

## A Digital Media Company

**The proposed Print segment divestment would catapult Ekspress Grupp (EEG) into a digital leader. The Q2 report (including Print) was above estimates. We foresee a higher valuation multiple once the print divestment is completed and raise our Fair value per share. If a revaluation does not happen, we believe EEG could become a takeover target.**

### Print segment divestment price attractive

The proposed Print segment divestment price of EUR 10m, is 54% higher than our Sum-of-the-parts (SOTP) Print valuation of EUR 6.5m, as calculated in our Q1/21 Update. The print divestment will increase the share of digital Group sales from 53% to 73% putting it on par with leading digital media companies in the region.

### Margin and multiple expansion

We forecast the increased share of digital sales to increase the EBIT margin from 6.4% in 2021 (before divestment) to 9.0% in 2022, which is comparable with other digital leaders' margin of 8-23%. We believe the higher margins motivate an EV/EBITDA multiple expansion from 6.8x to 8.5x, implying a share price of EUR 1.33.

### Dividends and Fair value

We forecast dividends to be resumed this year (after 2 years of zero div.) with a dividend per share of EUR 0.04, equal to a yield of 4%, followed by a one cent increase in 2022, and 2023. Our Base case DCF based value per share is raised to EUR 1.28 from EUR 1.17.

### Key figures (MEUR)

	2019	2020	2021E*	2022E*	2023E*
Net sales	67.5	63.2	52.6	57.4	60.1
Net sales growth	11.5%	-6.3%	-16.9%	9.3%	4.7%
EBITDA	6.8	7.0	6.2	7.4	7.8
EBITDA margin	10.0%	11.1%	11.8%	12.9%	13.0%
EBIT	2.7	3.1	4.2	5.2	5.6
EBIT margin	4.0%	4.9%	8.0%	9.0%	9.4%
EV/Sales	0.7	0.6	0.8	0.7	0.7
EV/EBITDA	6.8	5.2	6.8	5.7	5.5
EV/EBIT	16.9	11.9	9.9	8.2	7.6
P/E adj.	16.9	9.8	9.8	7.4	6.8
P/BV	0.5	0.5	0.5	0.5	0.5
EPS adj.	0.05	0.08	0.10	0.13	0.14
EPS growth adj.	nm	72.60%	21.29%	32.12%	9.02%
Div. per share	0.00	0.00	0.04	0.05	0.06
Dividend yield	0.00%	0.00%	4.12%	5.15%	6.19%

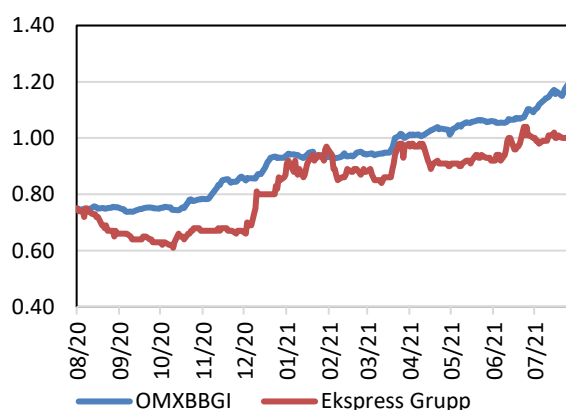
Source: Company data, Enlight Research estimates \*Excluding Print segment (2021E excluding EUR 2.2m loss from discontinued operations)

### Fair value range (EUR)

Bull (term. EBIT marg. 8%)	1.41
Base (term. EBIT marg. 7%)	1.28
Bear (term. EBIT marg. 6%)	1.15

### Key Data

Price (EUR)	0.97
Ticker	EEG1T
Country	Estonia
Listed	Tallinn
Market Cap (EURm)	29.87
Net debt (EURm)	11.74
Shares (m)	31
Free float	27%



### Price range

52-week high	1.04
52-week low	0.61

### Analyst

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## Q2 Key takeaways

### Print segment divestment price attractive

The proposed Print segment transaction EV of EUR 10m is 54% higher than our EUR 6.5m motivated Print segment EV done in our Q1/21 Update published in May 2021. On 13 July 2021, the Extraordinary General Meeting (EGM) of Shareholders adopted a resolution that gave Ekspress Grupp’s Management Board the authority to sell the Print operations (Printall AS) to a company (Trükitung OÜ) controlled by the main shareholder of Ekspress Grupp, Hans Luik. The authorized selling price of Printall AS is EUR 10m whereof EUR 1m is dependent on the 2025 results. The implied EV/EBITDA 2020 transaction multiple is 4.5x (including subsidies) on a cash and debt-free basis, which we regard as attractive for Ekspress Grupp’s shareholders given that our motivated Print segment EV/EBITDA 2020 multiple is 3.0x on a cash and debt-free basis i.e., the transaction multiple is 54% higher than our motivated multiple.

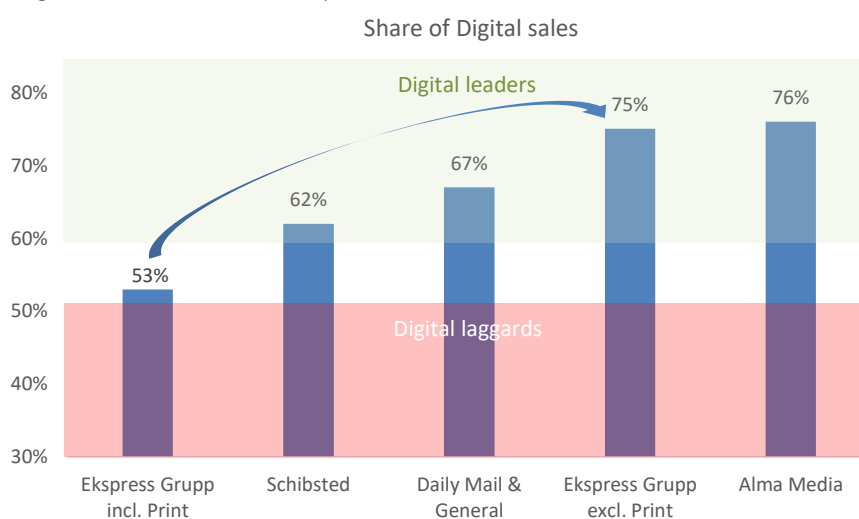
#### Print segment valuation on cash and debt free basis

Enlight Research SOTP EV/EBITDA multiple for Print (incl. subsidies)	3.0	From our Q1/21 Update
Enlight Research SOTP EV for Print (EURm)	6.5	From our Q1/21 Update
Proposed Print divestment EV (EURm)	10.0	From company transaction presentation
Implied Print premium sales price to Enlight Research valuation	54%	

Source: Company presentation “Printall strategic alternatives assessment” (13 July 2021), Enlight Research Q1/21 Update (10 May 2021)

### Ekspress Grupp leapfrog to Digital leader territory

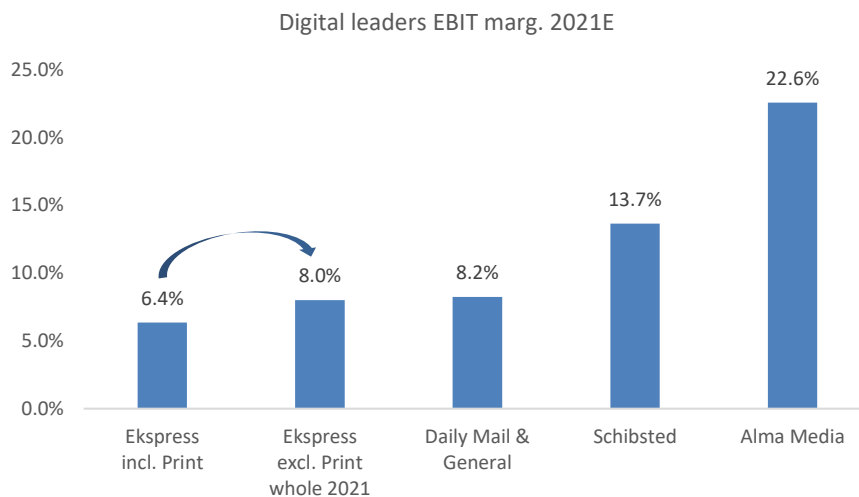
Following the Print segment divestment, Ekspress Grupp’s share of digital revenues to Group revenues will go from around 53% to around 75%. This means it will leapfrog into a digital leader. As stated in our previous reports, we believe digital leaders have at least 60% digital sales while digital laggards have less than 50% digital sales. Including the Print segment i.e., before the divestment, Ekspress Grupp has around 53% digital sales which put it in between digital laggards and leaders. Following the Print divestment, Ekspress Grupp’s share of Digital sales is high even compared to digital leaders, which we believe will have positive implications on the Operating margin and the valuation multiples.



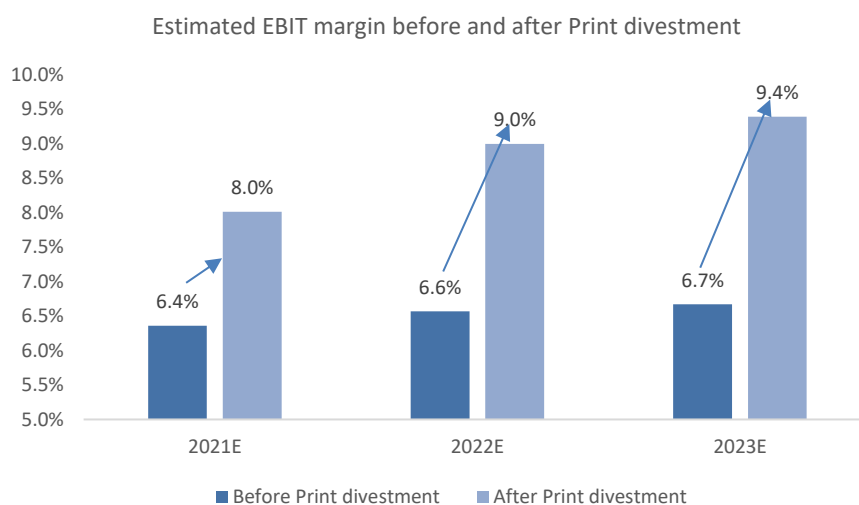
Source: Company reports

**Digital sales drive margin expansion**

We expect the Print segment divestment to happen before the end of this year. Excluding the Print segment for the whole year 2021, our estimated Group EBIT would improve from 6.4% to 8.0%. The margin improvement is an effect of lower marginal cost inherent in digital sales (e.g. zero additional cost to add a digital subscriber) compared to print sales (physical paper costs, print machinery). We forecast the margin improvement to continue in the forecast period. In 2022, we forecast an EBIT margin of 9.0%, up from 8.0% in 2021, and much higher than our forecast including the Printing segment of 6.6%. In 2023, the estimated EBIT margin improves to 9.4%, which is also significantly better than the estimate including the Print segment of 6.7%. To summarize, the Print segment divestment is expected to propel Ekspress Grupp’s EBIT margin to levels similar to other digital leaders (see chart below).



Source: Enlight Research (Ekspress Grupp estimate), MarketScreener (consensus estimates)



Source: Enlight Research

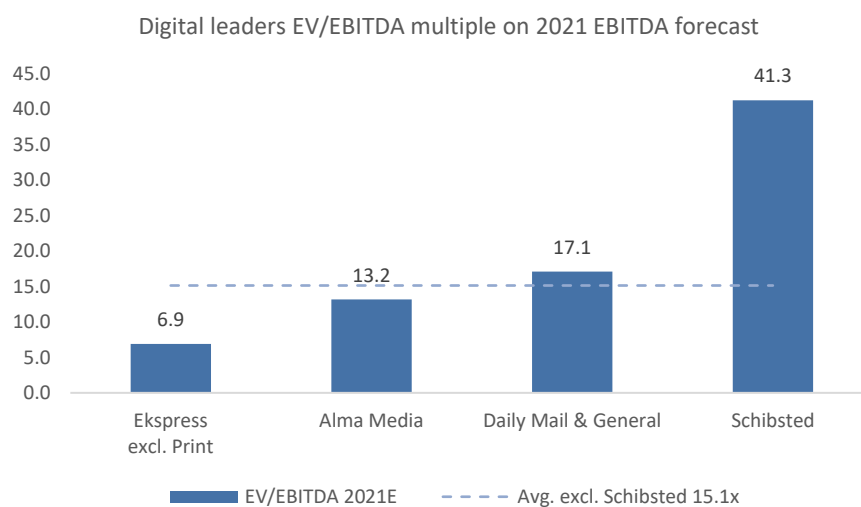
### Digital sales drive multiple expansion

Assuming our Ekspress Grupp margin expansion forecast is correct, then we believe investors will reward the Ekspress Grupp share with a higher valuation multiple. Our estimated Ekspress Grupp (excluding Print segment) 2021 EV/EBITDA multiple is 6.9x, which can be compared to the digital leaders' EV/EBITDA multiples of 13-41x (average excluding Schibsted is 15.1x). Given that Ekspress Grupp's post-Print segment share of digital revenues is almost on par with the leader (Alma Media) and higher than our other regional digital leaders (Schibsted, Daily Mail & General), one could argue for an EV/EBITDA multiple closer to the peer average. Applying an EV/EBITDA of 8.5x (still 44% lower than the peer average excluding Schibsted) to our forecast 2021 EBITDA indicates an EV of EUR 52.6m, which reduced by the estimated Net debt of EUR 11.7m, implies a share price of EUR 1.33 per share (see below table for calculation).

#### Ekspress Grupp motivated share price post Print divestment

2021E EBITDA (EURm)	6.2
Motivated 2021 EV/EBITDA	8.5
Motivated EV (EURm)	52.6
Less Net debt (EURm)	11.7
Motivated Market cap (EURm)	40.8
Motivated Share price (EUR)	1.33

Source: Enlight Research



Source: Enlight Research (Ekspress Grupp), MarketScreener (Alma Media, Daily Mail & General, Schibsted)

### DCF Valuation

In previous reports, we used Sum-of-the-parts (SOTP) valuation to calculate our Base case Fair value per share. However, following the Print segment divestment, only the Media segment will be left, and hence we switch from the SOTP to the DCF valuation method. Our DCF valuation indicate a Base case Fair value per share of EUR 1.28, which is very close to our EV/EBITDA peer valuation motivated value per share of EUR 1.33 corresponding to an EV/EBITDA 2021 multiple of 8.5x. Our assumed terminal EBIT margin is 7.0% which is lower than the forecast period (2021-23E) EBIT margin around 8-9% implying that we foresee the digital media industry to mature in the longer perspective. Our Bear and Bull case motivate share prices are EUR 1.15, and EUR 1.41, respectively. The only difference between our Bear and Bull scenarios is our

assumed EBIT margin which is 6% (Bear) and 8% (Bull), respectively. See below tables for our scenarios and DCF sensitivity.

DCF Valuation Scenarios	Bear	Base	Bull
WACC	10.1%	10.1%	10.1%
Terminal Sales growth	2.5%	2.5%	2.5%
Terminal EBIT margin	6.0%	7.0%	8.0%
Fair Value per share	1.15	1.28	1.41

Source: Enlight Research

DCF Sensitivity	Current	Step	Test values & Results										
<b>Equity beta</b>	1.20	0.15	0.45	0.60	0.75	0.90	1.05	<b>1.2</b>	1.35	1.50	1.65	1.80	1.95
<i>Fair value (DCF)</i>	1.28		2.01	1.81	1.65	1.51	1.39	<b>1.28</b>	1.19	1.10	1.03	0.96	0.90
<b>Target debt ratio (D/D+E)</b>	30.0 %	5.0 %	5%	10%	15%	20%	25%	<b>30%</b>	35%	40%	45%	50%	55%
<i>Fair value (DCF)</i>	1.28		0.90	0.96	1.03	1.10	1.18	<b>1.28</b>	1.39	1.51	1.66	1.83	2.03
<b>Riskfree interest rate</b>	2.5 %	0.5 %	0.0 %	0.5 %	1.0 %	1.5 %	2.0 %	<b>2.5 %</b>	3.0 %	3.5 %	4.0 %	4.5 %	5.0 %
<i>Fair value (DCF)</i>	1.28		1.73	1.62	1.52	1.43	1.35	<b>1.28</b>	1.21	1.15	1.10	1.04	1.00

Source: Enlight Research

## Estimate deviations

### Sales deviations by segment

The Q2/21 Media segment sales of EUR 12.9m was 26.8% above our EUR 10.2m forecast. The Media segment sales grew 30.9% y-on-y vs. our forecast growth of 3.2%. Continued growth in Digital subscriptions (+76% y-on-y) contributed to a better than expected digital and online segment sales EUR 9.9m vs. EUR 7.6m estimate. The Q2/21 Printing segment sales increased by 15.0% y-on-y to EUR 5.3m, which was above our estimated decline of 12.0% to EUR 4.0m. Worth noting is that the Printing segment comparable was low with Sales being down 30.9% y-on-y in Q2 last year. Nevertheless, the recovery was significantly bigger than we expected.

#### Deviation table by Segment

Sales	Estimate	Outcome	Diff	Diff
	Q2/21	Q2/21	EURm	%
Media segment	10.176	12.904	2.7	26.8%
<i>whereof digital and online</i>	7.583	9.939	2.4	31.1%
Printing	4.021	5.255	1.2	30.7%
Corporate functions	1.040	1.054	0.0	1.3%
Eliminations pct of sales	-1.295	-1.323	0.0	2.2%
<b>Total Sales (Equity)</b>	<b>13.941</b>	<b>17.890</b>	<b>3.9</b>	<b>28.3%</b>

Sales growth	Estimate	Outcome	Diff
	Q2/21	Q2/21	bps
Media segment	3.2%	30.9%	2767
<i>whereof digital and online</i>	8.0%	41.6%	3356
Printing	-12.0%	15.0%	2701
Corporate functions	100.0%	102.7%	269
Eliminations pct of sales	8.5%	7.4%	-110
<b>Total sales</b>	<b>0.2%</b>	<b>28.6%</b>	<b>2838</b>

Source: Company reports, Enlight Research

### EBITDA deviations by segment

The Q2/21 Media segment EBITDA was EUR 0.9m or 63.6% above our forecast as digital subscribers continued to improve margins. The Q2/21 EBITDA margin was 17.7%, substantially better than our forecast of 13.7%, displaying the high margins inherent in digital sales. The Q2/21 Printing segment EBITDA of EUR 0.5m was 46.2% higher than our forecast mainly due to higher than expected sales. The Printing segment Q2/21 EBITDA margin of 10.0% was better than our estimate of 9.0%.

EBITDA by segment	Estimate	Outcome	Diff	Diff
	Q2/21	Q2/21	EURm	%
Media segment	1.394	2.281	0.9	63.6%
Printing	0.362	0.529	0.2	46.2%
Corporate functions	-0.182	-0.111	0.1	-39.0%
Eliminations	-0.020	-0.034	0.0	70.0%
<b>EBITDA (equity)</b>	<b>1.554</b>	<b>2.665</b>	<b>1.1</b>	<b>71.5%</b>

EBITDA margin by segment	Estimate	Outcome	Diff
	Q2/21	Q2/21	bps
Media segment	13.7%	17.7%	398
Printing	9.0%	10.1%	107
Corporate functions	-17.5%	-10.5%	697
<b>EBITDA (equity)</b>	<b>11.1%</b>	<b>14.9%</b>	<b>375</b>

Source: Company reports, Enlight Research

### Group deviations

The Q2/21 Group sales of EUR 17.9m was 28.3% above our EUR 13.9m estimate, while the Gross profit was 51.8% or EUR 1.4m higher than forecast. The Q2/21 EBITDA was EUR 2.7m corresponding to an EBITDA margin of 14.9% vs. our estimated EBITDA of EUR 1.6m and EBITDA margin of 11.1%, while the Q2/21 Operating profit was EUR 1.5m vs. our EUR 0.4m estimate. The positive deviation at the Operating profit continued to the Net profit line, which was EUR 1.1m better than our estimate.

#### Deviation table Group

P&L (EURm)	Estimate Q2/21	Outcome Q2/21	Diff EURm	Diff %
Sales	13.941	17.890	3.949	28.3%
Costs of sales	-11.223	-13.763	-2.540	22.6%
<b>Gross profit (loss)</b>	<b>2.719</b>	<b>4.127</b>	<b>1.408</b>	<b>51.8%</b>
Other income	0.112	0.212	0.100	90.1%
Marketing expenses	-0.586	-0.892	-0.306	52.3%
Administrative expenses	-1.777	-1.898	-0.121	6.8%
Other expenses	-0.025	-0.029	-0.004	16.0%
<b>Operating profit</b>	<b>0.443</b>	<b>1.520</b>	<b>1.077</b>	<b>243.3%</b>
Interest income	0.009	0.008	-0.001	-11.1%
Interest expense	-0.211	-0.202	0.009	-4.3%
FX gain/loss	0.000	0.000	0.000	
Other finance costs	0.011	-0.015	-0.026	-236.4%
<i>Financial net</i>	<i>-0.191</i>	<i>-0.209</i>	<i>-0.018</i>	<i>9.4%</i>
Profit on shrs of JVs	-0.107	-0.063	0.044	-41.1%
Profit on shrs of associates	-0.032	0.032	0.064	-200.0%
<b>Profit (loss) before taxes</b>	<b>0.113</b>	<b>1.280</b>	<b>1.167</b>	<b>1035.5%</b>
Income tax	-0.001	-0.034	-0.034	6700.0%
<b>Net profit</b>	<b>0.112</b>	<b>1.246</b>	<b>1.134</b>	<b>1010.3%</b>
Other	-0.007	-0.007	0.000	0.0%
<b>Net profit (loss)</b>	<b>0.105</b>	<b>1.239</b>	<b>1.134</b>	<b>1077.5%</b>
<b>EBITDA</b>	<b>1.554</b>	<b>2.665</b>	<b>1.111</b>	<b>71.5%</b>
	<b>Estimate Q2/21</b>	<b>Outcome Q2/21</b>	<b>Diff bps</b>	
<b>Sales growth</b>				
Group Sales	0.2%	28.6%	2838	
	<b>Estimate Q2/21</b>	<b>Outcome Q2/21</b>	<b>Diff bps</b>	
<b>Margins</b>				
Gross margin	19.5%	23.1%	357	
EBITDA margin	11.1%	14.9%	375	
EBIT margin	3.2%	8.5%	532	
PTP margin	0.8%	7.2%	635	
Net profit margin	0.8%	6.9%	617	

Source: Company reports, Enlight Research

## Estimate changes

### Sales estimate changes by Segment

We raise our Media segment Sales by 12.1% this year, and 19-21% in 2022-23E, which is a result of our Digital & Online media sales estimates being raised by 21% this year, and 30-40% in 2022-23E. Our Print segment Sales are taken out for the full-year starting from 2021.

Estimate changes			
Sales	2021E	2022E	2023E
<b>Media segment</b>			
Old	45.258	47.069	48.481
New	50.724	55.797	58.587
Change (EURm)	5.466	8.728	10.106
Change (%)	12.1%	18.5%	20.8%
<i>whereof digital and online</i>			
Old	32.821	34.462	35.840
New	39.633	45.578	50.135
Change (EURm)	6.812	11.116	14.295
Change (%)	20.8%	32.3%	39.9%
<b>Printing</b>			
Old	21.812	21.812	21.812
New	0.000	0.000	0.000
Change (EURm)	-21.812	-21.812	-21.812
Change (%)	-100.0%	-100.0%	-100.0%

Source: Enlight Research,

### EBITDA estimate changes by Segment

We raise our Media segment EBITDA estimate by 24-28% in 2021-23E, which is an effect of high-margin digital sales. Our Print segment EBITDA are taken out for the full-year starting from 2021.

Estimate changes			
EBITDA	2021E	2022E	2023E
<b>Media segment</b>			
Old	6.336	6.825	7.272
New	7.838	8.704	9.198
Change (EURm)	1.502	1.879	1.926
Change (%)	23.7%	27.5%	26.5%
<b>Printing</b>			
Old	1.679	1.701	1.701
New	0.000	0.000	0.000
Change (EURm)	-1.679	-1.701	-1.701
Change (%)	-100.0%	-100.0%	-100.0%

Source: Enlight Research



### Group estimate changes

The “Old estimates” includes the Print segment for the whole year while the “New estimates” exclude the Print segment for the whole year. Our Group Sales forecast is lowered by around 17% this year and 8-11% in coming two years. The decline is due to the exclusion of the Print segment. Our estimated EBIT is improved by around 36-48% in 2021-23E, which is an effect of higher forecast margin of digital sales vs. print sales. The EPS improvement is even larger with an increase of around 50-60% as the financial expenses comes down due to lower debt level. Given the improved liquidity situation, we now forecast a resumption of dividends this year with a dividend per share of EUR 0.04, followed by EUR 0.05 next year, and EUR 0.06 in 2023.

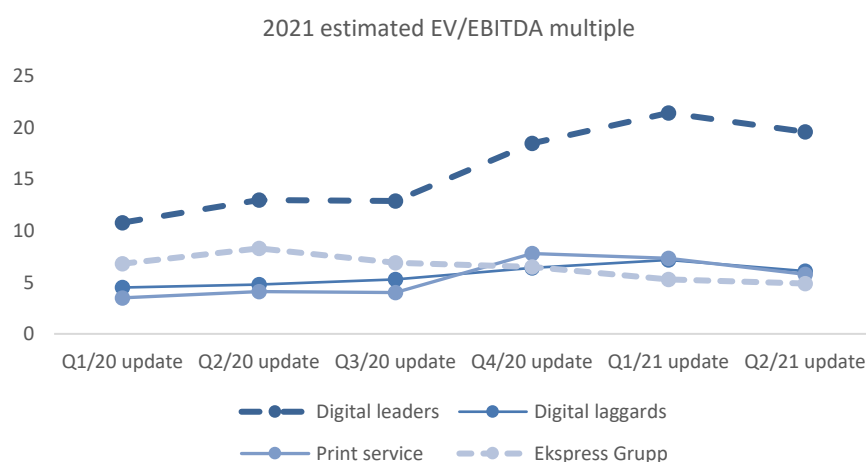
Group estimate changes			
Sales (EURm)	2021E	2022E	2023E
Old estimate (incl. Print)	63.5	64.6	65.5
New estimate (excl. Print)	52.6	57.4	60.1
Change	-10.9	-7.2	-5.3
Change (pct)	-17.2%	-11.1%	-8.1%
EBITDA (EURm)	2021E	2022E	2023E
Old estimate (incl. Print)	7.5	8.1	8.4
New estimate (excl. Print)	6.2	7.3	7.7
Change	-1.3	-0.8	-0.7
Change (pct)	-17.9%	-9.6%	-8.1%
EBIT (EURm)	2021E	2022E	2023E
Old estimate (incl. Print)	3.1	3.5	3.8
New estimate (excl. Print)	4.2	5.2	5.6
Change	1.1	1.6	1.8
Change (pct)	36.4%	46.8%	47.5%
EPS (EUR)	2021E	2022E	2023E
Old estimate (incl. Print)	0.07	0.08	0.09
New estimate (excl. Print)	0.10*	0.13	0.14
Change	0.03	0.05	0.05
Change (pct)	50.3%	62.3%	62.5%
Dividend (EUR)	2021E	2022E	2023E
Old estimate (incl. Print)	0.00	0.02	0.03
New estimate (excl. Print)	0.04	0.05	0.06
Change	0.04	0.03	0.03
Change (pct)	nm	150.0%	100.0%

Source: Enlight Research \*Excluding EUR 2.2m one-off net loss from discontinued operations

## Valuation update

### Peer valuation

We divide our peer companies into Digital leaders (60%+ digital sales), Digital laggards (less than 50% digital sales), and Print service providers. Since our last peer valuation update (after the Q1/21 report), the 2021E EV/EBITDA multiple has come down a bit for all our peer subgroups. Since our Q1/21 Update, Ekspress Grupp's 2021E EV/EBITDA ratio has increased from 5.3x to 6.9x (excluding Print segment), which is at the levels of the Digital laggards and Print service peers. Given that Ekspress Grupp will soon have a share of digital sales and EBIT margin comparable to regional digital leaders, we believe there is an argument for a multiple expansion. If this does not happen, we believe Ekspress Grupp could be a candidate for a takeover.



Source: MarketScreener, Enlight Research, Q1/20 prices from 14 May 2020, Q2/20 prices from 4 Aug 2020, Q3/20 prices from 11 Nov 2020, Q4/20 prices from 17 Feb 2021, Q1/21 prices from 6 May 2021, Q2/21 prices from 12 Aug

### Digital leaders

Company	Ccy	Price (last)	Shares (m)	Mcap (m)	EV (m) (last)	EV/Sales 2020	EV/Sales 2021E	EV/Sales 2022E	EV/Sales 2023E	EV/EBITDA 2020	EV/EBITDA 2021E	EV/EBITDA 2022E	EV/EBITDA 2023E
Alma Media	EUR	11.14	82	918	957	4.2	3.6	3.4	3.3	15.7	13.2	11.6	10.9
Daily Mail & General	GBP	10.80	228	2,467	2,290	1.9	2.0	2.0	1.9	15.4	17.1	14.6	13.0
Schibsted	NOK	467.80	234	109,435	115,754	9.0	8.0	7.5	7.2	54.4	41.3	38.2	35.0
Average						5.0	4.5	4.3	4.1	28.5	23.9	21.4	19.6
Median						4.2	3.6	3.4	3.3	15.7	17.1	14.6	13.0
Ekspress Grupp	EUR	1.00	30.8	31	9	0.58	0.64	0.73	0.70	5.2	6.9	5.8	5.6

### Digital laggards

Company	Ccy	Price (last)	Shares (m)	Mcap (m)	EV (m) (last)	EV/Sales 2020E	EV/Sales 2021E	EV/Sales 2022E	EV/Sales 2023E	EV/EBITDA 2020	EV/EBITDA 2021E	EV/EBITDA 2022E	EV/EBITDA 2023E
Monrif S.P.A.	EUR	0.09	204	18	103	0.7	0.7	0.7	0.7	62.7	34.3	20.6	14.7
Agora	PLN	9.48	47	442	1,196	1.4	1.3	1.1	1.0	23.3	10.0	6.9	6.0
Cofina SGPS	EUR	0.25	103	25	71	1.0	0.9	0.9	0.9	5.1	5.1	4.8	4.8
North Media A/S	DKK	110.00	18	1,996	1,975	1.9	1.9	1.9	1.8	7.3	7.0	6.7	6.5
Reach PLC	GBP	3.90	311	1,212	0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sanoma Oyj	EUR	15.35	163	2,506	3,155	3.0	2.5	2.5	2.4	7.1	9.3	8.7	8.3
Roularta Media Group	EUR	14.45	12	168	82	0.3	0.3	0.3	0.3	4.2	3.2	2.6	2.5
Average						1.2	1.1	1.0	1.0	15.7	9.9	7.2	6.1
Median						1.0	0.9	0.9	0.9	7.1	7.0	6.7	6.0

### Print service

Company	Ccy	Price (last)	Shares (m)	Mcap (m) (last)	EV (m) (last)	EV/Sales 2020E	EV/Sales 2021E	EV/Sales 2022E	EV/Sales 2023E	EV/EBITDA 2020	EV/EBITDA 2021E	EV/EBITDA 2022E	EV/EBITDA 2023E
Elanders	SEK	170.6	35	6,032	8,749	0.8	0.8	0.7	0.9	6.1	5.7	5.3	5.0
Lisgrafica													
Impressao	EUR	0.01	185	1	13	0.9	0.8	0.8	0.8	46.9	25.2	12.6	8.4
ScandBook	SEK	30.8	5	142	164	0.5	0.5	0.5	0.9	4.3	4.2	4.1	4.0
Average						0.7	0.7	0.7	0.9	19.1	11.7	7.3	5.8
Median						0.8	0.8	0.7	0.9	6.1	5.7	5.3	5.0

Source: MarketScreener, Enlight Research, prices from 12 August 2021

## **Risk factors**

Below is a selection of risk factors that we have chosen to highlight given the current environment. It should not be regarded as a complete list of all risk factors. For examples of additional risks, we refer to our initiation report "Transforming to Digital" published on Nov 18, 2019.

### **Dividend payment uncertainty**

The company did not pay dividends in 2019 and 2020, and although we forecast dividends for 2021, there is no guarantee this will happen.

### **Covid-19**

Although the pandemic seems to have increased the speed of the digital transformation in the form of digital subscriber growth, the digital ticketing platform and has been negatively affected. A prolonged pandemic with restrictions on larger events could continue to affect the ticketing platform negatively.

### **Interest rate risk**

The interest rates on loans are tied to the EURIBOR. A significant increase in the EURIBOR most likely would affect the profitability of the company.

### **Recession risk**

In the event of a sharp rise in unemployment due to e.g., a prolonged recession, there is a risk that clients will not be able to pay their invoices, which could result in accounts receivables write-down

<b>Income Statement</b>	2019	2020	2021E	2022E	2023E
Net sales	67	63	53	57	60
Total operating costs	-61	-56	-46	-50	-52
EBITDA	7	7	6	7	8
Depr. & Amort.	-4	-4	-2	-2	-2
One-off EBIT items	0	0	0	0	0
EBIT	3	3	4	5	6
Financial net	-1	0	-1	-1	-1
Pre-tax profit	2	3	3	4	5
Taxes	0	0	0	0	-1
Minority interest	0	0	0	0	0
Other items	0	0	0	0	0
Net profit	1	3	3	4	4

<b>Balance Sheet</b>	2019	2020	2021E	2022E	2023E
Cash and cash equivalent	4	6	4	3	4
Receivables	13	9	8	9	9
Inventories	3	2	1	1	1
Other current assets	0	0	0	0	0
<b>Total current assets</b>	<b>19</b>	<b>17</b>	<b>13</b>	<b>13</b>	<b>14</b>
Tangible assets	15	10	11	12	14
Goodwill & Intangible assets	56	55	55	55	55
Lease & Investment properties	0	0	1	2	3
Long-term Investments	1	2	2	2	2
Associated companies	2	2	2	2	2
Other long-term assets	1	1	1	1	1
<b>Total fixed assets</b>	<b>76</b>	<b>70</b>	<b>72</b>	<b>74</b>	<b>76</b>
<b>Total assets</b>	<b>95</b>	<b>87</b>	<b>85</b>	<b>87</b>	<b>90</b>
Accounts payable	16	15	12	11	11
Short-term IB debt	5	4	3	3	3
Other current liabilities	0	0	0	0	0
<b>Total current liabilities</b>	<b>22</b>	<b>19</b>	<b>15</b>	<b>14</b>	<b>14</b>
Long-term IB debt	19	14	11	11	11
Convertibles & Lease liab.	0	0	1	2	3
Deferred tax liab.	0	0	0	0	0
Provisions	0	0	0	0	0
Other long-term liab.	3	2	2	2	2
<b>Total long-term liab</b>	<b>22</b>	<b>16</b>	<b>14</b>	<b>15</b>	<b>16</b>
<b>Total liabilities</b>	<b>44</b>	<b>35</b>	<b>29</b>	<b>29</b>	<b>29</b>
Minority interest	0	0	0	0	0
Shareholders' equity	52	52	55	58	61
<b>Total liabilities and Equity</b>	<b>95</b>	<b>87</b>	<b>85</b>	<b>87</b>	<b>90</b>

<b>DCF valuation</b>		<b>Cash flow, mEUR</b>	
WACC (%)	10.21 %	NPV FCF (2020-2022)	5
Assumptions 2020-2026 (%)		NPV FCF (2023-2029)	22
Average sales growth	4.64 %	NPV FCF (2030-)	24
EBIT margin	9.20 %	Non-operating assets	6
Fair value per share (EUR)	1.28	Interest-bearing debt	-17
Share price (EUR)	0.97	Fair value estimate	40

<b>Free Cash Flow</b>	2019	2020	2021E	2022E	2023E
Operating profit	3	3	4	5	6
Depreciation	4	4	2	2	2
Working capital chg	2	2	-2	-1	-1
Other operating CF items	0	0	0	-1	-1
<b>Operating Cash Flow</b>	<b>9</b>	<b>9</b>	<b>4</b>	<b>6</b>	<b>6</b>
Net investments	-15	-3	-3	-4	-4
Other items	3	0	0	0	0
<b>Free Cash Flow</b>	<b>-3</b>	<b>6</b>	<b>1</b>	<b>2</b>	<b>3</b>

<b>Capital structure</b>	2019	2020	2021E	2022E	2023E
Equity ratio	54.1%	60.3%	65.6%	66.6%	67.6%
Debt / Equity ratio	47.3%	32.9%	27.9%	26.8%	26.9%
Gearing %	40.1%	20.9%	21.2%	20.9%	20.9%
Net debt/EBITDA	3.1	1.6	1.9	1.6	1.6

<b>Profitability</b>	2019	2020	2021E	2022E	2023E
ROE	2.8%	4.8%	5.7%	7.1%	7.4%
FCF yield	-14.3%	47.5%	3.2%	8.2%	8.6%
EBITDA margin	10.0%	11.1%	11.8%	12.9%	13.0%
EBIT margin	4.0%	4.9%	8.0%	9.0%	9.4%
PTP margin	2.6%	4.5%	6.4%	7.8%	8.2%
Net margin	2.1%	4.0%	5.8%	7.0%	7.3%

<b>Valuation</b>	2019	2020	2021E	2022E	2023E
P/E	16.9	9.8	9.8	7.4	6.8
P/E adjusted	16.9	9.8	9.8	7.4	6.8
P/Sales	0.4	0.4	0.6	0.5	0.5
EV/Sales	0.7	0.6	0.8	0.7	0.7
EV/EBITDA	6.8	5.2	6.8	5.7	5.5
EV/EBIT	16.9	11.9	9.9	8.2	7.6
P/BV	0.5	0.5	0.5	0.5	0.5
P/BV tangible	-4.9	-10.3	44.4	8.6	4.7

<b>Per share ratios</b>	2019	2020	2021E	2022E	2023E
EPS	0.05	0.08	0.10	0.13	0.14
EPS, adjusted	0.05	0.08	0.10	0.13	0.14
Operating CF/share	0.29	0.33	0.13	0.19	0.20
Free Cash Flow/share	-0.11	0.38	0.03	0.08	0.08
BV/share	1.73	1.70	1.80	1.89	1.98
Tangible BV/share	-0.16	-0.08	0.02	0.11	0.21
Div. per share	0.00	0.00	0.04	0.05	0.06
Div. payout ratio	0.0%	0.0%	40.5%	38.3%	42.1%
Dividend yield	0.0%	0.0%	4.1%	5.2%	6.2%

<b>Shareholders</b>	<b>Capital</b>	<b>Votes</b>
HHL RÜHM OÜ	14.152	47.37 %
HANS LUIK	7.724	25.86 %
LHV Pensionfond L	1.819	6.09 %
SEB S.A. Client UCITS	0.841	2.81 %
Ekspress Grupp AS	0.499	1.67 %
LHV Pensionfond XL	0.464	1.55 %
Citibank/Govt of Norway	0.363	1.21 %
Compensa Life Vienna Ins.	0.320	1.07 %
Wood Grouse Consulting OÜ	0.146	0.49 %
SEB Eastern Europe Fund	0.140	0.47 %

<b>Key people</b>	
CEO	Mari-Liis Rüütsalu
CFO	Signe Kukin
IR	Signe Kukin
Chairman	Priit Rohumaa (Chairman)

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