

# Innofactor

## Company report

10/25/2023 07:50



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✓ Inderes corporate customer

This report is a summary translation of the report “Hyvä tekeminen jatkuu haastavassa markkinassa” published on 10/25/2023 at 7:53 am EEST

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# Good performance continues in a challenging market

We reiterate Innofactor's Accumulate recommendation and lower our target price to EUR 1.30 (was 1.35) reflecting estimate revisions. Net sales continued growing very strongly considering the challenging market. Profitability was at a good level and exceeded our expectations quite clearly. The order book decreased and supports the next few quarters, but Innofactor must succeed in new sales, which it had confidence in. We expect moderate organic growth in the coming years and slight profitability improvement. With our estimates the share's valuation (2023e P/E 10x and EV/EBIT 9x) is still attractive, considering the stronger base for earnings growth although uncertainty in the IT market is still elevated.

## Growth continued as good, especially in Finland, and EBITDA clearly exceeded expectations

Q3 net sales grew by 8% to 18.0 MEUR, exceeding our 17.5 MEUR expectation slightly. Especially continued organic growth at a strong 8% level was positive (sector median in Q2 was 0%). Organic growth was driven by increasing subcontracting, recruitment and, we believe, a small increase in billable utilization. EBITDA increased to 2.0 MEUR, which clearly exceeded our 1.4 MEUR estimate and accounted for 10.9% of net sales. Geographically, EBITDA was positive in Finland but negative in other countries due to the challenging market situation. Thus, profitability was at a very good level in Finland (estimate close to 20%).

## There is still uncertainty in the IT service market, although its looking a bit better

Innofactor commented that price competition continued as tough in Q3, although it eased slightly from the difficult Q2. It estimates that prices will continue to rise in Q4, even though the situation remains challenging. We believe these trends depict the private and public sectors. Innofactor has not entered the tightest price competition, which we suspect is partly the reason why the order book fell by 8% to 71 MEUR in Q3. We estimate that the order book is still at a good level in the short term, but the company must succeed in new sales or effects will gradually become visible by H1'24 at the latest. We feel, the company is in a better position than average as a Microsoft-specialized player. We feel the good demand outlook is unchanged in the longer term.

## We expect steady earnings growth in the next few years

As expected, Innofactor reiterated its guidance and expects net sales and adjusted EBITDA to increase from 2022. Driven by the Q3 report, our forecasts for the current year increased, but we slightly cut our forecasts for the next few years due to the decline in the order book and challenging new sales. Supported by [acquisition](#), we expect Innofactor's net sales will grow by 12% to 80 MEUR in 2023 (organic 9%) and EBITDA to reach 8.7 MEUR (10.8 % of net sales, 2022: 7.8 MEUR). We expect net sales to grow organically by ~3% in the coming years, driven by billable utilization, and the EBITDA margin to be around 11%, limited by wage inflation and use of subcontracting (average annual earnings growth 7%). Key risks relate to customer market demand and new sales, new project or country-specific challenges emerging and acquisitions.

## Risk/return ratio is attractive

The positioning of Innofactor's investment profile has strengthened in the profit generator category but stronger growth requires a continuous track record. With 2023e EV/EBIT and P/E ratios (9x and 10x), the valuation of the share is moderate. The ratios are 25 % below Finnish peers, which is a very attractive level. With earnings growth (7 %), dividend yield (7%) and a slight 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 1.5 per share).

## Recommendation

### Accumulate

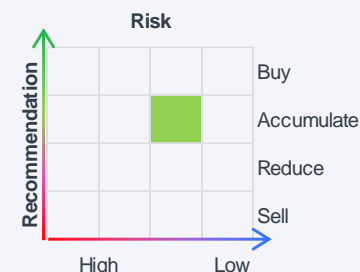
(previous Accumulate)

### EUR 1.30

(previous EUR 1.35)

### Share price:

1.10



## Key figures

	2022	2023e	2024e	2025e
<b>Revenue</b>	71	80	82	85
<b>growth-%</b>	7%	12%	3%	3%
<b>Käyttökate</b>	7.8	8.7	9.0	9.5
<b>Käyttökate-%</b>	11.0 %	10.8 %	10.9 %	11.2 %
<b>Net Income</b>	3.3	3.8	4.2	4.9
<b>EPS (adj.)</b>	0.10	0.11	0.12	0.14

<b>P/E (adj.)</b>	10.7	10.1	9.0	7.9
<b>P/B</b>	1.5	1.5	1.4	1.3
<b>Dividend yield-%</b>	5.7 %	6.4 %	7.3 %	8.2 %
<b>EV/EBIT (adj.)</b>	10.0	8.6	7.7	6.6
<b>EV/EBITDA</b>	6.5	5.8	5.3	4.6
<b>EV/S</b>	0.7	0.6	0.6	0.5

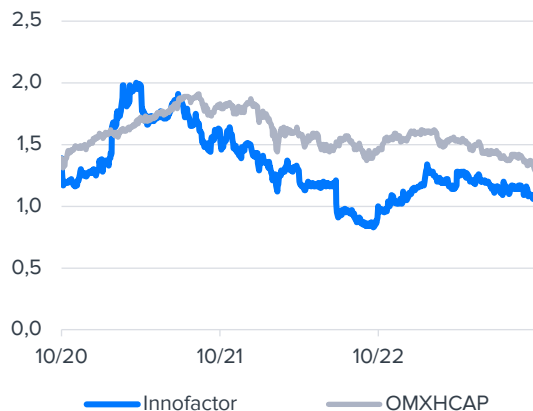
Source: Inderes

## Guidance

(Unchanged)

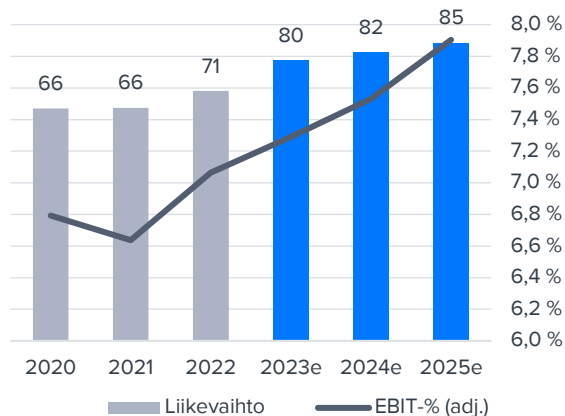
Innofactor's net sales and operating margin (EBITDA) in 2023 are estimated to increase from 2020, during which the net sales were EUR 71.1 million and operating margin was EUR 7.8 million.

## Share price



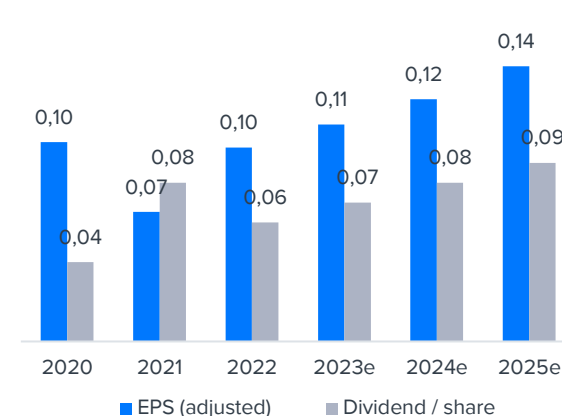
Source: Millstream Market Data AB

## 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	2023e	2024e	2025e
Share price	1.10	1.10	1.10
Number of shares, million:	36.3	36.3	36.3
Market cap	40	40	40
EV	50	47	44
P/E (adj.)	10.1	9.0	7.9
P/E	10.6	9.4	8.2
P/B	1.5	1.4	1.3
P/S	0.5	0.5	0.5
EV/Sales	0.6	0.6	0.5
EV/EBITDA	5.8	5.3	4.6
EV/EBIT (adj.)	8.6	7.7	6.6
Payout ratio (%)	67.2 %	68.4 %	67.0 %
Dividend yield-%	6.4 %	7.3 %	8.2 %

Source: Inderes

# Good performance continued in Q3 in a challenging market

## Growth continued as good, especially in Finland

Q3 net sales grew by 8% to EUR 18.0 million, exceeding our EUR 17.5 million expectation slightly. Especially continued organic growth at a strong 8% level was positive (sector median in Q2 was 0%). Organic growth was driven by increasing subcontracting, recruitment and, we believe, a small increase in utilization rates.

Geographically, net sales increased in Finland and Norway. The number of active employees at the end of the period was 594 persons, up by 6 people from 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 announced that it has decided to expand its financial reporting starting from the 2023 financial statements release, so that the company reports the key indicators of the four solution areas separately. We feel this improves the transparency of the

company's business and its drivers.

## Profitability exceeded expectations clearly

Q3 comparable EBITDA increased to EUR 2.0 million, which clearly exceeded our EUR 1.4 million estimate and accounted for 10.9% of net sales. The higher profitability was driven by better-than-expected organic growth and consequently better billable utilization.

Geographically, EBITDA was positive in Finland but negative in other countries due to the challenging market situation. Thus, profitability was at a very good level in Finland, according to our estimate close to 20%. There were no major surprises in other result rows. Thus, EPS was EUR 0.03 exceeding our forecast of EUR 0.02.

## The market is slightly better in H2 compared to the difficult Q2

Innofactor commented that price competition continued as tight in Q3, the company's weighted

average prices of new deals increased slightly compared to Q2. The company estimates that prices will continue to rise in Q4, although the situation will continue to be challenging until the end of the year. We believe these trends depict the private and public sectors.

Innofactor itself did not take part in the toughest price competition. The company previously estimated that market growth would be lower than last year, which is also supported by our observations and our forecasts for 2023.

Innofactor has developed new offering around generative AI and has focused its sales efforts more on the private sector, where price levels have remained more reasonable in the big picture. In our opinion, the company is in a better position than average as a Microsoft-specialized player in the current uncertain environment.

Estimates MEUR / EUR	Q3'22	Q3'23	Q3'23e	Q3'23e	Consensus		Difference (%)	2023e
	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. inderes	Inderes
Revenue	16.7	18.0	17.5				3%	80.0
EBITDA	1.9	2.0	1.4				38%	8.7
EBIT	1.0	1.2	0.7				78%	5.6
PTP	0.8	1.4	0.8				87%	5.0
EPS (reported)	0.02	0.03	0.02				73%	0.10
Revenue growth-%	21.8 %	7.9 %	5.0 %				2.9 pp	12.4 %
EBITDA-%	11.6 %	10.9 %	8.2 %				2.8 pp	10.8 %

Source: Inderes

# New sales were slightly tricky, which was reflected as a decline in the order book

## The order book decreased slightly

The company's order book decreased from last year's level by 8% to EUR 71.4 million. However, based on the company's comments, the still good existing order book, framework agreements and other purchases by existing customers will enable profitable business for Innofatcor in the short term. In addition, the company expects to be able to increase the volume of new sales in Q4. In our view, the company must succeed in new sales to continue its growth, as we estimate that the order book is multiannual and the shorter order book will 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

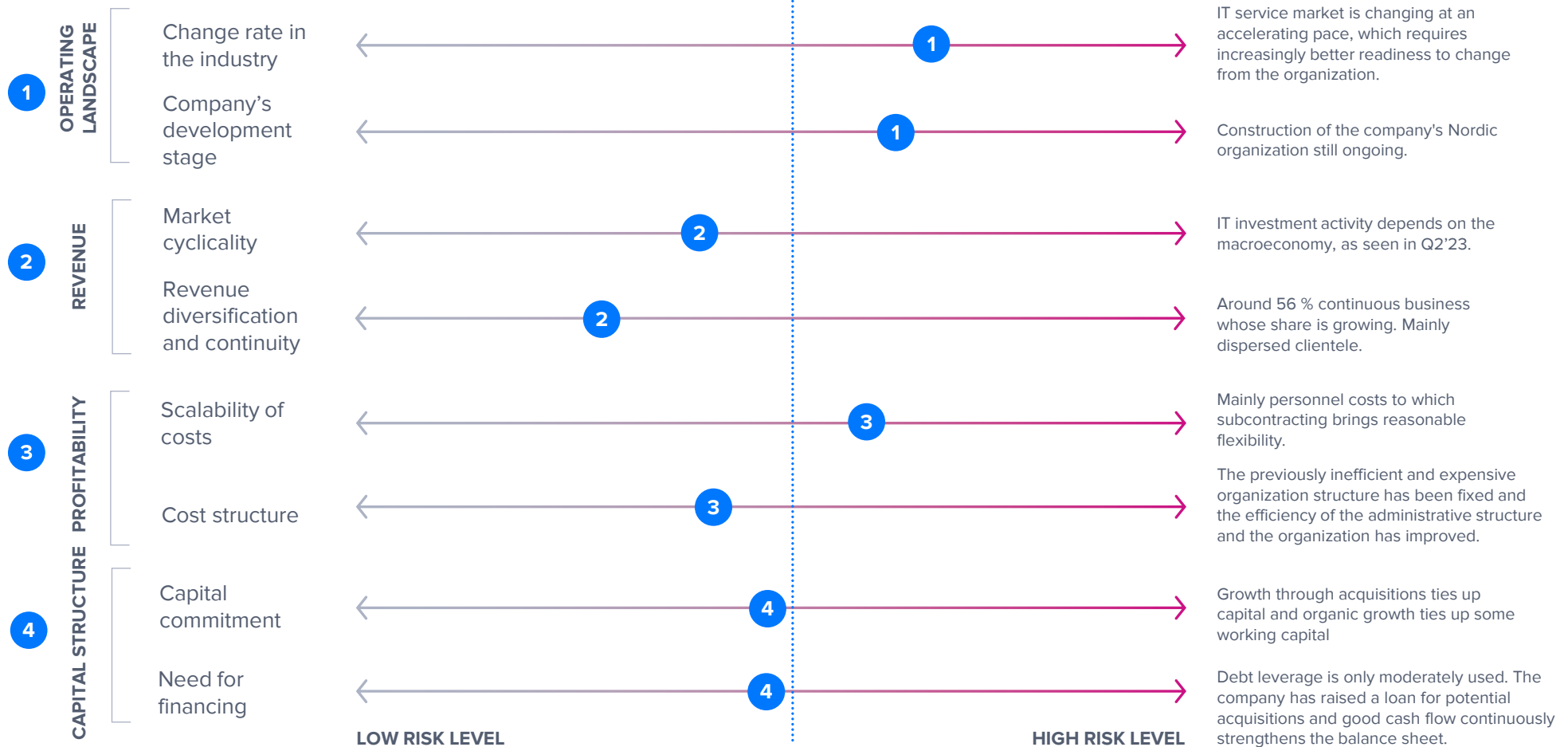
Finland we believe that the company is in a strong position in an uncertain environment, which is also evidenced by organic growth of about 10-20%.

Estimates MEUR / EUR	Q3'22	Q3'23	Q3'23e	Q3'23e	Consensus		Difference (%)	2023e
	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. inderes	Inderes
Revenue	16.7	18.0	17.5				3%	80.0
EBITDA	1.9	2.0	1.4				38%	8.7
EBIT	1.0	1.2	0.7				78%	5.6
PTP	0.8	1.4	0.8				87%	5.0
EPS (reported)	0.02	0.03	0.02				73%	0.10
Revenue growth-%	21.8 %	7.9 %	5.0 %				2.9 pp	12.4 %
EBITDA-%	11.6 %	10.9 %	8.2 %				2.8 pp	10.8 %

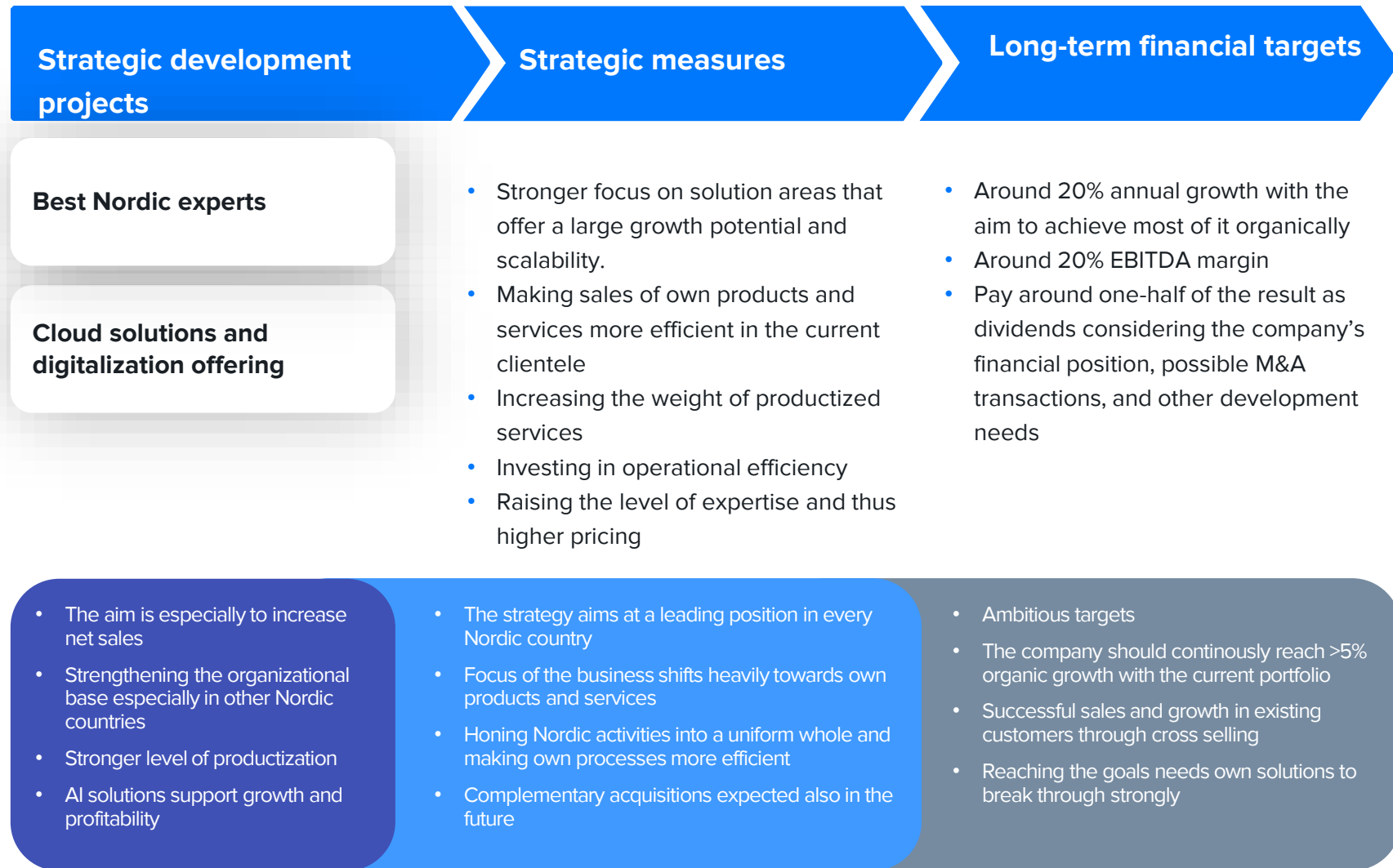
Source: Inderes

# Risk profile of the business model

Assessment of Innofactor's overall business risk



# Summary of Innofactor's strategy



# We raised earnings estimates for 2023 and lowered those of the next few years

## Estimate revisions 2023e-2025e

- Earnings estimates for 2023 increased driven by the strong Q3. We lowered our Q4 expectations a bit, driven by the development of the order book and continued tough price competition.
- We cut our expectations slightly for the coming years driven by the order book development, uncertainty in new sales and continued fierce price competition.

## Estimates 2023e-2025e

- We expect Innofactor to grow organically by 9% in 2023 and 3% in 2024, which is better than the sector or at its level.
- We estimate that the EBITDA margin will be around 11% in the next few years. 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.
- In the big picture, profitability is supported by rising billable utilization but on the other hand, wage inflation and increasing use of subcontracting provide headwinds.
- 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%.
- Our still topical extensive report on the company published in September is available [here](#).

## Operational earnings drivers 2023-2025e:

### Revenue growth

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

### Profitability is supported by

- Higher billable utilization, especially outside Finland
- Increased share of software (company target to raise from current 28% to over 33%)

### Profitability is limited by

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

Estimate revisions	2023e	2023e	Change	2024e	2024e	Change	2025e	2025e	Change
MEUR / EUR	Old	New	%	Old	New	%	Old	New	%
Revenue	80.0	80.0	0%	83.4	82.1	-2%	86.2	84.9	-2%
EBITDA	8.3	8.7	4%	9.4	9.0	-5%	10.1	9.5	-6%
EBIT (exc. NRIs)	5.5	5.8	6%	6.6	6.2	-6%	7.3	6.7	-8%
EBIT	5.3	5.6	6%	6.4	6.0	-7%	7.1	6.5	-8%
PTP	4.6	5.0	7%	5.9	5.3	-11%	6.8	6.1	-9%
EPS (excl. NRIs)	0.10	0.11	7%	0.13	0.12	-9%	0.15	0.14	-9%
DPS	0.07	0.07	0%	0.08	0.08	0%	0.09	0.09	0%



# 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.). With our estimates, Innofactor's adjusted P/E ratios for 2023 and 2024 are 10x and 9x. This is an attractive level in absolute terms, given the increased confidence in earnings growth although there is uncertainty in the market. Corresponding EV/EBIT ratios are 9x and 8x, which are also relatively attractive. Corresponding 2023 multiples are 25% below the Finnish peers, which is already a very attractive level, although partly justified by the earnings growth outlook that is in line with the sector or lower. The valuation levels of many key peers are also very low.

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. The book value of the tax receivable is currently EUR 3.0 million, which corresponds to a value of around EUR 0.08 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.

In our view, a gradually higher valuation can be accepted for the share as the turnaround continues, growth strengthens and is geographically broader and steadier. In addition, with growth and scalability of own products, a higher valuation can be accepted for the share.

## DCF analysis

Our DCF model indicates a value of EUR 1.5 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 10% 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 44 %, 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 moderate at the moment.

## 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 estimate that the company has preconditions to reach annual earnings growth of 7% in coming years driven by net sales and increased profitability.

The dividend also supports the valuation and with the dividend policy (around 50% of the result) and our dividend estimates above the dividend yield is ~7%. Our dividend estimate corresponds to the level of the past three years (~70% of the result). 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 attractively priced with 2023 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 >15% and the risk/return ratio is attractive. The key risks in the share relate to new sales, project or country challenges emerging and acquisitions.

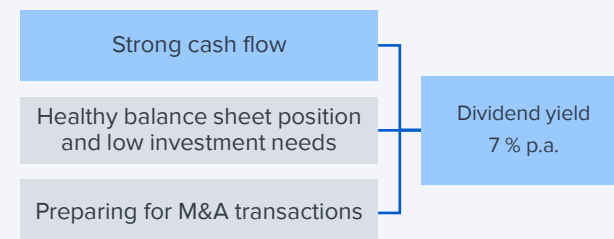
## TSR drivers 2023-2025

■ Positive ■ Neutral ■ Negative

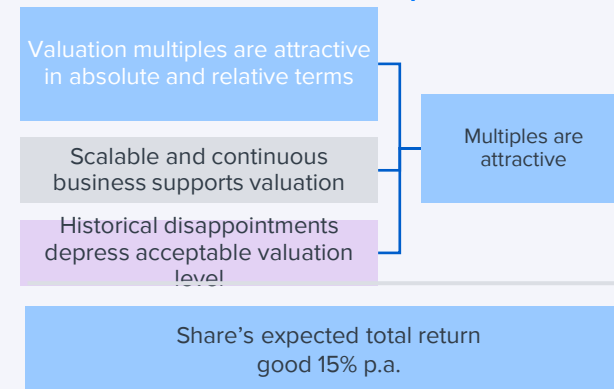
### Performance



### Dividend yield



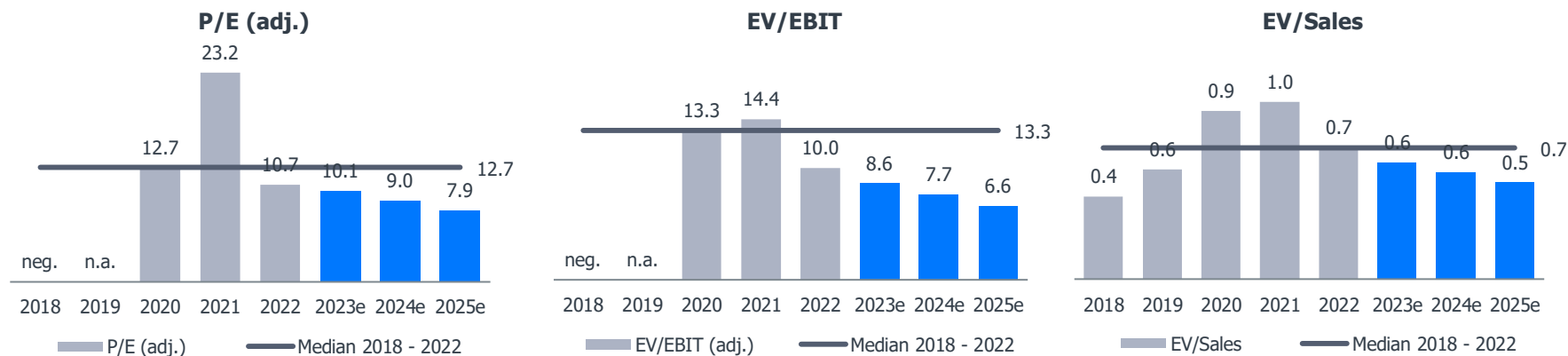
### Valuation multiples



# Valuation table

Valuation	2018	2019	2020	2021	2022	2023e	2024e	2025e	2026e
Share price	0.36	0.72	1.28	1.52	1.05	1.10	1.10	1.10	1.10
Number of shares, millions	36.2	36.8	37.4	36.6	36.2	36.3	36.3	36.3	36.3
Market cap	13	27	48	55	38	40	40	40	40
EV	28	38	60	63	50	50	47	44	41
P/E (adj.)	neg.	n.a.	12.7	23.2	10.7	10.1	9.0	7.9	7.3
P/E	neg.	63.3	27.1	12.3	11.5	10.6	9.4	8.2	7.5
P/B	0.6	1.2	2.0	2.2	1.5	1.5	1.4	1.3	1.2
P/S	0.2	0.4	0.7	0.8	0.5	0.5	0.5	0.5	0.5
EV/Sales	0.4	0.6	0.9	1.0	0.7	0.6	0.6	0.5	0.5
EV/EBITDA	neg.	7.4	8.4	6.3	6.5	5.8	5.3	4.6	4.1
EV/EBIT (adj.)	neg.	n.a.	13.3	14.4	10.0	8.6	7.7	6.6	5.7
Payout ratio (%)	0.0 %	0.0 %	84.9 %	65.1 %	65.4 %	67.2 %	68.4 %	67.0 %	68.2 %
Dividend yield-%	0.0 %	0.0 %	3.1 %	5.3 %	5.7 %	6.4 %	7.3 %	8.2 %	9.1 %

Source: Inderes



# Peer group valuation

Company	MEUR	MEUR	2023e	2024e	2023e	2024e	2023e	2024e	2023e	2024e	2023e	2024e
Digia*	141	169	9.5	7.8	7.7	6.5	0.9	0.8	10.8	9.2	3.6	3.8
Digital Workforce*	39	24	44.3	10.4	43.1	9.5	0.9	0.8	64.5	20.8		
Gofore*	337	314	12.4	10.9	11.3	10.0	1.7	1.4	16.6	15.5	2.3	2.7
Loihde*	66	48	32.6	10.7	6.1	4.0	0.4	0.3	68.9	17.8	2.6	2.8
Netum Group*	34	43	13.0	9.9	11.4	8.9	1.1	0.9	12.5	10.3	4.5	4.8
Siili Solutions*	75	77	9.2	8.1	6.4	5.8	0.6	0.6	14.5	12.0	2.7	3.3
Solteq*	14	38		15.2	3.9	3.6	0.6	0.6		32.6		4.2
Tietoevry*	2399	3043	8.5	7.7	7.3	6.5	1.1	1.0	9.1	8.4	7.4	7.7
Vincit*	44	35	8.4	5.4	7.4	5.0	0.4	0.3	14.6	9.0	6.4	7.5
Witted Megacorp*	32	25		13.8		12.9	0.4	0.4		19.8		
Addnode	764	804	23.9	17.2	12.8	10.5	1.3	1.1	34.1	23.2	1.2	1.7
Avensia AB	28	30		14.6	43.5	10.6	0.8	0.8		17.2	1.7	3.4
Bouvet	475	500	14.5	13.8	12.0	11.5	1.7	1.5	17.6	16.8	5.1	5.4
CombinedX	42	40	5.9	5.6	4.1	4.1	0.6	0.6	8.1	7.6		
Exsitec	140	149	18.8	15.0	12.5	10.7	2.3	2.1	26.1	19.3	3.6	3.4
Knowit	282	371	14.0	11.2	6.6	5.9	0.6	0.6	16.7	12.4	4.7	5.4
Netcompany Group	1543	1850	18.8	15.0	13.7	11.9	2.3	2.0	21.6	16.9		
NNIT	266	279	347.5	8.7	6.3	5.5	0.7	0.6	19.9	10.5	0.0	5.2
Webstep	54	69	10.5	9.3	8.2	7.3	0.8	0.8	10.9	9.5	8.7	10.5
<b>Innofactor (Inderes)</b>	<b>40</b>	<b>50</b>	<b>8.6</b>	<b>7.7</b>	<b>5.8</b>	<b>5.3</b>	<b>0.6</b>	<b>0.6</b>	<b>10.1</b>	<b>9.0</b>	<b>6.4</b>	<b>7.3</b>
<b>Median Nordic companies</b>			<b>13.5</b>	<b>10.7</b>	<b>7.9</b>	<b>7.3</b>	<b>0.8</b>	<b>0.8</b>	<b>16.7</b>	<b>15.5</b>	<b>3.6</b>	<b>4.2</b>
<i>Diff-% to median</i>			-36%	-29%	-27%	-28%	-24%	-25%	-40%	-42%	77%	74%
<b>Median Finnish companies</b>			<b>11.0</b>	<b>10.2</b>	<b>7.4</b>	<b>6.5</b>	<b>0.8</b>	<b>0.7</b>	<b>14.6</b>	<b>13.7</b>	<b>3.6</b>	<b>4.0</b>
<i>Diff-% to median</i>			-21%	-25%	-22%	-19%	-17%	-16%	-31%	-34%	78%	83%

Source: Refinitiv / \*Inderes' adjusted estimate. NB! Market cap used by Inderes does not consider own shares held by the company.

# 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
Revenue	66.2	66.4	17.0	16.9	16.7	20.5	71.1	20.2	20.1	18.0	21.6	80.0	82.1	84.9
EBITDA	7.2	10.1	2.0	1.4	1.9	2.5	7.8	2.5	1.8	2.0	2.5	8.7	9.0	9.5
Depreciation	-4.7	-3.6	-0.7	-0.7	-1.0	-0.6	-3.1	-0.8	-0.8	-0.8	-0.8	-3.1	-3.0	-3.0
EBIT (excl. NRI)	4.5	4.4	1.4	0.7	1.0	1.9	5.0	1.8	1.0	1.3	1.8	5.8	6.2	6.7
EBIT	2.5	6.5	1.3	0.7	1.0	1.8	4.8	1.7	1.0	1.2	1.7	5.6	6.0	6.5
Net financial items	-0.5	-0.8	-0.2	0.0	-0.2	-0.1	-0.6	-0.4	-0.2	0.1	-0.2	-0.6	-0.6	-0.4
PTP	2.1	5.7	1.1	0.6	0.8	1.7	4.2	1.3	0.8	1.3	1.5	5.0	5.3	6.1
Taxes	-0.3	-1.2	-0.3	-0.1	-0.2	-0.4	-0.9	-0.3	-0.4	-0.3	-0.3	-1.2	-1.1	-1.3
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	1.8	4.5	0.8	0.5	0.6	1.3	3.3	1.0	0.5	1.0	1.2	3.8	4.2	4.9
EPS (adj.)	0.10	0.07	0.03	0.02	0.02	0.04	0.10	0.03	0.01	0.03	0.04	0.11	0.12	0.14
EPS (rep.)	0.05	0.12	0.02	0.02	0.02	0.04	0.09	0.03	0.01	0.03	0.03	0.10	0.12	0.13

Key figures	2020	2021	Q1'22	Q2'22	Q3'22	Q4'22	2022	Q1'23	Q2'23	Q3'23	Q4'23e	2023e	2024e	2025e
Revenue growth-%	3.1 %	0.3 %	-4.7 %	-2.0 %	21.8 %	16.9 %	7.2 %	19.2 %	18.6 %	8.0 %	5.3 %	12.4 %	2.7 %	3.3 %
Adjusted EBIT growth-%		-2%	4%	-47%	-3%	214%	14%	27%	39%	25%	-6%	16%	6%	8%
EBITDA-%	10.8 %	15.2 %	12.0 %	8.1 %	11.6 %	11.9 %	11.0 %	12.3 %	8.8 %	10.9 %	11.3 %	10.8 %	10.9 %	11.2 %
Adjusted EBIT-%	6.8 %	6.6 %	8.2 %	4.4 %	6.1 %	9.1 %	7.1 %	8.8 %	5.2 %	7.0 %	8.1 %	7.3 %	7.5 %	7.9 %
Net earnings-%	2.7 %	6.8 %	5.0 %	3.2 %	3.6 %	6.5 %	4.7 %	5.1 %	2.3 %	5.8 %	5.7 %	4.7 %	5.2 %	5.8 %

Source: Inderes

# Balance sheet

Assets	2021	2022	2023e	2024e	2025e
<b>Non-current assets</b>	<b>35.7</b>	<b>39.3</b>	<b>37.7</b>	<b>36.5</b>	<b>35.2</b>
Goodwill	26.4	26.8	26.8	26.8	26.8
Intangible assets	0.6	2.4	2.2	1.9	1.7
Tangible assets	3.7	5.9	5.9	5.9	6.0
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	4.8	4.1	2.8	1.7	0.5
<b>Current assets</b>	<b>15.4</b>	<b>16.5</b>	<b>19.6</b>	<b>19.7</b>	<b>19.5</b>
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	13.4	14.5	16.8	17.2	17.8
Cash and equivalents	2.0	2.0	2.8	2.5	1.7
<b>Balance sheet total</b>	<b>51.1</b>	<b>55.8</b>	<b>57.4</b>	<b>56.2</b>	<b>54.7</b>

Source: Inderes

Liabilities & equity	2021	2022	2023e	2024e	2025e
<b>Equity</b>	<b>25.5</b>	<b>24.8</b>	<b>26.4</b>	<b>28.1</b>	<b>30.1</b>
Share capital	2.1	2.1	2.1	2.1	2.1
Retained earnings	3.1	5.3	6.9	8.6	10.6
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	20.2	17.2	17.2	17.2	17.2
Minorities	0.0	0.0	0.0	0.0	0.0
<b>Non-current liabilities</b>	<b>7.8</b>	<b>9.2</b>	<b>5.8</b>	<b>8.6</b>	<b>5.5</b>
Deferred tax liabilities	1.5	1.9	1.9	1.9	1.9
Provisions	0.0	0.0	0.0	0.0	0.0
Interest bearing debt	6.3	7.3	3.9	6.7	3.6
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
<b>Current liabilities</b>	<b>17.8</b>	<b>21.8</b>	<b>25.2</b>	<b>19.5</b>	<b>19.1</b>
Interest bearing debt	3.5	7.0	9.2	3.1	2.1
Payables	14.3	14.8	16.0	16.4	17.0
Other current liabilities	0.0	0.0	0.0	0.0	0.0
<b>Balance sheet total</b>	<b>51.1</b>	<b>55.8</b>	<b>57.4</b>	<b>56.2</b>	<b>54.7</b>

# DCF calculation

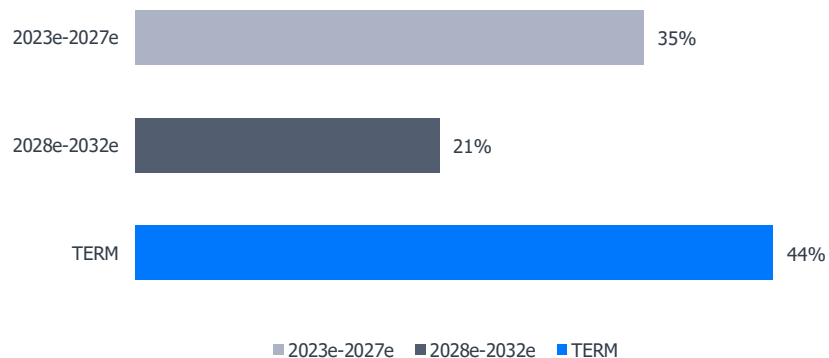
DCF model	2022	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	TERM
Revenue growth-%	7.2 %	12.4 %	2.7 %	3.3 %	3.3 %	2.5 %	2.5 %	2.5 %	2.5 %	2.5 %	1.5 %	1.5 %
EBIT-%	6.7 %	7.0 %	7.2 %	7.7 %	7.9 %	7.7 %	7.7 %	7.5 %	7.0 %	7.0 %	7.0 %	7.0 %
<b>EBIT (operating profit)</b>	<b>4.8</b>	<b>5.6</b>	<b>6.0</b>	<b>6.5</b>	<b>6.9</b>	<b>6.9</b>	<b>7.1</b>	<b>7.1</b>	<b>6.8</b>	<b>6.9</b>	<b>7.0</b>	
+ Depreciation	3.1	3.1	3.0	3.0	3.1	3.1	3.1	3.2	3.1	3.2	3.2	
- Paid taxes	0.2	0.0	0.0	0.0	0.0	-1.4	-1.5	-1.5	-1.4	-1.4	-1.5	
- Tax, financial expenses	-0.1	-0.1	-0.1	-0.1	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	-0.7	-1.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
<b>Operating cash flow</b>	<b>7.3</b>	<b>7.5</b>	<b>8.8</b>	<b>9.4</b>	<b>9.9</b>	<b>8.6</b>	<b>8.7</b>	<b>8.8</b>	<b>8.5</b>	<b>8.7</b>	<b>8.8</b>	
+ 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	-7.4	-2.8	-2.9	-2.9	-3.0	-3.0	-3.1	-3.2	-3.2	-3.2	-3.4	
<b>Free operating cash flow</b>	<b>-0.2</b>	<b>4.7</b>	<b>6.0</b>	<b>6.5</b>	<b>7.0</b>	<b>5.5</b>	<b>5.6</b>	<b>5.7</b>	<b>5.3</b>	<b>5.4</b>	<b>5.4</b>	
+/- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	-0.2	4.7	6.0	6.5	7.0	5.5	5.6	5.7	5.3	5.4	5.4	69.4
<b>Discounted FCFF</b>		<b>4.6</b>	<b>5.4</b>	<b>5.3</b>	<b>5.2</b>	<b>3.8</b>	<b>3.5</b>	<b>3.3</b>	<b>2.8</b>	<b>2.6</b>	<b>2.4</b>	<b>30.5</b>
Sum of FCFF present value		69.4	64.8	59.5	54.1	48.9	45.1	41.5	38.3	35.5	32.9	30.5
<b>Enterprise value DCF</b>		<b>69.4</b>										
- Interest bearing debt		-14.4										
+ Cash and cash equivalents		2.0										
-Minorities		0.0										
-Dividend/capital return		-2.2										
<b>Equity value DCF</b>		<b>54.9</b>										
<b>Equity value DCF per share</b>		<b>1.51</b>										

## 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 %
<b>Cost of equity</b>	<b>9.9 %</b>
<b>Weighted average cost of capital (WACC)</b>	<b>9.4 %</b>

Source: Inderes

## Cash flow distribution



# Summary

Income statement	2020	2021	2022	2023e	2024e	Per share data	2020	2021	2022	2023e	2024e
Revenue	66.2	66.4	71.1	<b>80.0</b>	<b>82.1</b>	EPS (reported)	0.05	0.12	0.09	<b>0.10</b>	<b>0.12</b>
EBITDA	7.2	10.1	7.8	<b>8.7</b>	<b>9.0</b>	EPS (adj.)	0.10	0.07	0.10	<b>0.11</b>	<b>0.12</b>
EBIT	2.5	6.5	4.8	<b>5.6</b>	<b>6.0</b>	OCF / share	0.13	0.24	0.20	<b>0.21</b>	<b>0.24</b>
PTP	2.1	5.7	4.2	<b>5.1</b>	<b>5.3</b>	FCF / share	-0.01	0.21	0.00	<b>0.13</b>	<b>0.16</b>
Net Income	1.8	4.5	3.3	<b>3.8</b>	<b>4.2</b>	Book value / share	0.63	0.70	0.68	<b>0.73</b>	<b>0.77</b>
Extraordinary items	-2.0	2.1	-0.3	<b>-0.2</b>	<b>-0.2</b>	Dividend / share	0.04	0.08	0.06	<b>0.07</b>	<b>0.08</b>
<b>Balance sheet</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023e</b>	<b>2024e</b>	<b>Growth and profitability</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023e</b>	<b>2024e</b>
Balance sheet total	56.6	51.1	55.8	<b>57.4</b>	<b>56.2</b>	Revenue growth-%	3%	0%	7%	<b>12%</b>	<b>3%</b>
Equity capital	23.4	25.5	24.8	<b>26.4</b>	<b>28.1</b>	EBITDA growth-%	n.a.	n.a.	-23%	<b>11%</b>	<b>4%</b>
Goodwill	26.5	26.4	26.8	<b>26.8</b>	<b>26.8</b>	EBIT (adj.) growth-%	n.a.	n.a.	14%	<b>16%</b>	<b>6%</b>
Net debt	12.3	7.9	12.4	<b>10.3</b>	<b>7.4</b>	EPS (adj.) growth-%	n.a.	n.a.	50%	<b>12%</b>	<b>12%</b>
<b>Cash flow</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023e</b>	<b>2024e</b>	EBITDA-%	10.8 %	15.2 %	11.0 %	<b>10.8 %</b>	<b>10.9 %</b>
EBITDA	7.2	10.1	7.8	<b>8.7</b>	<b>9.0</b>	EBIT (adj.)-%	6.8 %	6.6 %	7.1 %	<b>7.3 %</b>	<b>7.5 %</b>
Change in working capital	-2.0	-1.1	-0.7	<b>-1.1</b>	<b>0.0</b>	EBIT-%	3.8 %	9.8 %	6.7 %	<b>7.0 %</b>	<b>7.2 %</b>
Operating cash flow	5.0	8.9	7.3	<b>7.5</b>	<b>8.8</b>	ROE-%	7.7 %	18.4 %	13.2 %	<b>14.8 %</b>	<b>15.6 %</b>
CAPEX	-2.2	-1.3	-7.4	<b>-2.8</b>	<b>-2.9</b>	ROI-%	6.9 %	17.7 %	12.8 %	<b>14.3 %</b>	<b>15.4 %</b>
Free cash flow	-0.5	7.6	-0.2	<b>4.7</b>	<b>6.0</b>	Equity ratio	41.4 %	49.9 %	44.4 %	<b>46.0 %</b>	<b>50.0 %</b>
						Gearing	52.6 %	30.8 %	50.0 %	<b>38.9 %</b>	<b>26.2 %</b>
<b>Valuation multiples</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023e</b>	<b>2024e</b>						
EV/S	0.9	1.0	0.7	<b>0.6</b>	<b>0.6</b>						
EV/EBITDA (adj.)	8.4	6.3	6.5	<b>5.8</b>	<b>5.3</b>						
EV/EBIT (adj.)	13.3	14.4	10.0	<b>8.6</b>	<b>7.7</b>						
P/E (adj.)	12.7	23.2	10.7	<b>10.1</b>	<b>9.0</b>						
P/B	2.0	2.2	1.5	<b>1.5</b>	<b>1.4</b>						
Dividend-%	3.1 %	5.3 %	5.7 %	<b>6.4 %</b>	<b>7.3 %</b>						

Source: Inderes

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

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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 €





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