

# Talenom

## Company report

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This report is a summary translation of the report "Tuloskasvu jää kasvupanostuksien alle" published on 02/01/2023 at 7:46 am

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# Earnings growth buried under growth investments

We reiterate our Reduce recommendation for Talenom and revise our target price to EUR 9.0 (prev. EUR 9.5) after a weaker than expected Q4 report. The Q4 result was clearly below expectations and 2023 earnings estimates were under pressure as the company builds a base for international growth. We believe that the company's acquisition-driven growth strategy will eventually yield results, but 2023 earnings growth will be buried under growth investments. Considering this, the valuation (2023 P/E 36x) is challenging and we remain on the sidelines watching.

## Q4 performance was clearly below market expectations

Talenom's net sales increased by 21.1% in Q4 to EUR 26.3 million, which was below expectations (consensus 27.6 MEUR), especially due to slower organic growth (4-5%). Q4 EBIT was only EUR 2.2 million, which means a weak margin of 8.3%. The decline in relative profitability was expected due to high investments, acquisitions and internationalization (incl. support activities), but the EBIT also weakened in euros from the comparison period (Q4'21: 2.8 MEUR, consensus estimate 3.8 MEUR). In the big picture, net sales grew excellently by 23.3% in 2022, while EPS only increased by 7.2%. In Finland, Talenom's core business still generates money, but the earnings contribution from Sweden and other countries is almost non-existent. The year will therefore go down in history as an investment period, when the base for international growth was built. The dividend proposal was EUR 0.18 per share as expected, which is slightly higher than last year (0.17).

## The next few years are a time of growth investments

Talenom estimates that 2023 net sales will be about EUR 120-130 million and that its euro-denominated EBITDA and operating profit will grow from 2022. We feel the guidance is a logical continuum on the financial objectives announced by the company on 10/25/2022 ([release](#)). We now estimate a 23.6% increase in net sales to around EUR 126 million in 2023, where just under 60% will come from acquisitions (including unimplemented acquisitions). We expect EBITDA to grow by another 16%, but at EBIT level, we predict that the improvement will remain marginal and estimate that EPS will decrease in 2023 as financing costs increase. This means that our earnings estimates for 2023 decreased by about 10%, although the earnings potential is growing rapidly. We expect investments to remain at around EUR 40 million as the company continues to conquer Europe. If you trust that the profitability of the international business will be even close to Finland's core business in the future, the investments being made now will ultimately be highly profitable. However, we have to wait years for concrete evidence of the strategy's effectiveness, and it is more difficult to value growing earnings potential than actual earnings growth.

## Valuation is a challenging equation

Talenom's valuation multiples are still high (2023e P/E 36x and EV/EBIT 30x) and it is difficult to justify them with the growth rate in coming years. At the same time, we believe that the company's very high investments will generate value in the long term as Talenom "gets the machine running" especially in Sweden. Acquisitions have mainly been carried out with reasonable valuations (EV/EBITDA 4-6x), making it unlikely that value is destroyed. However, a major performance improvement will in principle, wait until 2025-2026 and one must tolerate considerable uncertainty on the way. Although the company's strategy clarifications increased our confidence in the company's possibilities in Europe, we remain on the sidelines for the time being watching the company's progress.

## Recommendation

**Reduce**  
(previous Reduce)  
**EUR 9.00**  
(previous EUR 9.5)

**Share price:**  
9.09



## Key figures

	2022	2023e	2024e	2025e
<b>Revenue</b>	102	126	156	191
<b>growth-%</b>	23%	24%	24%	22%
<b>EBIT adj.</b>	15.3	16.2	19.7	26.8
<b>EBIT-% adj.</b>	15.0 %	12.8 %	12.6 %	14.0 %
<b>Net Income</b>	11.8	11.3	13.8	18.2
<b>EPS (adj.)</b>	0.27	0.25	0.30	0.39

<b>P/E (adj.)</b>	35.4	36.3	30.2	23.1
<b>P/B</b>	7.5	6.9	6.5	5.7
<b>Dividend yield-%</b>	1.9 %	2.1 %	2.2 %	2.3 %
<b>EV/EBIT (adj.)</b>	31.1	29.9	25.4	19.2
<b>EV/EBITDA</b>	14.8	13.0	12.1	10.5
<b>EV/S</b>	4.6	3.8	3.2	2.7

Source: Inderes

## Guidance

(New guidance)

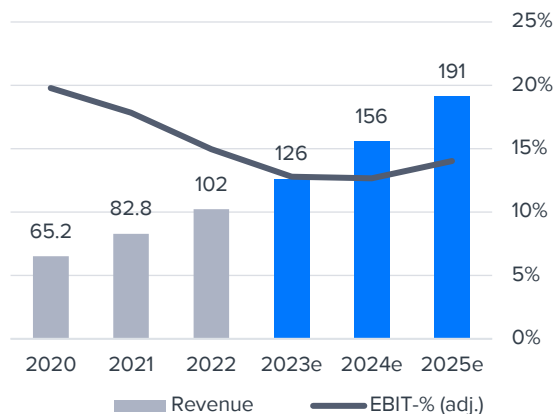
Talenom estimates that 2023 net sales will be about EUR 120-130 million and that its euro-denominated EBITDA and operating profit will grow from 2022.

### Share price



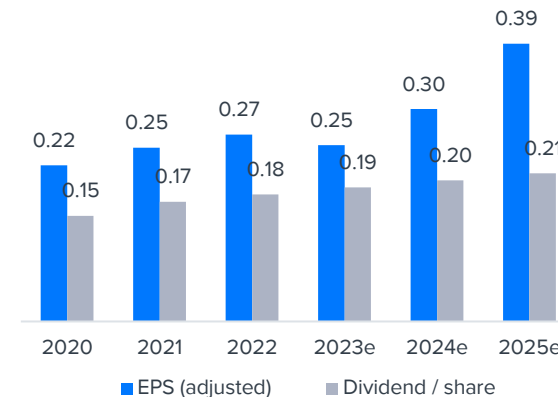
Source: Millistream Market Data AB

### Revenue and EBIT %



Source: Inderes

### EPS and dividend



Source: Inderes



### Value drivers

- Strong earnings growth after the growth phase
- Clear competitive advantages will continue to contribute to increasing market share
- Strengthening market position in Sweden and profitability improvement
- Fragmented market is transforming, which opens new opportunities
- Business model that utilizes economies of scale strengthens with growth
- Expansion in Spain and elsewhere in Europe



### Risk factors

- Failure in improving Sweden's profitability
- Failure in internationalization
- Earnings disappointments and decline of acceptable valuation multiples
- Competitive advantage relies on technology, whose development tends to be fast
- Potential drop in customer retention
- Potential tightening competition in digital financial management
- Transformation can bring new challengers to the industry

Valuation	2023e	2024e	2025e
Share price	9.09	9.09	9.09
Number of shares, millions	45.3	45.8	46.3
Market cap	412	416	421
EV	483	502	514
P/E (adj.)	36.3	30.2	23.1
P/E	36.3	30.2	23.1
P/FCF	neg.	neg.	91.2
P/B	6.9	6.5	5.7
P/S	3.3	2.7	2.2
EV/Sales	3.8	3.2	2.7
EV/EBITDA	13.0	12.1	10.5
EV/EBIT (adj.)	29.9	25.4	19.2
Payout ratio (%)	76.0 %	66.4 %	53.3 %
Dividend yield-%	2.1 %	2.2 %	2.3 %

Source: Inderes

# Q4 performance was clearly below market expectations

## Net sales growth slowed down

Talenom's net sales grew by 21.1% in Q4 to EUR 26.3 million which was below expectations. Some 4/5 of the growth came from acquisitions, while organic growth slowed to around 4-5%. The slowdown in organic growth is driven by the economic slowdown in Finland, which is reflected in accounting firms with a delay of about six months. Still we feel the slowdown is significant, particularly considering that price increases were made during the year.

In Finland, Talenom's net sales increased by 6.5% in Q4, of which approximately 90% was organic. We believe the trend was twofold: continuous invoicing in accounting services (about 70% of net sales) still appears to have grown at a healthy pace, but net sales in volume-based business and consulting decreased. While the most important thing is growing recurring net sales and number of customers, growth in the core market was a tad subdued.

In Sweden, Talenom's net sales virtually doubled from the comparison period thanks to acquisitions. Q4 net sales were EUR 5.8 million, or some 22% of the Group's net sales. Sweden is therefore already in a significant size class, while a growth base is still

being built in Spain and also Italy from the beginning of the year (3% of the Group's net sales).

## Internationalization depresses result

Q4 EBIT was only EUR 2.2 million, which means a weak margin of 8.3%. The EBITDA margin (26.4%) also dropped clearly from the comparison period (30.4%), although it is still at an excellent level. While the decline in relative profitability was expected due to significant investments, acquisitions and internationalization, the EBIT in euros also weakened clearly from the comparison period (Q4'21: 2.8 MEUR). According to the company, investments in the platform business in Spain, implementation of own software and strengthening the organization in Sweden, the brand reform, developing of banking services and increased depreciation burdened profitability towards the end of the year.

Talenom continues to make money in Finland: EBITDA was excellent 36.5%, and consequently cash flow from the core business had to be copious. However, Finland's profitability seems to be hitting its peak and automation development no longer provides as much benefit as in recent years.

In Sweden, EBITDA was marginally positive, but based on the reasonable profitability of acquisition targets, we expected a better result. According to the company, relative profitability has been depressed by, e.g., investments in sales and building support functions. In addition, especially in Q4, implementation of own software increased costs, but we have to wait for efficiency gains. In Spain, the result was sharply negative relative to the small net sales of the business. All of these are investments into creating of a sustainable growth base.

## Balance sheet offers leverage

Talenom's equity ratio was 36% and net gearing was 97%, so the balance sheet is heavily leveraged. Interest-bearing financial loans amounted to EUR 60.1 million, which we believe are variable-rate loans. Talenom's business is defensive and generally predictable, so we do not feel the debt lever is a problem. However, as acquisition-driven growth continues and interest rates remain at present levels, financial costs can become significant.

Estimates	Q4'21	Q4'22	Q4'22e	Q4'22e	Consensus		Difference (%)	2022	
	MEUR / EUR	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. inderes	Toteutunut
Revenue	21.8	26.3	27.2	27.6	27.2	-	28.0	-3%	102
EBITDA	6.6	6.6	7.8	8.1	7.4	-	9.0	-15%	32.0
EBIT	2.8	2.2	3.4	3.8	2.9	-	5.0	-35%	15.3
EPS (adj.)	0.04	0.04	0.05	0.05	0.05	-	0.05	-25%	0.27
DPS	0.17	0.18	0.18	0.18	0.18	-	0.19	0%	0.18
Revenue growth-%	32.2 %	21.1 %	25.0 %	27.0 %	25.0 %	-	28.7 %	-3.9 pp	23.3 %
EBIT-% (adj.)	12.7 %	8.3 %	12.4 %	13.6 %	10.7 %	-	17.9 %	-4.1 pp	15.0 %

Source: Inderes & Bloomberg (1/18/2022) (consensus, 3 estimates)

# The next few years are a time of growth investments

## No big surprises in the guidance

Talenom estimates that 2023 net sales will be about EUR 120-130 million and that its euro-denominated EBITDA and operating profit will grow from 2022. We feel the guidance is a logical continuum on the financial objectives announced by the company on 10/25/2022 ([release](#)). The guidance does not mention the EBITDA growth rate, but only growth in euros. However, we expect EBITDA to grow at a rate of slightly over 15% which would be in line with the financial objectives.

In addition to organic growth, the guidance includes the company's assessment of possible acquisitions during 2023, and most of overall growth is expected to come from acquisitions. Thus, there will be significant acquisitions also in 2023, and we include them in our estimates. Organic growth should also be supported by Talenom's average index increase of 9.4% in Finland from 3/1/2023, if the increase is largely successful. In Sweden, the company will grow the sales organization and organic growth should start. The weakening market situation may offer headwinds especially in volume-based net sales. We now expect net sales to grow by 23.6% of which

close on 60% will come from acquisitions (some have already been made).

## Profitability pressures increased further

Acquisitions will have a negative impact on relative profitability in the short term. According to Talenom, the profitability of an acquisition target will rise to the level of the company's core business in an estimated three years when the new systems have been fully implemented at the target. In Sweden, implementation of new software started in fall 2022 but only in 40% of Swedish offices, and "full" implementation will take time. According to Talenom, the Swedish software implementation will slow down the development of relative profitability in 2023, although in the longer term they are the key to improving productivity.

In its outlook Talenom said that its investments in automation, user interfaces and the small customer segment in recent years, as well as the internationally scalable software platform will increase the depreciation level relative to net sales, but operational profitability measured by EBITDA will improve. We believe this means that depreciation will

continue to grow faster than net sales (growth guidance 17.5-27.3%). In our own estimates that include acquisitions that have not yet been completed, depreciation will increase by about 25% in 2023 (exceeds our growth estimate).

In addition, the Spanish platform business will have a negative impact on profitability in 2023 and we expect interest expenses to rise significantly this year with interest rates, so there is pressure from many directions.

## Our 2023 estimates fell substantially

We have lowered our 2023 earnings estimates by some 10% and pressure increased for lower earnings lines. Talenom's income potential is currently growing very strongly with net sales. If you trust that the profitability of the international business will be even close to Finland in the future, the investments being made now will be highly profitable. However, in 2023, we do not expect EPS to grow but actually decrease a bit. If successful, investments can bring strong earnings growth from 2025 onwards, but visibility is very limited.

Estimate revisions	2022e	2022	Change	2023e	2023e	Change	2024e	2024e	Change
MEUR / EUR	Old	Toteutunut	%	Old	New	%	Old	New	%
Revenue	103	102	-1%	128	126	-2%	159	156	-2%
EBITDA	33.2	32.0	-4%	37.5	37.2	-1%	42.5	41.3	-3%
EBIT (exc. NRIs)	16.4	15.3	-7%	17.5	16.2	-8%	20.0	19.7	-1%
EBIT	16.4	15.3	-7%	17.5	16.2	-8%	20.0	19.7	-1%
PTP	15.7	14.6	-7%	16.2	14.2	-13%	17.5	17.2	-2%
EPS (excl. NRIs)	0.28	0.27	-4%	0.28	0.25	-12%	0.30	0.30	0%
DPS	0.18	0.18	0%	0.19	0.19	3%	0.20	0.20	2%

# The fruits of international growth are slowly ripening

## Earnings potential increases with the expansion

Although we estimate that Talenom's earnings will not grow in 2023, we believe that the earnings potential continues to grow with the expansion. At present, international growth strongly dilutes relative profitability and generates little results but if Talenom's strategy succeeds, the profitability potential of Sweden and other international activities should be in the same ballpark as in Finland. This naturally requires that the company's competitive advantage (business model, processes and technology) is equally strong outside Finland in the long term. Before this, a significantly bigger scale is naturally also required to highlight the benefits of automation.

Profit potential can be simply assessed by comparing profitability abroad with Finland's core business. Finland's EBIT margin has been around 20% in recent years, which we believe is a reasonable reflection of potential profitability. For example, the Swedish business has so far been loss-making at EBIT level on an annual basis but if the strategy succeeds, the profitability of existing Swedish business could reach 20% in 2027. During 2024, Talenom's own systems should be fully implemented in all existing offices in Sweden, and this would mark the beginning of a three-year profitability improvement. As a result, the current business of about EUR 20 million in net sales could generate around EUR 4 million EBIT in 2027, compared to a zero EBIT last year. This would increase the Group's EBIT by more than a quarter from the 2022 level. The scenario does not consider the growth in Sweden in the next few years, whose profitability potential would be realized at a later date. We also stress that the model has not been proven outside Finland and the strategy is still being shaped. This is an outline of the potential.

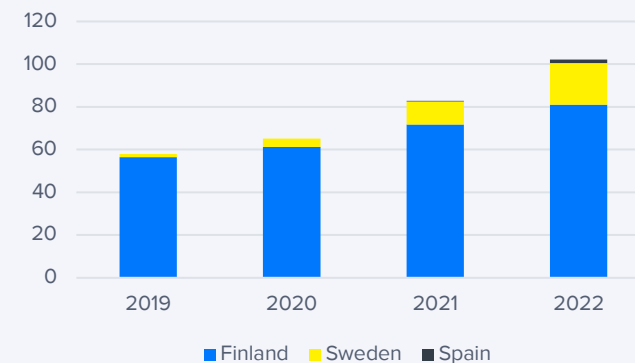
## Path to profitability improvements

Investors need to understand the mechanism with which Talenom seeks profitability improvements in acquisition targets (and thus abroad). In principle, Talenom does not "reorganize" the acquired companies, but improves their performance with its own systems and automated software. It takes time to implement these and learn new processes and thus the efficiency and profitability of acquisition targets usually decrease temporarily. In addition, fixed costs are boosted by various support measures especially abroad, which initially results in a profitability slump. Once the processes are in place, productivity starts to rise. Still actual profitability gains will only be visible when companies receive new customers and the net sales per accountant increases with the help of automation. The benefits always come gradually, because learning new ways of working takes time, and they only come through organic growth. We believe that it is realistic to expect an EBITDA margin of around 10% in Sweden this year, which would only lead to a profitability at the previous level (average) of acquisition targets. We can expect clear improvements in 2024.

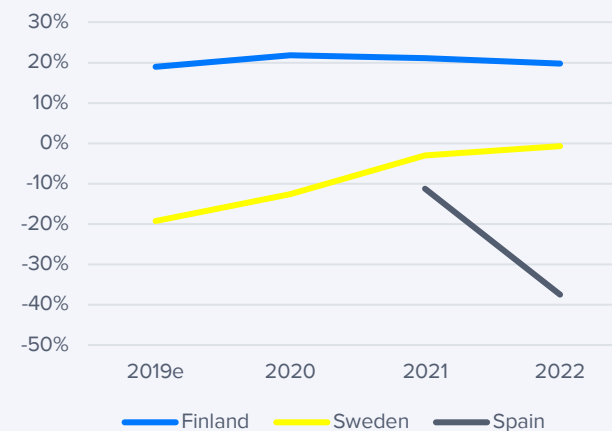
## Note regarding estimates

We have tried to model future unrealized acquisitions in our estimates. We have modeled them as investments, which depress the company's cash flow significantly in the next few years. At the same time, both goodwill (possibly about half) and intangible assets to be depreciated increase in the balance sheet. On the other side of the balance sheet, the amount of debt increases, which weakens balance sheet indicators. In reality, Talenom, will in our opinion try to use its own shares in acquisitions, so that substantially less cash is needed and the balance sheet remains stronger. This, however, dilutes the share capital.

Net sales development by country (MEUR)



EBIT margin by country (%)



# Valuation is a challenging equation

## International growth is a threat and an opportunity

We believe that Talenom's investment profile has changed with the company's strategy. The previously low risk defensive growth company is now increasingly moving to Europe's large markets, where the company does not have the same track record as in Finland. We believe that this raises both the long-term potential and risk profile of Talenom. In any case, sacrificing the earnings level of the next few years moves the aiming points further for the growth company, and Talenom demands considerable patience from investors. Even in the positive scenario, concrete proof of the strategy's success is not expected until 2025, when at least Sweden's profitability potential should become visible.

In the current market situation, investor patience is fickle, which may lead to clearly better buying opportunities into Talenom's growth story. We do, however, stress that we consider the latest strategic steps toward standardizing brand and product solutions sensible and believe in Talenom's possibilities in the international markets in a clear industry transformation. It is difficult to estimate how much one should pay for future potential at this point in time.

## Valuation multiples are high considering the earnings growth in the coming years

Due to the negative estimate changes, Talenom's valuation multiples for the next few years are still high. The share's 2023e P/E is 36x and EV/EBIT about 30x, and with next year's estimates the ratios fall to 30x and 25x. With earnings growth at zero this year, the high multiples make investors face a challenging equation. If earnings were on a 20% annual growth path the valuation would be well justified, but pricing earnings potential is much more challenging. We

believe a major performance improvement will wait until 2025-2026 and one must tolerate considerable uncertainty on the way. An investor that buys now must have very strong confidence that Talenom is at least reasonably successful in internationalization, and that the "built-in" substantial earnings growth of acquisitions is realized.

## Relative valuation is very tight

Talenom is expensive relative to its closest peers. The valuation level of Tilitoimisto Aallon Group is very moderate (P/E 2023e 12x) and the valuation of Administer also seems relatively low if we can rely on Reuters' consensus estimates. We see Talenom's competitive advantage and earnings growth outlook as clearly stronger than for the companies mentioned above, but the premium is significant. Admicom and the Swedish Fortnox are interesting but they are SaaS companies. As a result of the hiccup in Admicom's growth story, its valuation is already significantly cheaper than Talenom's (2023e P/E 21x). Fortnox's (2023e ~ 65x) multiples are much higher, but so are the earnings growth expectations.

## Among the most interesting equity stories in Finland

The equity story of Talenom has many attractive elements and opportunities that few listed companies in Helsinki have. Most of the business is recurring, defensive, profitability is partially scalable, and competitive advantages are strong. The company already has a strong position in the transforming accounting services industry, and we estimate Talenom to be one of the future winners, at least in Finland. Add the realistic opportunities of success on the European markets to this and you have a highly attractive equity story. The story requires years, however, and we believe that you can board it later with a better risk/return ratio.

Valuation	2023e	2024e	2025e
Share price	9.09	9.09	9.09
Number of shares, millions	45.3	45.8	46.3
Market cap	412	416	421
EV	483	502	514
P/E (adj.)	36.3	30.2	23.1
P/E	36.3	30.2	23.1
P/FCF	neg.	neg.	91.2
P/B	6.9	6.5	5.7
P/S	3.3	2.7	2.2
EV/Sales	3.8	3.2	2.7
EV/EBITDA	13.0	12.1	10.5
EV/EBIT (adj.)	29.9	25.4	19.2
Payout ratio (%)	76.0 %	66.4 %	53.3 %
Dividend yield-%	2.1 %	2.2 %	2.3 %

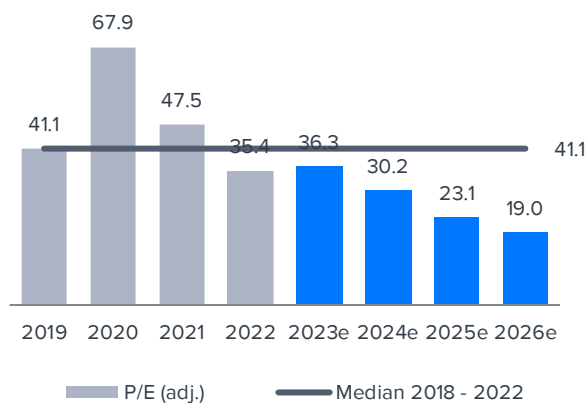
Source: Inderes

# Valuation table

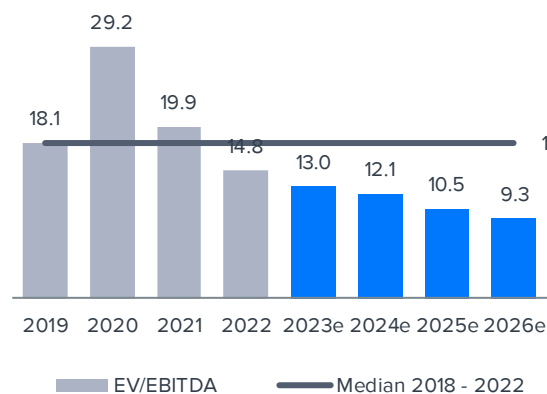
Valuation	2018	2019	2020	2021	2022	2023e	2024e	2025e	2026e
Share price	3.18	7.50	15.1	11.7	9.39	9.09	9.09	9.09	9.09
Number of shares, millions	41.2	41.7	43.2	43.8	44.5	45.3	45.8	46.3	46.3
Market cap	131	313	650	512	420	412	416	421	421
EV	149	342	679	552	475	483	502	514	508
P/E (adj.)	20.6	41.1	67.9	47.5	35.4	36.3	30.2	23.1	19.0
P/E	20.6	41.1	67.9	47.5	35.4	36.3	30.2	23.1	19.0
P/FCF	90.2	neg.	>100	neg.	neg.	neg.	neg.	91.2	22.6
P/B	7.0	13.3	20.2	11.5	7.5	6.9	6.5	5.7	4.9
P/S	2.7	5.4	10.0	6.2	4.1	3.3	2.7	2.2	1.9
EV/Sales	3.1	5.9	10.4	6.7	4.6	3.8	3.2	2.7	2.3
EV/EBITDA	10.9	18.1	29.2	19.9	14.8	13.0	12.1	10.5	9.3
EV/EBIT (adj.)	17.5	32.8	52.7	37.4	31.1	29.9	25.4	19.2	15.9
Payout ratio (%)	59.4 %	68.4 %	67.7 %	69.0 %	68.3 %	76.0 %	66.4 %	53.3 %	46.1 %
Dividend yield-%	2.9 %	1.7 %	1.0 %	1.5 %	1.9 %	2.1 %	2.2 %	2.3 %	2.4 %

Source: Inderes

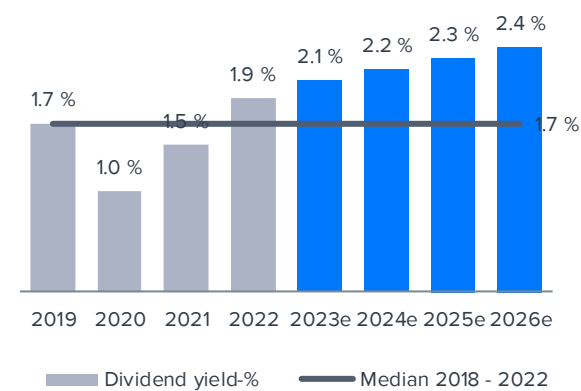
P/E (adj.)



EV/EBITDA



Dividend yield-%





# Peer group valuation

Peer group valuation	Market cap	EV	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%	
Company	MEUR	MEUR	2023e	2024e	2023e	2024e	2023e	2024e	2023e	2024e	2023e	2024e
Aallon Group	44	41	10.5	9.1	9.6	8.4	1.3	1.2	13.8	12.8	1.9	2.2
Fortnox	2836	2836	49.9	37.3	40.6	30.8	19.5	15.2	65.8	49.2	0.3	0.3
Admicom	216	210	17.0	15.1	16.8	15.0	6.3	5.8	21.2	19.6	2.8	3.0
ECIT	226	253	8.7	6.5	5.2	4.1	0.8	0.7	20.3	14.8	1.7	2.3
Administer	40	34	8.4	5.6	4.2	3.1	0.5	0.4	17.7	9.4	3.9	5.7
Xero	7601	7601	172	92	45	34	9.0	7.5	359	149		
Enento	528	671	14.2	12.8	10.8	9.9	3.9	3.7	17.7	15.5	5.1	5.4
Fondia	27	22	9.5	7.6	7.3	6.2	0.9	0.7	14.7	12.4	4.1	5.2
Vincit	73	59	7.0	5.5	6.4	5.1	0.6	0.5	10.7	8.8	5.4	5.8
Gofore	396	370	14.2	12.1	13.1	11.0	2.0	1.7	18.5	16.8	1.6	1.8
Etteplan	386	431	14.1	12.6	8.3	7.7	1.2	1.1	17.7	15.9	2.8	3.2
<b>Talenom (Inderes)</b>	<b>412</b>	<b>483</b>	<b>29.9</b>	<b>25.4</b>	<b>13.0</b>	<b>12.1</b>	<b>3.8</b>	<b>3.2</b>	<b>36.3</b>	<b>30.2</b>	<b>2.1</b>	<b>2.2</b>
<b>Average</b>			<b>29.6</b>	<b>19.7</b>	<b>15.2</b>	<b>12.2</b>	<b>4.2</b>	<b>3.5</b>	<b>52.5</b>	<b>29.5</b>	<b>2.9</b>	<b>3.5</b>
<b>Median</b>			<b>14.1</b>	<b>12.1</b>	<b>9.6</b>	<b>8.4</b>	<b>1.3</b>	<b>1.2</b>	<b>17.7</b>	<b>15.5</b>	<b>2.8</b>	<b>3.1</b>
<b>Diff-% to median</b>			<b>113%</b>	<b>111%</b>	<b>36%</b>	<b>45%</b>	<b>194%</b>	<b>170%</b>	<b>105%</b>	<b>95%</b>	<b>-25%</b>	<b>-28%</b>

Source: Refinitiv / Inderes. NB: The market cap Inderes uses does not consider own shares held by the company.

# Income statement

Income statement	2021	Q1'22	Q2'22	Q3'22	Q4'22	2022	Q1'23e	Q2'23e	Q3'23e	Q4'23e	2023e	2024e	2025e	2026e
Revenue	82.8	25.2	27.0	23.6	26.3	102	31.3	33.6	29.0	32.4	126	156	191	220
EBITDA	27.7	8.9	9.3	7.3	6.6	32.0	9.5	10.3	8.4	8.9	37.2	41.3	49.2	54.4
Depreciation	-12.9	-4.0	-4.2	-4.2	-4.4	-16.8	-5.2	-5.2	-5.3	-5.3	-21.0	-21.6	-22.4	-22.6
EBIT (excl. NRI)	14.8	4.9	5.1	3.1	2.2	15.3	4.3	5.1	3.1	3.6	16.2	19.7	26.8	31.9
EBIT	14.8	4.9	5.1	3.1	2.2	15.3	4.3	5.1	3.1	3.6	16.2	19.7	26.8	31.9
Net financial items	-0.8	-0.1	-0.1	-0.3	-0.2	-0.7	-0.4	-0.5	-0.5	-0.6	-2.0	-2.5	-3.7	-3.9
PTP	14.0	4.7	5.1	2.8	2.0	14.6	3.9	4.6	2.6	3.0	14.2	17.2	23.1	28.0
Taxes	-3.2	-1.0	-1.0	-0.6	-0.1	-2.8	-0.8	-0.9	-0.5	-0.6	-2.8	-3.4	-4.8	-5.9
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	10.8	3.7	4.1	2.2	1.8	11.8	3.2	3.7	2.1	2.4	11.3	13.8	18.2	22.1
EPS (adj.)	0.25	0.09	0.09	0.05	0.04	0.27	0.07	0.08	0.05	0.05	0.25	0.30	0.39	0.48
EPS (rep.)	0.25	0.09	0.09	0.05	0.04	0.27	0.07	0.08	0.05	0.05	0.25	0.30	0.39	0.48

Key figures	2021	Q1'22	Q2'22	Q3'22	Q4'22	2022	Q1'23e	Q2'23e	Q3'23e	Q4'23e	2023e	2024e	2025e	2026e
Revenue growth-%	27.1 %	24.1 %	26.2 %	21.7 %	21.1 %	23.3 %	24.0 %	24.5 %	23.0 %	23.0 %	23.6 %	23.6 %	22.5 %	15.0 %
Adjusted EBIT growth-%	14.6 %	10.2 %	24.0 %	-10.8 %	-20.5 %	3.4 %	-10.7 %	-1.3 %	1.7 %	64.8 %	5.8 %	22.2 %	35.9 %	18.8 %
EBITDA-%	33.4 %	35.2 %	34.4 %	30.8 %	25.0 %	31.4 %	30.5 %	30.6 %	29.1 %	27.5 %	29.4 %	26.5 %	25.7 %	24.8 %
Adjusted EBIT-%	17.8 %	19.3 %	19.0 %	13.0 %	8.3 %	15.0 %	13.9 %	15.1 %	10.8 %	11.2 %	12.8 %	12.6 %	14.0 %	14.5 %
Net earnings-%	13.0 %	14.9 %	15.0 %	9.2 %	7.0 %	11.6 %	10.1 %	10.9 %	7.2 %	7.5 %	9.0 %	8.8 %	9.5 %	10.1 %

Source: Inderes

# Balance sheet

Assets	2021	2022	2023e	2024e	2025e
<b>Non-current assets</b>	<b>94.3</b>	<b>124</b>	<b>148</b>	<b>172</b>	<b>191</b>
Goodwill	37.3	55.0	69.0	83.0	97.0
Intangible assets	44.7	55.9	65.4	74.6	79.9
Tangible assets	2.8	2.8	3.0	3.8	3.2
Associated companies	0.0	0.0	0.0	0.0	0.0
Other investments	0.9	0.3	0.3	0.3	0.3
Other non-current assets	8.6	9.9	10.1	10.3	10.5
Deferred tax assets	0.1	0.4	0.4	0.4	0.4
<b>Current assets</b>	<b>20.0</b>	<b>30.5</b>	<b>34.1</b>	<b>42.1</b>	<b>51.6</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	9.8	14.5	16.4	20.3	24.8
Cash and equivalents	10.1	16.0	17.7	21.8	26.8
<b>Balance sheet total</b>	<b>118</b>	<b>156</b>	<b>182</b>	<b>213</b>	<b>242</b>

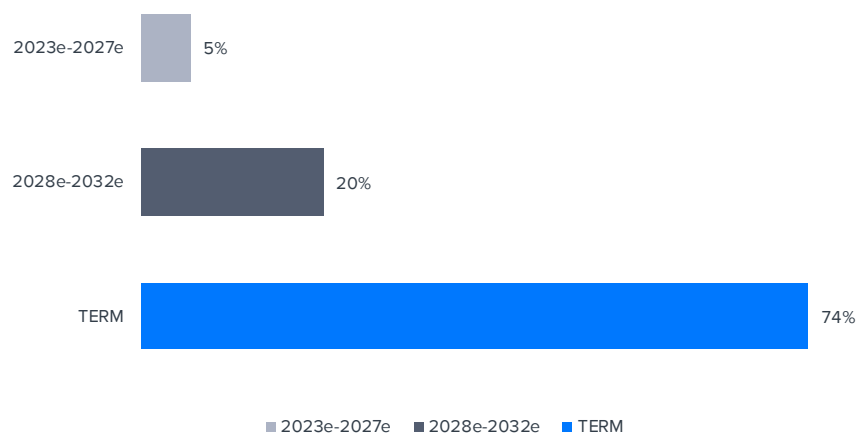
Source: Inderes

Liabilities & equity	2021	2022	2023e	2024e	2025e
<b>Equity</b>	<b>44.7</b>	<b>56.0</b>	<b>59.3</b>	<b>64.5</b>	<b>73.5</b>
Share capital	0.1	0.1	0.1	0.1	0.1
Retained earnings	23.1	29.1	32.3	37.5	46.6
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	0.0	0.0	0.0	0.0	0.0
Other equity	21.6	26.9	26.9	26.9	26.9
Minorities	0.0	0.0	0.0	0.0	0.0
<b>Non-current liabilities</b>	<b>50.4</b>	<b>62.3</b>	<b>83.6</b>	<b>94.6</b>	<b>109</b>
Deferred tax liabilities	2.0	3.0	3.0	3.0	3.0
Provisions	0.0	0.0	0.0	0.0	0.0
Long term debt	46.2	56.4	77.7	88.7	103
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	2.2	2.8	2.8	2.8	2.8
<b>Current liabilities</b>	<b>22.6</b>	<b>38.0</b>	<b>39.2</b>	<b>53.5</b>	<b>59.7</b>
Short term debt	3.2	13.7	11.4	19.2	17.7
Payables	16.6	24.3	27.8	34.3	42.0
Other current liabilities	2.9	0.0	0.0	0.0	0.0
<b>Balance sheet total</b>	<b>118</b>	<b>156</b>	<b>182</b>	<b>213</b>	<b>242</b>

# DCF calculation

DCF model	2022	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	TERM
Revenue growth-%	23.3 %	23.6 %	23.6 %	22.5 %	15.0 %	12.0 %	8.0 %	6.0 %	5.0 %	5.0 %	3.0 %	3.0 %
EBIT-%	15.0 %	12.8 %	12.6 %	14.0 %	14.5 %	15.0 %	16.0 %	16.0 %	16.0 %	16.0 %	16.0 %	16.0 %
<b>EBIT (operating profit)</b>	<b>15.3</b>	<b>16.2</b>	<b>19.7</b>	<b>26.8</b>	<b>31.9</b>	<b>36.9</b>	<b>42.5</b>	<b>45.1</b>	<b>47.3</b>	<b>49.7</b>	<b>51.2</b>	
+ Depreciation	16.8	21.0	21.6	22.4	22.6	25.6	24.4	24.3	24.0	25.0	25.5	
- Paid taxes	-2.1	-2.8	-3.4	-4.8	-5.9	-7.0	-8.3	-8.9	-9.4	-9.9	-10.2	
- Tax, financial expenses	-0.1	-0.4	-0.5	-0.8	-0.9	-0.8	-0.7	-0.7	-0.6	-0.6	-0.6	
+ Tax, financial income	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	
- Change in working capital	0.2	1.5	2.7	3.2	2.6	2.4	1.8	1.4	1.3	1.3	0.8	
<b>Operating cash flow</b>	<b>30.0</b>	<b>35.5</b>	<b>40.1</b>	<b>46.7</b>	<b>50.3</b>	<b>57.1</b>	<b>59.8</b>	<b>61.3</b>	<b>62.6</b>	<b>65.6</b>	<b>66.8</b>	
+ Change in other long-term liabilities	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-44.5	-43.1	-44.1	-42.1	-31.7	-26.7	-25.7	-20.9	-28.0	-26.1	-28.1	
<b>Free operating cash flow</b>	<b>-13.8</b>	<b>-7.6</b>	<b>-4.0</b>	<b>4.6</b>	<b>18.6</b>	<b>30.4</b>	<b>34.1</b>	<b>40.5</b>	<b>34.6</b>	<b>39.5</b>	<b>38.6</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	-13.8	-7.6	-4.0	4.6	18.6	30.4	34.1	40.5	34.6	39.5	38.6	802
<b>Discounted FCFF</b>		<b>-7.1</b>	<b>-3.5</b>	<b>3.7</b>	<b>13.8</b>	<b>20.9</b>	<b>21.7</b>	<b>23.8</b>	<b>18.9</b>	<b>20.0</b>	<b>18.1</b>	<b>375</b>
Sum of FCFF present value		506	513	516	513	499	478	456	432	414	394	375
<b>Enterprise value DCF</b>		<b>506</b>										
- Interesting bearing debt		-70.1										
+ Cash and cash equivalents		16.0										
-Minorities		0.0										
-Dividend/capital return		0.0										
<b>Equity value DCF</b>		<b>452</b>										
<b>Equity value DCF per share</b>		<b>10.0</b>										

Cash flow distribution



## Wacc

Tax-% (WACC)	20.0 %
Target debt ratio (D/(D+E))	15.0 %
Cost of debt	4.0 %
Equity Beta	1.20
Market risk premium	4.75%
Liquidity premium	0.60%
Risk free interest rate	2.5 %
<b>Cost of equity</b>	<b>8.8 %</b>
<b>Weighted average cost of capital (WACC)</b>	<b>8.0 %</b>

Source: Inderes

# Summary

Income statement	2020	2021	2022	2023e	2024e	Per share data	2020	2021	2022	2023e	2024e
Revenue	65.2	82.8	102.1	126.2	156.1	EPS (reported)	0.22	0.25	0.27	0.25	0.30
EBITDA	23.3	27.7	32.0	37.2	41.3	EPS (adj.)	0.22	0.25	0.27	0.25	0.30
EBIT	12.9	14.8	15.3	16.2	19.7	OCF / share	0.54	0.66	0.68	0.78	0.88
PTP	12.0	14.0	14.6	14.2	17.2	FCF / share	0.04	-0.26	-0.31	-0.17	-0.09
Net Income	9.6	10.8	11.8	11.3	13.8	Book value / share	0.74	1.02	1.26	1.31	1.41
Extraordinary items	0.0	0.0	0.0	0.0	0.0	Dividend / share	0.15	0.17	0.18	0.19	0.20
Balance sheet	2020	2021	2022	2023e	2024e	Growth and profitability	2020	2021	2022	2023e	2024e
Balance sheet total	84.9	117.7	156.3	182.0	212.6	Revenue growth-%	12%	27%	23%	24%	24%
Equity capital	32.2	44.7	56.0	59.3	64.5	EBITDA growth-%	23%	19%	16%	16%	11%
Goodwill	24.0	37.3	55.0	69.0	83.0	EBIT (adj.) growth-%	24%	15%	3%	6%	22%
Net debt	29.0	39.2	54.1	71.4	86.0	EPS (adj.) growth-%	21%	11%	8%	-6%	20%
Cash flow	2020	2021	2022	2023e	2024e	EBITDA-%	35.7 %	33.4 %	31.4 %	29.4 %	26.5 %
EBITDA	23.3	27.7	32.0	37.2	41.3	EBIT (adj.)-%	19.8 %	17.8 %	15.0 %	12.8 %	12.6 %
Change in working capital	2.4	3.3	0.2	1.5	2.7	EBIT-%	19.8 %	17.8 %	15.0 %	12.8 %	12.6 %
Operating cash flow	23.5	28.9	30.0	35.5	40.1	ROE-%	34.4 %	28.1 %	23.4 %	19.6 %	22.3 %
CAPEX	-22.2	-41.9	-44.5	-43.1	-44.1	ROI-%	19.8 %	18.0 %	13.9 %	11.9 %	12.4 %
Free cash flow	1.8	-11.3	-13.8	-7.6	-4.0	Equity ratio	38.1 %	38.2 %	35.9 %	32.6 %	30.4 %
						Gearing	90.3 %	87.7 %	96.6 %	120.4 %	133.4 %
Valuation multiples	2020	2021	2022	2023e	2024e						
EV/S	10.4	6.7	4.6	3.8	3.2						
EV/EBITDA (adj.)	29.2	19.9	14.8	13.0	12.1						
EV/EBIT (adj.)	52.7	37.4	31.1	29.9	25.4						
P/E (adj.)	67.9	47.5	35.4	36.3	30.2						
P/E	20.2	11.5	7.5	6.9	6.5						
Dividend-%	1.0 %	1.5 %	1.9 %	2.1 %	2.2 %						

Source: Inderes

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

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Based on a notification received on December 12, 2017 Inderes' analyst Juha Kinnunen has a holding of over EUR 50,000 in the target company Talenom Plc.

## Recommendation history (>12 mo)

Date	Recommendation	Target price	Share price
30-07-19	Accumulate	6.33 €	6.02 €
22-10-19	Accumulate	6.33 €	5.67 €
08-01-20	Reduce	7.33 €	7.42 €
04-02-20	Reduce	7.00 €	6.97 €
26-02-20	Accumulate	6.80 €	6.40 €
01-04-20	Reduce	6.00 €	5.88 €
28-04-20	Accumulate	7.50 €	7.14 €
15-06-20	Reduce	8.20 €	8.20 €
04-08-20	Reduce	9.00 €	9.32 €
27-10-20	Reduce	10.00 €	10.20 €
19-11-20	Reduce	12.00 €	12.20 €
09-02-21	Reduce	12.00 €	12.50 €
02-03-21	Accumulate	12.00 €	11.15 €
27-04-21	Reduce	14.00 €	14.12 €
03-08-21	Reduce	16.00 €	16.72 €
01-10-21	Accumulate	15.00 €	13.98 €
02-11-21	Accumulate	15.50 €	14.50 €
17-12-21	Accumulate	13.50 €	11.92 €
09-02-22	Buy	12.00 €	9.84 €
13-04-22	Buy	12.00 €	9.99 €
27-04-22	Buy	12.00 €	10.00 €
03-08-22	Reduce	12.50 €	12.30 €
26-10-22	Reduce	9.50 €	9.39 €
01-02-23	Reduce	9.00 €	9.09 €



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