3'22: 2.5x).

Higher gross margin forecasts drove positive estimate changes

In connection with the report, we raised our revenue forecasts for the next few years by 1% due to stronger growth. We also made a level correction to our gross margin forecasts for the next few years, which drove the 13-18% increase in our EBIT forecasts. For the time being, we view Q3's gross margin as an unsustainably high level and our updated forecasts are in line with the longer-term average (29%). In our eyes, Q3's strong 16% EBIT margin strengthens the credibility of the company's long-term profitability target (over 18% EBITA), which has been questioned in recent years due to the performance ravaged by cost inflation. In our forecasts, the company's performance will at best reach an annual EBIT margin of 14% but if the strong performance continues, there may be pressure toward the company's target level (EBITA +18%). Revenue returning to growth and the recovery of relative profitability drive the 13% annual EBIT growth in our 2024-2025 forecasts. In our view, the company is at a turning point, as we expect revenue to turn back to growth in Q4. The predictability of the result is weakened by potential oil supply shocks that could materialize if the Middle Eastern conflict escalates. In terms of new cost inflation shocks, we feel that the track record of surviving exceptionally strong cost inflation relatively unscathed in the past year brings some security.

Discount to peers is too wide

Orthex's earnings-based valuation (2024e: EV/EBIT 9X, P/E: 12x) seems favorable to us considering the high return on equity, as well as the growth and risk profile of the company. With our earnings forecasts for next year, the company is priced at a discount of 13-14% to the peers, which seems to be too wide considering the quality of Orthex. In our view, the market may still perceive Orthex to be more cyclical than it actually is as the performance that was subject to exceptionally high cost inflation last year is still fresh in the mind. Our DCF model also indicates a clear upside from current levels and a value of EUR 6.5 per share.

Recommendation

Buy

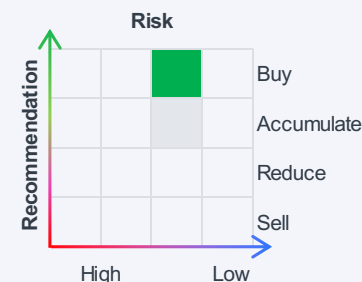
(previous Accumulate)

EUR 6.00

(previous EUR 5.40)

Share price:

4.95



Key figures

	2022	2023e	2024e	2025e
Revenue	84.0	83.9	86.3	90.9
growth-%	-5%	0%	3%	5%
EBIT adj.	5.4	9.8	11.1	12.4
EBIT-% adj.	6.4%	11.7%	12.9%	13.7%
Net Income	2.1	6.5	7.4	8.6
EPS (adj.)	0.13	0.33	0.42	0.49
P/E (adj.)	36.3	15.1	11.8	10.2
P/B	2.8	2.6	2.3	2.0
Dividend yield-%	2.4%	4.0%	4.4%	4.8%
EV/EBIT (adj.)	20.4	11.1	9.4	8.1
EV/EBITDA	11.8	7.4	6.9	6.0
EV/S	1.3	1.3	1.2	1.1

Source: Inderes

Guidance

(Unchanged)

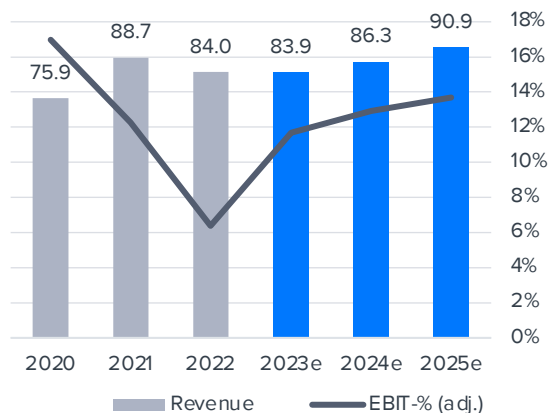
Orthex does not publish a short-term outlook. In the long term, the company targets average organic growth of over 5% and an adjusted EBITA margin of over 18%.

Share price



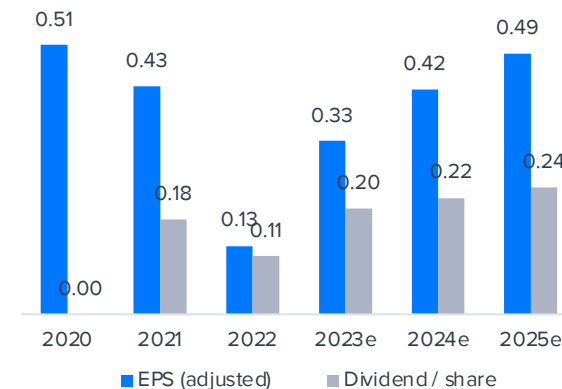
Source: Millstream Market Data AB

Revenue and EBIT-%



Source: Inderes

EPS and dividend



Source: Inderes



Value drivers

- Large and defensive target market
- Favorable megatrends drive product demand growth
- Leading position in the Nordic countries and the possibility of expanding to Europe through key customers
- Fragmented industry offers opportunities for acquisitions
- Known consumer brands
- Strong relations with retail chains
- Efficient and automated production with short delivery times



Risk factors

- Fluctuations in raw material prices and disruptions in availability
- Dependence on the operation of own production facilities
- Production capacity limits growth
- Success on export markets
- Risks involved in achieving financial targets
- Acquisition risks
- Plastics have a bad reputation as a raw material

Valuation	2023e	2024e	2025e
Share price	4.95	4.95	4.95
Number of shares, millions	17.8	17.8	17.8
Market cap	88	88	88
EV	109	105	101
P/E (adj.)	15.1	11.8	10.2
P/E	13.4	11.8	10.2
P/B	2.6	2.3	2.0
P/S	1.0	1.0	1.0
EV/Sales	1.3	1.2	1.1
EV/EBITDA	7.4	6.9	6.0
EV/EBIT (adj.)	11.1	9.4	8.1
Payout ratio (%)	54.3%	52.6%	49.4%
Dividend yield-%	4.0%	4.4%	4.8%

Source: Inderes

Earnings above expectations and of good quality

Sales in the Nordic countries were surprisingly good

Orthex's Q3 revenue decreased by 1% to 21.9 MEUR exceeding our 21.1 MEUR estimate slightly. During the review period, revenue experienced significant headwinds, especially from the weak SEK and NOK. However, FX-adjusted revenue grew by 3%.

By market area, invoiced sales in the Nordic countries (+0%) held its own better than we expected, while growth in the rest of Europe (+7%) fell slightly short of our expectations. Considering the weak revenue trend of Nordic furniture and hardware stores, Orthex's sales were quite successful and we believe the company gained market shares. We find it likely that resellers' recovery of inventory levels which has been ongoing for a long time will start to show signs of ceasing in Orthex's products.

Gross margin pushed earnings well above forecasts

Orthex's gross margin strengthened as expected, but the very strong gross margin of 31.6% (Q2'23: 25.6%)

raised the company's gross margin to 6.9 MEUR and well above our forecasts. The company's profitability has been supported by price increases and decreases in raw material and electricity prices in recent years, but we estimate that the overshoot is also explained by a smaller share of low-margin campaign sales than we expected.

Below the gross margin, Orthex's cost structure was well in line with our expectations, so the strong gross margin drove the strong EBIT overshoot (Q3 EBIT: 3.5 MEUR vs. 2.3 MEUR estimate). We feel the quality of the result is improved by the fact that the overshoot was based on a strong gross margin and not, e.g., sales and marketing investments that were lower than we expected, as we consider them future growth investments.

Improved performance digests the debt burden

Orthex's free cash flow for the current year rose to 8.0 MEUR (Q1-Q3'22: 4.2 MEUR) with the strongly recovered profitability. At current raw material prices,

Orthex can generate strong cash flow, which digests interest-bearing debt.

The company's net debt amounted to 19.5 MEUR at the end of Q3 (Q3'22: 23.7 MEUR) and net debt relative to adjusted EBITDA was only 1.4x (2.5x), which was strengthened by both a decrease in net debt and improved performance. The company's target is to maintain the leverage ratio below 2.5x, so with current profitability, the company could afford to leverage its balance sheet by some 15 MEUR to reach the upper limit. The company has indicated that gearing may temporarily rise above the target level in connection with an M&A transaction, which provides additional leeway.

Estimates	Q3'22	Q3'23	Q3'23e	Q3'23e	Consensus		Difference (%)	2023e
MEUR / EUR	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. inderes	Inderes
Revenue	22.1	21.9	21.1				4%	83.9
Gross margin	5.0	6.9	5.5				26%	23.9
EBIT (adj.)	2.2	3.5	2.3				55%	9.8
EBIT	2.2	3.5	2.3				55%	10.5
EPS (reported)	0.07	0.13	0.07				75%	0.37
Revenue growth-%	1.4 %	-0.9 %	-4.3 %				3.4 pp	-0.2 %
EBIT-% (adj.)	10.0 %	16.0 %	10.7 %				5.3 pp	11.7 %

Source: Inderes

A positive change in gross margin estimates drove forecast changes

Estimate changes 2023e-2025e

- We raised our growth forecasts slightly with a stronger Q3 revenue than we expected. Based on management comments, there was no significant shift in European campaign sales from Q3 to coming quarters, but the company has trimmed campaign sales with low profitability from the comparison period. In our forecasts, the company's reported revenue turns back to growth in Q4 from the weak comparison period.
- Changes in our profitability forecasts are especially driven by Q3's very strong gross margin. We raise our gross margin forecasts for the coming years to an average level of 29%, which is, however, below the actual 31.6% in Q3. For Orthex, Q3 is seasonally strong in terms of gross margin (e.g. sales tend to focus on the Storage category with strong margins), and we therefore feel the actual Q3 level should not be extrapolated. The company seems to have adhered to the price increases it made, which in our view strengthens last year's message of a long-term pricing strategy.
- The predictability of the short-term gross margin is undermined by the volatility in Orthex's raw materials. If the conflict in the Middle East escalates and oil-producing countries become involved, oil prices could rise sharply, which we believe would also cause upward pressure on the prices of oil-based raw materials used by Orthex. However, a cost inflation spike like the one seen in 2022 seems unlikely as the pricing power of plastic raw material processors is weaker than in the previous year due to improved availability and weaker demand. We feel 2022 was a convincing demonstration of Orthex's shock-resistance in the face of exceptionally strong cost inflation.
- In connection with the update, we lowered financing costs a bit in our forecasts because the debt burden decreases faster than before.

Estimate revisions MEUR / EUR	2023e	2023e	Change	2024e	2024e	Change	2025e	2025e	Change
	Old	New	%	Old	New	%	Old	New	%
Revenue	83.9	83.9	0%	85.7	86.3	1%	90.4	90.9	1%
EBITDA	12.8	14.6	15%	13.5	15.3	13%	15.4	16.8	9%
EBIT (exc. NRIs)	7.9	9.8	24%	9.4	11.1	18%	11.0	12.4	13%
EBIT	8.6	10.5	22%	9.4	11.1	18%	11.0	12.4	13%
PTP	6.1	8.4	38%	7.1	9.3	31%	8.8	10.9	23%
EPS (excl. NRIs)	0.23	0.33	42%	0.32	0.42	31%	0.40	0.49	23%
DPS	0.14	0.20	43%	0.20	0.22	10%	0.24	0.24	0%

Source: Inderes

Valuation seems attractive

Earnings growth melts valuation multiples

Based on our updated estimates, adjusted P/E ratios for 2023 and 2024 are 15x and 12x, while the corresponding EV/EBIT ratios are 11x and 9x. We find the share's valuation attractive, especially with EV-based multipliers. We have assumed that the company's gross margin for the coming years will normalize from a very strong level in the review period toward the historical average (29%).

Orthex's relative profitability can stretch further if raw material prices continue to decline in the next few years. We do not expect this to be fully reflected in Orthex's profitability, as we believe that competition would cause pressure in the future to either lower prices or rely more on campaign sales to protect the market position (storage solutions are not Giffen goods after all).

We have reservations about the company's ability to hold on to price increases, but so far the company's track record has admittedly been strong and Orthex has so far seemed confident in its pricing. In our forecasts, Orthex's normalized EBIT margin over the cycle is approximately 12-13%, which is still clearly below the company's own target level. We believe that relying on the company's EBITA margin target of 18% would be premature at this stage, but if the company continues to exceed expectations, we consider it likely that both our and the market's expectations will develop in that direction.

Our DCF value indicates an upside

Our DCF model indicates a per share value of some EUR 6.5 for Orthex. Our DCF model assumes an EBIT margin of around 11-14% and revenue growth of approximately 2-5%. We believe that these assumptions are realistic, but because of the

company's short stock market history, its track record of maintaining these levels is still limited.

We suspect that bulking of the storage solution product group is a key risk for maintaining the company's longer-term profitability. However, we believe retailers' efforts to bring their supply chains closer to their end-users is one of the limiting factors for bulking of the category and for the entry of new competitors. By consolidating the industry, we see potential for Orthex to lessen the potential competitive threat due to competition being local by nature and limited access to new capital in the industry.

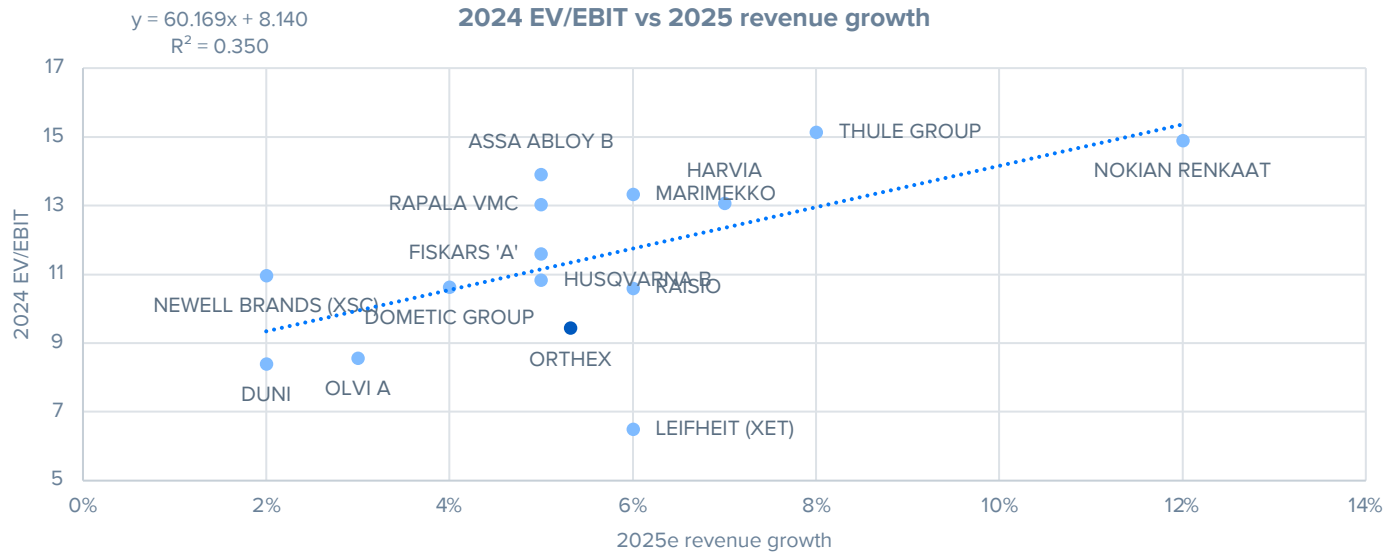
The consolidator threatens to be consolidated

In connection with the IPO, Orthex said that the plastic industry is suitable for consolidation and it intends to monitor the acquisition targets actively. The growing balance sheet provides more leeway in acquisitions and we estimate that with debt financing alone, the company has firepower worth some 20 MEUR (gearing that only considers Orthex's EBITDA would be 3x after the transaction), which would mean a revenue potential of approximately 20 MEUR to be purchased with a 1x revenue multiple. However, at the current valuation level, we feel Orthex is in danger of becoming an acquisition target. Newell Brands acquired Sistema, Orthex's competitor, with a 3.2x revenue multiple in 2016. In the current interest rate environment, asking for similar multiples would be challenging, but takeover activity is still visible among consumer product companies. For example, Fiskars bought Georg Jensen, who had a lower normalized performance than Orthex, this year, at significantly higher multiples than Orthex (EV/EBITDA 9.5x), compared to which Orthex's valuation seems rather attractive.

Valuation	2023e	2024e	2025e
Share price	4.95	4.95	4.95
Number of shares, millions	17.8	17.8	17.8
Market cap	88	88	88
EV	109	105	101
P/E (adj.)	15.1	11.8	10.2
P/E	13.4	11.8	10.2
P/B	2.6	2.3	2.0
P/S	1.0	1.0	1.0
EV/Sales	1.3	1.2	1.1
EV/EBITDA	7.4	6.9	6.0
EV/EBIT (adj.)	11.1	9.4	8.1
Payout ratio (%)	54.3%	52.6%	49.4%
Dividend yield-%	4.0%	4.4%	4.8%

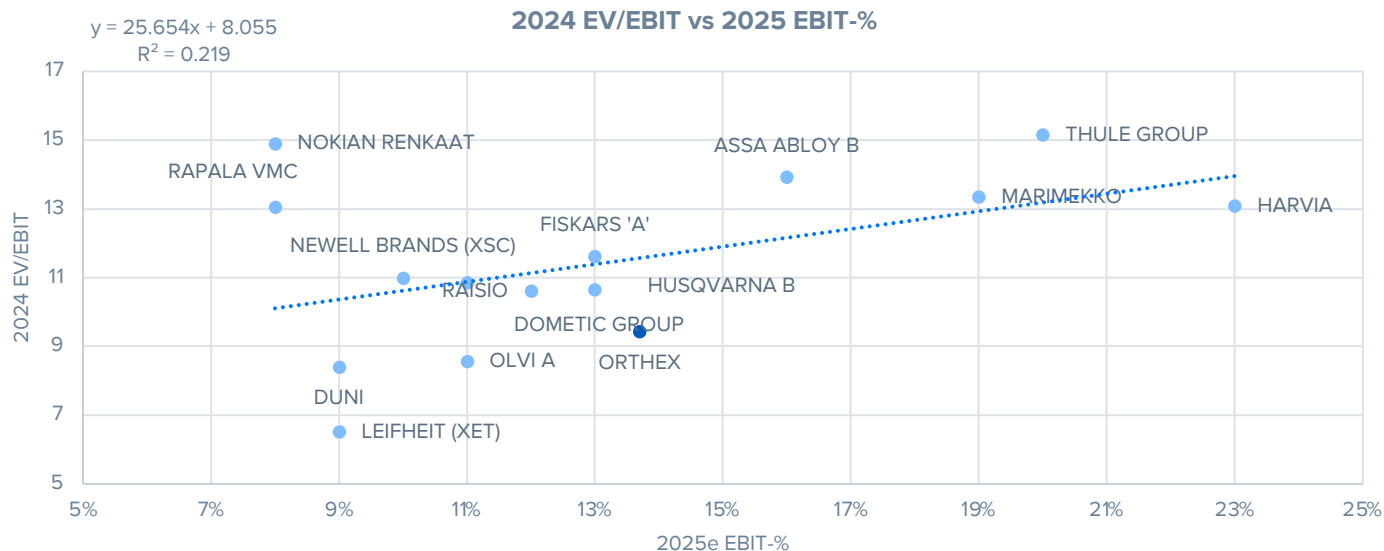
Source: Inderes

Visualization of Orthex's and its peers' valuation



In our opinion, Orthex's share seems favorably priced considering the company's growth profile and relative profitability compared to the peer group.

We believe the pricing that seems affordable may be partly due to the overestimated cyclicality of the result after a weak 2022.



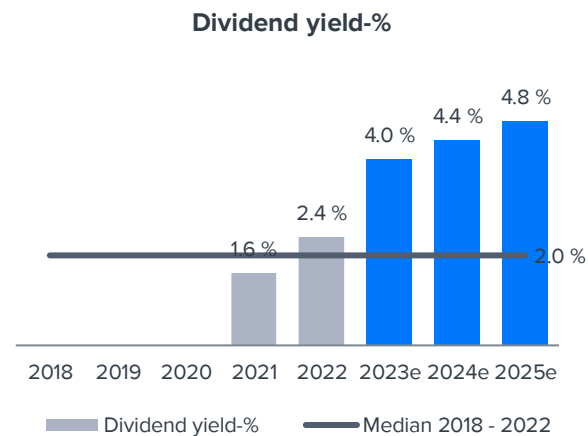
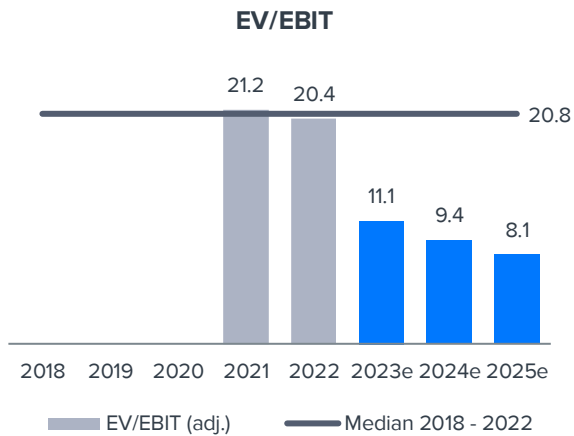
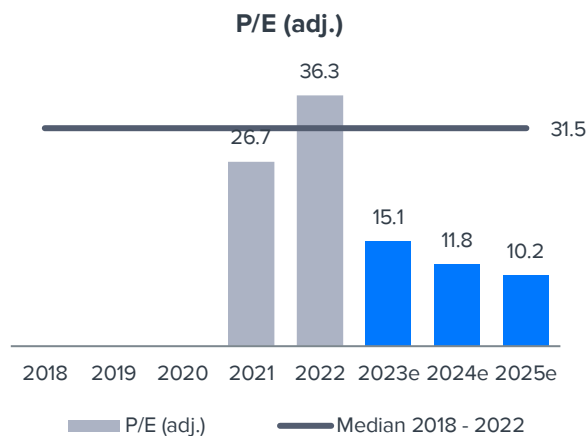
In our view, the demand for Orthex's products is among the most stable in the peer group, which makes the current discount pricing seem rather blatant.

One of the factors that concern markets may justifiably be Orthex's higher exposure to the Nordic countries than for the peers, where the short-term outlook is challenging.

Valuation table

Valuation	2018	2019	2020	2021	2022	2023e	2024e	2025e	2026e
Share price				11.5	4.68	4.95	4.95	4.95	4.95
Number of shares, millions				17.8	17.8	17.8	17.8	17.8	17.8
Market cap				204	83	88	88	88	88
EV				230	109	109	105	101	96
P/E (adj.)				26.7	36.3	15.1	11.8	10.2	9.4
P/E				33.8	39.2	13.4	11.8	10.2	9.4
P/B				6.4	2.8	2.6	2.3	2.0	1.8
P/S				2.3	1.0	1.0	1.0	1.0	0.9
EV/Sales				2.6	1.3	1.3	1.2	1.1	1.0
EV/EBITDA				17.4	11.8	7.4	6.9	6.0	5.4
EV/EBIT (adj.)				21.2	20.4	11.1	9.4	8.1	7.3
Payout ratio (%)				53.0 %	92.2 %	54.3 %	52.6 %	49.4 %	49.2 %
Dividend yield-%				1.6 %	2.4 %	4.0 %	4.4 %	4.8 %	5.3 %

Source: Inderes



Peer group valuation

Peer group valuation Company	Market cap MEUR	EV MEUR	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%		P/B 2023e
			2023e	2024e	2023e	2024e	2023e	2024e	2023e	2024e	2023e	2024e	
Duni AB	423	543	9.3	8.4	6.6	6.1	0.8	0.8	11.5	10.5	3.9	4.4	1.4
Fiskars Oyj Abp	1265	1606	15.2	11.6	9.3	7.9	1.4	1.3	16.8	13.6	4.9	5.1	1.5
Harvia Oyj	432	474	14.9	13.1	12.6	11.0	3.2	3.0	19.8	16.7	2.9	3.1	4.2
Leifheit AG	166	130	21.7	6.5	10.0	4.7	0.5	0.5	49.6	11.1	4.2	4.5	1.5
Marimekko Oyj	461	477	14.8	13.3	11.6	10.4	2.7	2.5	19.2	16.7	3.4	4.0	7.1
Rapala VMC Corp	116	228	45.6	13.0	14.3	8.5	1.0	0.9	15.2	1.0	2.0	0.9	
Thule Group AB	2333	2489	18.3	15.2	15.9	13.4	3.1	2.9	23.3	19.1	3.2	3.9	3.9
Nokian Tyres plc	1063	1450	27.3	14.9	8.2	6.3	1.2	1.1	31.4	18.8	5.6	5.7	0.8
Assa Abloy AB	23388	29157	15.1	13.9	12.7	11.7	2.4	2.2	19.1	17.0	2.1	2.3	2.8
Newell Brands Inc	2714	7104	13.4	11.0	8.8	8.0	1.0	1.0	9.4	9.0	7.2	12.1	0.9
DOMETIC Group	1975	3148	11.9	10.6	8.5	7.9	1.3	1.3	13.8	11.8	2.4	3.2	0.8
Olvi Oyj	591	571	10.3	8.6	7.2	6.3	0.9	0.9	16.7	11.4	4.3	4.6	2.0
Raisio Oyj	314	265	14.7	10.6	8.4	7.6	1.2	1.2	16.7	15.4	6.9	7.0	1.2
Husqvarna AB	3776	4856	11.9	10.9	7.2	6.9	1.1	1.1	15.5	13.0	3.9	4.2	1.8
Helen of Troy Ltd	2232	2996	10.7	10.7	9.8	9.5	1.6	1.6	10.9	11.5			1.6
Orthex (Inderes)	88	109	11.1	9.4	7.4	6.9	1.3	1.2	15.1	11.8	4.0	4.4	2.6
Average			17.0	11.5	10.1	8.4	1.6	1.5	19.5	14.0	4.0	4.7	2.2
Median			14.8	11.0	9.3	7.9	1.2	1.2	16.8	13.6	3.9	4.3	1.5
Diff-% to median			-25%	-14%	-20%	-13%	6%	5%	-10%	-13%	3%	4%	68%

Source: Refinitiv / Inderes

Income statement

Income statement	2020	2021	Q1'22	Q2'22	Q3'22	Q4'22	2022	Q1'23	Q2'23	Q3'23	Q4'23e	2023e	2024e	2025e	2026e
Revenue	75.9	88.7	20.6	21.0	22.1	20.4	84.0	20.5	20.1	21.9	21.4	83.9	86.3	90.9	94.9
Nordic countries	64.2	72.9	17.7	17.5	17.8	15.4	68.4	16.2	16.3	17.8	16.2	66.5	67.9	69.6	70.9
Rest of Europe	11.3	15.1	3.5	3.5	4.0	4.9	15.9	4.9	3.9	4.2	5.2	18.2	19.3	22.0	24.6
Rest of world	2.4	2.5	0.2	0.5	0.4	0.3	1.4	0.2	0.3	0.2	0.4	1.1	1.1	1.2	1.3
Discounts and refunds	-2.0	-1.8	-0.8	-0.5	-0.1	-0.3	-1.7	-0.8	-0.4	-0.3	-0.4	-1.9	-1.9	-1.9	-1.9
EBITDA	16.5	13.2	2.8	0.6	3.2	2.6	9.2	3.4	3.1	4.6	3.7	14.6	15.3	16.8	17.7
Depreciation	-4.2	-4.0	-1.0	-0.9	-1.0	-1.0	-4.0	-1.0	-1.0	-1.0	-1.1	-4.1	-4.1	-4.4	-4.5
EBIT (excl. NRI)	12.9	10.9	1.8	-0.2	2.2	1.6	5.4	2.4	1.3	3.5	2.6	9.8	11.1	12.4	13.2
EBIT	12.3	9.3	1.8	-0.3	2.2	1.6	5.2	2.3	2.1	3.5	2.6	10.5	11.1	12.4	13.2
Share of profits in assoc. compan.	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 financial items	-2.4	-1.6	-0.3	-0.4	-0.7	-0.7	-2.2	-0.6	-0.7	-0.3	-0.4	-2.1	-1.8	-1.6	-1.4
PTP	9.9	7.7	1.4	-0.8	1.5	0.8	3.0	1.7	1.3	3.2	2.2	8.4	9.3	10.9	11.8
Taxes	-2.2	-1.6	-0.3	0.2	-0.2	-0.5	-0.9	-0.4	-0.3	-0.8	-0.5	-1.9	-1.9	-2.2	-2.4
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	7.7	6.0	1.1	-0.6	1.3	0.3	2.1	1.3	1.1	2.4	1.8	6.5	7.4	8.6	9.4
EPS (adj.)	0.51	0.43	0.06	-0.03	0.07	0.02	0.13	0.08	0.02	0.13	0.10	0.33	0.42	0.49	0.53
EPS (rep.)	0.47	0.34	0.06	-0.03	0.07	0.02	0.12	0.07	0.06	0.13	0.10	0.37	0.42	0.49	0.53
Key figures	2020	2021	Q1'22	Q2'22	Q3'22	Q4'22	2022	Q1'23	Q2'23	Q3'23	Q4'23e	2023e	2024e	2025e	2026e
Revenue growth-%	14.2%	16.9%	-4.9%	-5.3%	1.4%	-11.8%	-5.2%	-0.5%	-4.1%	-0.9%	4.9%	-0.2%	2.9%	5.3%	4.5%
Adjusted EBIT growth-%		-15.6%	-45.7%	-108.1%	-32.3%	-8.5%	-50.7%	33.1%	-716.7%	58.9%	65.9%	82.6%	13.7%	11.9%	6.0%
EBITDA-%	21.8%	14.9%	13.7%	2.8%	14.5%	12.8%	11.0%	16.4%	15.1%	20.8%	17.3%	17.5%	17.7%	18.5%	18.7%
Adjusted EBIT-%	17.0%	12.3%	8.7%	-1.0%	10.0%	7.8%	6.4%	11.6%	6.4%	16.0%	12.3%	11.7%	12.9%	13.7%	13.9%
Net earnings-%	10.1%	6.8%	5.5%	-3.0%	5.8%	1.7%	2.5%	6.4%	5.3%	10.9%	8.3%	7.8%	8.6%	9.5%	9.9%

Source: Inderes

Balance sheet

Assets	2021	2022	2023e	2024e	2025e
Non-current assets	46.3	43.8	43.1	43.1	43.2
Goodwill	23.7	22.3	22.3	22.3	22.3
Intangible assets	0.2	0.1	0.2	0.2	0.2
Tangible assets	21.2	20.6	20.6	20.6	20.7
Associated companies	0.0	0.0	0.0	0.0	0.0
Other investments	0.0	0.0	0.0	0.0	0.0
Other non-current assets	0.1	0.1	0.1	0.1	0.1
Deferred tax assets	1.2	0.8	0.0	0.0	0.0
Current assets	42.5	38.0	37.4	38.1	40.1
Inventories	12.6	14.3	13.4	12.9	13.2
Other current assets	0.0	0.1	0.1	0.1	0.1
Receivables	15.5	13.4	13.8	14.7	15.9
Cash and equivalents	14.3	10.3	10.1	10.4	10.9
Balance sheet total	88.8	81.8	80.5	81.2	83.3

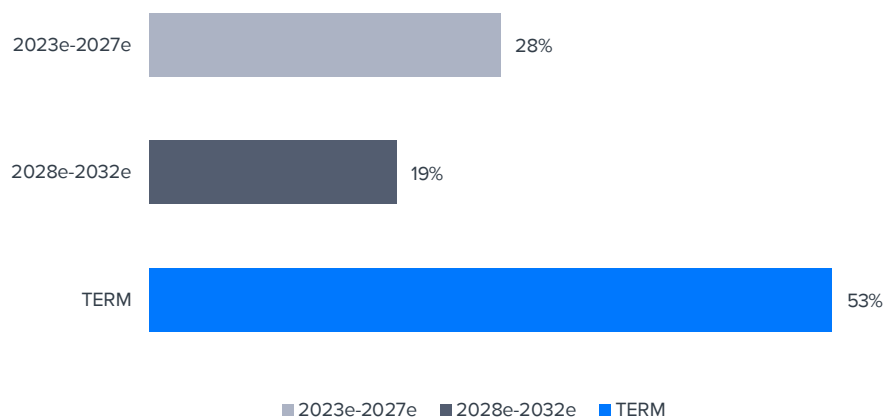
Source: Inderes

Liabilities & equity	2021	2022	2023e	2024e	2025e
Equity	31.8	29.7	34.3	38.2	42.9
Share capital	0.1	0.1	0.1	0.1	0.1
Retained earnings	19.1	22.3	26.9	30.8	35.5
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	1.5	-0.5	-0.5	-0.5	-0.5
Other equity	11.0	7.9	7.9	7.9	7.9
Minorities	0.0	0.0	0.0	0.0	0.0
Non-current liabilities	36.7	32.8	28.6	25.4	22.4
Deferred tax liabilities	0.7	0.8	0.8	0.8	0.8
Provisions	0.0	0.0	0.0	0.0	0.0
Interest bearing debt	36.0	32.0	27.9	24.7	21.6
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	20.3	19.3	17.6	17.6	18.0
Interest bearing debt	4.2	4.3	3.1	2.8	2.4
Payables	13.7	14.0	13.4	13.8	14.5
Other current liabilities	2.4	1.0	1.0	1.0	1.0
Balance sheet total	88.8	81.8	80.5	81.2	83.3

DCF calculation

DCF model	2022	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	TERM
Revenue growth-%	-5.2 %	-0.2 %	4.0 %	5.3 %	4.5 %	4.0 %	4.0 %	3.0 %	2.5 %	2.0 %	2.0 %	2.0 %
EBIT-%	6.2 %	12.5 %	12.9 %	13.7 %	13.9 %	13.0 %	12.5 %	12.0 %	11.5 %	11.5 %	11.5 %	11.5 %
EBIT (operating profit)	5.2	10.5	11.3	12.4	13.2	12.8	12.8	12.7	12.5	12.7	13.0	
+ Depreciation	4.0	4.1	4.1	4.4	4.5	4.7	4.9	5.1	5.2	5.3	5.3	
- Paid taxes	-0.5	-1.1	-1.9	-2.2	-2.4	-2.5	-2.5	-2.5	-2.5	-2.5	-2.6	
- Tax, financial expenses	-0.6	-0.5	-0.4	-0.3	-0.3	-0.2	-0.1	-0.1	-0.1	-0.1	0.0	
+ Tax, financial income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Change in working capital	-0.6	-0.2	0.0	-0.7	-0.2	-0.1	-0.1	-0.4	-0.4	-0.3	-0.3	
Operating cash flow	7.5	12.9	13.0	13.5	14.9	14.8	15.0	14.7	14.7	15.1	15.3	
+ Change in other long-term liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-1.9	-4.2	-4.2	-4.4	-4.6	-4.8	-5.0	-5.2	-5.3	-5.4	-5.4	
Free operating cash flow	5.6	8.7	8.8	9.1	10.2	10.0	10.0	9.5	9.4	9.7	9.9	
+/- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	5.6	8.7	8.8	9.1	10.2	10.0	10.0	9.5	9.4	9.7	9.9	159
Discounted FCFF		8.6	8.0	7.6	7.9	7.2	6.6	5.8	5.3	5.0	4.7	76.0
Sum of FCFF present value		143	134	126	119	111	104	96.9	91.1	85.8	80.8	76.0
Enterprise value DCF		143										
- Interest bearing debt		-36.3										
+ Cash and cash equivalents		10.3										
-Minorities		0.0										
-Dividend/capital return		-2.0										
Equity value DCF		115										
Equity value DCF per share		6.5										

Cash flow distribution



WACC

Tax-% (WACC)	20.0 %
Target debt ratio (D/(D+E))	10.0 %
Cost of debt	6.5 %
Equity Beta	1.10
Market risk premium	4.75%
Liquidity premium	1.00%
Risk free interest rate	2.5 %
Cost of equity	8.7 %
Weighted average cost of capital (WACC)	8.4 %

Source: Inderes

Summary

Income statement	2020	2021	2022	2023e	2024e	Per share data	2020	2021	2022	2023e	2024e
Revenue	75.9	88.7	84.0	83.9	86.3	EPS (reported)	0.47	0.34	0.12	0.37	0.42
EBITDA	16.5	13.2	9.2	14.6	15.3	EPS (adj.)	0.51	0.43	0.13	0.33	0.42
EBIT	12.3	9.3	5.2	10.5	11.1	OCF / share	0.99	0.55	0.42	0.73	0.73
PTP	9.9	7.7	3.0	8.4	9.3	FCF / share	0.68	0.31	0.31	0.49	0.50
Net Income	7.7	6.0	2.1	6.5	7.4	Book value / share	1.05	1.79	1.67	1.93	2.15
Extraordinary items	-0.6	-1.6	-0.2	0.7	0.0	Dividend / share	0.00	0.18	0.11	0.20	0.22
Balance sheet	2020	2021	2022	2023e	2024e	Growth and profitability	2020	2021	2022	2023e	2024e
Balance sheet total	75.4	88.8	81.8	80.5	81.2	Revenue growth-%	14%	17%	-5%	0%	3%
Equity capital	17.0	31.8	29.7	34.3	38.2	EBITDA growth-%	54%	-20%	-30%	59%	4%
Goodwill	24.1	23.7	22.3	22.3	22.3	EBIT (adj.) growth-%	71%	-16%	-51%	83%	14%
Net debt	38.9	25.9	26.0	20.9	17.1	EPS (adj.) growth-%	175%	-15%	-70%	154%	27%
Cash flow	2020	2021	2022	2023e	2024e	EBITDA-%	21.8%	14.9%	11.0%	17.5%	17.7%
EBITDA	16.5	13.2	9.2	14.6	15.3	EBIT (adj.)-%	17.0%	12.3%	6.4%	11.7%	12.9%
Change in working capital	0.1	-1.6	-0.6	-0.2	0.0	EBIT-%	16.2%	10.4%	6.2%	12.5%	12.9%
Operating cash flow	16.1	9.8	7.5	12.9	13.0	ROE-%	49.0%	24.7%	6.9%	20.4%	20.5%
CAPEX	-5.1	-4.3	-1.9	-4.2	-4.2	ROI-%	20.2%	13.9%	7.5%	16.0%	17.0%
Free cash flow	11.0	5.5	5.6	8.7	8.8	Equity ratio	22.6%	35.8%	36.3%	42.6%	47.0%
						Gearing	228.4%	81.4%	87.6%	60.9%	44.7%
Valuation multiples	2020	2021	2022	2023e	2024e						
EV/S	2.0	2.6	1.3	1.3	1.2						
EV/EBITDA (adj.)	9.1	17.4	11.8	7.4	6.9						
EV/EBIT (adj.)	11.6	21.2	20.4	11.1	9.4						
P/E (adj.)	13.4	26.7	36.3	15.1	11.8						
P/B	6.5	6.4	2.8	2.6	2.3						
Dividend-%	0.0%	1.6%	2.4%	4.0%	4.4%						

Source: Inderes

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Recommendation history (>12 mo)

Date	Recommendation	Target	Share price
3/26/2021	Accumulate	8.50 €	7.42 €
5/12/2021	Accumulate	11.00 €	10.15 €
8/26/2021	Accumulate	13.00 €	11.48 €
9/20/2021	Buy	13.00 €	10.50 €
11/11/2021	Accumulate	12.50 €	11.63 €
<i>Analyst changed</i>			
1/13/2022	Accumulate	11.50 €	10.44 €
3/10/2022	Accumulate	8.00 €	7.14 €
5/11/2022	Reduce	7.00 €	6.68 €
8/26/2022	Reduce	5.00 €	5.42 €
10/11/2022	Accumulate	4.40 €	3.93 €
11/14/2022	Accumulate	5.80 €	5.27 €
3/9/2023	Accumulate	5.60 €	5.05 €
5/18/2023	Accumulate	5.60 €	4.99 €
8/25/2023	Accumulate	5.40 €	4.64 €
11/8/2023	Buy	6.00 €	4.95 €



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