Transforming to digital

Ekspress Grupp is the leading media house in the Baltics. Their transformation from print to digital is hard to detect, but it is happening. The share is priced for digital transformation failure which might be too pessimistic.

Transforming into a Digital Media company

The Media segment's digital sales have increased from 42% in 2012 to 66% in 2018. In Q3/19, it was 71%, and we forecast it to increase by 5-6 pct points annually to 81% by 2021 i.e. the digital transformation is ongoing.

Print service conceal digital transformation

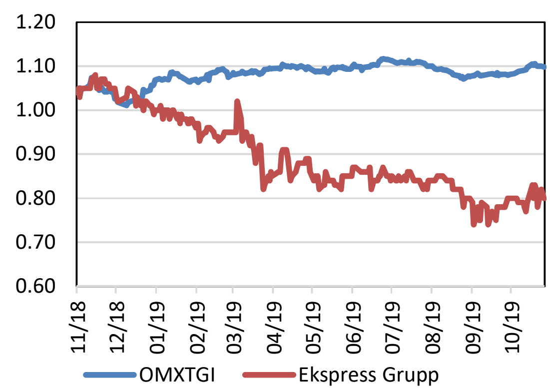
Between 2012 and 2018, Print service EBITDA has declined by EUR 3.6m, while Media EBITDA has increased by EUR 2.5m i.e. there is a EUR 1.1m shortfall (since 2012) as Media has not been able to fully compensate the drop in Print. This should reverse in 2021 when Media is forecast to fully compensate for the decline in Print.

Upside if digitalization is successful

A sum-of-the-parts valuation assuming no improvement in Print EBITDA and a successful digitalization of the Media segment indicates a share price of EUR 1.44 (Bull case). Assuming an unsuccessful digitalization of Media, the motivated share price is EUR 0.50 (Bear case). The mid Bull-Bear share price is EUR 0.94 which is our Base case (imply 50/50 probability of digital success/failure).

Fair value range	
Bull	1.44
Base	0.94
Bear	0.50

Key Data	
Price (EUR)	0.80
Ticker	EEG1T
Country	Estonia
Listed	Tallinn
Market Cap	23.84
Net debt	16.92
Shares (m)	30
Free float	42.00 %



Key figures (MEUR)

	2017	2018	2019E	2020E	2021E
Net sales	54.1	60.5	65.3	69.3	72.9
Net sales growth	1.4%	11.9%	8.0%	6.1%	5.2%
EBITDA	6.3	4.3	5.3	5.8	6.4
EBITDA margin	11.6%	7.1%	8.1%	8.3%	8.8%
EBIT	3.5	1.2	1.4	2.1	2.9
EBIT margin	6.4%	2.0%	2.1%	3.0%	3.9%
EV/Sales	1.0	0.7	0.6	0.6	0.6
EV/EBITDA	8.2	10.6	8.0	7.1	6.3
EV/EBIT	14.8	37.4	30.7	19.7	14.2
P/E	11.9	n.a.	100.7	18.3	11.5
P/BV	0.7	0.6	0.5	0.5	0.4
EPS	0.11	0.00	0.01	0.04	0.07
EPS growth	-28.71%	-99.81%	n.a.	450.83%	59.40%
Div. per share	0.07	0.00	0.00	0.02	0.02
Dividend yield	5.60%	0.00%	0.00%	2.50%	2.50%

Source: Company data, Enlight Research estimates

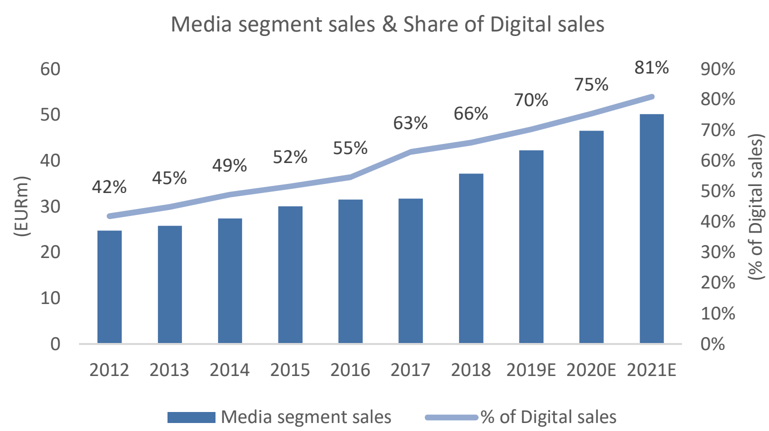
Price range	
52-week high	1.08
52-week low	0.74

Analyst
ResearchTeam@enlightresearch.net

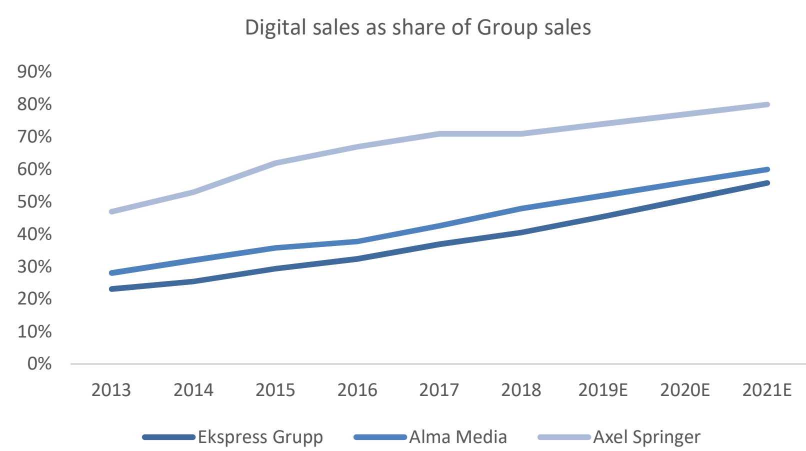
Key investment factors

Digitalisation rate

Between 2012 to 2018, Ekspress' share of digital/online sales for the Media segment has increased steadily from 42% to 66% (according to equity method), corresponding to an average 4-percentage point increase per year over the 6-year period. The transformation is not instant, but it is clearly happening. We forecast the positive digitalisation trend to continue with the Digital share of Media sales to reach 81% by 2021 (equity method). In terms of group sales, the share of digital revenues has increased from 23% to 41% (equity method) during the last 5 years corresponding to about 3 percentage points per annum (we estimate more than half of the revenues to be digital in 2021). Acquisitions is part of Ekspress Grupp's digitalization strategy. One recent example is the acquisition of the Latvian ticketing platform, SIA Bilesu Paradize, which added to digital sales (sales in 2018 was almost EUR 2m). Ekspress' digitalization rate is in line with other digital leaders in the industry. For example, the Finnish media company Alma Media has increased its share of digital sales from 28% to 48% in the last five years, corresponding to 4 percentage points per year. Based on the digital industry leaders, the digital transformation is ongoing at a pace of around 3-4% percentage points per year as share of group sales. The increased digitalisation should result in higher growth and margins which in turn would motivate higher valuation multiples.



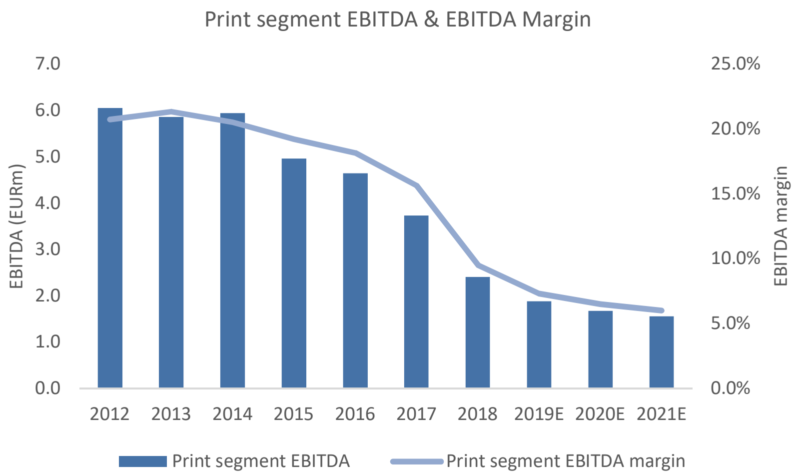
Source: Company reports, Enlight Research (forecast)



Source: Company reports, Enlight Research (forecast)

Stabilisation of Print segment

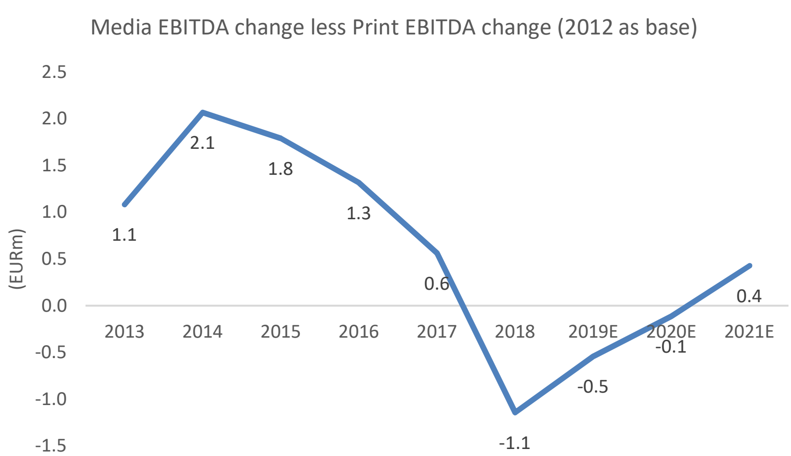
Between 2012 and 2018, the EBITDA for the Print segment has declined by EUR 3.6m from EUR 6.1m to EUR 2.4m, while the EBITDA margin has declined from 20.7% in 2012 to 9.5% in 2018. The main reason for the decline is the digitalisation of printed media. We forecast the EBITDA margin to stabilize around 6% in the forecast period but recognize there is uncertainty to when the print market will stabilize.



Source: Company reports, Enlight Research (forecast)

Media to fully compensate fall in Print

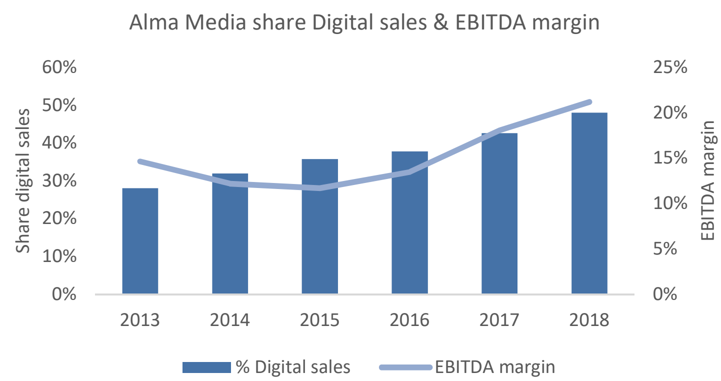
Compared to 2012, the difference between the decrease in Print service EBITDA and the increase in Media EBITDA has never been bigger than in 2018 i.e. Media has never been able to offset so small part of the Print service EBITDA decline as in 2018. In 2018, the Print service EBITDA was EUR 3.6m lower than in 2012, while Media EBITDA was EUR 2.5m higher than in 2012 i.e. the difference was negative EUR 1.1m. We believe 2018 to be the worst year in terms of Media being able to compensate for Print service. This year, we believe Media will be able to compensate for all but EUR 0.5m of the drop in Print service EBITDA (compared to 2012), and next year, the short fall is forecast at EUR 0.1m. In 2021, we forecast Media to more than offset the drop in Printing (after 3 years of failing to do so). The positive trend is expected to continue in-line with the Media segment's increasing digitalisation rate and stabilisation of the Print segment's EBITDA margin around 6%.



Source: Company reports, Enlight Research (forecast)

Digital transformation not priced in

Today, the market is not pricing Media shares according to a successful digitalization. Most likely because the digitalization rate is still not high enough (except for a few players), and the print service market is still in decline. We believe the market will re-price media assets once the digitalization rate cross 50% (expected to happen in 2021 for Ekspress Grupp) with a clear trend of continuation. The re-pricing should come in the form of multiple expansion e.g. we believe the EV/EBITDA multiple could expand from today's 5x to around 10x. One assumption for the multiple expansion is that the digitalization creates margin expansion. One example of such margin expansion is Alma Media whose EBITDA margin went from around 10% to 20% when digital sales increased from around 30% to 50% (see below chart). The margin expansion has yet to be seen in Ekspress Grupp, but we believe it could be visible in coming years (we forecast the EBITDA margin to improve from 7% in 2018 to 9% in 2021).



Source: Company reports, Enlight Research (forecast)

Sum-of-parts valuation (SOTP)

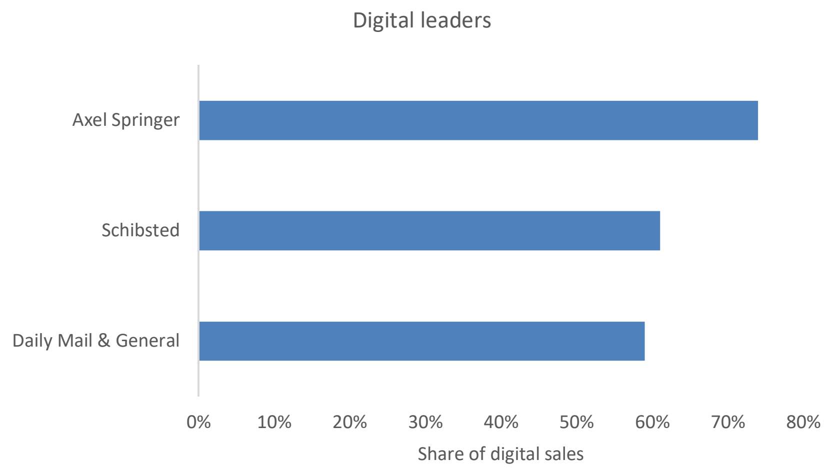
We believe a sum-of-the parts valuation is best suited for Ekspress Grupp. We expect 2021 to be the key year when measuring digital success (above 50% digital sales) or failure (below 50% digital sales). Therefore, we use estimated 2021 EBITDA in our SOTP valuation. For the Media segment, the digital success estimated EBITDA margin is 11.5% and the EV/EBITDA multiple is 9.0x (30% small cap discount to digital leaders), while the digital failure estimated EBITDA margin is 9.5%, and the EV/EBITDA multiple is 5x. The Print service estimated EBITDA margin of 6.0% and EV/EBITDA multiple of 5x is same for both the digital success and failure scenarios. The motivated SOTP equity value per share is EUR 1.44 assuming digital success, and EUR 0.50 assuming digital failure i.e. there is a significant upside in a successful digitalization and vice versa. The mid-value equity per share is EUR 0.94.

Sum-of-parts valuation	Bull case	Base case	Bear case
Media segment	Digital success	Mid-point	Digital failure
Media segment EBITDA (EURm)	5.8	5.3	4.8
Media segment EV/EBITDA multiple	9.0	7.0	5.0
EV Media segment (EURm)	**52**	**37**	**24**
Print service segment			
Print service segment EBITDA (EURm)	1.6	1.6	1.6
Print service segment EV/EBITDA multiple	5.0	5.0	5.0
EV Print service segment (EURm)	**8**	**8**	**8**
EV Ekspress Grupp	**60**	**45**	**32**
Less Net debt	17	17	17
Equity value	**43**	**28**	**15**
Equity value per share	**1.44**	**0.94**	**0.50**

Source: Enlight Research

Market overview

Based on 20-something European media companies reports, the trend is clear: the traditional print media market is declining by around 3-5% while the online/digital media market is growing by around 3-5%. This means traditional media companies need to migrate its print offer into a digital offer as quick as possible, while extending the life cycle of its traditional operations as much as possible. In 2019, roughly flat sales and profits is a common "outlook" among Nordic media companies, and it has to be considered a strong "outlook" given the low digitalization rate (digital sales share of group sales) in the industry. Although there are some digital leaders that has reached digitalization rates well above fifty percent (mostly large companies), most companies are still far below fifty percent, especially among smaller companies.



Source: Company reports

We foresee a consolidation in the media industry driven by the large difference between digital leaders and digital laggards in terms of operational performance and valuation. The fact that digital leaders are large companies with strong financial muscles while the digital laggards are often small companies with strained financials also adds to the consolidation theme. A small media company that is falling behind in the digital transformation (digital sales should be half or more of group sales) risks being bought out at a "cheap" multiple or go under. At the same time, a digital leader that is not valued accordingly becomes an attractive buy-out candidate as shown in KKR's bid for Axel Springer.

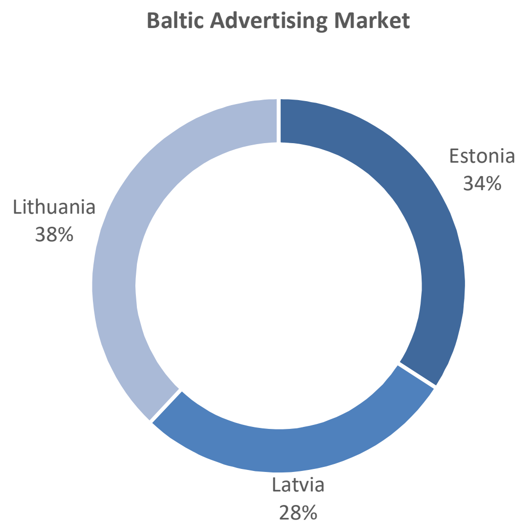
In Scandinavia, there are some financially strong listed players e.g. Alma Media and Schibsted that could be natural buyers of Baltic media assets with strong local titles/brands. In addition, there are unlisted players such as e.g. Swedish Bonnier who could consolidate the Baltic market (already own the leading business newspapers in Estonia and Lithuania).

Company	Listed	Net cash (EURm)	Net debt/ EBITDA
North Media A/S	Copenhagen	33	na
Ilkka Yhtyma Oyj	Helsinki	39	na
Alma Media Oyj	Helsinki	-57	0.7
Schibsted ASA	Oslo	75	0.2
Bonnier AB	Private	n.a.	n.a.

Source: Company reports

Baltic advertising market

Market size: According to research firm Kantar Emor (part of global corporation WPP), the Baltic advertising market grew by 4.3% in 2018 to EUR 306m. Lithuania is the biggest Baltic advertising market with spending of EUR 116m equal to a 38% share which is to be expected given that it is the biggest country in the Baltics in terms of population (Lithuanian population: 2.8m, Latvian population: 1.9m, Estonian population: 1.3m). Perhaps a bit surprising is that the smallest country, Estonia, is not far behind Lithuania with an advertising spending of EUR 104m equal to a 34% share of the Baltic market.



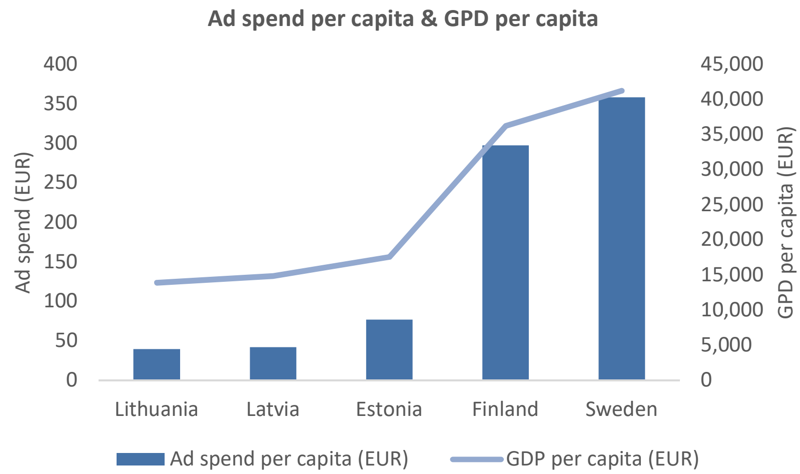
Source: Kantar Emor

Over time, the Advertising market seem to grow about one percentage point higher than the GDP growth, although in 2018, the Estonian ad spend grew less than the GDP (3.1% vs. 3.9%). This is probably more of an exception than a rule.

Baltic advertising market by country	2017	2018
Estonian advertising market (EURm)	101	104
Ad Market growth		3.1%
GDP growth	4.9%	3.9%
Latvian advertising market (EURm)	80	85
Ad Market growth		6.0%
GDP growth	4.6%	4.8%
Lithuanian advertising market (EURm)	111	116
Ad Market growth		4.3%
GDP growth	4.1%	3.5%
Baltics advertising market (EURm)	293	306
Ad Market growth		4.3%

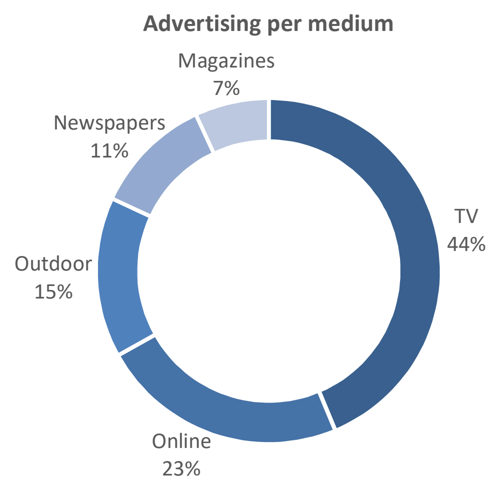
Source: Kantar Emor (2017-18)

Statistics indicate a relationship between advertising spending and GPD per capita. Estonia's advertising spending per capita of EUR 80 is almost double that of Latvia and Lithuania, and its GDP per capita is some 20% above that of Latvia and Lithuania. The Baltic states are far behind Finland and Sweden both with regards to advertising spending and GDP per capita. For example, Estonia's advertising spending per capita is only one third of Sweden's and its GDP per capita is about half of Sweden's.



Source: Kantar Emor (Ad spend), Country statistics bureau (population), World Bank (GDP per capita)

Television dominates the Baltic advertising market catching some 44% of Baltic advertising spending. Online (23%), and outdoor (15%) are the second and third biggest advertising channels. The traditional print segments, Newspapers and Magazines only make up about 18% of the Baltic advertising market with a declining trend as advertising goes digital.



Source: Kantor Emor

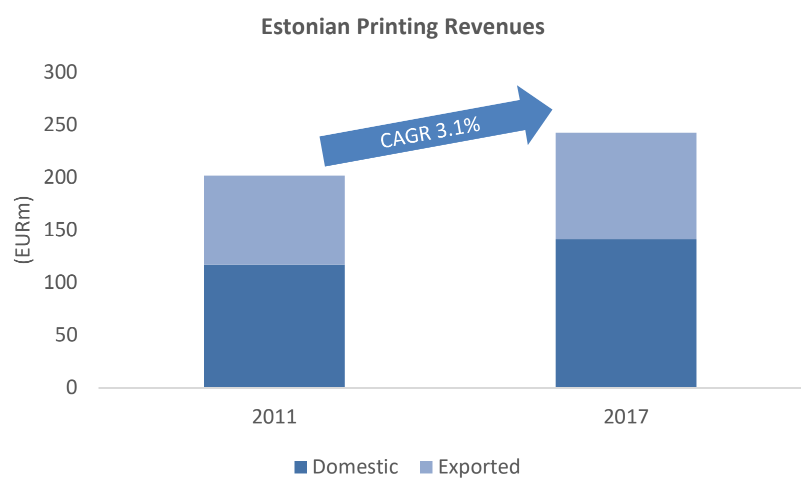
In terms of growth, Outdoor advertising is the fastest growing segment with a growth of 11.9% in 2018 which is even faster than the online growth of 4.2%. Newspaper advertising is not growing while Magazine advertising is declining (estimated 6.6% decline in 2018).

Baltic advertising market by media	2017	2018
Television	110	113
		3.0%
Online	58	60
		4.2%
Outdoor	35	39
		11.9%
Newspapers	29	29
		0.3%
Magazines	19	18
		-6.6%
Baltics	250	259
Growth		3.5%

Source: Kantar Emor (2017-18)

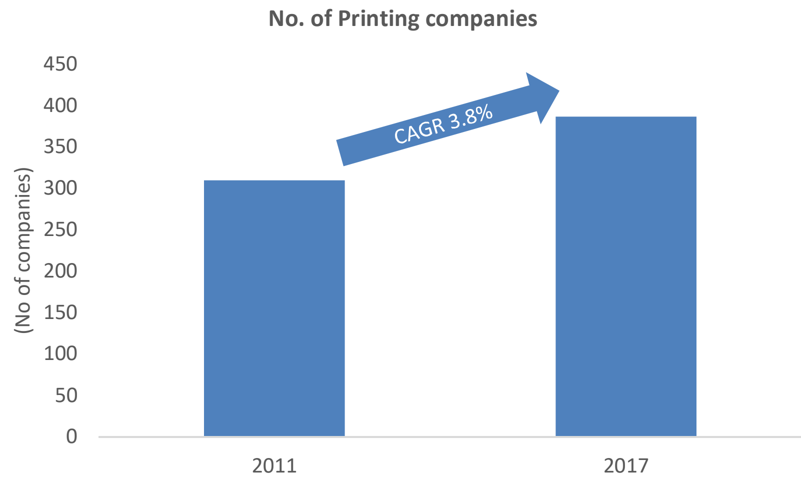
Print service market

According to the Estonian Statistics Bureau, the Estonian market for Printing and related services has increased from EUR 202m in 2011 to EUR 243m in 2017 corresponding to a compounded annual growth of 3.1%. Estonia is a net exporter of printing services with around 42% of sales being sold to non-residents (mainly Sweden and Finland) in 2017 which is the same level as in 2011.



Source: Estonian Statistics Bureau

The number of Printing and print related services enterprises in Estonian has increased by 25% from 310 in 2011 to 387 in 2017 which means the competition has increased substantially since 2011.

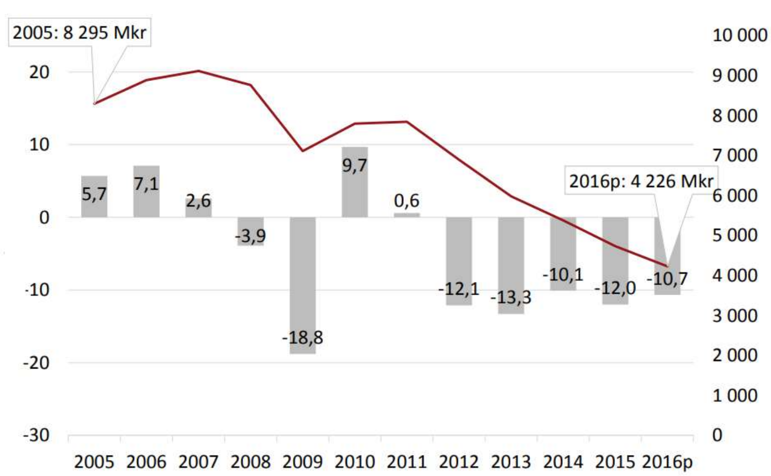


Source: Estonian Statistics Bureau

For printing segments related to Ekspress Grupp, the growth has been modest to slightly negative. For example, according to the Estonian Statistics Bureau, the annual copies of Periodicals in Estonian language has increased from 22.5m in 2011 to 22.7m in 2017 corresponding to a compounded annual growth of just 0.1% while the number of Books & Pamphlets has decreased from 3.8m in 2011 to 3.6m in 2017 corresponding to a compounded annual decline of 0.9%, and the decline continued in 2018 with a figure of 3.1m.

The soft market for traditional printing segments is not unique to Estonia, but rather a sign of a global trend from print to online. Looking at Sweden, the market for newspaper print services has declined from SEK 8.3bn in 2005 to SEK 4.2bn in 2016, corresponding to a compounded annual decline of 5.9%, according to Swedish industry print organization, Grafiska.

Swedish newspaper print service market (SEKm)

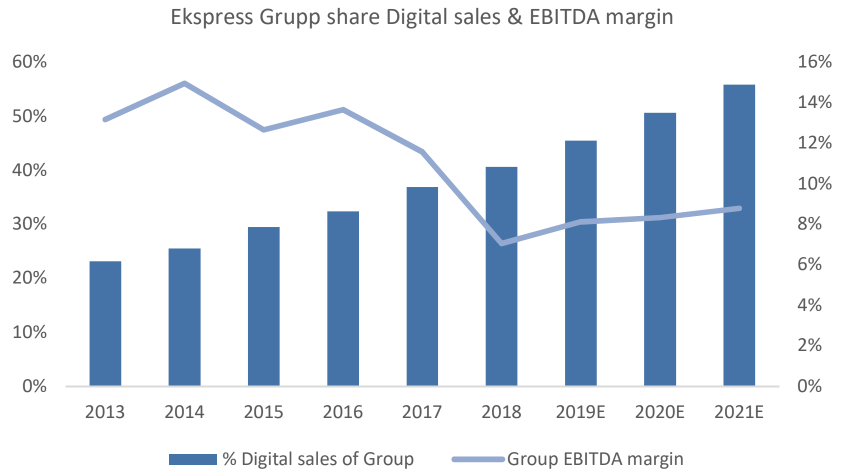


Source: Grafiska.se

Forecast

Digitalization rate and group EBITDA margin

According to our forecast, a successful digital transformation means 81% (66% in 2018) of the Media segment's sales will be digital and over 50% (41% in 2018) of group sales will be digital by the year 2021 (according to equity method). Furthermore, we forecast the increased share of digital sales will improve the Group EBITDA margin from 7.1% in 2018 to 8.8% in 2021.



Source: Company reports, Enlight Research (forecast)

Media segment

We forecast the Media segment to grow sales by 11.5% (H1/19 growth was 13.3%) this year driven by a strong digital growth of 19% (H1/19 growth was 16.1%). We believe the digital sales will continue to grow healthily at 16% in 2020 and 12% in 2021 leading to an overall growth for the Media segment of 8.0%, and 6.0%, respectively for 2020 and 2021. The increased digitalization rate will in our view, lead to an improved EBITDA margin and we forecast a 2019 EBITDA margin of 10.4% (H1/19 EBITDA margin was 6.9%). The Media segment EBITDA margin is forecast to gradually improve to 11.5% by 2021 (EBITDA for digital Media is not reported separately within the Media segment).

Media segment Sales and EBITDA margin

	2018	2019E	2020E	2021E
Sales Media	37	42	47	50
Sales growth, Media	17.3%	13.5%	10.0%	8.0%
whereof Digital	25	30	35	41
Sales growth, Digital	23.0%	21.0%	18.0%	16.0%
EBITDA, Media	3.4	4.5	5.1	5.8
EBITDA margin, Media	9.0%	10.6%	11.0%	11.5%

Source: Company reports, Enlight Research (forecast)

Print segment

We forecast the Print segment to grow sales by 4.4% (H1/19 growth was 4.8%) this year mainly driven by higher raw material costs i.e. it does not lead to a margin improvement. We forecast a continued sales increase in 2020 and 2021, also driven by higher raw material costs. We forecast the EBITDA margin for 2019 to be at 7.3% (H1/19 EBITDA margin was 8.4%), which down from 2018 when it was 9.5%. The EBITDA margin is expected to continue to decline slightly in 2020 and 2021 because of the digitalization trend and tough competition.

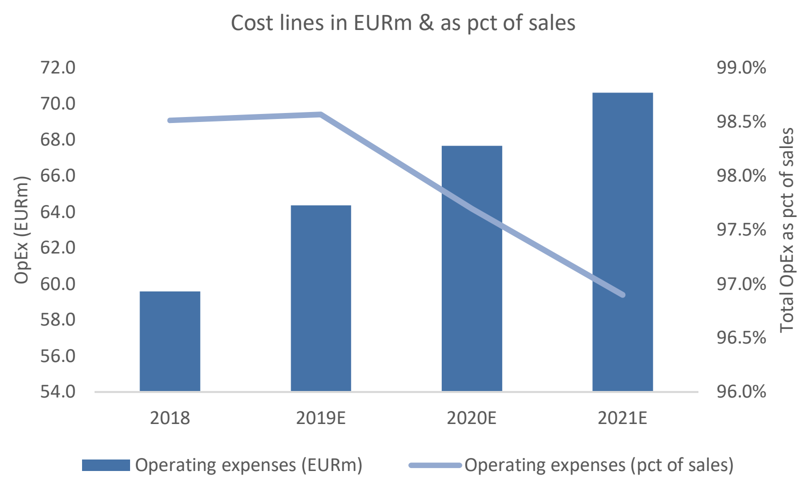
Print segment Sales and EBITDA margin

	2018	2019E	2020E	2021E
Sales Print service	25	26	26	26
Sales growth, Print service	5.7%	2.0%	0.0%	0.5%
EBITDA, Print service	2.4	1.9	1.7	1.6
EBITDA margin, Print service	9.5%	7.3%	6.5%	6.0%

Source: Company reports, Enlight Research (forecast)

Cost lines

For 2019, we forecast the operating expenses (including cost of goods sold) to increase both in absolute terms and as percentage of sales, while for 2020, and 2021, we forecast operating expenses to decline as a percentage of sales (mainly due to digitalization), although we estimate an increase in absolute euro terms.



Source: Company reports, Enlight Research (forecast)

Cost lines (EURm)

	2018	2019E	2020E	2021E
Costs of sales	48.9	53.4	56.1	58.6
Marketing expenses	3.1	3.1	3.3	3.4
Administrative expenses	7.6	7.8	8.3	8.7
Total	**59.6**	**64.4**	**67.7**	**70.6**

Cost lines (pct of sales)

	2018	2019E	2020E	2021E
Costs of sales	80.8%	81.8%	81.0%	80.4%
Marketing expenses	5.1%	4.8%	4.7%	4.6%
Administrative expenses	12.6%	12.0%	12.0%	11.9%
Total	**98.5%**	**98.6%**	**97.7%**	**96.9%**

Source: Company reports, Enlight Research (forecast)

Cash flow

This year, we forecast cash flow after investments to be negative EUR 3m, mainly due to purchase of subsidiaries/acquisitions (9M/19: EUR 4.9m had been invested into purchase/acquisitions). The shortfall will be financed by loans (increased by EUR 3.9m in 9M/19 resulting net increase of cash after financing of EUR 1.5m) and the recent EUR 5m loan note arrangement with local LHV Bank pension funds.

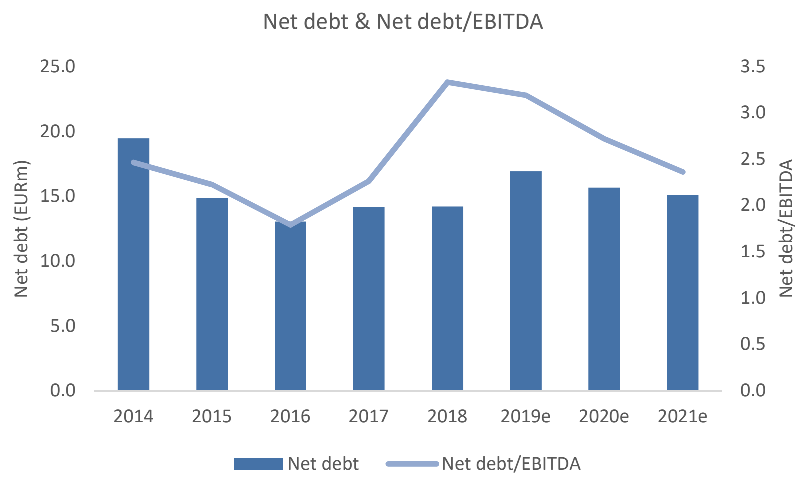
Cash flow (EURm)

	2016	2017	2018	2019e	2020e	2021e
Operating Cash flow	6.7	4.4	6.7	4.0	4.7	5.9
Investments (incl. acquisitions)	-1.9	-2.3	-2.8	-7.0	-2.9	-4.3
Cash flow after investments	**4.8**	**2.2**	**3.9**	**-3.0**	**1.8**	**1.6**

Source: Company reports, Enlight Research (forecast)

Net debt

Following the recent EUR 5m loan agreement with LHV Bank pension funds, we forecast the Net debt at the end of 2019 to be EUR 16.9m which is slightly higher than the 9M/19 figure of EUR 16.4m. The Net debt to EBITDA ratio is forecast at 3.2x at the end of 2019, and then go below 3x in coming two years. In our view, the long-term loan note from LHV Bank has lowered the liquidity risk in the company as it is a long-term loan (8 years) replacing a EUR 3.2m 12% loan with a 6% rate.



Source: Company reports, Enlight Research (forecast)

Interest expense

This year, we forecast the interest coverage ratio to end at 2.8x, which is not crisis level (roughly same as previous year), but it is significantly lower compared to 2 years ago. We expect the negative trend to reverse in 2020 when we forecast the Interest coverage ratio to increase to 5.9x. The improvement is a result of improved EBIT and lower financial expenses (the savings on replacing existing loan with the LHV pension fund loan note is estimated at EUR 0.2m per year).

Interest coverage ratio	**2016**	**2017**	**2018**	**2019e**	**2020e**	**2021e**
Interest coverage ratio	9.2	8.7	2.7	2.8	5.9	8.4
EBIT (EURm)	4.3	3.5	1.2	1.4	2.1	2.9
Interest expense (EURm)	0.471	0.400	0.443	0.500	0.354	0.338

Source: Company reports, Enlight Research (forecast)

Valuation

We observe the difference in valuation multiples between traditional media (printed media, print service) and digital media (online ads, online subscriptions) and hence believe the best approach to put a value on Ekspress Grupp is a sum-of-the-parts valuation applying different multiples to the traditional and the digital segments.

Peer valuation: digital leaders vs. laggards

There is a substantial valuation difference between digital leaders (+50-80% of sales digital) and digital laggards (less than 50% of sales is digital). The digital leaders trade at an 2019E EV/EBITDA multiple around 12-13x, while the digital laggards' multiple is much lower at around 4-5x. The valuation difference can also be attributed to the market cap size as all the digital leaders are large caps. However, large cap digital laggards e.g. Sanoma, and Tamedia also trade at substantially lower EV/EBITDA multiples (5-6x). Note that we have classified companies who do not report digital sales as digital laggards. To summarize, being recognized as a digital leader seems to result in a valuation multiple twice as high as a digital laggard. With a 2019E EV/EBITDA multiple of 4.8x, the Print service companies seem to be valued in-line with digital laggards (traditional media companies) which makes sense as it is exposed to print media.

Peer table: Digital leaders

Company	Ticker	Ccy	Price (last)	Shares (m)	Mcap (m) (last)	Net debt (m) (last)	EV (m) (last)	EV/Sales 2017	EV/Sales 2018	EV/Sales 2019E	EV/Sales 2020E	EV/EBITDA 2017	EV/EBITDA 2018	EV/EBITDA 2019E	EV/EBITDA 2020E
Axel Springer	SPR	EUR	63.30	108	6,830	1,643	8,473	2.4	2.7	2.7	2.6	13.1	11.5	11.8	11.6
Daily Mail & General	DMGT	GBP	8.40	357	3,002	-295	2,707	1.7	1.9	2.0	2.0	7.7	9.4	9.8	10.1
Schibsted	SCHA	NOK	270.80	239	64,637	747	65,384	3.9	3.6	3.4	3.2	25.1	20.0	16.5	13.7
Average								2.7	2.7	2.7	2.6	15.3	13.6	12.7	11.8
Ekspress Grupp	EEG1T	EUR	0.74	29.8	22	18.6	41	0.8	0.7	0.6	0.6	8.2	10.6	8.1	6.6

Peer table: Digital laggards

Company	Ticker	Ccy	Price (last)	Shares (m)	Mcap (m) (last)	Net debt (m) (last)	EV (m) (last)	EV/Sales 2017	EV/Sales 2018	EV/Sales 2019E	EV/Sales 2020E	EV/EBITDA 2017	EV/EBITDA 2018	EV/EBITDA 2019E	EV/EBITDA 2020E
Poligrafici Editoriale	POL	EUR	0.18	132	24	34	58	0.4	0.4	0.3	0.3	5.7	6.5	na	na
Agora	AGO	PLN	9.76	47	455	395	849	0.7	0.7	0.7	0.7	nm	9.6	7.6	5.9
Caltagirone Editore	CED	EUR	1.09	107	116	-90	26	0.4	0.2	0.2	0.2	na	nm	na	na
Cofina SGPS	CFN	EUR	0.50	103	51	35	86	0.9	1.0	0.9	0.9	6.3	5.8	5.2	5.0
North Media A/S	NORTH	DKK	38.90	20	780	-247	533	0.6	0.5	0.5	0.5	18.8	3.9	3.4	3.4
Reach PLC	TNI	GBP	0.92	309	283	6	289	0.5	0.4	0.4	0.4	2.0	1.7	1.7	1.8
Sanoma Oyj	SAA1V	EUR	10.14	163	1,653	578	2,231	1.7	1.7	1.7	1.6	6.4	6.8	6.3	5.6
Tamedia AG	TAMN	CHF	98.20	11	1,041	-198	843	0.9	0.8	0.8	0.8	3.4	4.1	5.5	6.1
Independent N&M PLC	INM	EUR	0.10	1387	144	-82	62	0.3	0.3	0.3	0.3	1.8	2.0	2.2	2.4
Roularta Media Group	ROU	EUR	12.85	13	169	-85	84	0.3	0.3	0.3	0.3	nm	13.2	4.2	4.4
Average								0.7	0.6	0.6	0.6	6.4	6.0	4.5	4.3

Peer table: Print service

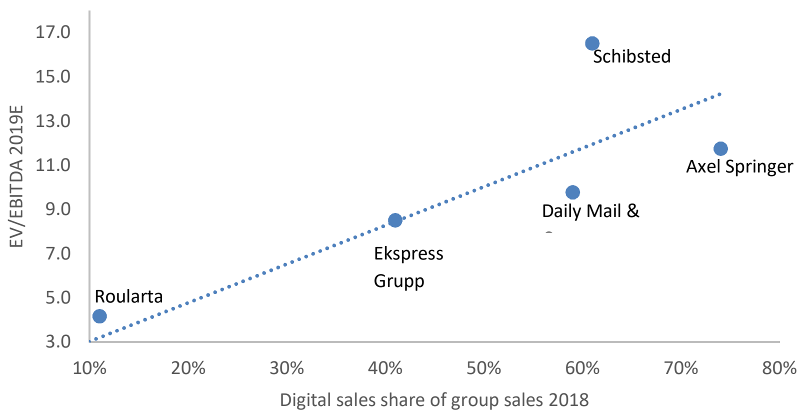
Company	Ticker	Ccy	Price (last)	Shares (m)	Mcap (m) (last)	Net debt (m) (last)	EV (m) (last)	EV/Sales 2017	EV/Sales 2018	EV/Sales 2019E	EV/Sales 2020E	EV/EBITDA 2017	EV/EBITDA 2018	EV/EBITDA 2019E	EV/EBITDA 2020E
Elanders	ELAN B	SEK	76.80	35	2,715	4,587	7,302	0.8	0.7	0.6	0.6	13.0	10.1	5.0	4.4
Lisgrafica Impressao	LIG	EUR	0.01	185	2	9	10	0.6	0.4	0.4	0.5	-5.2	1.4	4.0	5.2
ScandBook	SBOK	SEK	12.00	5	55	77	132	0.4	0.4	0.4	0.5	5.3	4.2	5.3	5.5
Average								0.6	0.5	0.5	0.5	4.4	5.2	4.8	5.0

Source: MarketScreener, Annual Reports, Enlight Research, Indroduce.se (Elanders)

Ekspress Grupp's 2019E EV/EBITDA multiple of 8x is in between the Digital leaders and the Digital laggards implying that the market views Ekspress Grupp as being on its way to transform into a digital media company, which makes sense given that its digital sales is around 47% (Q3/19) of group revenues i.e. better than the laggards but not as high as the leaders. Looking at below graph, there seems to be a clear positive relationship between the EV/EBITDA multiple and the share of digital sales.

However, based on below chart both Axel Springer and Daily Mail & General does not seem to be fully rewarded for their relatively high share of digital revenues. This could perhaps be a reason for KKR's bid on Axel Springer (40% bid premium).

EV/EBITDA vs. Share of digital sales



Source: MarketScreener, Annual Reports, Enlight Research

Sum-of-the-parts valuation (SOTP)

We believe a sum-of-the parts valuation is best suited for Ekspress Grupp. We expect 2021 to be the key year when measuring digital success (above 50% digital sales) or failure (below 50% digital sales). Therefore, we use estimated 2021 EBITDA in our SOTP valuation. For the Media segment, the digital success estimated EBITDA margin is 11.5% and the EV/EBITDA multiple is 9.0x (30% small cap discount to digital leaders), while the digital failure estimated EBITDA margin is 9.5%, and the EV/EBITDA multiple is 5x. The Print service estimated EBITDA margin of 6.0% and EV/EBITDA multiple of 5x is same for both the digital success and failure scenarios. The motivated SOTP equity value per share is EUR 1.44 assuming digital success, and EUR 0.50 assuming digital failure i.e. there is a significant upside in a successful digitalization and vice versa. Our Base case is the mid-point between success (Bull) and failure (Bear) equal to EUR 0.94 per share. One could regard this as the indicated fair value per share applying 50% probability of success (and failure).

Sum-of-parts valuation Media segment	Bull case Digital success	Base case Mid-point	Bear case Digital failure
Media segment EBITDA (EURm)	5.8	5.3	4.8
Media segment EV/EBITDA multiple	9.0	7.0	5.0
EV Media segment (EURm)	**52**	**37**	**24**
Print service segment			
Print service segment EBITDA (EURm)	1.6	1.6	1.6
Print service segment EV/EBITDA multiple	5.0	5.0	5.0
EV Print service segment (EURm)	**8**	**8**	**8**
EV Ekspress Grupp	**60**	**45**	**32**
Less Net debt	17	17	17
Equity value	**43**	**28**	**15**
Equity value per share	**1.44**	**0.94**	**0.50**

Source: Enlight Research

DCF valuation

Our DCF valuation indicate Fair Value per share of EUR 0.93, which is close to our Base case Fair value. The most important assumptions are:

(1) Margin expansion (EBIT margin improve from 2% in 2018 to a long-term terminal margin of 5.5%)
(2) WACC of 9.2% including 20% debt ratio, and 3.5% cots of debt

DCF sensitivity table	Current	Step	Test values & Fair value per share										
Equity beta	1.20	0.05	0.95	1.00	1.05	1.10	1.15	**1.2**	1.25	1.30	1.35	1.40	1.45
Fair value (DCF)	*0.93*		*1.23*	*1.16*	*1.10*	*1.04*	*0.98*	***0.93***	*0.88*	*0.83*	*0.79*	*0.75*	*0.71*
Target debt ratio (D/D+E)	20.0 %	5.0 %	-5%	0%	5%	10%	15%	**20%**	25%	30%	35%	40%	45%
Fair value (DCF)	*0.93*		*0.51*	*0.58*	*0.65*	*0.73*	*0.82*	***0.93***	*1.05*	*1.19*	*1.35*	*1.55*	*1.79*
Riskfree interest rate	2.5 %	0.5 %	0.0 %	0.5 %	1.0 %	1.5 %	2.0 %	**2.5 %**	3.0 %	3.5 %	4.0 %	4.5 %	5.0 %
Fair value (DCF)	*0.93*		*1.73*	*1.51*	*1.33*	*1.17*	*1.04*	***0.93***	*0.83*	*0.74*	*0.66*	*0.59*	*0.53*
EBIT 2019	1.4	0.1	0.69	0.83	0.97	1.10	1.24	**1.4**	1.52	1.66	1.80	1.93	2.07
Fair value (DCF)	*0.93*		*0.91*	*0.91*	*0.92*	*0.92*	*0.92*	***0.93***	*0.93*	*0.94*	*0.94*	*0.95*	*0.95*

Company description

History

Ekspress Grupp published its first edition of its weekly newspaper, Eesti Ekspress, in 1989, some two years before Estonia declared independence from the Soviet Union. Eesti Ekspress was the first politically independent newspaper in Estonia during the independence transition period. The paper's editor-in-chief was Mr. Hans. H. Luik who still today is the largest owner of Ekspress Grupp. In 1995, the publishing and printing operations were organized under one holding company (AS Avolemb) that in 1998 was renamed Ekspress Grupp. In 2004, the Lithuanian market was entered through the acquisition of the magazine publisher, UAB Moteris (today UAB Ekspress Leidyba). In 2007, Ekspress Grupp was listed on the Nasdaq Tallinn Stock Exchange, and in the same year, the company bought one of the leading online news portals in the Baltics, Delfi. Since the foundation some 30 years ago, Ekspress Grupp has through organic growth and acquisitions become the leading media group in the Baltics with five media companies in Estonia, Latvia, and Lithuania plus one of the largest printing houses in the region.

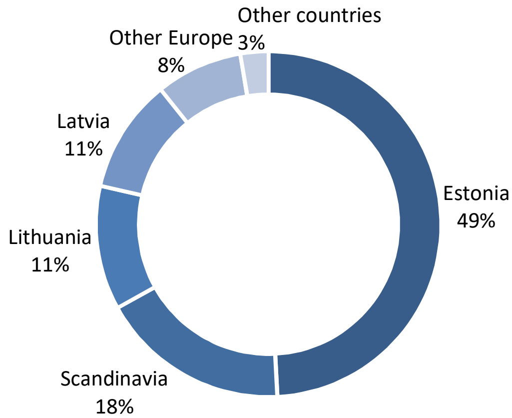
Ekspress Grupp at a glance

Source: Ekspress Grupp 2018 figures

Revenue distribution

Estonia is the largest region with almost half of the group's revenues. The company is the market leader in most of its business lines (portals, magazines, newspapers, classifieds etc.). Scandinavia is the second largest sales region (18%) which is due to printing service clients. Lithuania and Latvia follow in terms of regional sales with around 11% of group sales each which means the Baltics make up some 70% of revenues.

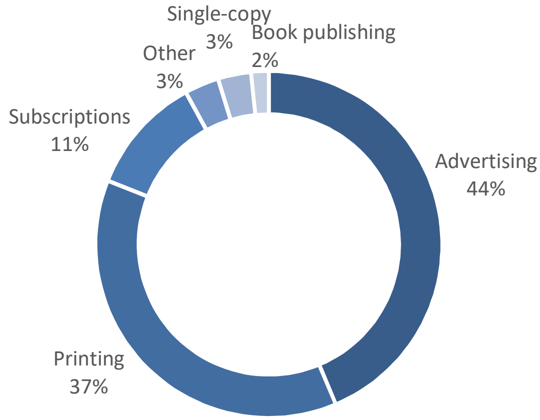
Revenues by region 2018



Source: Ekspress Grupp 2018 annual report

In terms of revenue streams, advertising is the largest with 44% of group revenue (this includes both digital and printed ads), followed by print services (37%). Subscriptions of magazines and newspapers is the third largest revenue stream with 11% of group revenues. One new fast growing source of revenues is sales of single-articles online, which can be bought easily via a digital payment solution.

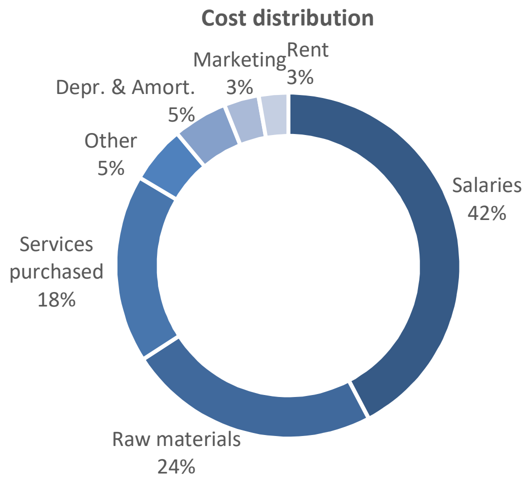
Revenue stream distribution 2018



Source: Ekspress Grupp 2018 annual report

Cost distribution

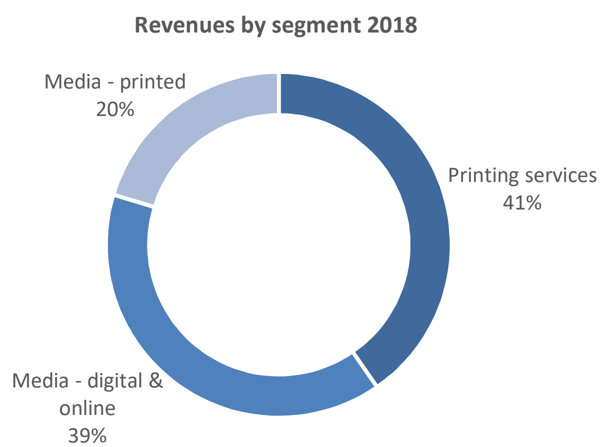
Salaries is the biggest expense line making up 42% of group costs in 2018. The main part of the salary expenses is related to redactorial staff i.e. the creation of unique content. The second largest cost line is raw materials (24%) which is mainly cost of paper related to printing. The third largest cost line is services purchased (18%) which consist of delivery, and printing services etc.



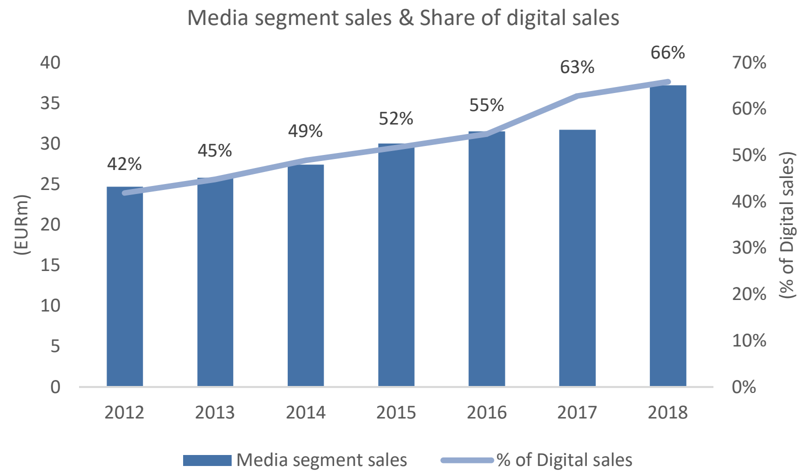
Source: Ekspress Grupp 2018 annual report

Reporting segments

The company reports sales and EBTIDA on a quarterly basis for the following segments: (1) Media – news & classified portals, advertising sales (including outdoor digital boards), publishing of newspapers, magazines, and books. (2) Printing – printing services and related sales of paper. Although not a business segment, Corporate functions' sales and EBITDA is reported separately. It consists of the parent company, AS Ekspress Grupp, that provides management, legal, accounting, and IT services to the subsidiaries. For the Media segment, the digital & online share of the segment's sales is also reported. In 2018, 66% of the Media segment's revenues came from digital & online services. The share of digital & online revenues has increased steadily e.g. five years ago in 2014 it was 49%.

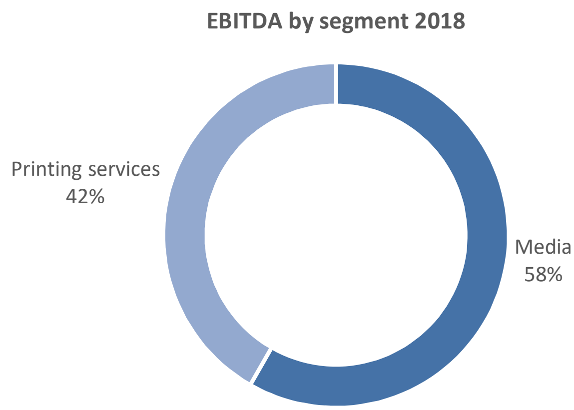


Source: Ekspress Grupp 2018 annual report



Source: Ekspress Grupp 2018 annual report

In terms of EBITDA, 58% comes from the Media segment, with the remainder coming from Printing services. In the last five years, the Media segment's share of EBITDA has increased steadily e.g. in 2014, the Media segment made up just one third of the EBITDA. This confirms the underlying industry trend of digital & online media overtaking printed media.



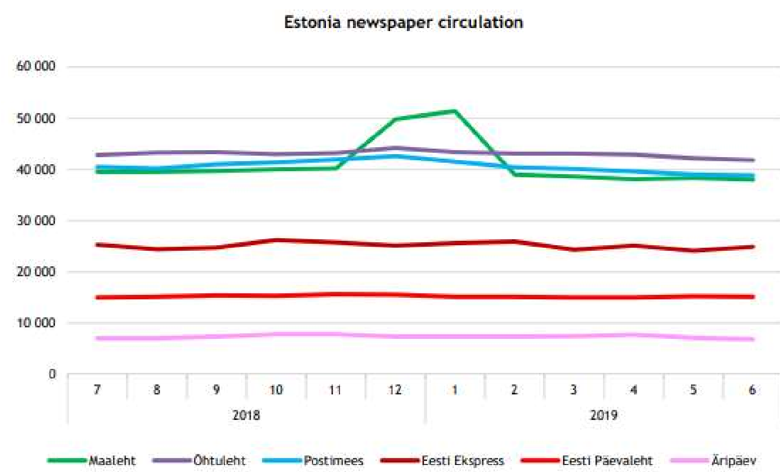
Source: Ekspress Grupp 2018 annual report

Key Business lines and Brands

Web portals: Delfi is one of the leading media portal brands in all three Baltic countries with 2.7m monthly users. Delfi benefits from own created content from the whole group. In 2017, Delfi was recognized as the most trustworthy news channel in Latvia. In Lithuania, Delfi is the premier partner for high-profile business and sports events. Delfi manage the web sites for several of the group's well-known newspapers (Eesti Ekspress, Maaleht, and Eesti Päevaleht). In Estonia Delfi manage all verticals for all newspapers. The group also own the second largest real estate portal in Estonia, Kinnisvara24.ee, with over 100K unique browsers per week.

Advertising network: Adnet Media is the largest online advertising network in the Baltics offering advertising on leading sites, viewer optimisation, and campaign optimisation. In Lithuania, the Adnet media network reach about 90% of real internet users, and in Latvia and Estonia, the reach is 85% and 65%, respectively.

Newspapers and related portals: The company own the largest daily newspaper in Estonia (Õhtuleht), as well as the largest weekly newspaper in Estonia (Maaleht). The group also owns the second largest weekly (Eesti Ekspress), and the third largest daily (Eesti Päevaleht) in Estonia. All in all, the company owns four out of the six largest newspaper brands in Estonia in terms of circulation.



Estonian Newspaper Association data

Magazines and related portals: The company own some of the most popular Estonian language lifestyle and hobby magazines. Some examples are Kroonika (gossip), Naisteleht (women), Tervis (health), Kodukiri (home & garden), and Oma Maitse (food).

Printing: Printall is one of the largest most well-known printing companies in Estonia, printing its own and external magazines, newspapers, and books. About 60% of Printall's sales goes to exports (mainly to Sweden and Finland).

printall

Outdoor digital advertising: Linna Ekraanid in Estonia and ACM in Latvia are two of the fastest growing digital outdoor advertising companies in the Baltics.

LINNA EKRAANID ACM.LV

Delivery service: Ekspress Post is an early morning newspaper delivery company in Estonia. It also delivers direct mail and letters. It is the only delivery company in Estonia that delivers both early morning newspapers and direct mail/letters to homes.

express post

Book publishing: Hea Lugu is one of the leading book publishing companies in Estonia, publishing fiction, history, and children books. Hea Lugu also operates several well-known Estonian book trademarks.

HEA LUGU

Ekspress Grupp Business line & Brand overview

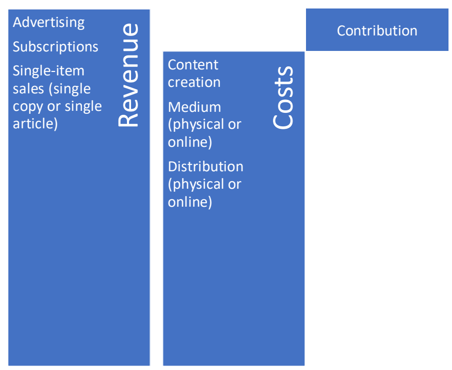
Business line	Brands	Country	Revenue Streams	Digital Offer	Market Position*
Web Portals	DELFI, KINNISVARA	Estonia, Latvia, Lithuania	Advertising	✔	No. 1 Baltics
Newspapers & portals	Õhtuleht, Maaleht, Eesti Ekspress, LP, Linnaleht, Eesti Päevaleht	Estonia	Advertising, Subscriptions, Single-copy	✔	No. 1 Estonia
Magazines & portals	Pere&Kodu, Kalale!, Kodukiri, anne&stiil, Tervis, Naisteleht, Kroonika, Nipiraamat, Naine, Käsitöö, Jana, Oma Maitse	Estonia	Advertising, Subscriptions, Single-copy	✔	No. 1 Estonia
Advertising network	adnet	Estonia, Latvia, Lithuania	Commission	✔	No. 1 Baltics
Outdoor digital advertising	Linna Ekraanid, ACM.LV	Estonia, Latvia	Advertising	✔	n.a.
Printing	printall	Estonia & exports	Project fee		Top 5 Estonia
Book publishing	HEA LUGU	Estonia	Commission		n.a.

Source: Company, Enlight Research *Excluding global sites, Facebook, YouTube etc.

Business model

The core of the **Media segment's** business model is content. The ability to constantly create, package, and distribute content that attracts viewers is the key for advertising, subscription, and single-item (one copy or one article) sales. The group has one of the largest redactorial departments in the Baltics that create unique content daily. The content is distributed via its own channels either digitally (web portals, websites for its newspapers, magazines, classifieds), or as printed material (newspapers, magazines, books). The group has its own support functions e.g. web development, video production, and printing. Digitalisation is the best enabler for efficient content distribution. Add-on acquisitions within the digital field is part of the digitalization strategy.

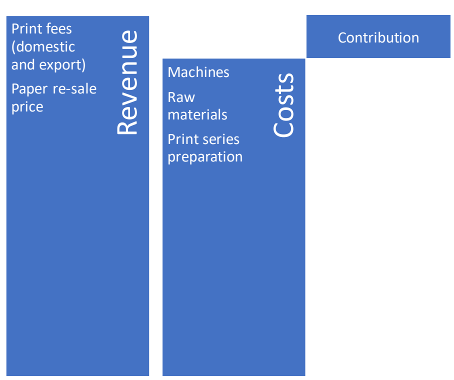
Media segment Business Model



Source: Enlight Research

The focus of the **Printing segment's** business model is costs as revenues is on a "price- taker" basis due to a highly competitive market. Given that some 60% of the Printing segments sales goes to export to mainly Sweden and Finland, the market price for printing services in these markets is of special importance. The cost efficiency is very much dependent on the size of the series i.e. a large volume series results in higher profitability as the costs of re-setting to different print jobs decrease. The market paper price can also affect revenues as it will affect the cost of raw materials, however, the company does not speculate by holding large or small inventory, but price risk exists for the inventory held as hedging is not used.

Printing segment Business Model



Source: Enlight Research

Management & Supervisory Board

The Management Board consist of three members who are appointed for a period of up to three years. The Chairman of the Management Board and CEO Mrs. Mari-Liis Rüütsalu has extensive experience as Managing Director for Ekspress Grupp's subsidiaries Delfi, and Ekspress Media. The CFO, Mrs. Signe Kukin, has solid experience as a CFO for the largest construction company in the Baltics, Merko Ehitus (listed on Nasdaq Tallinn). Prior to that, Mrs. Kukin was with the UK Utility company, United Utilities, who is a main owner of Tallinn Water (listed on Nasdaq Tallinn). The third member, Mr. Kaspar Hanni, has extensive experience from Microsoft Baltics and contributes as a Business Development Director to the group. Overall, the Management Board has relevant experience from the media industry, financial, and digital fields.

Mari-Liis Rüütsalu

- Chairman of the Management Board and Chief Executive Officer of the Group since 01.01.2017
- Managing director of AS Ekspress Meedia 2015–2016
- Managing director of AS Delfi 2012–2015
- Marketing and development director of AS Estravel 1998–2012
- Graduated from Eesti Majandusjuhtide Instituut in 1998 specializing in business administration and University of Tartu Pärnu College in 1995 specializing in entrepreneurship and business management

Kaspar Hanni

- Member of the Management Board since 18.12.2017, Development Director of the Group
- Member of the board of the Estonian Business Angles Association since 2017
- Software Asset Management and Compliance Lead of Microsoft in Baltics 2015–2016
- Enterprise and Partner Group Lead of Microsoft in Baltics 2011–2015
- Graduated from Estonian Business School in 2002 with a degree in Business Administration and studied Information Technology at Tallinn University of Technology

Signe Kukin

- Member of the Management Board since 01.08.2018, Chief Financial Officer of the Group
- Chief Financial Officer of AS Merko Ehitus 2012–2017
- In various positions of United Utilities International Ltd in Estonia, Great Britain and the Arab United Emirates 2001–2011
- Auditor at Deloitte 1997–2001
- Graduated from Tallinn University of Technology 1999 (diploma studies)
- Association of Chartered Certified Accountants – ACCA, Fellow Member – FCCA 2004

The Supervisory Board (same as Board in most Western countries) consist of five members who are appointed for a period of five years. The founder and the largest owner Mr. Hans H. Luik is a member of the Supervisory Board. Four out of the five members are independent. The Supervisory Board has extensive experience from both the media and the financial industry.

Hans H. Luik

- Member of the Supervisory Board since 1.06.2004
- Member of the Management Board of OÜ HHL Rühm
- Member of the Management Board of OÜ Minigert

- Graduated from University of Tartu in 1984 with a degree in journalism
- Number of shares of AS Ekspress Grupp: 16 233 496 (54.48%)

Ahto Pärl
- Chairman of the Supervisory Board and member of the Audit Committee, in the Supervisory Board since 22.11.2018
- AS Nordic Aviation Group, CFO in 2015–2018
- Supervisory Board member of AS Baltic Workboats
- Management Board member of OÜ NA Advisory and OÜ OREA
- Graduated from University of Tartu in 2003, Faculty of Economics, bachelor's degree, and from New York
- University in 2007, Master of Business Administration
- Number of shares of AS Ekspress Grupp: 0

Indrek Kasela
- Member of the Supervisory Board since 20.06.2014
- Partner of the private equity fund Amber Trust
- Chairman of the Management Board of AS PRFoods
- Member of the Supervisory Board of AS Toode, ELKE Grupi AS, EPhaG AS and Salva Kindlustuse AS
- Graduated from New York University in 1996 with a master's degree in law. Bachelor's degree from Tartu
- University in 1994, has a certificate in EU law from Uppsala University.
- Number of shares of AS Ekspress Grupp: 0

Peeter Saks
- Member of the Supervisory Board since 26.10.2016
- Managing partner of Baltics private equity and venture capital company AS BaltCap
- Member of the Management Board of BC EKT HoldCo OÜ and Surroundings OÜ
- Member of the Supervisory Board of AS Epler & Lorez, AS Adam Bd, Intrac Eesti AS, BPT Real Estate AS,
- Fitek AS, Eesti Keskkonnateenused AS, Radix Hoolduse OÜ, OÜ Kudjape Ümberlaadimisjaam and Radix
- Rent OÜ
- Graduated from Tallinn University of Technology in 1993, specialising in economics
- Number of shares of AS Ekspress Grupp: 0

Aleksandras Česnavičius
- Member of the Supervisory Board since 26.10.2016
- General Manager of Central European Media Enterprises Ltd. Romanian region
- Managing Director of Delfi Lithuania between 2011-2013
- Graduated from Vilniaus Universitetas in Lithuania with a PhD in Media in 2010
- Number of shares of AS Ekspress Grupp: 0

Share and Shareholders

There is only one share class i.e. all shares have equal dividend and voting right. The founder and Supervisory Board member, Mr. Hans H. Luik, is the largest owner with 58.3% of shares. Finnish fund management house, KJK, is the second largest owner (13.4%) through the ING Luxembourg S.A. account. Mutual and pension funds of the Estonian bank, LHV, own 8.6% of the shares making them the third largest owner. Swedish fund management housed, East Capital, is the fourth largest owner (4.3%) through the SEB S.A. client account.

Owners as of 31.03.2019	Number of shares (m)	Percent of shares
Hans H. Luik	17.4	58.3%
ING Luxembourg S.A.	4.0	13.4%
LHV Bank funds	2.6	8.6%
SEB S.A. Client Assets UCITS	1.3	4.3%
Other	4.6	15.4%
Total	29.8	100.0%

Source: Estonian Central Depository

Risk factors

Digitalization

The media sector is undergoing a clear trend away from print media (paper) to digital media (online). Our forecast assume that the company will be able increase its share of digital sales to above 50% by 2021. Failure to do so could result in lower than forecast profits.

Print service

Print service has also suffered from the digitalization as printed media is declining. We forecast the rate of decline, especially with regards to margins, to taper off in the coming years. However, if Print service margins do not stabilize, the forecast profits could be lower than expected.

Paper price risk

The Printing service segment does not hedge its raw material (paper) exposure i.e. it takes on paper price risk.

Interest rate risks

The debt level in the company is relatively high although we expect it to come down in the coming years. A significant increase in interest rates could lead to a significant increase in interest rate expenses as most loans are tied to the Euribor. At the end of June 2019, the company had EUR 18.7m in bank loans. Following the loan note to LHV in October 2019, the outstanding debt to its main creditor SEB was EUR 13.4m.

Share liquidity risk

The Ekspress Grupp share is relatively illiquid i.e. it can be hard to sell a large amount of shares without affecting the share price significantly.

Income Statement	2017	2018	2019E	2020E	2021E
Net sales	54	60	65	69	73
Total operating costs	-48	-56	-60	-64	-66
EBITDA	6	4	5	6	6
Depreciation	-3	-3	-4	-4	-4
Amortizations (total)	0	0	0	0	0
Impairment charges	0	0	0	0	0
EBIT	3	1	1	2	3
Associated companies' profit/loss	0	-1	0	0	0
Net financial items	0	0	-1	0	0
Exchange rate differences	0	0	0	0	0
Pre-tax profit (PTP)	3	0	0	1	2
Net earnings	3	0	0	1	2

Balance Sheet	2017	2018	2019E	2020E	2021E
Assets					
Cash and cash equivalent	1	1	1	1	2
Receivables	10	9	8	9	9
Inventories	3	3	3	3	4
Other current assets	0	0	0	0	0
Current assets	14	14	13	14	15
Tangible assets	12	12	15	14	15
Associated companies	0	0	0	0	0
Investments	2	3	7	3	4
Goodwill	45	47	57	57	57
O intangible rights	0	0	0	0	0
O non-current assets	2	2	2	2	2
Total non-current assets	62	63	76	75	76
Deferred tax assets	0	0	0	0	0
Total (assets)	76	77	89	89	91
Liabilities					
Short-term debt	0	1	3	3	3
Non-ib current liabilities	8	11	9	9	9
O current liabilities	0	0	0	0	0
Current liabilities	8	12	12	12	12
Long-term debt	15	14	15	14	14
O long-term liabilities	0	0	11	11	11
Convertibles	0	0	0	0	0
Total Liabilities	23	26	38	37	37
Deferred tax liabilities	0	0	0	0	0
Provisions	0	0	0	0	0
Shareholders' equity	52	50	51	52	53
Minority interest (BS)	0	0	0	0	0
Minority and equity	52	50	51	52	53
Total (liabilities)	76	77	89	89	91

DCF valuation		Cash flow, mEUR	
WACC (%)	9.20 %	NPV FCF (2018-2020)	1.03
		NPV FCF (2021-2027)	13.08
		NPV FCF (2028-)	29.35
		Non-operating assets	-0.32
		Interest-bearing debt	-15.47
		Fair value estimate	27.67
Assumptions 2017-2023 (%)			
Average sales growth	4.18 %	Fair value e. per share (EUR)	0.93
EBIT margin	4.14 %	Share price (EUR)	0.80

Free Cash Flow	2017	2018	2019E	2020E	2021E
Net sales	54	60	65	69	73
Total operating costs	-48	-56	-60	-64	-66
Depreciations total	-3	-3	-4	-4	-4
EBIT	3	1	1	2	3
Taxes on EBIT	0	0	0	0	0
NOPLAT	3	1	1	2	3
Depreciation (neg.)	3	3	4	4	4
Gross cash flow	6	4	5	6	6
Change in wc	-1	3	-1	-1	0
Gross capex (neg.)	-4	-4	-17	-3	-4
Free cash flow	1	3	-2	2	2

Capital structure	2017	2018	2019E	2020E	2021E
Equity ratio	69.1%	65.7%	56.9%	58.3%	59.0%
Debt / Equity ratio	29.1%	30.7%	36.0%	33.0%	31.2%
Capital invested	66.3	64.3	67.3	67.3	68.3
Capital turnover rate	0.7	0.8	0.7	0.8	0.8

Profitability	2017	2018	2019E	2020E	2021E
ROE %	6.1%	0.0%	0.5%	2.5%	4.0%
ROCE%	4.9%	0.5%	1.6%	2.7%	3.8%
ROC%	4.9%	1.2%	1.5%	2.8%	3.8%
EBITDA %	11.6%	7.1%	8.1%	8.3%	8.8%
EBIT %	6.4%	2.0%	2.1%	3.0%	3.9%
Net Margin	5.8%	0.0%	0.4%	1.9%	2.9%

Valuation	2017	2018	2019E	2020E	2021E
EV	51.5	45.2	42.3	41.1	40.5
P/E	11.9	5164.8	100.7	18.3	11.5
P/E diluted	11.9	5164.8	100.7	18.3	11.5
P/Sales	0.7	0.5	0.4	0.3	0.3
EV/Sales	1.0	0.7	0.6	0.6	0.6
EV/EBITDA	8.2	10.6	8.0	7.1	6.3
EV/EBIT	14.8	37.4	30.7	19.7	14.2
P/BV	0.7	0.6	0.5	0.5	0.4

Per share measures	2017	2018	2019E	2020E	2021E
EPS, unadjusted	0.11	0.00	0.01	0.04	0.07
EPS	0.11	0.00	0.01	0.04	0.07
CEPS	0.19	0.10	0.14	0.17	0.19
Operating CF/share	0.15	0.22	0.13	0.16	0.20
Capital empl./share	2.23	2.16	2.26	2.26	2.29
BV/share	1.76	1.69	1.70	1.74	1.79
Tangible BV/share	0.24	0.12	-0.21	-0.16	-0.11
Div. per share	0.07	0.00	0.00	0.02	0.02
Payout	66.4%	0.0%	0.0%	45.7%	28.7%
Dividend yield	5.6%	0.0%	0.0%	2.5%	2.5%

Shareholders	Capital	Votes
HHL RÜHM OÜ	7.518	31.54 %
HANS LUIK	6.372	26.73 %
ING LUXEMBOURG S.A. AIF ACCOUNT	3.201	13.43 %
LHV PENSIONIFOND L	1.483	6.22 %

Key people	
CEO	Mari-Liis Rüütsalu
CFO	Signe Kukin
IR	Signe Kukin
Chairman	Ahto Pärl (Chairman)

P/E $\frac{\text{Price per share}}{\text{Earnings per share}}$	**EPS** $\frac{\text{Profit before extraordinary items and taxes – income taxes + minority interest}}{\text{Number of shares}}$
P/Sales $\frac{\text{Market cap}}{\text{Sales}}$	**DPS** Dividend for financial period per share
P/BV $\frac{\text{Price per share}}{\text{Shareholders' equity + taxed provisions per share}}$	**CEPS** $\frac{\text{Gross cash flow from operations}}{\text{Number of shares}}$
P/CF $\frac{\text{Price per share}}{\text{Operating cash flow per share}}$	**EV/Share** $\frac{\text{Enterprise value}}{\text{Number of shares}}$
EV (Enterprise value) Market cap + Net debt + Minority interest at market value – share of associated companies at market value	**Sales/Share** $\frac{\text{Sales}}{\text{Number of shares}}$
Net debt Interest-bearing debt – financial assets	**EBITDA/Share** $\frac{\text{Earnings before interest, tax, depreciation and amortization}}{\text{Number of shares}}$
EV/Sales $\frac{\text{Enterprise value}}{\text{Sales}}$	**EBIT/Share** $\frac{\text{Operating profit}}{\text{Number of shares}}$
EV/EBITDA $\frac{\text{Enterprise value}}{\text{Earnings before interest, tax, depreciation and amortization}}$	**EAFI/Share** $\frac{\text{Pre-tax profit}}{\text{Number of shares}}$
EV/EBIT $\frac{\text{Enterprise value}}{\text{Operating profit}}$	**Capital employed/Share** $\frac{\text{Total assets – non-interest-bearing debt}}{\text{Number of shares}}$
Div yield, % $\frac{\text{Dividend per share}}{\text{Price per share}}$	**Total assets** Balance sheet total
Payout ratio, % $\frac{\text{Total dividends}}{\text{Earnings before extraordinary items and taxes – income taxes + minority interest}}$	**Interest coverage (x)** $\frac{\text{Operating profit}}{\text{Financial items}}$
Net cash/Share $\frac{\text{Financial assets – interest-bearing debt}}{\text{Number of shares}}$	**Asset turnover (x)** $\frac{\text{Turnover}}{\text{Balance sheet total (average)}}$
ROA, % $\frac{\text{Operating profit + financial income + extraordinary items}}{\text{Balance sheet total – interest-free short-term debt – long-term advances received and accounts payable (average)}}$	**Debt/Equity, %** $\frac{\text{Interest-bearing debt}}{\text{Shareholders' equity + minority interest + taxed provisions}}$
ROCE, % $\frac{\text{Profit before extraordinary items + interest expenses + other financial costs}}{\text{Balance sheet total – non-interest-bearing debt (average)}}$	**Equity ratio, %** $\frac{\text{Shareholders' equity + minority interest + taxed provisions}}{\text{Total assets – interest-free loans}}$
ROE, % $\frac{\text{Profit before extraordinary items – income taxes}}{\text{Shareholders' equity + minority interest + taxed provisions (average)}}$	**CAGR, %** Cumulative annual growth rate = Average growth rate per year

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Enlight Research OÜ's main valuation methods are discounted cash flow valuation and peer valuation with common multiples such as Price to Earnings, Enterprise Value to EBITDA, dividend yield etc. Aforementioned methods are used to estimate a company's fair value according to the following three scenarios: Bull (positive), Base (main scenario), and Bear (negative).

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