

Innofactor

Company report

2/9/2024



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✓ Inderes corporate customer

This report is a summary translation of the report “Jatkuva hyvä tekeminen lisää luottamusta” published on 2/9/2024 at 9:00 am EET.

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Consistent performance builds trust

We raise Innofactor's target price to EUR 1.55 (previous 1.30) reflecting estimate revisions. At the same time, we raise our recommendation to Buy (previous Accumulate). Innofactor's good operational traction continued in Q4 despite a challenging market. In addition, the comparable order book increased and quality improved, supporting growth and profitability. We forecast moderate organic growth in the coming years and a slight improvement in profitability. On our forecasts, the valuation picture (2024e P/E 9x and EV/EBIT 7x) is very attractive, given the continued good performance despite the market headwinds.

Good growth continued in Finland in Q4, but other countries continue to slow down

Q4 revenue increased by 7% to 21.9 MEUR, slightly above our forecast of 21.6 MEUR. Growth was entirely organic, and the momentum was particularly positive in the current challenging market conditions (sector median for Q2 0% and Q3 2%). Organic growth was driven by higher billing rates, growth in the software business and a small increase in subcontracting. Innofactor has now also started to report the key performance indicators for the four solution areas separately. This will improve transparency into the company's business and its drivers.

Profitability was good and exceeded expectations in Q4

Q4 comparable EBITDA increased to 2.9 MEUR, above our forecast of 2.5 MEUR and representing 13.1% of revenue (forecast 11.3%). The earnings beat was driven by growth in the high margin software business and better-than-expected billing rates, as headcount declined against expectations and revenue slightly exceeded expectations. Geographically, EBITDA was positive in Finland but negative in other countries due to the challenging market situation. Thus, profitability was at a really good level in Finland, we estimate around 20%. There were no significant operational surprises in the other results lines. In addition, as expected, the board proposed the distribution of a capital repayment of EUR 0.07 per share.

We expect good earnings growth in the coming years

Innofactor traditionally forecasts an increase in revenue and EBITDA compared to the previous year. With the Q4 report and a good order book in the SaaS business, we raised our forecasts for the coming years (~15% y/y). We forecast Innofactor's revenue to grow by 5% to 84 MEUR in 2023 and EBITDA to increase to 9.9 MEUR or 11.7% of revenue (9.1 MEUR or 11.3% in 2023). We expect revenue to grow organically by 4-5% in the coming years and the EBITDA margin to reach around 12%, driven by billing rates and high-margin SaaS business. The key risks relate to the market, new sales, the emergence of country-specific challenges and acquisitions.

Investment profile has improved and gives confidence to take a stronger view

In terms of its investment profile, Innofactor's positioning has solidified in the "earnings engine" category and the good performance over a longer period now gives confidence in a stronger view on the stock, while the valuation is also very attractive. With 2024e EV/EBIT and P/E ratios (7x and 9x), the valuation of the share is moderate. The multiples are a good 40% below Finnish peer, which is also a very attractive level. With earnings growth (10%), dividend yield (7%) and an upside in multiples, the expected return of the share rises well above the equity return requirement. In addition, the DCF calculation indicates a clearly higher level than currently (EUR 1.8 per share). The company's SaaS revenue (21 MEUR in 2023) also provides significant support to its valuation. Our target price corresponds to a 9x EV/EBIT and 11x P/E multiple for 2024, which is >20% below peers. We see risks in the weakening of Finland's strong performance. However, the weakness of Innofactor's countries outside Finland is already slowing down development, and there is clear potential for improvement, which we are not counting on because they have been doing poorly for years.

Recommendation

Buy

(previous Accumulate)

EUR 1.55

(previous EUR 1.30)

Share price:

1.25



Key figures

	2023	2024e	2025e	2026e
Revenue	80	84	89	92
growth-%	13%	5%	5%	4%
Käyttökate	9.1	9.9	10.7	11.1
Käyttökate-%	11.3 %	11.7 %	12.0 %	12.1 %
Net Income	3.4	5.0	5.9	6.3
EPS (adj.)	0.10	0.14	0.17	0.18

P/E (adj.)	12.2	8.9	7.4	6.8
P/B	1.7	1.6	1.4	1.3
Dividend yield-%	5.7 %	6.4 %	7.2 %	8.0 %
EV/EBIT (adj.)	8.8	7.3	5.8	4.9
EV/EBITDA	5.8	5.0	4.3	3.7
EV/S	0.7	0.6	0.5	0.4

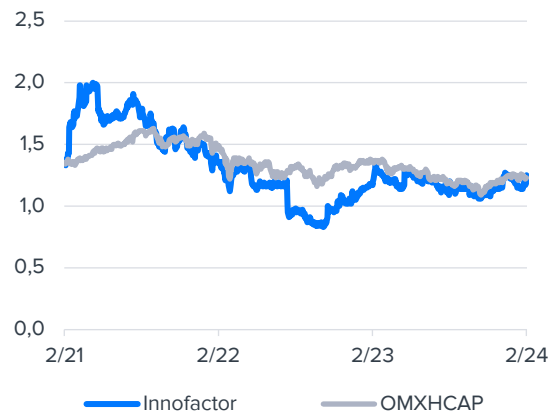
Source: Inderes

Guidance

(New guidance)

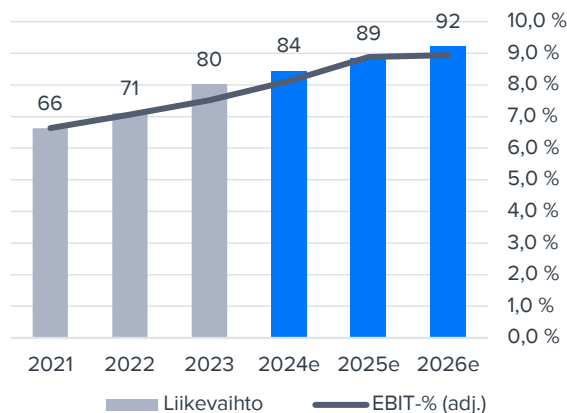
Innofactor estimates that 2024 revenue and adjusted EBITDA will increase from 2023.

Share price



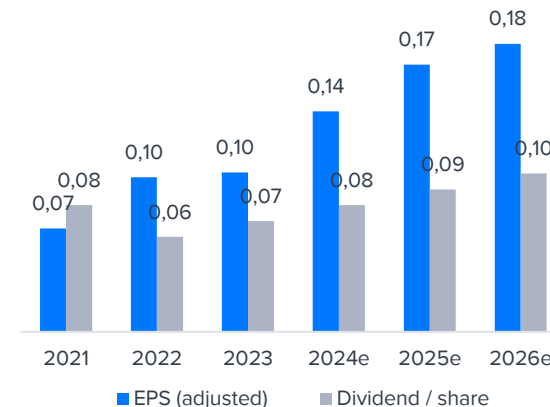
Source: Millstream Market Data AB

Revenue and EBIT-%



Source: Inderes

EPS and dividend



Source: Inderes



Value drivers

- Growth and profitability improvement in all Nordic countries, especially in Finland and Sweden
- Turnaround continuing and strengthening
- The positive trend of recovered investor confidence continuing
- Organic and acquisition-driven growth
- Increasing share of continuous business and own product business



Risk factors

- Growth strategy failing
- Failure in project management
- Failure in strengthening international business
- Delay in building a Nordic organization
- Internationalization and acquisitions raise the risk level
- Weakening of Microsoft's position, which is currently strong

Valuation	2024e	2025e	2026e
Share price	1.25	1.25	1.25
Number of shares, millions	35.7	35.7	35.7
Market cap	45	45	45
EV	50	45	41
P/E (adj.)	8.9	7.4	6.8
P/E	8.9	7.6	7.0
P/B	1.6	1.4	1.3
P/S	0.5	0.5	0.5
EV/Sales	0.6	0.5	0.4
EV/EBITDA	5.0	4.3	3.7
EV/EBIT (adj.)	7.3	5.8	4.9
Payout ratio (%)	57.5 %	54.8 %	56.4 %
Dividend yield-%	6.4 %	7.2 %	8.0 %

Source: Inderes

Finland's good traction continued in Q4 in a challenging market

Good growth continued in Finland, but other countries continue to slow down

Q4 revenue increased by 7% to 21.9 MEUR, slightly above our forecast of 21.6 MEUR. Growth was entirely organic, and the momentum was particularly positive in the current challenging market conditions (sector median for Q2 0% and Q3 2%). Organic growth was driven by higher invoicing rates and a small increase in subcontracting.

Geographically, revenue increased in Finland and in local currency in Norway and decreased in the rest of Denmark and in Sweden. The active headcount at the end of the reporting period was 581, down by 13 compared to the previous quarter. In the short term, we believe Innofactor still has preconditions to grow through billable utilization, especially outside Finland, but also in Finland.

Innofactor has now also started to report the key performance indicators for the four solution areas separately. This will improve transparency into the company's business and its drivers. Of the solution areas, Information and Case Management and Digital Services are the top performers and are driving profit

growth (Q4 revenue growth of 30% and 27% and EBITDA growth of 29% and 16%). The underperforming solution areas are Business Solutions and Cloud, Data, Modern Work and Data Security, down 8% and 10% respectively in Q4 (EBITDA-% -4% and 8%). Among the solution areas, the growth in Information and Case Management (38%) was driven by a large order from the Finnish Defence Forces, which was only booked at the beginning of 2023. On the other hand, the order book for Digital Services decreased (39%), which we estimate is due to the current challenging market situation.

Profitability again exceeded expectations

Q4 comparable EBITDA increased to 2.9 MEUR, above our forecast of 2.5 MEUR and representing 13.1% of revenue (forecast 11.3%). The earnings beat was driven by growth in the high margin software business and better-than-expected billing rates, as headcount declined against expectations and revenue slightly exceeded expectations.

Geographically, EBITDA was positive in Finland but negative in other countries due to the challenging

market situation. Thus, profitability was at a really good level in Finland, we estimate around 20%. Other income lines included a one-off item of MEUR 0.1 in depreciation and amortization and a write-down of tax receivables and payments for 2022, which increased the tax rate. This resulted in EPS of EUR 0.02, below our forecast of EUR 0.03.

The board proposed to the Annual General Meeting to distribute a capital repayment of EUR 0.07 per share. In addition, the board proposes that the Annual General Meeting authorizes the board to decide on a possible additional capital repayment of up to EUR 0.07 (which has not been used in previous years).

Innofactor forecasts continued growth in the Nordic IT services market in 2024

Innofactor expects the IT services market in the Nordic countries to continue to grow in 2024, despite general uncertainties in the business environment. Inderes' median organic growth forecast for 2024 for Finnish listed IT services companies was 2% before Q4 reports. (Continued on next page)

Estimates MEUR / EUR	Q4'22	Q4'23	Q4'23e	Q4'23e	Consensus		Difference (%)	2023
	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. inderes	Inderes
Revenue	20.5	21.9	21.6				1%	80.3
EBITDA	2.5	2.9	2.5				18%	9.1
EBIT	1.8	1.9	1.7				14%	5.8
PTP	1.7	1.6	1.5				6%	5.2
EPS (reported)	0.04	0.02	0.03				-41%	0.09
DPS	0.06	0.07	0.07				0%	0.07
Revenue growth-%	16.9 %	6.8 %	5.3 %				1.5 pp	12.8 %
EBITDA-%	11.9 %	13.1 %	11.3 %				1.8 pp	11.3 %

Source: Inderes

New sales were good in Q4 and supported the growth of the comparable order book

Price competition in the market, which began in Q2'23, remained fierce throughout the year. According to Innofactor, weighted average prices for new transactions remained low until the end of the year, especially for public sector customers, although they increased slightly towards the end of the year. The company expects the average price of new transactions in public administration and large tenders to continue to rise during 2024. Most of the Finnish listed IT services companies have yet to report but talk over the winter has been cautiously positive for 2024.

Comparable order book increased

The company's reported order book decreased by 6% year-on-year to 71.6 MEUR. The company transferred part of the order book to the framework agreement backlog, which at the end of the quarter

amounted to 29.8 MEUR (2022: 18.9). The company commented on the conference call that the comparable order book had increased by around 5% but could not give an exact figure. This means that Q4 sales were good.

With a good existing order book, framework agreements and other purchases from existing customers, we expect Innofactor to continue to operate profitably. Now that the company reported more parameters by solution area, we can see that the order book for the important solution area of Information and Case Management grew strongly during the year (38%). The solution area's order book was driven by a large contract from the Finnish Defence Forces, which provides a good backstop for the coming years. However, the company will still need to succeed in new sales to continue to grow, as we expect the order book to be multi-year and the

shorter order book to melt relatively quickly.

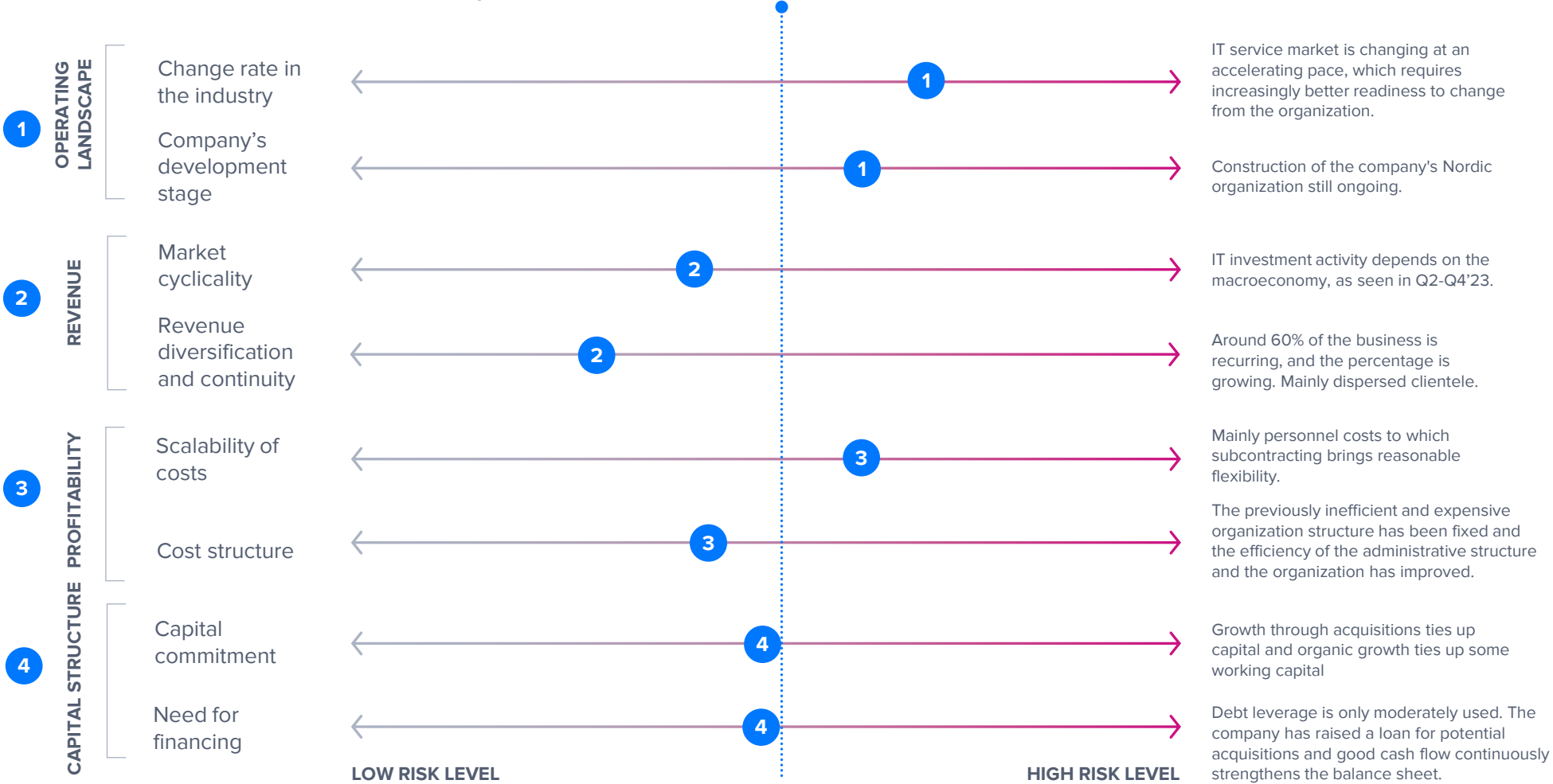
The order book focused more on various product/service areas than before, and the company has also used more subcontracting, which together with recruitment supported the acceleration of organic growth in the last year or so. Especially in Finland we believe that the company is in a strong position in an uncertain environment, which is also evidenced by organic growth of about 10-20%.

Estimates MEUR / EUR	Q4'22	Q4'23	Q4'23e	Q4'23e	Consensus		Difference (%)	2023
	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. inderes	Inderes
Revenue	20.5	21.9	21.6				1%	80.3
EBITDA	2.5	2.9	2.5				18%	9.1
EBIT	1.8	1.9	1.7				14%	5.8
PTP	1.7	1.6	1.5				6%	5.2
EPS (reported)	0.04	0.02	0.03				-41%	0.09
DPS	0.06	0.07	0.07				0%	0.07
Revenue growth-%	16.9 %	6.8 %	5.3 %				1.5 pp	12.8 %
EBITDA-%	11.9 %	13.1 %	11.3 %				1.8 pp	11.3 %

Source: Inderes

Risk profile of the business model

Assessment of Innofactor's overall business risk



Summary of Innofactor's strategy



Source: Inderes

We raised our forecasts, driven by strong traction in the software business

Estimate revisions 2024e-2025e

- We raised our 2024 earnings estimates based on a good fourth quarter and particularly strong order book in the profitable Information and Case Management Solutions, which is a relatively high-margin business.

Estimates 2024e-2026e

- We forecast Innofactor to grow 5% organically in 2024, outperforming the sector (the sector forecast prior to the Q4 reports was 2%). In 2025-26, we cautiously expect revenue to grow by 3-4%.
- We estimate an EBITDA margin of just under 12% in 2024 and just over 12% in 2025-26. Better profitability is driven by the software business and improved billing rates. Clearly better profitability requires proof of better profitability in other countries, as Finland's profitability is already at a strong level and, we believe it has less improvement potential.
- If the company succeeds to further increase the share of software, profitability still has upside closer to the company's targeted EBITDA level of 20%.
- In the big picture, profitability is supported by the software business and rising billing rates, but on the other hand, wage inflation is a headwind.

Operational earnings drivers 2024-2026e:

Revenue growth

- Increase in the number of personnel
- Increasing subcontracting
- Increase in billable utilization (company target an increase of 5 pp)
- Geographically better development in Norway, Denmark and especially Sweden
- Acquisitions

Profitability is supported by

- Higher billable utilization, especially outside Finland
- Increasing the share of software (the company's target is to increase from the current 27% to more than 33%) and in particular its own Dynasty product

Profitability is limited by

- Wage inflation, but recruitment of young people also mitigates this
- Increasing use of subcontracting
- Employee turnover

Estimate revisions MEUR / EUR	2023	2023	Change	2024e	2024e	Change	2025e	2025e	Change
	Old	New	%	Old	New	%	Old	New	%
Revenue	80.0	80.3	0%	82.1	84.5	3%	84.9	88.5	4%
EBITDA	8.7	9.1	5%	9.0	9.9	10%	9.5	10.7	12%
EBIT (exc. NRIs)	5.8	6.0	4%	6.2	6.9	11%	6.7	7.9	17%
EBIT	5.6	5.8	4%	6.0	6.9	15%	6.5	7.7	18%
PTP	5.0	5.2	4%	5.3	6.2	17%	6.1	7.4	20%
EPS (excl. NRIs)	0.11	0.10	-7%	0.12	0.14	14%	0.14	0.17	22%
DPS	0.07	0.07	0%	0.08	0.08	0%	0.09	0.09	0%

Source: Inderes

Valuation is still attractive

Valuation multiples

The primary valuation multiples we use for Innofactor are adjusted P/E and EV/EBIT ratios. The figures are adjusted for IFRS3 book depreciations from acquisitions (~ 0.2 MEUR p.a.). Based on our estimates, Innofactor's adjusted P/E and EV/EBIT ratios for 2024 are 9x and 7x, respectively. This is already a very attractive level in absolute terms, given the increased confidence in earnings growth although there is uncertainty in the market. The corresponding 2024 multiples above are almost 40% below Finnish peers, which is also a very attractive level, although partly justified by the sector's level or slower long-term earnings growth outlook.

In our view a slightly higher than "normal" P/E level can be accepted for the share due to the company's high tax receivables and the fact that tax expenses do not have a cash flow effect for the company. However, the company has had to write down some tax receivables and there is a risk that they will have to be written down in the future. The book value of the tax receivable is currently EUR 2.4 million, which corresponds to a value of around EUR 0.07 per share. If the current value of this tax receivable would be priced conservatively, e.g., as half of the book value, nearly 5% higher valuation multiples could be accepted for the share.

SaaS products to support valuation

In our view, a higher valuation for the stock is still acceptable as growth strengthens and becomes geographically broader and thus more robust. In addition, growth in SaaS products (in 2023: 27% to 21 MEUR or 27% of revenue) and continued scaling will allow a higher valuation for the stock. SaaS products in themselves provide a solid basis for valuation and

justify a significant part of the company's value, but other loss-making activities dampen their value. According to our estimates, one of the biggest SaaS products is Dynasty, which has already achieved a significant market position in Finland, so there is not much room for growth. In the longer term, if Innofactor succeeds in exporting the product more widely to other Nordic countries, it will offer further growth and scaling potential for the product, which would further support the valuation.

If SaaS products, and more specifically the Dynasty product, were separated from the whole, the undervaluation could unwind. However, our understanding is that this is not the case and that the company is looking to turn underperforming businesses around to profitability.

DCF analysis

Our DCF model indicates a value of EUR 1.8 per share for Innofactor. In the long term (after 2026), we estimate that growth will remain at 2.5% (1.5% in terminal) and EBITDA % will stabilize at 11% level. In the model, the taxes in the income statement do not have a cash flow effect in Finland because the company can utilize profits against the tax receivables in the balance sheet. In the model, the weight of the terminal assumption is 42%, which is low and improves reliability. In the cash flow model, the average cost of capital (WACC) used is 9.4% and the cost of capital is 9.9%. Thus, considering the DCF model based on rather conservative estimates, share pricing also seems very moderate at the moment.

Valuation	2024e	2025e	2026e
Share price	1.25	1.25	1.25
Number of shares, millions	35.7	35.7	35.7
Market cap	45	45	45
EV	50	45	41
P/E (adj.)	8.9	7.4	6.8
P/E	8.9	7.6	7.0
P/B	1.6	1.4	1.3
P/S	0.5	0.5	0.5
EV/Sales	0.6	0.5	0.4
EV/EBITDA	5.0	4.3	3.7
EV/EBIT (adj.)	7.3	5.8	4.9
Payout ratio (%)	57.5 %	54.8 %	56.4 %
Dividend yield-%	6.4 %	7.2 %	8.0 %

Source: Inderes

Valuation is still attractive

Components of the expected return for the share

We also examine Innofactor's share from the viewpoint of earnings growth, dividend yield and accepted valuation multiples. We believe the company has the potential for annual earnings growth of just under 10% in the coming years, driven by revenue and profitability growth, compared to 2024e.

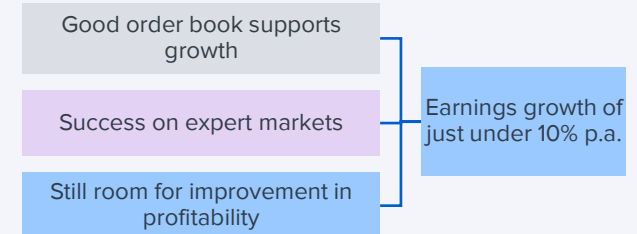
The dividend also supports the valuation and with the dividend policy (around 55% of the result) and our dividend estimates above the dividend yield is ~7%. Our dividend forecast is below the level of the last 4 years (~70% of earnings). In addition, the company has purchased own shares and canceled them, which is not visible in dividend income. Strong cash flow provides good preconditions for relatively high profit distribution, but we believe the company will continue to also strive for inorganic growth in line with its strategy.

The share is very attractively priced with 2024 multiples, considering the increased earnings growth outlook although there is uncertainty in the market. Thus the share's expected return consisting of dividend yield, earnings growth and the upside in multiples is >20% and the risk/return ratio is very attractive. The key risks in the share relate to new sales, project or country challenges emerging and acquisitions.

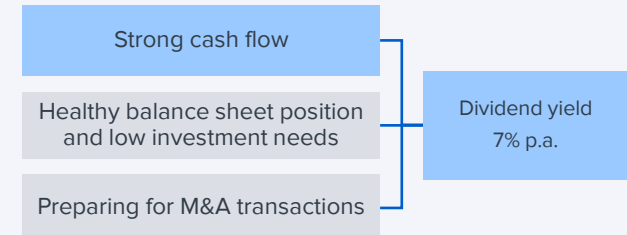
TSR drivers 2024-2026

■ Positive ■ Neutral ■ Negative

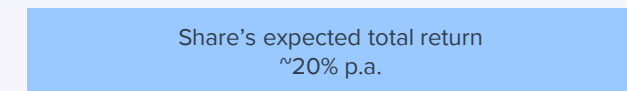
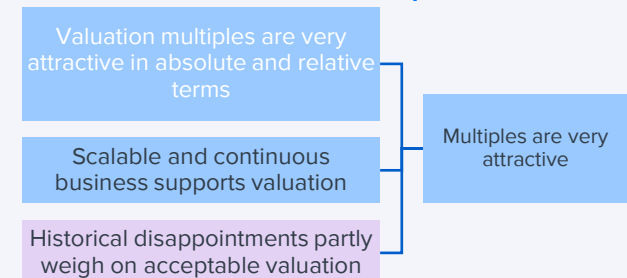
Performance



Dividend yield



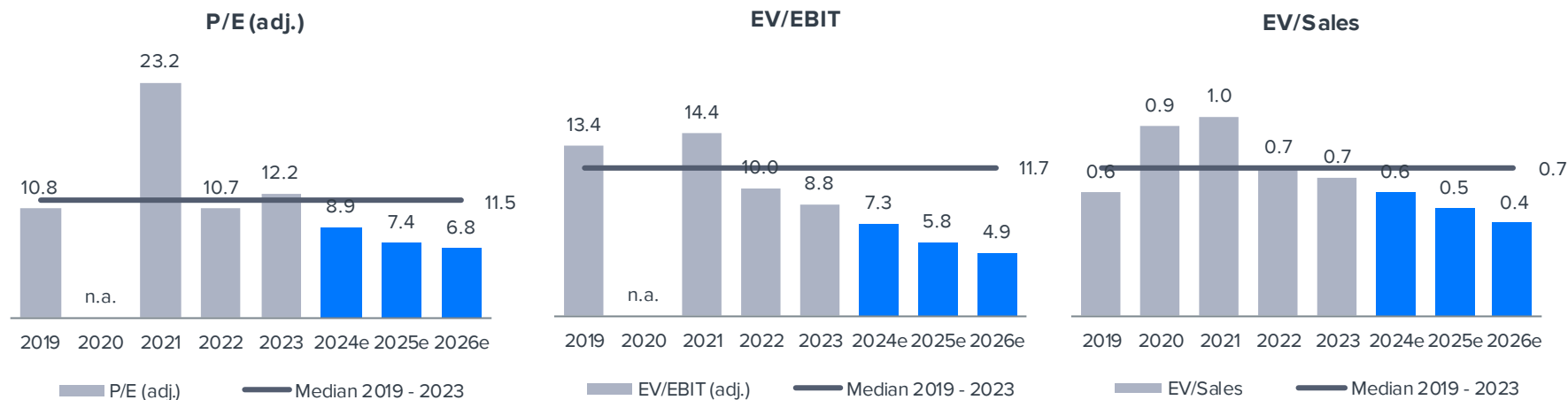
Valuation multiples



Valuation table

Valuation	2019	2020	2021	2022	2023	2024e	2025e	2026e	2027e
Share price	0.72	1.28	1.52	1.05	1.23	1.25	1.25	1.25	1.25
Number of shares, millions	36.8	37.4	36.6	36.2	35.7	35.7	35.7	35.7	35.7
Market cap	27	48	55	38	44	45	45	45	45
EV	38	60	63	50	53	50	45	41	38
P/E (adj.)	10.8	n.a.	23.2	10.7	12.2	8.9	7.4	6.8	6.7
P/E	63.3	27.1	12.3	11.5	12.8	8.9	7.6	7.0	6.7
P/B	1.2	2.0	2.2	1.5	1.7	1.6	1.4	1.3	1.2
P/S	0.4	0.7	0.8	0.5	0.5	0.5	0.5	0.5	0.5
EV/Sales	0.6	0.9	1.0	0.7	0.7	0.6	0.5	0.4	0.4
EV/EBITDA	7.4	8.4	6.3	6.5	5.8	5.0	4.3	3.7	3.3
EV/EBIT (adj.)	13.4	n.a.	14.4	10.0	8.8	7.3	5.8	4.9	4.5
Payout ratio (%)	0.0 %	84.9 %	65.1 %	65.4 %	72.8 %	57.5 %	54.8 %	56.4 %	53.4 %
Dividend yield-%	0.0 %	3.1 %	5.3 %	5.7 %	5.7 %	6.4 %	7.2 %	8.0 %	8.0 %

Source: Inderes



Peer group valuation

Company	Market cap	EV	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%	
	MEUR	MEUR	2024e	2025e	2024e	2025e	2024e	2025e	2024e	2025e	2024e	2025e
Digia*	146	173	9.3	7.8	7.6	6.5	0.9	0.8	10.4	9.3	3.5	3.9
Digital Workforce*	39	23	23.7	8.2	19.6	7.5	0.9	0.7	45.7	18.0		
Gofore*	362	322	12.2	9.3	11.1	8.7	1.6	1.3	17.1	14.1	2.2	2.5
Loihde*	72	58	12.8	9.4	5.0	4.2	0.5	0.4	18.3	14.4	2.5	2.7
Netum Group*	36	43	10.3	8.7	9.2	7.9	0.9	0.8	10.7	9.5	4.6	5.4
Siili Solutions*	74	72	8.0	6.9	5.7	5.0	0.6	0.5	11.8	10.6	3.3	3.9
Solteq*	16	39	13.6	10.4	3.8	4.6	0.7	0.7	28.7	14.5		
Tietoevry*	2589	3437	9.2	8.4	7.6	7.3	1.2	1.1	9.6	9.0	7.1	7.3
Vincit*	50	38	7.3	4.8	6.3	4.3	0.4	0.4	12.7	8.7	4.9	6.6
Witted Megacorp*	29	20	12.9	6.1	12.5	6.1	0.3	0.3	20.3	11.6		
Addnode	1286	1328	24.0	20.2	16.1	14.1	1.8	1.7	31.2	27.1	1.2	1.5
Avensia AB	31	33	10.0	7.1	7.4	6.0	0.9	0.8	11.9	9.4	3.2	5.3
Bouvet	554	588	15.5	13.7	12.8	11.5	1.7	1.5	18.7	16.5	4.8	5.8
CombinedX	62	60	7.9	6.8	5.6	5.3	0.8	0.8	10.7	9.4		
Exsitec	197	207	17.8	14.5	13.0	11.1	2.6	2.3	21.8	18.4	1.5	1.9
Knowit	358	458	15.0	11.3	7.5	6.5	0.7	0.7	16.9	12.0	4.4	5.0
Netcompany Group	1947	2237	21.1	17.2	15.1	12.9	2.5	2.3	25.1	19.6		
NNIT	321	334	10.3	9.1	6.5	5.5	0.7	0.7	12.6		4.3	
Webstep	52	70	11.5	9.1	8.6	7.1	0.8	0.7	11.9	9.3	7.5	9.2
Innofactor (Inderes)	45	50	7.3	5.8	5.0	4.3	0.6	0.5	8.9	7.4	6.4	7.2
Median Nordic companies			12.2	9.1	7.6	6.5	0.9	0.8	16.9	11.8	3.9	5.0
<i>Diff-% to median</i>			-40%	-37%	-34%	-35%	-31%	-33%	-47%	-38%	65%	45%
Median Finnish companies			11.2	8.3	7.6	6.3	0.8	0.7	14.9	11.1	3.5	3.9
<i>Diff-% to median</i>			-35%	-30%	-34%	-32%	-24%	-25%	-40%	-33%	85%	88%

Source: Refinitiv / *Inderes adjusted estimate. Note: The market cap used by Inderes does not take into account treasury shares held by the company.

Income statement

Income statement	2021	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24e	Q2'24e	Q3'24e	Q4'24e	2024e	2025e	2026e
Revenue	66.4	71.1	20.2	20.1	18.0	21.9	80.3	21.4	21.2	18.9	23.0	84.5	88.5	92.1
EBITDA	10.1	7.8	2.5	1.8	2.0	2.9	9.1	2.5	2.2	2.2	3.0	9.9	10.7	11.1
Depreciation	-3.6	-3.1	-0.8	-0.8	-0.8	-0.9	-3.3	-0.8	-0.8	-0.8	-0.8	-3.0	-3.0	-3.1
EBIT (excl. NRI)	4.4	5.0	1.8	1.0	1.3	2.0	6.0	1.7	1.4	1.4	2.3	6.9	7.9	8.2
EBIT	6.5	4.8	1.7	1.0	1.2	1.9	5.8	1.7	1.4	1.4	2.3	6.9	7.7	8.0
Net financial items	-0.8	-0.6	-0.4	-0.2	0.2	-0.3	-0.7	-0.2	-0.2	-0.2	-0.2	-0.6	-0.3	-0.1
PTP	5.7	4.2	1.3	0.8	1.4	1.6	5.2	1.6	1.3	1.3	2.1	6.2	7.4	8.0
Taxes	-1.2	-0.9	-0.3	-0.4	-0.4	-0.7	-1.7	-0.3	-0.3	-0.3	-0.4	-1.2	-1.5	-1.6
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net earnings	4.5	3.3	1.0	0.5	1.1	0.9	3.4	1.2	1.0	1.0	1.7	5.0	5.9	6.3
EPS (adj.)	0.07	0.10	0.03	0.01	0.03	0.03	0.10	0.03	0.03	0.03	0.05	0.14	0.17	0.18
EPS (rep.)	0.12	0.09	0.03	0.01	0.03	0.02	0.10	0.03	0.03	0.03	0.05	0.14	0.16	0.18

Key figures	2021	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24e	Q2'24e	Q3'24e	Q4'24e	2024e	2025e	2026e
Revenue growth-%	0.3 %	7.2 %	19.2 %	18.6 %	8.0 %	6.8 %	12.8 %	5.7 %	5.6 %	5.1 %	4.7 %	5.3 %	4.8 %	4.1 %
Adjusted EBIT growth-%		14%	27%	39%	25%	5%	20%	-3%	38%	13%	17%	14%	15%	5%
EBITDA-%	15.2 %	11.0 %	12.3 %	8.8 %	10.9 %	13.1 %	11.3 %	11.6 %	10.4 %	11.5 %	13.2 %	11.7 %	12.0 %	12.1 %
Adjusted EBIT-%	6.6 %	7.1 %	8.8 %	5.2 %	7.0 %	8.9 %	7.5 %	8.0 %	6.8 %	7.5 %	9.9 %	8.1 %	8.9 %	8.9 %
Net earnings-%	6.8 %	4.7 %	5.1 %	2.3 %	5.9 %	4.0 %	4.3 %	5.8 %	4.8 %	5.4 %	7.4 %	5.9 %	6.6 %	6.9 %

Source: Inderes

Balance sheet

Assets	2022	2023	2024e	2025e	2026e
Non-current assets	39.3	35.6	34.3	32.8	31.2
Goodwill	26.8	26.8	26.8	26.8	26.8
Intangible assets	2.4	1.9	1.7	1.5	1.3
Tangible assets	5.9	4.3	4.5	4.7	4.9
Associated companies	0.0	0.0	0.0	0.0	0.0
Other investments	0.0	0.1	0.1	0.1	0.1
Other non-current assets	0.1	0.0	0.0	0.0	0.0
Deferred tax assets	4.1	2.4	1.2	-0.3	-2.0
Current assets	16.5	18.9	20.3	22.2	23.1
Inventories	0.0	0.0	0.0	0.0	0.0
Other current assets	0.0	0.0	0.0	0.0	0.0
Receivables	14.5	18.4	17.7	18.6	19.4
Cash and equivalents	2.0	0.4	2.5	3.6	3.8
Balance sheet total	55.8	54.5	54.6	55.0	54.4

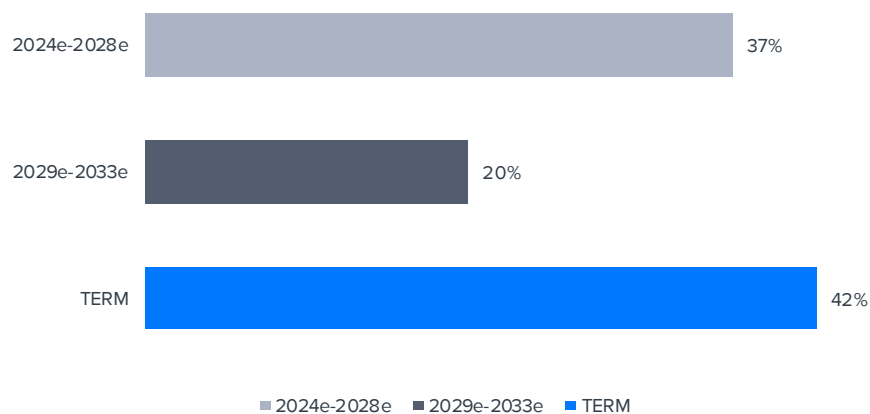
Source: Inderes

Liabilities & equity	2022	2023	2024e	2025e	2026e
Equity	24.8	25.5	28.0	31.0	34.1
Share capital	2.1	2.1	2.1	2.1	2.1
Retained earnings	5.3	8.2	10.7	13.7	16.8
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	0.1	0.1	0.1	0.1	0.1
Other equity	17.2	15.1	15.1	15.1	15.1
Minorities	0.0	0.0	0.0	0.0	0.0
Non-current liabilities	9.2	4.9	7.3	4.9	1.9
Deferred tax liabilities	1.9	1.9	1.9	1.9	1.9
Provisions	0.0	0.0	0.0	0.0	0.0
Interest bearing debt	7.3	3.1	5.4	3.0	0.0
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	21.8	24.1	19.3	19.2	18.4
Interest bearing debt	7.0	6.6	2.4	1.5	0.0
Payables	14.8	17.6	16.9	17.7	18.4
Other current liabilities	0.0	0.0	0.0	0.0	0.0
Balance sheet total	55.8	54.5	54.6	55.0	54.4

DCF calculation

DCF model	2023	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	TERM
Revenue growth-%	12.8 %	5.3 %	4.8 %	4.1 %	3.1 %	2.5 %	2.5 %	2.5 %	2.5 %	2.5 %	1.5 %	1.5 %
EBIT-%	7.3 %	8.1 %	8.7 %	8.7 %	8.8 %	8.0 %	8.0 %	8.0 %	8.0 %	7.0 %	7.0 %	7.0 %
EBIT (operating profit)	5.8	6.9	7.7	8.0	8.4	7.8	8.0	8.2	8.4	7.5	7.6	
+ Depreciation	3.3	3.0	3.0	3.1	3.1	3.1	3.2	3.1	2.9	3.1	3.3	
- Paid taxes	-0.1	0.0	0.0	0.0	-1.7	-1.6	-1.7	-1.7	-1.8	-1.6	-1.6	
- Tax, financial expenses	-0.1	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	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	-1.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Operating cash flow	7.8	9.8	10.6	11.1	9.7	9.3	9.5	9.6	9.5	9.1	9.3	
+ 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	-1.2	-3.0	-3.1	-3.1	-3.2	-3.2	-3.3	-3.3	-3.4	-3.4	-3.5	
Free operating cash flow	6.6	6.8	7.5	8.0	6.5	6.0	6.2	6.2	6.1	5.7	5.9	
+/- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	6.6	6.8	7.5	8.0	6.5	6.0	6.2	6.2	6.1	5.7	5.9	75.6
Discounted FCFF		6.3	6.3	6.2	4.6	3.9	3.7	3.4	3.0	2.6	2.4	31.2
Sum of FCFF present value		73.5	67.2	60.9	54.7	50.1	46.2	42.6	39.2	36.2	33.6	31.2
Enterprise value DCF		73.5										
- Interest bearing debt		-9.6										
+ Cash and cash equivalents		0.4										
-Minorities		0.0										
-Dividend/capital return		0.0										
Equity value DCF		64.3										
Equity value DCF per share		1.80										

Cash flow distribution



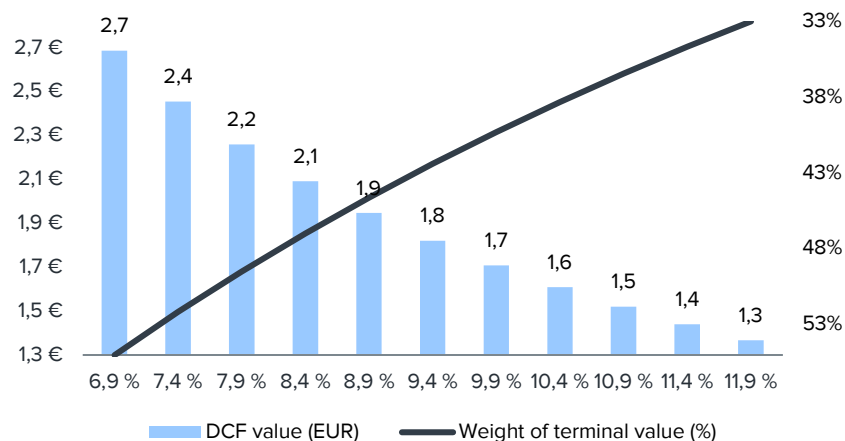
WACC

Tax-% (WACC)	20.0 %
Target debt ratio (D/(D+E))	10.0 %
Cost of debt	6.0 %
Equity Beta	1.55
Market risk premium	4.75%
Liquidity premium	0.00%
Risk free interest rate	2.5 %
Cost of equity	9.9 %
Weighted average cost of capital (WACC)	9.4 %

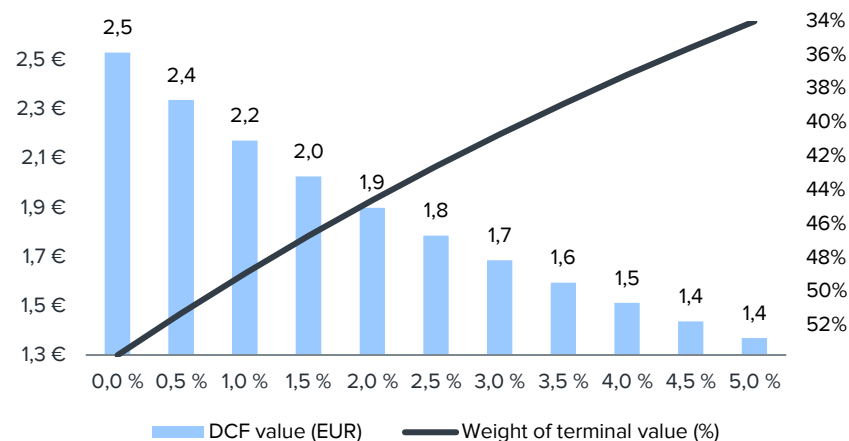
Source: Inderes

DCF sensitivity calculations and key assumptions in graphs

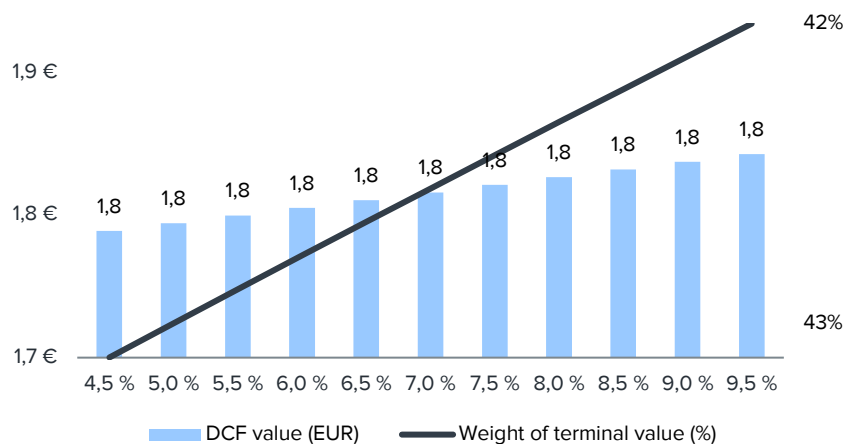
Sensitivity of DCF to changes in the WACC-%



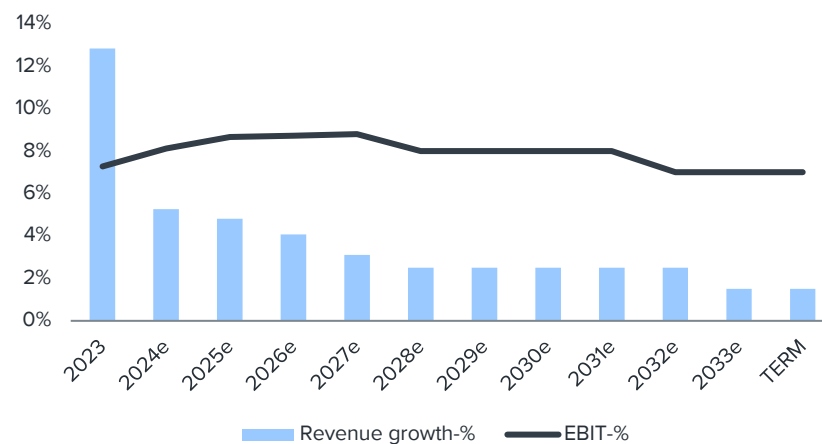
Sensitivity of DCF to changes in the risk-free rate



Sensitivity of DCF to changes in the terminal EBIT margin



Growth and profitability assumptions in the DCF calculation



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	66.4	71.1	80.3	84.5	88.5	EPS (reported)	0.12	0.09	0.10	0.14	0.16
EBITDA	10.1	7.8	9.1	9.9	10.7	EPS (adj.)	0.07	0.10	0.10	0.14	0.17
EBIT	6.5	4.8	5.8	6.9	7.7	OCF / share	0.24	0.20	0.22	0.27	0.30
PTP	5.7	4.2	5.2	6.2	7.4	FCF / share	0.21	0.00	0.18	0.19	0.21
Net Income	4.5	3.3	3.4	5.0	5.9	Book value / share	0.70	0.68	0.71	0.78	0.87
Extraordinary items	2.1	-0.3	-0.2	0.0	-0.2	Dividend / share	0.08	0.06	0.07	0.08	0.09
Balance sheet	2021	2022	2023	2024e	2025e	Growth and profitability	2021	2022	2023	2024e	2025e
Balance sheet total	51.1	55.8	54.5	54.6	55.0	Revenue growth-%	0%	7%	13%	5%	5%
Equity capital	25.5	24.8	25.5	28.0	31.0	EBITDA growth-%	n.a.	n.a.	17%	9%	8%
Goodwill	26.4	26.8	26.8	26.8	26.8	EBIT (adj.) growth-%	n.a.	n.a.	20%	14%	15%
Net debt	7.9	12.4	9.2	5.3	0.9	EPS (adj.) growth-%	n.a.	n.a.	3%	38%	21%
Cash flow	2021	2022	2023	2024e	2025e	EBITDA-%	15.2 %	11.0 %	11.3 %	11.7 %	12.0 %
EBITDA	10.1	7.8	9.1	9.9	10.7	EBIT (adj.)-%	6.6 %	7.1 %	7.5 %	8.1 %	8.9 %
Change in working capital	-1.1	-0.7	-1.2	0.0	0.0	EBIT-%	9.8 %	6.7 %	7.3 %	8.1 %	8.7 %
Operating cash flow	8.9	7.3	7.8	9.8	10.6	ROE-%	18.4 %	13.2 %	13.7 %	18.6 %	19.9 %
CAPEX	-1.3	-7.4	-1.2	-3.0	-3.1	ROI-%	17.7 %	12.8 %	15.8 %	19.4 %	21.6 %
Free cash flow	7.6	-0.2	6.6	6.8	7.5	Equity ratio	49.9 %	44.4 %	46.8 %	51.2 %	56.3 %
						Gearing	30.8 %	50.0 %	36.1 %	19.1 %	2.9 %
Valuation multiples	2021	2022	2023	2024e	2025e						
EV/S	1.0	0.7	0.7	0.6	0.5						
EV/EBITDA (adj.)	6.3	6.5	5.8	5.0	4.3						
EV/EBIT (adj.)	14.4	10.0	8.8	7.3	5.8						
P/E (adj.)	23.2	10.7	12.2	8.9	7.4						
P/B	2.2	1.5	1.7	1.6	1.4						
Dividend-%	5.3 %	5.7 %	5.7 %	6.4 %	7.2 %						

Source: Inderes

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Date	Recommendation	Target	Share price
10/31/2018	Reduce	0.52 €	0.50 €
1/28/2019	Reduce	0.35 €	0.40 €
3/6/2019	Reduce	0.45 €	0.47 €
5/15/2019	Reduce	0.58 €	0.60 €
6/5/2019	Sell	0.68 €	0.71 €
7/24/2019	Reduce	0.68 €	0.63 €
10/30/2019	Reduce	0.80 €	0.75 €
2/26/2020	Reduce	0.90 €	0.78 €
4/1/2020	Accumulate	0.68 €	0.66 €
5/5/2020	Accumulate	0.90 €	0.84 €
6/23/2020	Accumulate	0.95 €	0.90 €
6/24/2020	Reduce	1.30 €	1.19 €
10/28/2020	Accumulate	1.40 €	1.28 €
2/19/2021	Accumulate	1.80 €	1.43 €
4/28/2021	Accumulate	2.00 €	1.97 €
6/10/2021	Accumulate	2.00 €	1.72 €
7/23/2021	Buy	2.00 €	1.86 €
10/27/2021	Reduce	1.80 €	1.59 €
2/18/2022	Accumulate	1.50 €	1.33 €
4/27/2022	Accumulate	1.45 €	1.24 €
6/28/2022	Accumulate	1.35 €	1.17 €
7/22/2022	Reduce	1.00 €	1.02 €
10/25/2022	Reduce	1.00 €	1.00 €
2/10/2023	Accumulate	1.35 €	1.20 €
4/26/2023	Accumulate	1.45 €	1.29 €
7/20/2023	Accumulate	1.35 €	1.11 €
9/11/2023	Accumulate	1.35 €	1.14 €
10/25/2023	Accumulate	1.30 €	1.11 €
2/9/2024	Buy	1.55 €	1.25 €



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