

## Well prepared for a recession

**Q3/22 sales and profits were well above forecast; however, we lower our forecast reflecting a mild recession next year. We believe the company is well prepared for a recession. The DCF and peer valuation indicate upside.**

### Above forecast

Both Q3/22 Sales and Pre-tax profit were 16% above our forecast driven by strong digital subscriber growth. The y-on-y growth in digital subscribers and digital sales was 21%, and 19%, respectively (Q3/22 Group sales grew 14% y-on-y). Despite better than expected Q3/22 Sales, we lower our Sales estimates by around 4% in 2022-24 leading to an estimated sales growth of 16% this year, 8% in 2023, and 6% in 2024, which we believe is quite ok given the expected upcoming mild recession.

### Ready to act

If the expected recession turns out to be severe rather than mild, we believe the Company is ready to cut costs. In Q3/22, layoffs were implemented in Latvia as the advertising sales did not meet expectations.

### Valuation indicate upside

Our Base case DCF Fair value is EUR 2.03 (prev. 2.12), indicating around 36% upside; however, given the state of the markets, investors must adopt a long-term view (1-2 years). Compared to peers, the EEG share is trading at a discount of around 50%. Our dividend forecast is unchanged indicating a yield of 5.5% in 2022-24.

### Key figures (MEUR)

	2020	2021	2022E	2023E	2024E
Net sales	44.5	53.5	62.2	67.1	71.0
Net sales growth	-34.0%	20.2%	16.3%	7.8%	5.9%
EBITDA	5.9	8.2	8.5	9.2	9.6
EBITDA margin	13.3%	15.4%	13.7%	13.7%	13.5%
EBIT	3.1	4.9	4.4	5.0	5.4
EBIT margin	6.9%	9.1%	7.0%	7.5%	7.6%
EV/Sales	0.9	1.1	1.0	0.9	0.9
EV/EBITDA	7.0	7.2	7.4	6.9	6.7
EV/EBIT	13.6	12.2	14.4	12.6	11.9
P/E adj.	9.5	11.6	13.0	11.8	10.9
P/BV	0.4	0.9	0.9	0.9	0.9
EPS adj.	0.08	0.13	0.12	0.13	0.14
EPS growth adj.	76.45%	60.52%	-13.65%	9.96%	8.80%
Div. per share	0.00	0.18	0.08	0.08	0.08
Dividend yield	0.00%	11.58%	5.33%	5.33%	5.33%

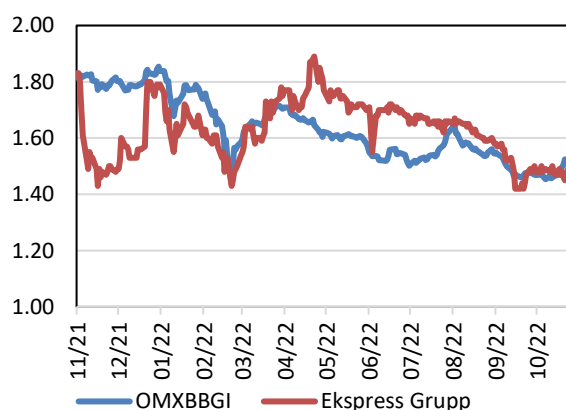
Source: Company data, Enlight Research estimates

### Fair value range (EUR)

Bull (term EBIT marg. 12%)	2.37
Base (term EBIT marg. 10%)	2.03
Bear (term EBIT marg. 8%)	1.69

### Key Data

Price (EUR)	1.50
Ticker	EEG1T
Country	Estonia
Listed	Tallinn
Market Cap (EURm)	47
Net debt (EURm)	16
Shares (m)	31
Free float	27%



### Price range

52-week high	1.89
52-week low	1.42

### Analyst

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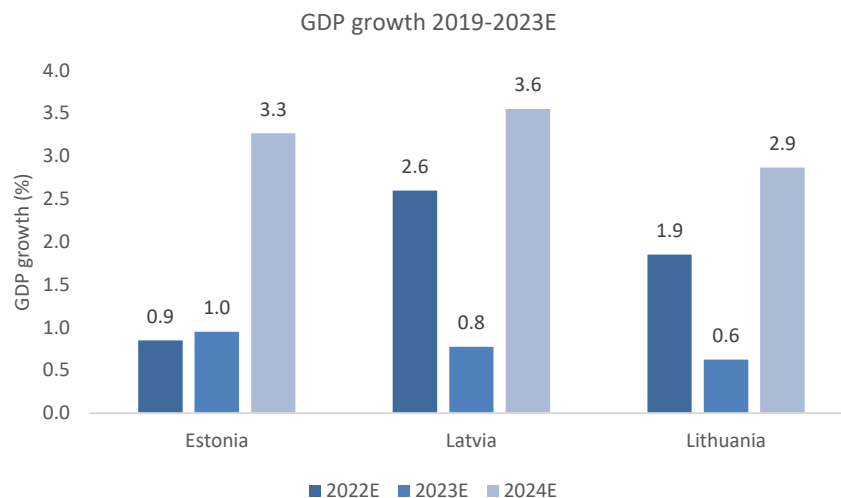
### Coverage frequency

4x per year

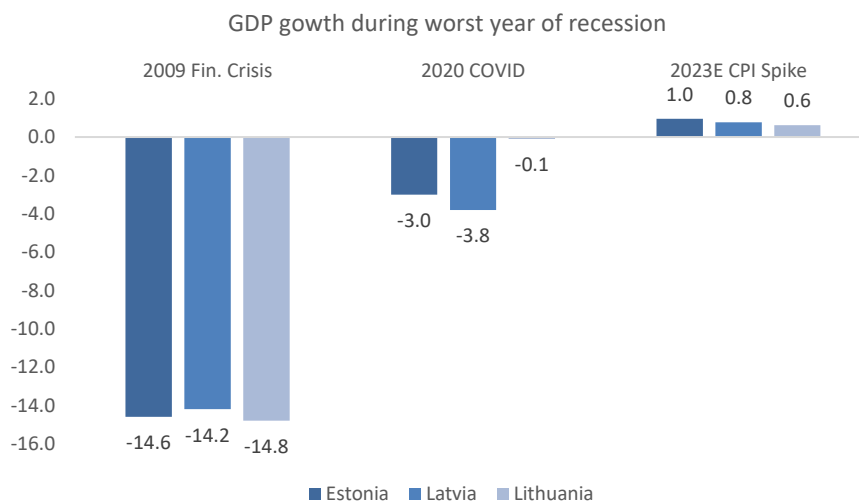
## Key takeaways

### Mild recession according to consensus

The economic slowdown is here – even macro economists have adjusted their forecast downward. The consensus GDP forecast predicts that Estonia will bottom out this year with an estimated GDP growth of 0.9% with a tiny recovery in 2023 (1.0% growth). Latvia and Lithuania are expected to bottom out next year with an estimated GDP growth of 0.8%, and 0.6%, respectively. All countries are expected to come back strongly in 2024 with GDP growth rates around 3%. If the GDP consensus forecast is correct, this will be a mild recession without negative annual GDP growth, which is a sharp contrast to the financial crisis when the GDP declined by double-digit figures in all three Baltic countries (2009).



Source: Consensus (SEB, Swedbank, Central Bank, IMF)

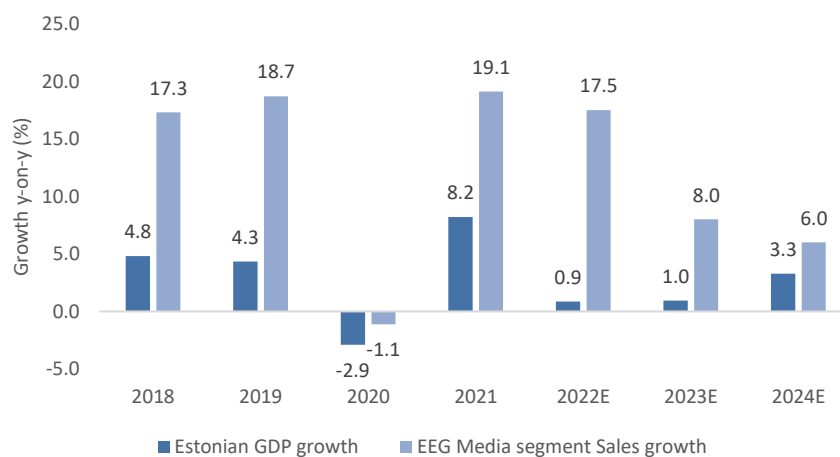


Source: Statistics Centers, 2023E Consensus (SEB, Swedbank, Central Bank, IMF)

**Decent growth driven by digital subscribers**

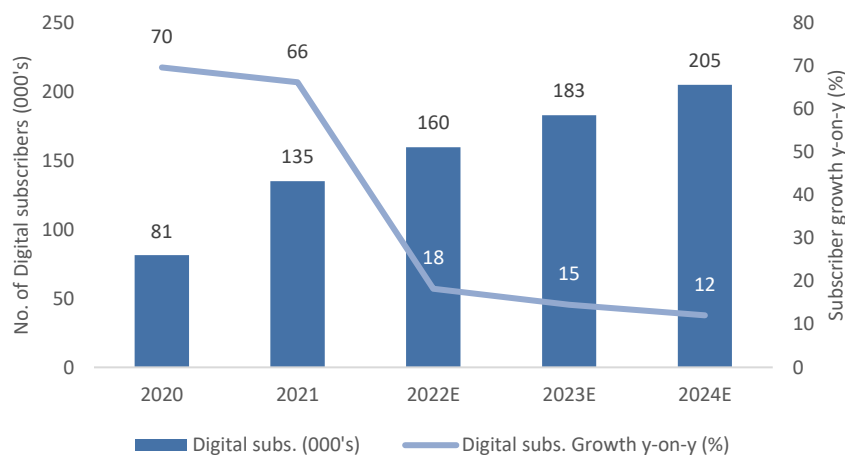
We believe Ekspress Grupp can post decent growth despite the expected mild recession. Historically, Ekspress Grupp’s (EEG) Media segment Sales growth has exceeded the GDP growth by a wide margin, and we believe this will be the case in the forecast period 2022-24E as well. This year, the Estonian consensus GDP growth is 0.9% while we predict EEG’s Media segment Sales to growth 17.5% (9M/22 reported growth was 20.3%). In 2023, and 2024, we forecast a slowdown in EEG’s Media segment Sales growth rate to 8%, and 6%, respectively vs. the GDP consensus of 1.0% (2023E), and 3.3% (2024E). The relatively high Sales growth vs. the GDP growth is driven by digital subscriptions and online advertising. Both digital subscriptions and online advertising benefit from the migration from printed to digital media. In addition, online advertising is taking market share from linear media (traditional TV channels). In our view, this means the digital media market can grow even if the overall media market is not growing. It is hard to find reliable statistics, but a rough estimate is that the digital media market is growing by 15-20% this year vs. 4-5% growth for the overall media market. Given the expected GDP slowdown, we regard the estimated EEG Media segment’s sales growth of 6-8% in the coming two years as encouraging.

Estonian GDP growth & Ekspress Grupp Media segment growth



Source: GDP (Statistics Centers & consensus based on SEB, Swedbank, IMF, Central Banks), Company reports (historical EEG Media segment Sales growth), Enlight Research (EEG Media segment estimates)

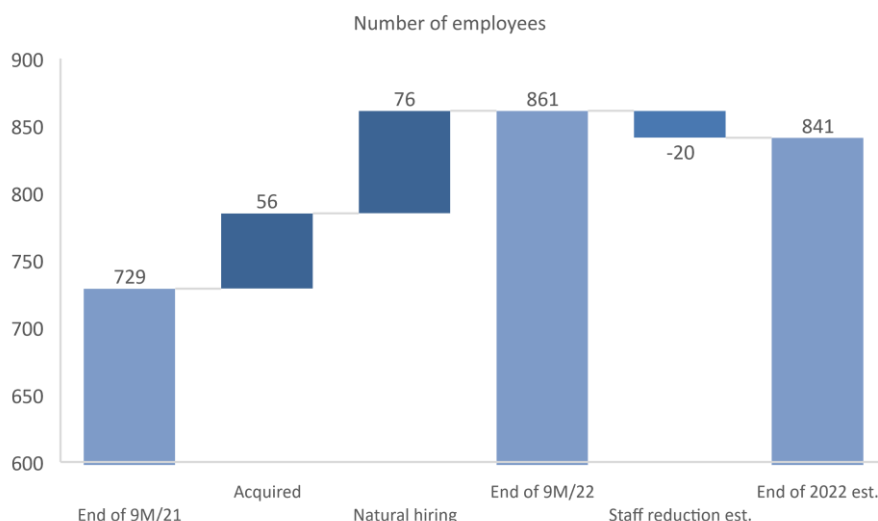
Ekspress Grupp growth driven by Digital subscribers



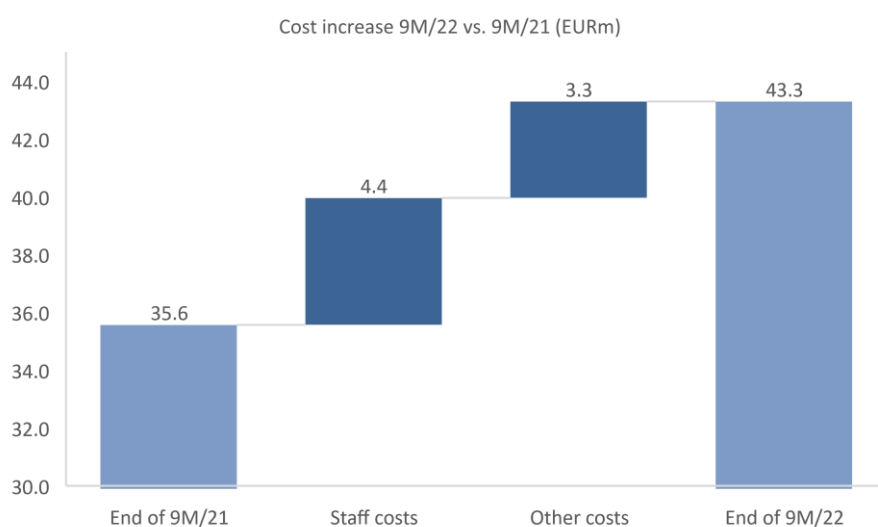
Source: Company (historical), Enlight Research (forecast)

### Monitoring the staff costs

The company is continuously monitoring the staff costs (around half of total costs) and are ready to make reductions of underperforming teams or if the market turns out to be weaker than expected. In Q3/22, the company started to implement layoffs in Latvia as the advertising sales failed to reach targets. We believe the number of people laid off was relatively minor at around 10 people (~1% of total workforce). However, given the expected economic slowdown and the quite significant recent increase in the number of employees (9M/22 number of employees increased by 18% or 132 people vs. 9M/21), we believe there could be room for additional staff reductions during 2022 (we estimate 20 less employees by the end of the year). Furthermore, if the economic recession turns out to be “severe” rather than “mild”, we believe Ekspress Grupp can quickly reduce costs by lowering the number of employees (lay-offs in the Baltic countries usually means 2-3 monthly salaries must be paid). The company experienced the 2007-08 financial crisis and should be well prepared to act if the macro-economic climate deteriorates.



Source: Company (historical), Enlight Research (estimate)



Source: Company (historical), Enlight Research (estimate)

## Valuation

### DCF Valuation Base case Fair value EUR 2.03

Our DCF valuation indicates a Base case Fair value per share of EUR 2.03 (prev. 2.12), corresponding to an upside of 36%. Lower estimates following weaker macro-economic outlook is the main reason for the lower Fair value. Our Base case assume a terminal EBIT margin of 10.0%, which reflects the higher margins inherent in a digital media company vs. a traditional media company. Our Bear and Bull case motivated share prices are EUR 1.69 (prev. 1.77), and EUR 2.37 (prev. 2.47), 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	10.3%	10.3%	10.3%
Terminal Sales growth	3.0%	3.0%	3.0%
Terminal EBIT margin	8.0%	10.0%	12.0%
Fair Value per share (EUR)	1.69	2.03	2.37
Upside/Downside (last price)	13%	36%	58%
Share price (EUR)	1.50	1.50	1.50

Source: Enlight Research

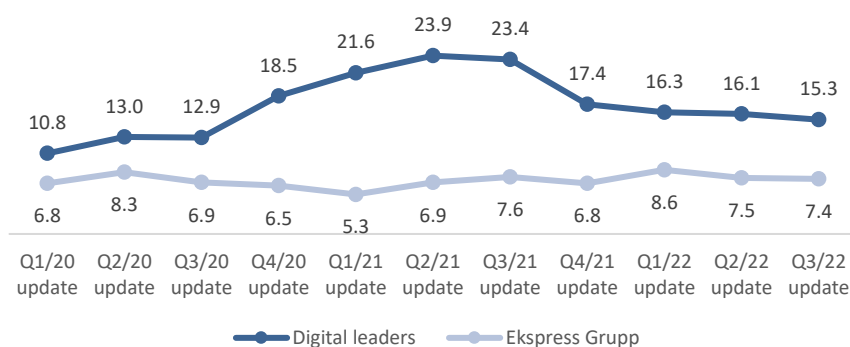
DCF sensitivity	Current	Step	Test values & Results										
Equity beta	1.20	0.15	0.45	0.60	0.75	0.90	1.05	<b>1.20</b>	1.35	1.50	1.65	1.80	1.95
Fair value (DCF)	2.03		3.45	3.06	2.73	2.46	2.23	<b>2.03</b>	1.85	1.70	1.57	1.45	1.34
Target debt ratio*	30.0 %	5.0 %	5%	10%	15%	20%	25%	<b>30%</b>	35%	40%	45%	50%	55%
Fair value (DCF)	2.03		1.35	1.45	1.57	1.71	1.86	<b>2.03</b>	2.22	2.45	2.72	3.04	3.42
Risk-free IR	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)	2.03		2.89	2.68	2.49	2.32	2.17	<b>2.03</b>	1.90	1.79	1.69	1.59	1.50

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

### Peer valuation indicates upside

Following the Print segment divestment, more than 70% 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 (see peer valuation table for companies included). Since our Q2/22 Update in August this year, the 2022E EV/EBITDA multiples have contracted for the Digital leaders' peer group from 16.1x to 15.3x, while Ekspress Grupp's multiple has decreased from 7.5x to 7.4x. This means that Ekspress Grupp is trading at an EV/EBITDA 2022E peer discount of 52% (was 53% in our Q2/22 Update). Worth noting is that Ekspress Grupp's dividend yield is superior to all peers except Alma Media where it is slightly higher.

EV/EBITDA current forecast year Ekspress Grupp vs. Digital leaders



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, Q2/22 prices from 8 Aug 2022, Q3/22 prices from 4 Nov 2022

## Digital leaders

Company	Ccy	Price (last)	EV/EBITDA 2021	EV/EBITDA 2022E	EV/EBITDA 2023E	EV/EBITDA 2024E	Div. yield 2021	Div. yield 2022E	Div. yield 2023E	Div. yield 2024E
Alma Media	EUR	9.24	12.2	9.2	10.0	9.7	3.8%	4.3%	4.7%	5.0%
Schibsted	NOK	186.50	18.6	21.5	19.1	16.3	1.1%	1.0%	1.1%	1.3%
Baltic Classifieds Gr.	EUR	1.74	27.7	21.8	16.8	16.0	0.0%	0.0%	0.0%	0.0%
Wirtualna Polska Hld	PLN	99.9	9.7	8.7	8.6	7.8	1.6%	1.3%	2.0%	2.1%
Average			17.0	15.3	13.6	12.4	1.6%	1.7%	1.9%	2.1%
Median			15.4	15.3	13.4	12.9	1.3%	1.2%	1.6%	1.7%
Ekspress Grupp	EUR	1.50	7.6	7.4	6.9	6.7	12.0%	5.3%	5.3%	5.3%

Source: MarketScreener, Enlight Research, prices from 4 November 2022

## Estimate deviations

The Q3/22 Sales was 12% or EUR 1.6m above our estimate of EUR 13.6m. The Q3/22 Gross profit was 16% above forecast. The Q3/22 Operating profit was EUR 18% or EUR 0.2m above our estimate, despite higher than expected marketing and administrative expenses by EUR 0.1m and EUR 0.4m respectively. The positive deviation continued at the Net profit which was EUR 0.1m or 13% above forecast.

### Deviation table Group

P&L (EURm)	Estimate	Outcome	Diff	Diff
	Q3/22	Q3/22	EURm	%
Sales	13.559	15.120	1.561	11.5%
Costs of sales	-10.250	-11.272	-1.022	10.0%
<b>Gross profit (loss)</b>	<b>3.308</b>	<b>3.848</b>	<b>0.540</b>	<b>16.3%</b>
Other income	0.163	0.209	0.046	28.5%
Marketing expenses	-0.569	-0.695	-0.126	22.0%
Administrative expenses	-1.763	-2.125	-0.362	20.6%
Other expenses	-0.136	-0.054	0.082	-60.3%
<b>Operating profit</b>	<b>1.003</b>	<b>1.183</b>	<b>0.180</b>	<b>18.0%</b>
Interest income	0.000	0.010	0.010	nm
Interest expense	-0.178	-0.183	-0.005	2.8%
FX gain/loss	0.000	0.000	0.000	nm
Other finance costs	0.000	-0.003	-0.003	nm
<i>Financial net</i>	<i>-0.178</i>	<i>-0.176</i>	<i>0.002</i>	<i>-1.1%</i>
Profit on shrs of JVs	0.000	-0.107	-0.107	nm
Profit on shrs of associates	0.000	0.053	0.053	nm
<b>Profit (loss) before taxes</b>	<b>0.825</b>	<b>0.953</b>	<b>0.128</b>	<b>15.5%</b>
Income tax	-0.066	-0.094	-0.028	42.4%
<b>Net profit</b>	<b>0.759</b>	<b>0.857</b>	<b>0.098</b>	<b>12.9%</b>
<b>EBITDA</b>	<b>1.953</b>	<b>2.264</b>	<b>0.311</b>	<b>15.9%</b>

Sales growth	Estimate	Outcome	Diff
	Q3/22	Q3/22	%-pts
Group Sales (excl. Printing)	2.2%	14.0%	11.8

Margins	Estimate	Outcome	Diff
	Q3/22	Q3/22	bps
Gross margin	24.4%	25.4%	1.0
EBITDA margin	14.4%	15.0%	0.6
EBIT margin	7.4%	7.8%	0.4
PTP margin	6.1%	6.3%	0.2
Net profit margin	5.6%	5.7%	0.1

Source: Company reports, Enlight Research

## Estimate changes

We increase our 2022-24 sales estimates by 4.2% each year on the back of continuous strong growth in the number of subscribers. However, a weaker macro-economic outlook combined with cost increases prompts us to lower the EBITDA by around 6% each year in the forecast period 2022-24. Our EPS forecast is lowered by 14-17% in the forecast period 2022-24. Our dividend estimates are unchanged at EUR 0.08 per share for each year in the forecast period 2022-24. Our estimated dividend pay-out ratio is 69% for this year and around 60% in 2023-24 (the dividend policy minimum is 30%).

### Group estimate changes

Sales (EURm)	2022E	2023E	2024E
Old estimate (excl. Print)	59.7	64.4	68.2
New estimate (excl. Print)	62.2	67.1	71.0
Change	2.5	2.7	2.9
Change (pct)	4.2%	4.2%	4.2%

EBITDA (EURm)	2022E	2023E	2024E
Old estimate (excl. Print)	9.1	9.7	10.3
New estimate (excl. Print)	8.5	9.2	9.6
Change	-0.6	-0.5	-0.7
Change (pct)	-6.2%	-5.5%	-6.6%

EBIT (EURm)	2022E	2023E	2024E
Old estimate (excl. Print)	5.2	5.7	5.9
New estimate (excl. Print)	4.4	5.0	5.4
Change	-0.8	-0.7	-0.5
Change (pct)	-15.9%	-11.7%	-8.8%

EPS (EUR)	2022E	2023E	2024E
Old estimate (excl. Print)	0.14	0.15	0.16
New estimate (excl. Print)	0.12	0.13	0.14
Change	-0.02	-0.03	-0.02
Change (pct)	-17.0%	-16.5%	-13.5%

Dividend (EUR)	2022E	2023E	2024E
Old estimate (excl. Print)	0.08	0.08	0.08
New estimate (excl. Print)	0.08	0.08	0.08
Change	0.00	0.00	0.00
Change (pct)	0.0%	0.0%	0.0%

Source: Enlight Research



## Forecast

Sales by segment	Q1/22	Q2/22	Q3/22	Q4/22E	2021	2022E	2023E	2024E
Media segment	13.081	16.062	14.743	17.323	52.093	61.209	66.106	70.072
<i>whereof digital and online</i>	10.434	12.494	12.006	14.823	40.453	49.757	55.728	60.744
Printing	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Corporate functions	1.092	1.090	1.161	1.162	4.118	4.505	4.730	4.920
Eliminations	-0.747	-0.743	-0.784	-1.211	-2.695	-3.485	-3.757	-3.978
<b>Total Sales</b>	<b>13.426</b>	<b>16.409</b>	<b>15.120</b>	<b>17.274</b>	<b>53.516</b>	<b>62.229</b>	<b>67.079</b>	<b>71.014</b>
Sales growth	Q1/22	Q2/22	Q3/22	Q4/22E	2021	2022E	2023E	2024E
Media segment	22.8%	24.5%	14.1%	11.0%	19.1%	17.5%	8.0%	6.0%
<i>whereof digital and online</i>	36.2%	25.7%	19.3%	15.9%	30.6%	23.0%	12.0%	9.0%
Corporate functions	3.8%	3.4%	16.2%	14.8%	49.1%	9.4%	5.0%	4.0%
Eliminations	5.8%	14.0%	18.8%	78.9%	36.5%	29.3%	7.8%	5.9%
<b>Total Sales</b>	<b>22.0%</b>	<b>23.3%</b>	<b>14.0%</b>	<b>8.3%</b>	<b>20.2%</b>	<b>16.3%</b>	<b>7.8%</b>	<b>5.9%</b>
EBITDA by segment	Q1/22	Q2/22	Q3/22	Q4/22E	2021	2022E	2023E	2024E
Media segment	0.893	2.501	2.614	3.663	8.927	9.671	10.577	11.562
Corporate functions	-0.230	-0.261	-0.311	-0.227	-0.669	-1.029	-1.278	-1.886
Eliminations	-0.047	-0.024	-0.039	-0.030	-0.018	-0.140	-0.100	-0.100
<b>Total EBITDA</b>	<b>0.616</b>	<b>2.216</b>	<b>2.264</b>	<b>3.406</b>	<b>8.240</b>	<b>8.502</b>	<b>9.199</b>	<b>9.576</b>
EBITDA margin	Q1/22	Q2/22	Q3/22	Q4/22E	2021	2022E	2023E	2024E
Media segment	6.8%	15.6%	17.7%	21.1%	17.1%	15.8%	16.0%	16.5%
Corporate functions	-21.1%	-23.9%	-26.8%	-19.6%	-16.2%	-22.9%	-27.0%	-38.3%
<b>Total EBITDA</b>	<b>4.6%</b>	<b>13.5%</b>	<b>15.0%</b>	<b>19.7%</b>	<b>15.4%</b>	<b>13.7%</b>	<b>13.7%</b>	<b>13.5%</b>
Income statement	Q1/22	Q2/22	Q3/22	Q4/22E	2021	2022E	2023E	2024E
Sales	13.426	16.409	15.120	17.274	53.516	62.229	67.079	71.014
Costs of sales	-11.033	-12.407	-11.272	-11.960	-39.674	-46.672	-50.309	-53.260
<b>Gross profit (loss)</b>	<b>2.393</b>	<b>4.002</b>	<b>3.848</b>	<b>5.314</b>	<b>13.842</b>	<b>15.557</b>	<b>16.770</b>	<b>17.753</b>
Other income	0.119	0.198	0.209	0.252	0.929	0.778	0.838	0.888
Marketing expenses	-0.655	-0.783	-0.695	-0.792	-2.359	-2.925	-3.086	-3.196
Administrative expenses	-2.147	-2.170	-2.125	-2.457	-7.435	-8.899	-9.391	-9.942
Other expenses	-0.042	-0.042	-0.054	0.008	-0.113	-0.130	-0.100	-0.100
<i>Operating expenses</i>	<i>-2.725</i>	<i>-2.797</i>	<i>-2.665</i>	<i>-2.989</i>	<i>-8.978</i>	<i>-11.176</i>	<i>-11.738</i>	<i>-12.350</i>
<b>Operating profit</b>	<b>-0.332</b>	<b>1.205</b>	<b>1.183</b>	<b>2.326</b>	<b>4.864</b>	<b>4.382</b>	<b>5.032</b>	<b>5.404</b>
Interest income	0.010	0.009	0.010	-0.029	0.035	0.000	0.000	0.000
Interest expense	-0.169	-0.178	-0.183	0.044	-0.709	-0.486	-0.722	-0.715
FX gain/loss	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Other finance costs	-0.013	0.210	-0.003	-0.194	0.339	0.000	0.000	0.000
<i>Financial net</i>	<i>-0.172</i>	<i>0.041</i>	<i>-0.176</i>	<i>-0.179</i>	<i>-0.335</i>	<i>-0.486</i>	<i>-0.722</i>	<i>-0.715</i>
Profit on shrs of JVs	-0.133	-0.087	-0.107	0.327	-0.281	0.000	0.000	0.000
Profit on shrs of associates	0.129	0.143	0.053	-0.325	0.161	0.000	0.000	0.000
<b>Profit (loss) before taxes</b>	<b>-0.508</b>	<b>1.302</b>	<b>0.953</b>	<b>2.149</b>	<b>4.409</b>	<b>3.896</b>	<b>4.310</b>	<b>4.689</b>
Income tax	-0.004	-0.031	-0.094	-0.150	-0.276	-0.279	-0.323	-0.352
Minority interest	0.001	0.001	-0.002	0.000	-0.014	0.000	0.000	0.000
<b>Net profit</b>	<b>-0.511</b>	<b>1.272</b>	<b>0.857</b>	<b>1.999</b>	<b>4.119</b>	<b>3.617</b>	<b>3.986</b>	<b>4.337</b>
<b>EBITDA</b>	<b>0.616</b>	<b>2.216</b>	<b>2.264</b>	<b>3.406</b>	<b>8.240</b>	<b>8.502</b>	<b>9.199</b>	<b>9.576</b>
Margins	Q1/22	Q2/22	Q3/22	Q4/22E	2021	2022E	2023E	2024E
Gross margin	17.8%	24.4%	25.4%	30.8%	25.9%	25.0%	25.0%	25.0%
EBITDA margin	4.6%	13.5%	15.0%	19.7%	15.4%	13.7%	13.7%	13.5%
Operating margin	-2.5%	7.3%	7.8%	13.5%	9.1%	7.0%	7.5%	7.6%
Pre-tax Profit margin	-3.8%	7.9%	6.3%	12.4%	8.2%	6.3%	6.4%	6.6%
Net margin	-3.8%	7.8%	5.7%	11.6%	7.7%	5.8%	5.9%	6.1%

Source: Company (historical), Enlight Research (estimate)

## **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 18 November 2019.

### **Severe recession**

Our forecast assume that we will have a mild economic recession in 2023. If the recession turns out to be severe, our forecast is most likely too optimistic.

### **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 has been negatively affected. A recurring pandemic with restrictions on larger events could affect the ticketing platform negatively. Furthermore, a lockdown would also damage the outdoor digital advertising business.

### **Inflation**

Higher energy prices and food prices could mean that 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 would most likely 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 invasion of Ukraine, several planned advertising campaigns were postponed primarily in Lithuania and Latvia.

Income Statement	2020	2021	2022E	2023E	2024E
Net sales	45	54	62	67	71
Total operating costs	-39	-45	-54	-58	-61
<b>EBITDA</b>	<b>6</b>	<b>8</b>	<b>9</b>	<b>9</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>4</b>	<b>5</b>	<b>5</b>
Financial net	0	0	0	-1	-1
<b>Pre-tax profit</b>	<b>3</b>	<b>4</b>	<b>4</b>	<b>4</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>4</b>	<b>4</b>

Balance Sheet	2020	2021	2022E	2023E	2024E
Cash and cash equivalent	6	11	7	7	6
Receivables	9	9	11	11	12
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>19</b>	<b>18</b>	<b>18</b>
Tangible assets	14	8	9	10	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>95</b>	<b>96</b>	<b>98</b>
Accounts payable	15	18	19	19	19
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>22</b>	<b>23</b>	<b>22</b>
Long-term IB debt	19	19	19	18	17
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>21</b>	<b>21</b>
<b>Total Liabilities</b>	<b>40</b>	<b>41</b>	<b>43</b>	<b>43</b>	<b>43</b>
Minority interest	0	0	0	0	0
Shareholders' equity	54	54	52	53	55
<b>Total liabilities and equity</b>	<b>94</b>	<b>94</b>	<b>95</b>	<b>96</b>	<b>98</b>

DCF valuation	Cash flow, mEUR		
WACC (%)	10.26 %	NPV FCF (2022-2024)	9
Assumptions 2022-2028 (%)		NPV FCF (2025-2031)	26
Sales CAGR	4.26 %	NPV FCF (2032-)	46
Avg. EBIT margin	8.19 %	Non-operating assets	5
Fair value per share (EUR)	2.03	Interest-bearing debt	-22
Share price (EUR)	1.50	Fair value estimate	63

Free Cash Flow	2020	2021	2022E	2023E	2024E
Operating profit	3	5	4	5	5
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>8</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%	54.7%	55.3%	56.2%
Debt / Equity ratio	40.7%	41.5%	45.7%	43.3%	42.1%
Gearing %	29.2%	21.0%	31.1%	30.6%	31.7%
Net debt/EBITDA	2.7	1.4	1.9	1.8	1.8

Profitability	2020	2021	2022E	2023E	2024E
ROE	4.8%	7.6%	6.9%	7.6%	8.0%
FCF yield	18.1%	21.2%	4.5%	8.6%	7.9%
EBITDA margin	13.3%	15.4%	13.7%	13.7%	13.5%
EBIT margin	6.9%	9.1%	7.0%	7.5%	7.6%
PTP margin	6.4%	8.2%	6.3%	6.4%	6.6%
Net margin	5.8%	7.7%	5.8%	5.9%	6.1%

Valuation	2020	2021	2022E	2023E	2024E
P/E	9.5	11.6	13.0	11.8	10.9
P/E adjusted	9.5	11.6	13.0	11.8	10.9
P/Sales	0.6	0.9	0.8	0.7	0.7
EV/Sales	0.9	1.1	1.0	0.9	0.9
EV/EBITDA	7.0	7.2	7.4	6.9	6.7
EV/EBIT	13.6	12.2	14.4	12.6	11.9
P/BV	0.4	0.9	0.9	0.9	0.9
P/BV tangible	-11.3	-6.6	-5.1	-6.1	-7.9

Per share ratios	2020	2021	2022E	2023E	2024E
EPS	0.08	0.13	0.12	0.13	0.14
EPS, adjusted	0.08	0.13	0.12	0.13	0.14
Operating CF/share	0.26	0.42	0.24	0.29	0.26
Free Cash Flow/share	0.14	0.33	0.07	0.13	0.12
BV/share	1.77	1.74	1.65	1.69	1.75
Tangible BV/share	-0.07	-0.24	-0.29	-0.25	-0.19
Div. per share	0.00	0.18	0.08	0.08	0.08
Div. payout ratio	0.0%	134.6%	69.3%	63.0%	57.9%
Dividend yield	0.0%	11.6%	5.3%	5.3%	5.3%

Shareholders	Capital	Votes
HHL RÜHM OÜ	22.247	47.37 %
HANS LUIK	12.143	25.86 %
LHV Pensionfond L	2.860	6.09 %
SEB S.A. Client UCITS	1.322	2.81 %
Ekspress Grupp AS	0.784	1.67 %
LHV Pensionfond XL	0.730	1.55 %
Citibank/Govt of Norway	0.492	1.05 %
Compensa Life Vienna Ins.	0.489	1.04 %
Mattus & Co AG	0.291	0.62 %
OU Observa	0.235	0.50 %

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

<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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