

## Media is the place to be

**Media companies who successfully adopted the digital business model are in a favorable position to leverage on digital sales. Furthermore, the Russia – Ukraine war has significantly increased the media industry’s importance. We believe Ekspress Grupp will reach all its financial targets and foresee a continued good dividend yield.**

### Media industry importance revived

The Russia – Ukraine war has made gov’ts realize the importance of the media industry (proven by the ban on several Russian media outlets). We believe gov’ts will create a favorable business climate (taxes etc.) for media companies, especially in countries with a large share of ethnic Russians like Estonia and Latvia (~25% of population).

### Financial targets achievable

We believe the financial targets approved in May are achievable. This means e.g., digital subs. CAGR-5yr of 20% (66% growth in 2021, 2022E +34%), >15% EBITDA margin (15.4% in 2021, 2022E 15.1%), and >30% div. pay-out ratio (134% in 2021, 2022E 58%).

### DCF indicate upside

Our DCF Base case FV of EUR 2.11/shr is reiterated, indicating an upside of +15%. We recognize the overall negative stock market sentiment but believe the +4% dividend yield, the buy-back program (at max. 1.90/shr), and the large peer discount (~50%) supports the share.

### Key figures (MEUR)

|                  | 2020   | 2021   | 2022E | 2023E | 2024E |
|------------------|--------|--------|-------|-------|-------|
| Net sales        | 44.5   | 53.5   | 59.3  | 63.9  | 67.6  |
| Net sales growth | -34.0% | 20.2%  | 10.9% | 7.7%  | 5.8%  |
| EBITDA           | 5.9    | 8.2    | 9.0   | 9.6   | 10.2  |
| EBITDA margin    | 13.3%  | 15.4%  | 15.1% | 15.1% | 15.0% |
| EBIT             | 3.1    | 4.9    | 5.2   | 5.7   | 5.9   |
| EBIT margin      | 6.9%   | 9.1%   | 8.7%  | 8.9%  | 8.7%  |
| EV/Sales         | 0.9    | 1.1    | 1.2   | 1.1   | 1.1   |
| EV/EBITDA        | 7.0    | 7.2    | 8.1   | 7.5   | 7.1   |
| EV/EBIT          | 13.6   | 12.2   | 14.0  | 12.8  | 12.3  |
| P/E adj.         | 9.5    | 11.6   | 13.1  | 11.9  | 11.4  |
| P/BV             | 0.4    | 0.9    | 1.1   | 1.0   | 1.0   |
| EPS adj.         | 0.08   | 0.13   | 0.14  | 0.15  | 0.16  |
| EPS growth adj.  | 76.45% | 61.07% | 2.31% | 9.74% | 4.88% |
| Div. per share   | 0.00   | 0.18   | 0.08  | 0.08  | 0.08  |
| Dividend yield   | 0.00%  | 11.58% | 4.44% | 4.44% | 4.44% |

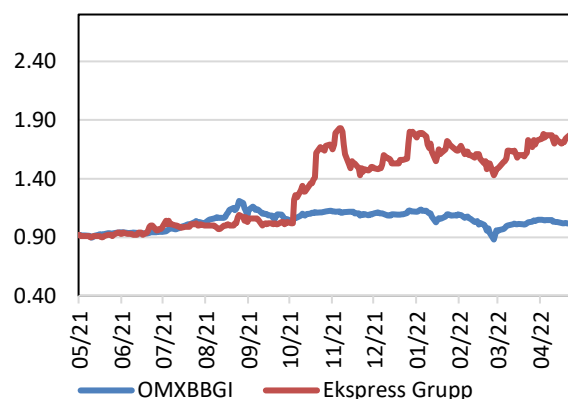
Source: Company data, Enlight Research estimates

### Fair value range (EUR)

|                             |      |
|-----------------------------|------|
| Bull (term. EBIT marg. 12%) | 2.48 |
| Base (term. EBIT marg. 10%) | 2.11 |
| Bear (term. EBIT marg. 8%)  | 1.75 |

### Key Data

|                   |         |
|-------------------|---------|
| Price (EUR)       | 1.80    |
| Ticker            | EEG1T   |
| Country           | Estonia |
| Listed            | Tallinn |
| Market Cap (EURm) | 56      |
| Net debt (EURm)   | 12.7    |
| Shares (m)        | 31      |
| Free float        | 27%     |



### Price range

|              |      |
|--------------|------|
| 52-week high | 1.89 |
| 52-week low  | 0.90 |

### Analyst

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### Coverage frequency

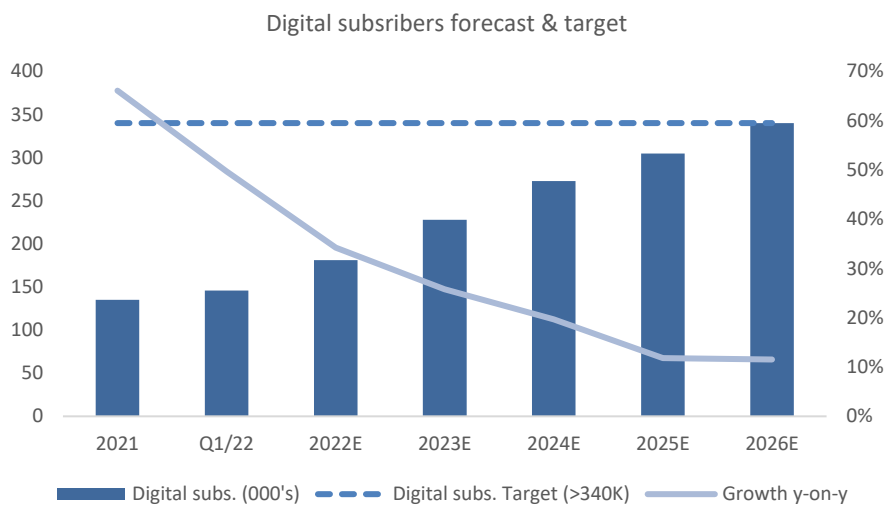
4x per year

## Key takeaways

### Financial targets

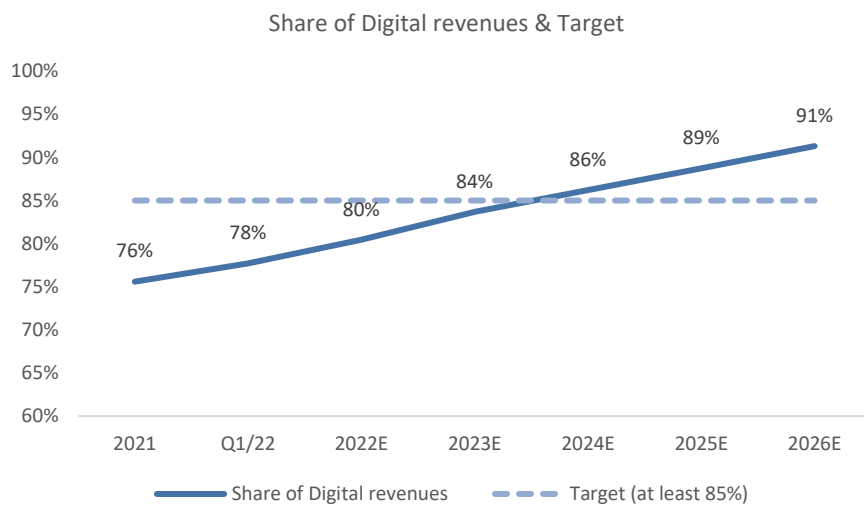
In connection with the Approval of the audited 2021 annual report, the Supervisory Board also approved below long-term targets:

**Digital subscriptions** in the Baltics to reach at least 340K by the end of 2026. We regard this target as challenging but reachable and align our forecast according to the target. In 2021, the y-on-y subscriber growth was 66% and in Q1/22 it was 50%. For the full-year 2022, we forecast a subscriber growth of 34% y-on-y with a gradual decline to 12% in 2026 to reach the target of 340K subscribers. The implied target CAGR 2021-26 is 20%, which might seem high but given that the current growth is around 50%, we believe it is achievable.



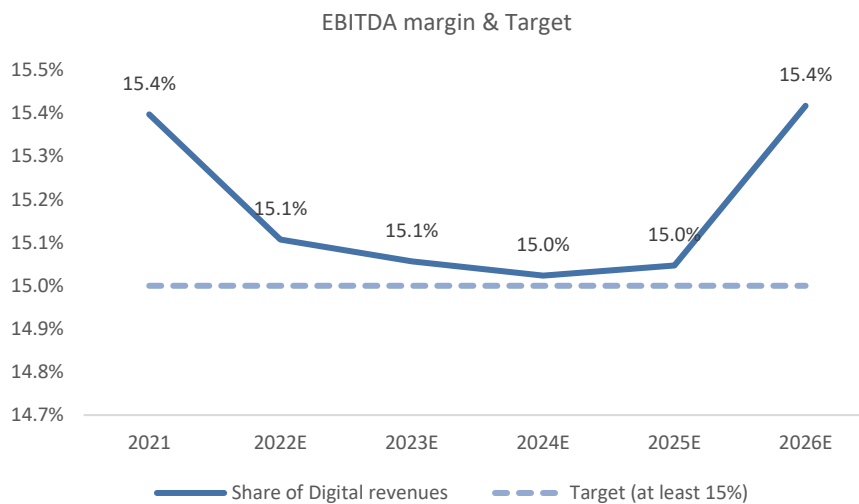
Source: Company reports, Enlight Research

**Digital revenues** to make up at least 85% of group revenues by 2026. We believe this target can be reached in 2024 when the share of digital revenues is forecast at 86% of Group revenues. In Q1/22, the share of digital revenues was 78% and we expect it to reach 80% for the full-year 2022 (then gradually increase to 91% in 2026). Worth noting is that this is also an effect of traditional non-digital revenues declining.

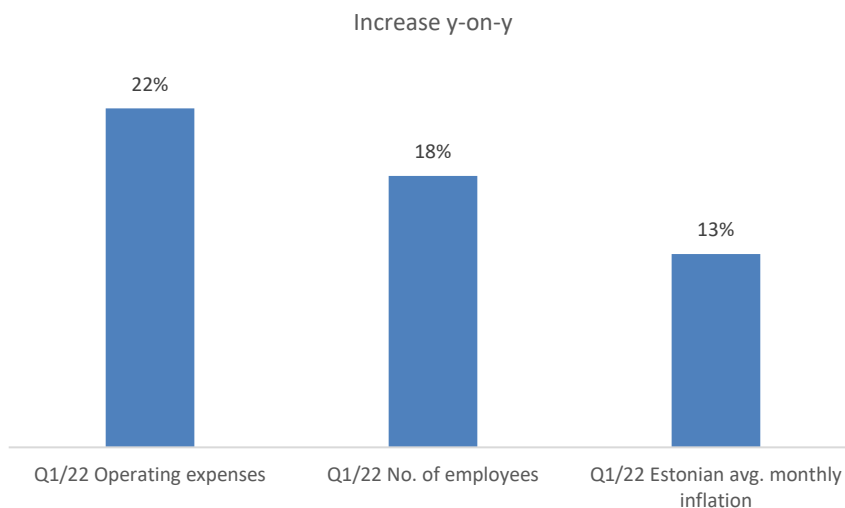


Source: Company reports, Enlight Research

**EBITDA margin** to reach at least 15% by 2026. Given that the EBITDA margin was 15.4% already in 2021, this might look like an easy target to reach, however, the current inflationary environment makes it more challenging. In Q1/22, the average Estonian monthly inflation was 13% y-on-y, and the April inflation was 19%. Ekspress Grupp’s Operating expenses (cost of sales, marketing, administration) increased by 22% y-on-y in Q1/22, mainly due to an 18% y-on-y increase in the number of employees, implying a non-salary related cost increase of around 4%, which we believe is quite good given the double-digit inflation. We expect the EBITDA target will be reached and forecast an EBITDA margin of 15.1% this year and 15.0-15.4% until 2026.



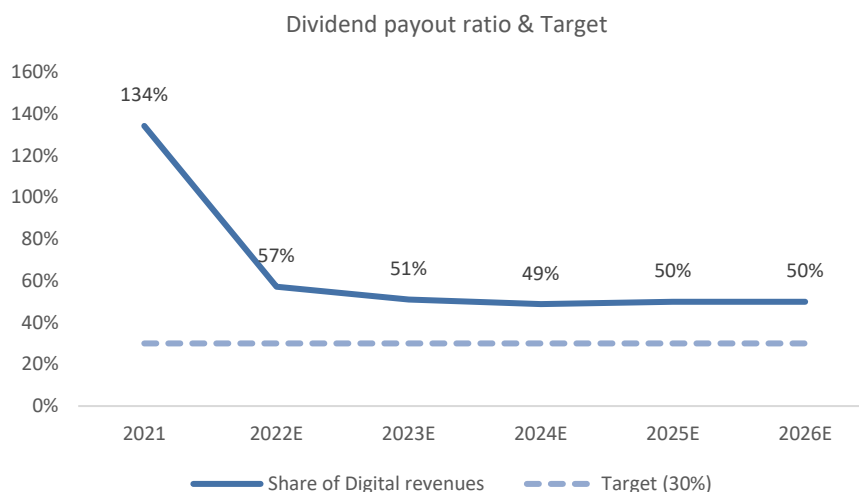
Source: Company reports, Enlight Research



Source: Company reports, Enlight Research, Q1/22 inflation is simple avg. of Jan, Feb, and Mar.

**Dividend pay-out** ratio of at least 30%. In our view, this is the easiest target to reach as the company looks overcapitalized (following the Print segment divestment). Furthermore, the owners have showed a clear willingness to pay-out excess cash through dividends and the share buy-back program. For 2021, an ordinary and extraordinary dividend of EUR 0.10 and 0.08 per share has been approved corresponding to a 134% pay-out ratio (11.6% yield on the year-end 2021 share price of EUR 1.56). In the forecast period 2022-24, we forecast an unchanged ordinary

dividend of EUR 0.08 per share each year corresponding to a pay-out ratio of 49-57% i.e., well above the target of 30%. In addition to dividends, the AGM has approved a share buy-back program consisting of maximum 2.5m shares or EUR 1m. The maximum buy-back share price is last price +20% or EUR 1.90 per share (last price EUR 1.85 +20% is equal to EUR 2.22 i.e., the maximum share price of EUR 1.90 applies).



Source: Company reports, Enlight Research

### DCF Valuation indicate upside

Our DCF valuation indicate a Base case Fair value per share of EUR 2.11 (unchanged), corresponding to an EV/EBITDA 2021E multiple of 9.3x, which is 43% below the digital media peer average multiple of 16.3x (see Valuation section). Our Base case assumed terminal EBIT margin is 10.0%, which reflects the higher margins inherent in a digital media company. Our Bear and Bull case motivated share prices are EUR 1.75 (prev. 1.77), and EUR 2.48 (prev. 2.44), respectively. The only difference between our Bear and Bull scenarios is the assumed terminal EBIT margin which is 8% (Bear) and 12% (Bull), respectively. See below tables for our scenarios and DCF sensitivity.

| DCF Valuation Scenarios      | Bear | Base  | Bull  |
|------------------------------|------|-------|-------|
| WACC                         | 9.6% | 9.6%  | 9.6%  |
| Terminal Sales growth        | 3.0% | 3.0%  | 3.0%  |
| Terminal EBIT margin         | 8.0% | 10.0% | 12.0% |
| Fair Value per share         | 1.75 | 2.11  | 2.48  |
| Upside/Downside (last price) | -1%  | 19%   | 40%   |

Source: Enlight Research, based on share price EUR 1.78

| DCF sensitivity        | Current |      | Test values & Results |      |      |      |      |             |      |      |      |      |      |
|------------------------|---------|------|-----------------------|------|------|------|------|-------------|------|------|------|------|------|
|                        | Step    |      |                       |      |      |      |      |             |      |      |      |      |      |
| Equity beta            | 1.20    | 0.15 | 0.45                  | 0.60 | 0.75 | 0.90 | 1.05 | <b>1.20</b> | 1.35 | 1.50 | 1.65 | 1.80 | 1.95 |
| Fair value (DCF)       | 2.11    |      | 3.76                  | 3.30 | 2.92 | 2.60 | 2.34 | <b>2.11</b> | 1.92 | 1.75 | 1.60 | 1.47 | 1.35 |
| Target debt ratio*     | 32.0%   | 5.0% | 7%                    | 12%  | 17%  | 22%  | 27%  | <b>32%</b>  | 37%  | 42%  | 47%  | 52%  | 57%  |
| Fair value (DCF)       | 2.11    |      | 1.35                  | 1.47 | 1.60 | 1.75 | 1.92 | <b>2.11</b> | 2.34 | 2.60 | 2.92 | 3.30 | 3.77 |
| Riskfree interest rate | 3.0%    | 0.5% | 0.5%                  | 1.0% | 1.5% | 2.0% | 2.5% | <b>3.0%</b> | 3.5% | 4.0% | 4.5% | 5.0% | 5.5% |
| Fair value (DCF)       | 2.11    |      | 3.10                  | 2.85 | 2.63 | 2.44 | 2.27 | <b>2.11</b> | 1.97 | 1.85 | 1.73 | 1.63 | 1.53 |

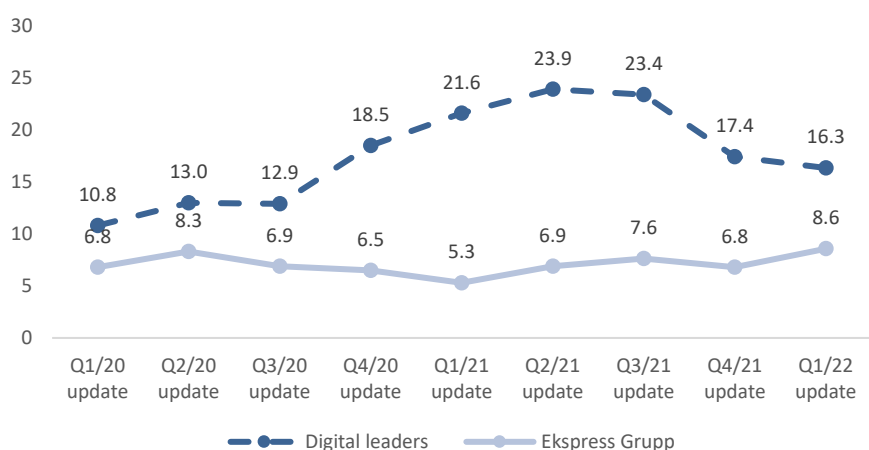
Source: Enlight Research, \*(D/D+E)

## Valuation update

### Peer valuation

Following the Print segment divestment, around 80% of Ekspress Grupp’s revenues is digital (digital subscriptions and online ads). Hence, we compare Ekspress Grupp to other digital leaders in the media sector. Since our Q4/21 Update in March this year, the 2021 EV/EBITDA multiples have slightly contracted for the Digital leaders’ peer group from 17.4x to 16.3x (due to the overall negative stock market sentiment rather than poor performance), while Ekspress Grupp’s multiple has increased from 6.8x to 8.6x, as investors are re-pricing the share according to a digital media company. We believe the convergence of Ekspress Grupp and the peer group will continue as Ekspress Grupp is still trading at a discount of around 50% to the peers based on the 2021 EV/EBITDA ratio (8.6x vs. 16.3x). Applying an EV/EBITDA multiple of 11.0x (33% discount to peers) to Ekspress Grupp’s reported 2021 EBITDA of EUR 8.2m indicate a share price of EUR 2.49. Worth noting is that Ekspress Grupp’s dividend yield is superior to all peers except Alma Media where it is on par or higher (for 2021).

EV/EBITDA 2021 Digital leaders vs. Ekspress Grupp



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 2021, Q3/21 prices from 2 Nov. 2021, Q4/21 prices from 7 Mar. 2022, Q1/22 prices from 6 May 2022,

### Digital leaders

| Company                  | Ccy | Price (last) | Mcap (m) (last) | EV (m) (last) | EV/Sales | EV/Sales | EV/Sales | EV/EBITDA | EV/EBITDA | EV/EBITDA | Div. yield | Div. yield | Div. yield |
|--------------------------|-----|--------------|-----------------|---------------|----------|----------|----------|-----------|-----------|-----------|------------|------------|------------|
|                          |     |              |                 |               | 2021     | 2022E    | 2023E    | 2021      | 2022E     | 2023E     | 2021       | 2022E      | 2023E      |
| Alma Media               | EUR | 9.73         | 800             | 982           | 3.6      | 3.2      | 3.2      | 13.4      | 10.4      | 10.5      | 3.6%       | 4.0%       | 4.4%       |
| Schibsted                | NOK | 186.30       | 43,596          | 50,897        | 3.5      | 3.3      | 3.1      | 18.6      | 18.7      | 16.7      | 1.1%       | 1.1%       | 1.2%       |
| Baltic Classifieds Group | EUR | 1.46         | 728             | 811           | 19.2     | 15.4     | 13.3     | 24.6      | 19.4      | 14.9      | 0.0%       | 0.0%       | 0.0%       |
| Wirtualna Polska Hld     | PLN | 88           | 2,575           | 2,737         | 3.1      | 2.9      | 2.6      | 8.9       | 8.3       | 7.4       | 1.8%       | 1.8%       | 2.1%       |
| Average                  |     |              |                 |               | 7.3      | 6.2      | 5.5      | 16.3      | 14.2      | 12.4      | 1.6%       | 1.7%       | 1.9%       |
| Average (excl. extreme)  |     |              |                 |               | 3.4      | 3.1      | 3.0      | 13.6      | 12.5      | 11.6      | na         | na         | na         |
| Median                   |     |              |                 |               | 3.5      | 3.3      | 3.2      | 16.0      | 14.6      | 12.7      | 1.1%       | 1.1%       | 1.2%       |
| Ekspress Grupp           | EUR | 1.85         | 58              | 71            | 1.3      | 1.2      | 1.1      | 8.6       | 7.9       | 7.3       | 9.7%       | 4.3%       | 4.3%       |

Source: MarketScreener, Enlight Research, prices from 6 May 2022

## Estimate deviations

Following the Print segment divestment, the Group consist of the Media segment. The Q1/22 Sales was 10% or EUR 1.3m above our estimate of EUR 12.2m. The Q1/22 Gross profit was 18% above forecast. The Q1/22 Operating loss of EUR 0.3m was EUR 0.2m below forecast (seasonal factors means Q1 is usually loss making) as marketing and admin. expenses came in a bit higher than estimated. The Q1/22 Net loss of EUR 0.5m was EUR 0.3m below our forecast.

### Deviation table Group

| P&L (EURm)                        | Estimate<br>Q1/22 | Outcome<br>Q1/22 | Diff<br>EURm  | Diff<br>%     |
|-----------------------------------|-------------------|------------------|---------------|---------------|
| Sales                             | 12.175            | 13.426           | 1.251         | 10.3%         |
| Costs of sales                    | -10.142           | -11.033          | -0.891        | 8.8%          |
| <b>Gross profit (loss)</b>        | <b>2.033</b>      | <b>2.393</b>     | <b>0.360</b>  | <b>17.7%</b>  |
| Other income                      | 0.146             | 0.119            | -0.027        | -18.6%        |
| Marketing expenses                | -0.584            | -0.655           | -0.071        | 12.1%         |
| Administrative expenses           | -1.705            | -2.147           | -0.442        | 26.0%         |
| Other expenses                    | -0.025            | -0.042           | -0.017        | 68.0%         |
| <b>Operating profit</b>           | <b>-0.135</b>     | <b>-0.332</b>    | <b>-0.197</b> | <b>146.7%</b> |
| Interest income                   | 0.000             | 0.010            | 0.010         | nm            |
| Interest expense                  | -0.100            | -0.169           | -0.069        | 69.0%         |
| FX gain/loss                      | 0.000             | 0.000            | 0.000         | nm            |
| Other finance costs               | 0.000             | -0.013           | -0.013        | nm            |
| <i>Financial net</i>              | <i>-0.100</i>     | <i>-0.172</i>    | <i>-0.072</i> | <i>72.0%</i>  |
| Profit on shrs of JVs             | 0.000             | -0.133           | -0.133        | nm            |
| Profit on shrs of associates      | 0.000             | 0.129            | 0.129         | nm            |
| <b>Profit (loss) before taxes</b> | <b>-0.235</b>     | <b>-0.508</b>    | <b>-0.273</b> | <b>116.6%</b> |
| Income tax                        | 0.014             | -0.004           | -0.018        | -128.4%       |
| <b>Net profit</b>                 | <b>-0.221</b>     | <b>-0.512</b>    | <b>-0.291</b> | <b>132.2%</b> |
| Other                             | -0.001            | -0.001           | 0.000         | 0.0%          |
| <b>Net profit (loss)</b>          | <b>-0.222</b>     | <b>-0.513</b>    | <b>-0.291</b> | <b>131.6%</b> |
| <b>EBITDA</b>                     | <b>0.674</b>      | <b>0.616</b>     | <b>-0.058</b> | <b>-8.6%</b>  |

| Sales growth                 | Estimate<br>Q1/22 | Outcome<br>Q1/22 | Diff<br>%-pts |
|------------------------------|-------------------|------------------|---------------|
| Group Sales (excl. Printing) | 10.4%             | 22.0%            | 11.6          |

| Margins           | Estimate<br>Q1/22 | Outcome<br>Q1/22 | Diff<br>bps |
|-------------------|-------------------|------------------|-------------|
| Gross margin      | 16.7%             | 17.8%            | 1.1         |
| EBITDA margin     | 5.5%              | 4.6%             | -0.9        |
| EBIT margin       | -1.1%             | -2.5%            | -1.4        |
| PTP margin        | -1.9%             | -3.8%            | -1.9        |
| Net profit margin | -1.8%             | -3.8%            | -2.0        |

Source: Company reports, Enlight Research

## Estimate changes

Following the 10% higher than forecast Q1/22 Sales, we raise our 2021 Sales estimate by 1.4% this year and 4-6% in 2023-24. Our EBITDA is raised by 3% this year and 7-12% in 2023-24, corresponding to an EBITDA of EUR 9-10m in the forecast period, which means the EBITDA margin is in-line with the financial target of at least 15%. Our EPS estimates are unchanged, while our dividend forecast is raised to EUR 0.08 per share for this and next year. This means the estimated dividend is EUR 0.08 per share each year in the forecast period 2022-24 (same as the approved ordinary dividend for 2021).

### Group estimate changes

| Sales (EURm)               | 2022E | 2023E | 2024E |
|----------------------------|-------|-------|-------|
| Old estimate (incl. Print) | 58.5  | 61.3  | 63.6  |
| New estimate (excl. Print) | 59.3  | 63.9  | 67.6  |
| Change                     | 0.8   | 2.6   | 4.0   |
| Change (pct)               | 1.4%  | 4.2%  | 6.2%  |

| EBITDA (EURm)              | 2022E | 2023E | 2024E |
|----------------------------|-------|-------|-------|
| Old estimate (incl. Print) | 8.7   | 9.0   | 9.1   |
| New estimate (excl. Print) | 9.0   | 9.6   | 10.2  |
| Change                     | 0.3   | 0.6   | 1.1   |
| Change (pct)               | 3.2%  | 7.1%  | 12.1% |

| EBIT (EURm)                | 2022E | 2023E | 2024E |
|----------------------------|-------|-------|-------|
| Old estimate (incl. Print) | 5.1   | 5.4   | 5.5   |
| New estimate (excl. Print) | 5.2   | 5.7   | 5.9   |
| Change                     | 0.0   | 0.2   | 0.4   |
| Change (pct)               | 0.8%  | 4.3%  | 6.3%  |

| EPS (EUR)                  | 2022E | 2023E | 2024E |
|----------------------------|-------|-------|-------|
| Old estimate (incl. Print) | 0.14  | 0.15  | 0.16  |
| New estimate (excl. Print) | 0.14  | 0.15  | 0.16  |
| Change                     | 0.00  | 0.00  | 0.00  |
| Change (pct)               | 0.0%  | 0.0%  | 0.0%  |

| Dividend (EUR)             | 2022E | 2023E | 2024E |
|----------------------------|-------|-------|-------|
| Old estimate (incl. Print) | 0.06  | 0.07  | 0.08  |
| New estimate (excl. Print) | 0.08  | 0.08  | 0.08  |
| Change                     | 0.02  | 0.01  | 0.00  |
| Change (pct)               | 33.3% | 14.3% | 0.0%  |

Source: Enlight Research

## **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.

### **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. Furthermore, a lock-down affects the outdoor digital advertising business negatively.

### **Inflation**

Higher energy prices and food prices could mean consumers need to save money elsewhere, which could potentially hurt digital subscription growth.

### **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.

### **Russia, Ukraine, Belarus impact**

The Company has no direct revenue, cost or asset exposure to Russia, Ukraine, or Belarus. There could be an indirect exposure from the overall impact on the general economy and consumers’ as well as clients’ willingness to spend. Following Russia’s offensive in Ukraine, several planned advertising campaigns were postponed primarily in Lithuania and Latvia.



| Income Statement      | 2020     | 2021     | 2022E    | 2023E     | 2024E     |
|-----------------------|----------|----------|----------|-----------|-----------|
| Net sales             | 45       | 54       | 59       | 64        | 68        |
| Total operating costs | -39      | -45      | -50      | -54       | -57       |
| <b>EBITDA</b>         | <b>6</b> | <b>8</b> | <b>9</b> | <b>10</b> | <b>10</b> |
| Depr. & Amort.        | -3       | -3       | -4       | -4        | -4        |
| One-off EBIT items    | 0        | 0        | 0        | 0         | 0         |
| <b>EBIT</b>           | <b>3</b> | <b>5</b> | <b>5</b> | <b>6</b>  | <b>6</b>  |
| Financial net         | 0        | 0        | -1       | -1        | -1        |
| <b>Pre-tax profit</b> | <b>3</b> | <b>4</b> | <b>5</b> | <b>5</b>  | <b>5</b>  |
| Taxes                 | 0        | 0        | 0        | 0         | 0         |
| Minority interest     | 0        | 0        | 0        | 0         | 0         |
| Other items           | 0        | 0        | 0        | 0         | 0         |
| <b>Net profit</b>     | <b>3</b> | <b>4</b> | <b>4</b> | <b>5</b>  | <b>5</b>  |

| Balance Sheet                       | 2020      | 2021      | 2022E     | 2023E     | 2024E     |
|-------------------------------------|-----------|-----------|-----------|-----------|-----------|
| Cash and cash equivalent            | 6         | 11        | 7         | 6         | 5         |
| Receivables                         | 9         | 9         | 10        | 11        | 11        |
| Inventories                         | 3         | 0         | 0         | 0         | 0         |
| Other current assets                | 0         | 0         | 0         | 0         | 0         |
| <b>Total current assets</b>         | <b>18</b> | <b>21</b> | <b>18</b> | <b>18</b> | <b>17</b> |
| Tangible assets                     | 14        | 8         | 10        | 11        | 11        |
| Goodwill & intangible assets        | 57        | 61        | 61        | 61        | 61        |
| Lease & Investment properties       | 0         | 0         | 1         | 2         | 4         |
| Long-term Investments               | 2         | 1         | 1         | 1         | 1         |
| Associated companies                | 2         | 2         | 2         | 2         | 2         |
| Other long-term assets              | 1         | 2         | 2         | 2         | 2         |
| <b>Total fixed assets</b>           | <b>76</b> | <b>74</b> | <b>76</b> | <b>78</b> | <b>80</b> |
| <b>Total Assets</b>                 | <b>94</b> | <b>94</b> | <b>94</b> | <b>96</b> | <b>97</b> |
| Accounts payable                    | 15        | 18        | 18        | 19        | 18        |
| Short-term IB debt                  | 4         | 3         | 3         | 3         | 3         |
| Other current liabilities           | 0         | 0         | 0         | 0         | 0         |
| <b>Total current liabilities</b>    | <b>19</b> | <b>21</b> | <b>21</b> | <b>22</b> | <b>21</b> |
| Long-term IB debt                   | 19        | 19        | 19        | 17        | 15        |
| Convertibles & Lease liab.          | 0         | 0         | 1         | 2         | 4         |
| Deferred tax liab.                  | 0         | 0         | 0         | 0         | 0         |
| Provisions                          | 0         | 0         | 0         | 0         | 0         |
| Other long-term liab.               | 2         | 1         | 1         | 1         | 1         |
| <b>Total long-term liab.</b>        | <b>21</b> | <b>20</b> | <b>21</b> | <b>20</b> | <b>19</b> |
| <b>Total Liabilities</b>            | <b>40</b> | <b>41</b> | <b>42</b> | <b>41</b> | <b>40</b> |
| Minority interest                   | 0         | 0         | 0         | 0         | 0         |
| Shareholders' equity                | 54        | 54        | 52        | 55        | 57        |
| <b>Total liabilities and equity</b> | <b>94</b> | <b>94</b> | <b>94</b> | <b>96</b> | <b>97</b> |

| DCF valuation              | Cash flow, mEUR |                       |     |
|----------------------------|-----------------|-----------------------|-----|
| WACC (%)                   | 9.98 %          | NPV FCF (2022-2024)   | 9   |
| Assumptions 2022-2028 (%)  |                 | NPV FCF (2025-2031)   | 28  |
| Sales CAGR                 | 4.23 %          | NPV FCF (2032-)       | 46  |
| Avg. EBIT margin           | 9.28 %          | Non-operating assets  | 5   |
| Fair value per share (EUR) | 2.11            | Interest-bearing debt | -22 |
| Share price (EUR)          | 1.80            | Fair value estimate   | 66  |

| Free Cash Flow             | 2020     | 2021      | 2022E    | 2023E    | 2024E    |
|----------------------------|----------|-----------|----------|----------|----------|
| Operating profit           | 3        | 5         | 5        | 6        | 6        |
| Depreciation               | 3        | 3         | 4        | 4        | 4        |
| Working capital chg        | 2        | 5         | -1       | 0        | -1       |
| Other Operating CF items   | 0        | 0         | 0        | 0        | 0        |
| <b>Operating Cash Flow</b> | <b>8</b> | <b>13</b> | <b>8</b> | <b>9</b> | <b>9</b> |
| Net investments            | -3       | -1        | -6       | -5       | -5       |
| Other items                | -1       | -1        | 0        | 0        | 0        |
| <b>Free Cash Flow</b>      | <b>4</b> | <b>10</b> | <b>2</b> | <b>4</b> | <b>4</b> |

| Capital structure   | 2020  | 2021  | 2022E | 2023E | 2024E |
|---------------------|-------|-------|-------|-------|-------|
| Equity ratio        | 58.0% | 57.0% | 55.7% | 56.9% | 58.6% |
| Debt / Equity ratio | 40.7% | 41.5% | 44.4% | 40.6% | 37.5% |
| Gearing %           | 29.2% | 21.0% | 30.7% | 28.8% | 28.0% |
| Net debt/EBITDA     | 2.7   | 1.4   | 1.8   | 1.6   | 1.6   |

| Profitability | 2020  | 2021  | 2022E | 2023E | 2024E |
|---------------|-------|-------|-------|-------|-------|
| ROE           | 4.8%  | 7.7%  | 8.1%  | 8.8%  | 8.9%  |
| FCF yield     | 18.1% | 21.2% | 4.1%  | 7.9%  | 7.8%  |
| EBITDA margin | 13.3% | 15.4% | 15.1% | 15.1% | 15.0% |
| EBIT margin   | 6.9%  | 9.1%  | 8.7%  | 8.9%  | 8.7%  |
| PTP margin    | 6.4%  | 8.2%  | 7.6%  | 7.9%  | 7.8%  |
| Net margin    | 5.8%  | 7.7%  | 7.2%  | 7.4%  | 7.3%  |

| Valuation     | 2020  | 2021 | 2022E | 2023E | 2024E |
|---------------|-------|------|-------|-------|-------|
| P/E           | 9.5   | 11.6 | 13.1  | 11.9  | 11.4  |
| P/E adjusted  | 9.5   | 11.6 | 13.1  | 11.9  | 11.4  |
| P/Sales       | 0.6   | 0.9  | 1.0   | 0.9   | 0.8   |
| EV/Sales      | 0.9   | 1.1  | 1.2   | 1.1   | 1.1   |
| EV/EBITDA     | 7.0   | 7.2  | 8.1   | 7.5   | 7.1   |
| EV/EBIT       | 13.6  | 12.2 | 14.0  | 12.8  | 12.3  |
| P/BV          | 0.4   | 0.9  | 1.1   | 1.0   | 1.0   |
| P/BV tangible | -11.3 | -6.6 | -6.6  | -8.9  | -14.5 |

| Per share ratios     | 2020  | 2021   | 2022E | 2023E | 2024E |
|----------------------|-------|--------|-------|-------|-------|
| EPS                  | 0.08  | 0.13   | 0.14  | 0.15  | 0.16  |
| EPS, adjusted        | 0.08  | 0.13   | 0.14  | 0.15  | 0.16  |
| Operating CF/share   | 0.26  | 0.42   | 0.25  | 0.30  | 0.28  |
| Free Cash Flow/share | 0.14  | 0.33   | 0.07  | 0.14  | 0.14  |
| BV/share             | 1.77  | 1.74   | 1.67  | 1.74  | 1.82  |
| Tangible BV/share    | -0.07 | -0.24  | -0.27 | -0.20 | -0.12 |
| Div. per share       | 0.00  | 0.18   | 0.08  | 0.08  | 0.08  |
| Div. payout ratio    | 0.0%  | 134.1% | 58.3% | 53.1% | 50.6% |
| Dividend yield       | 0.0%  | 11.6%  | 4.4%  | 4.4%  | 4.4%  |

| Shareholders              | Capital | Votes   |
|---------------------------|---------|---------|
| HHL RÜHM OÜ               | 26.696  | 47.37 % |
| HANS LUIK                 | 14.572  | 25.86 % |
| LHV Pensionfond L         | 3.432   | 6.09 %  |
| SEB S.A. Client UCITS     | 1.586   | 2.81 %  |
| Ekspress Grupp AS         | 0.940   | 1.67 %  |
| LHV Pensionfond XL        | 0.876   | 1.55 %  |
| Citibank/Govt of Norway   | 0.590   | 1.05 %  |
| Compensa Life Vienna Ins. | 0.587   | 1.04 %  |
| Mattus & Co AG            | 0.349   | 0.62 %  |
| OU Observa                | 0.282   | 0.50 %  |

| Key people |                    |
|------------|--------------------|
| CEO        | Mari-Liis Rüttsalu |
| CFO        | Signe Kukin        |
| IR         | Signe Kukin        |
| Chairman   | Priit Rohumaa      |

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