

## Solid start of the year

**Q1 beat estimates as the company delivered double-digit revenue growth. Higher financial expenses are likely to offset the operational improvement this year but next year, we expect a significant net profit increase. We raise our estimates and fair value, while leaving our dividend forecast unchanged.**

### Q1/23 above forecast

Q1 Sales grew 25% (est. +7%) y-on-y to EUR 16.8m, which was 17% above estimate. The 18% organic sales growth was also significantly above forecast. The Q1 EBITDA of EUR 1.2m was almost double our estimate. Higher financial expenses meant that the underlying Q1 Net loss of EUR 0.433m was only slightly better than forecast.

### Operational improvement visible next year

Despite our forecast EUR 1.4m EBIT improvement this year, our estimated Net profit is flat as higher financial expenses offset. Next year, we forecast roughly flat financial expenses which means the expected EUR 1.4m EBIT improvement follows through to the bottom-line resulting in a 45% Net profit growth.

### We raise our Base case Fair value

We raise our Base case Fair value to EUR 2.20/shr. (prev. 2.10) on the back of higher estimates. While waiting for the estimated 2024 net profit uptick, investors could collect close to 5% yield. The Q1 report reveals a solid start of the year although it might be hard to see as it is a seasonally loss making quarter.

### Key figures (MEUR)

|                  | 2021   | 2022   | 2023E | 2024E  | 2025E  |
|------------------|--------|--------|-------|--------|--------|
| Net sales        | 53.5   | 64.1   | 73.1  | 79.5   | 83.4   |
| Net sales growth | 20.2%  | 19.9%  | 14.0% | 8.6%   | 4.9%   |
| EBITDA           | 8.2    | 8.9    | 10.6  | 11.6   | 11.9   |
| EBITDA margin    | 15.4%  | 13.9%  | 14.5% | 14.7%  | 14.3%  |
| EBIT             | 4.9    | 4.8    | 6.2   | 7.4    | 7.8    |
| EBIT margin      | 9.1%   | 7.5%   | 8.5%  | 9.3%   | 9.4%   |
| EV/Sales         | 1.1    | 1.0    | 0.8   | 0.7    | 0.6    |
| EV/EBITDA        | 7.2    | 7.1    | 5.7   | 5.0    | 4.5    |
| EV/EBIT          | 12.2   | 13.2   | 9.7   | 7.8    | 6.9    |
| P/E adj.         | 12.9   | 12.0   | 10.9  | 8.5    | 7.6    |
| P/BV             | 0.9    | 0.9    | 0.9   | 0.8    | 0.8    |
| EPS adj.         | 0.12   | 0.14   | 0.15  | 0.19   | 0.22   |
| EPS growth adj.  | 44.93% | 14.22% | 9.40% | 27.30% | 11.97% |
| Div. per share   | 0.18   | 0.05   | 0.08  | 0.08   | 0.08   |
| Dividend yield   | 11.58% | 3.01%  | 4.88% | 4.88%  | 4.88%  |

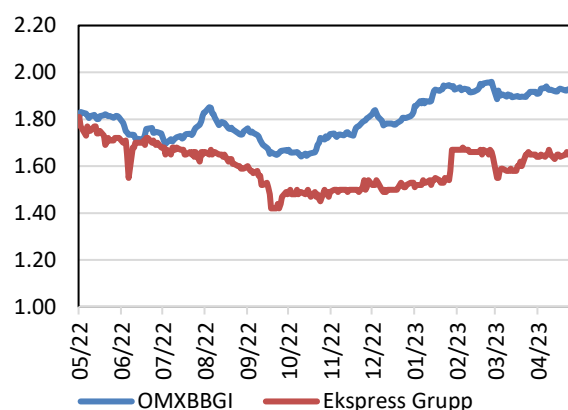
Source: Company data, Enlight Research estimates

### Fair value range (EUR)

|                             |      |
|-----------------------------|------|
| Bull (term. EBIT marg. 12%) | 2.55 |
| Base (term. EBIT marg. 10%) | 2.20 |
| Bear (term. EBIT marg. 8%)  | 1.85 |

### Key Data

|                   |         |
|-------------------|---------|
| Price (EUR)       | 1.64    |
| Ticker            | EEG1T   |
| Country           | Estonia |
| Listed            | Tallinn |
| Market Cap (EURm) | 50      |
| Net debt (EURm)   | 14      |
| Shares (m)        | 30.2    |
| Free float        | 27%     |



### Price range

|              |      |
|--------------|------|
| 52-week high | 1.81 |
| 52-week low  | 1.42 |

### Analyst

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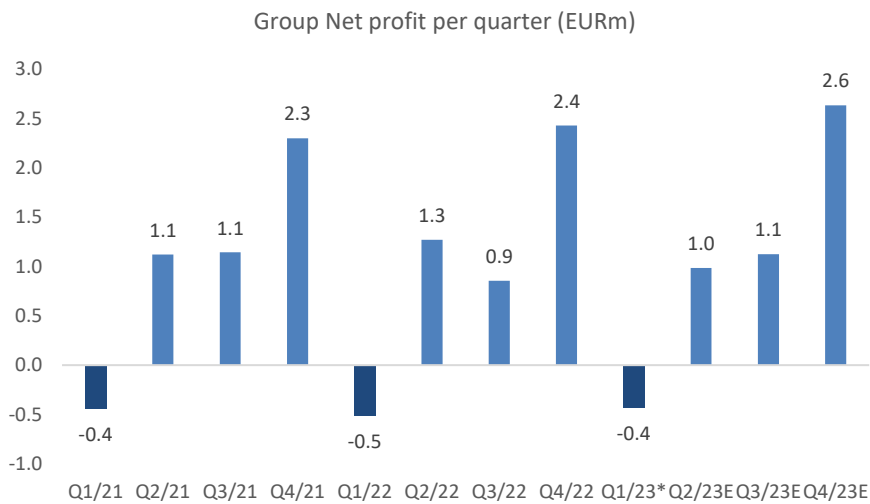
### Coverage frequency

4x per year

## Key takeaways

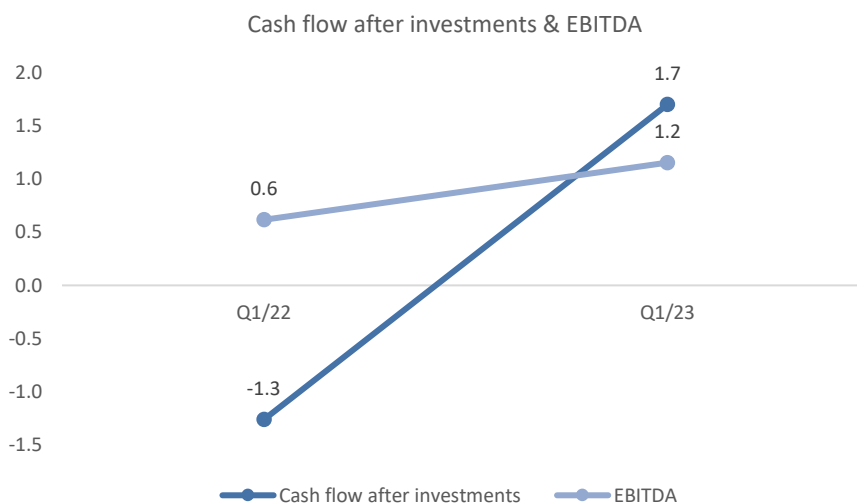
### Solid start of the year

The Q1/23 sales growth of 25% y-on-y was encouraging (we estimated 7% growth). Even excluding the sales from acquisitions (ELTA, Lrytas), the Q1/23 sales growth was a solid 18% as elections in Estonia and Lithuania boosted revenues. We are not worried about the Q1/23 Net loss of EUR 0.4m (excluding EUR 0.3m negative one-off) as Q1 is usually a loss making quarter due to the seasonality of the media industry. The cash flow focused metrics reveal a strong start of the year. The Q1/23 EBITDA almost doubled (+87%) to EUR 1.2m compared to Q1/22 (margin improved from 6.7% from 4.6%), while the Q1/23 Cash flow after investments improved to EUR 1.7m from negative EUR 1.3m in the same period last year. The Q1/23 annualized cash flow yield (annualized cash flow after investments divided by market cap) is 13.7%, which we regard as attractive. We believe the Q1/23 report shows a solid start of the year although it might be hard to detect as it is a low-season quarter (usually loss making).



Source: Company reports (historic), Enlight Research (estimates)

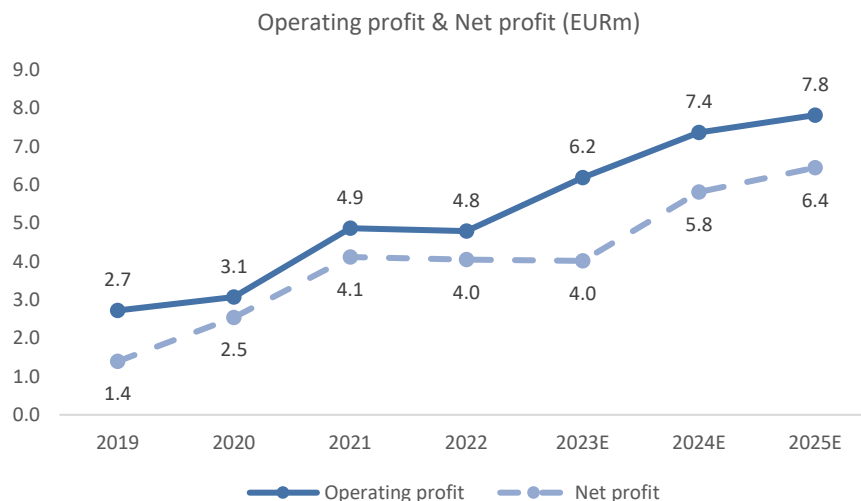
\*Excluding one-off expense of EUR 0.3m



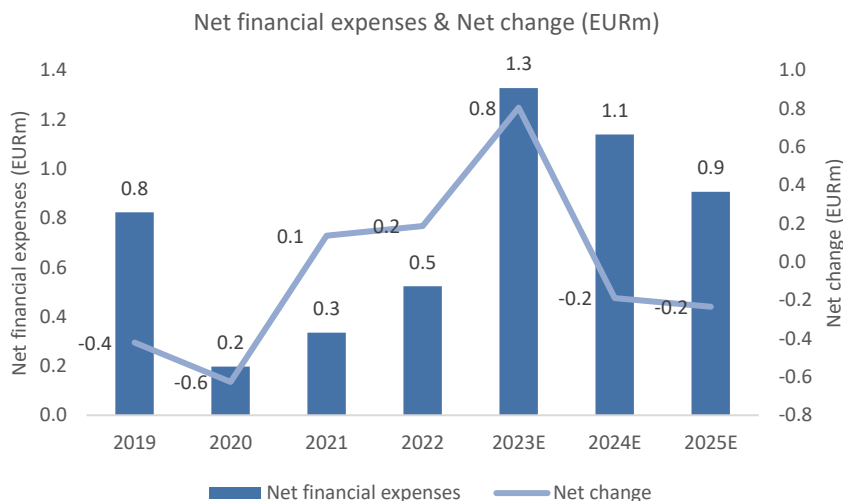
Source: Company reports

### Operating profit improvement visible in 2024

Our full-year 2023 Operating profit is forecast to increase by 29% or EUR 1.4m to EUR 6.2m. However, the 2023 Net profit is estimated to be roughly flat mainly due to EUR 0.8m higher expected financial expenses. In 2024, we forecast slightly lower financial expenses (EUR 0.2m), which means the operational improvement will be visible at the net profit line. Hence, we estimate the 2024 Net profit to increase 45% or EUR 1.8m to EUR 5.8m. The expected Net profit improvement in 2024 vs. 2023 is reflected in the estimated unadjusted PE ratio, which declines from 12.4x in 2023 to 8.5x in 2024 (based on share price of EUR 1.65).



Source: Company reports (historic), Enlight Research (estimates)



Source: Company reports (historic), Enlight Research (estimates)

#### EPS & PE ratio

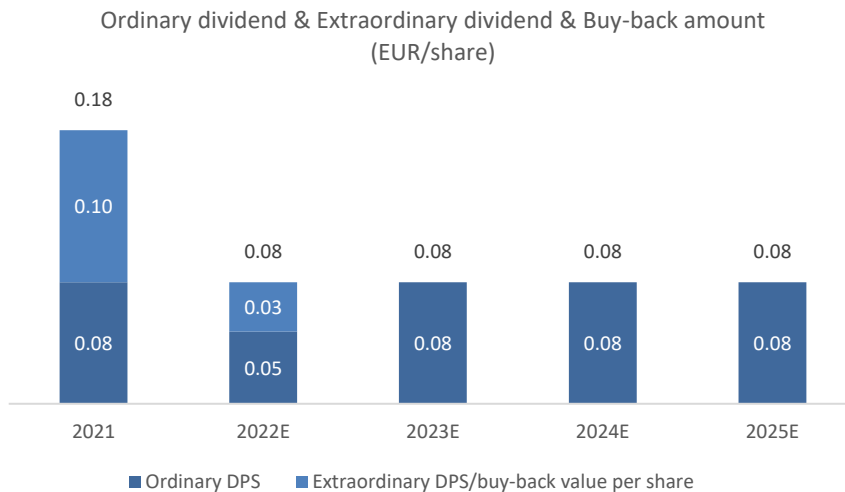
|           | 2019 | 2020 | 2021 | 2022 | 2023E | 2024E | 2025E |
|-----------|------|------|------|------|-------|-------|-------|
| EPS (EUR) | 0.05 | 0.08 | 0.13 | 0.13 | 0.13  | 0.19  | 0.21  |
| PE        | 34.8 | 19.7 | 12.3 | 12.5 | 12.4  | 8.5   | 7.7   |

Source: Company reports (historic), Enlight Research (estimates)

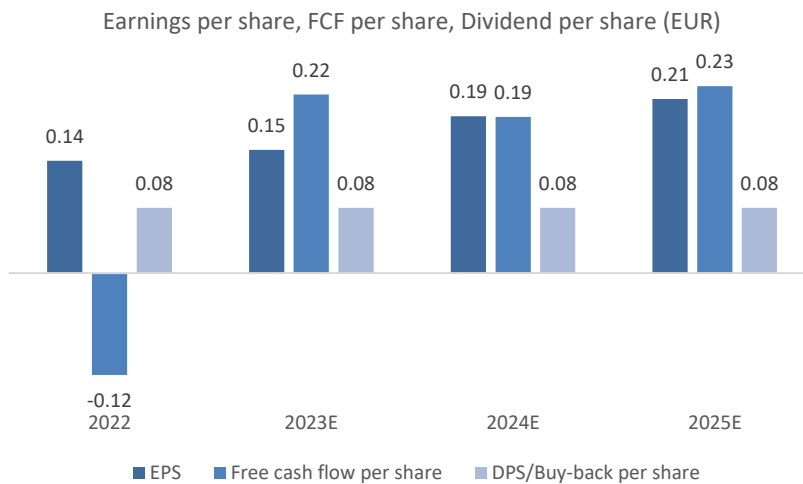
PE ratio based on share price of EUR 1.65

**Forecast dividends well covered by EPS and Free cash flow**

For 2021, the company paid EUR 0.08 in ordinary dividends plus EUR 0.10 in extraordinary dividends. For 2022, EUR 0.03m was paid out in the form of a buy-back program and EUR 0.05 in ordinary dividends has been approved (to be paid 24 May 2023). For each year in the forecast period 2023-25, we expect EUR 0.08 in dividends per share equal to a yield of 4.9%. Last year, acquisition investments pushed the Free cash flow to negative EUR 0.12 per share, but as the company was overcapitalized, attractive dividends could be paid. In the forecast period 2023-25, our forecast EUR 0.08 dividend per share is well covered by the EPS and the Free cash flow per share, which are estimated to be roughly double or more compared to the dividend.



Source: Company reports (historic), Enlight Research (estimates)



Source: Company (historic), Enlight Research (estimates)

## Valuation

### DCF Valuation Base case Fair value EUR 2.20

Our Base case DCF Fair value is raised to EUR 2.20/share (prev. 2.10), corresponding to an upside of around 30%. Raised estimates are the main reason for the higher Fair value (see Estimate changes). 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 1.85 (prev. 1.75), and EUR 2.55 (prev. 2.45), 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                         | 11.0% | 11.0% | 11.0% |
| Terminal Sales growth        | 3.0%  | 3.0%  | 3.0%  |
| Terminal EBIT margin         | 8.0%  | 10.0% | 12.0% |
| Fair Value per share (EUR)   | 1.85  | 2.20  | 2.55  |
| Upside/Downside (last price) | 12%   | 34%   | 55%   |
| Share price (EUR)            | 1.65  | 1.65  | 1.65  |

Source: Enlight Research

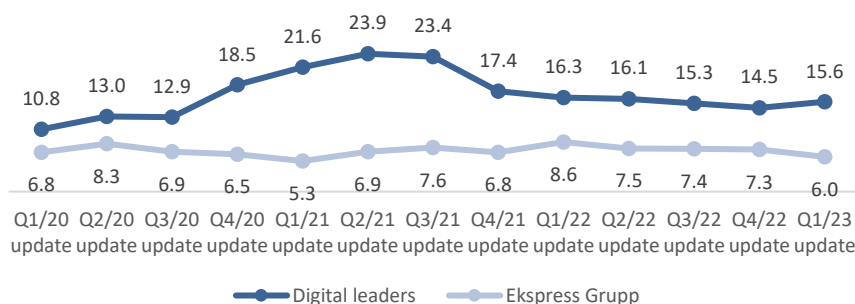
| DCF sensitivity    | Current | Step   | Test values & Results |       |       |       |       |       |       |       |       |       |       |
|--------------------|---------|--------|-----------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Equity beta        | 1.20    | 0.20   | 0.20                  | 0.40  | 0.60  | 0.80  | 1.00  | 1.20  | 1.40  | 1.60  | 1.80  | 2.00  | 2.20  |
| Fair value (DCF)   | 2.55    |        | 5.05                  | 4.30  | 3.71  | 3.24  | 2.86  | 2.55  | 2.28  | 2.05  | 1.86  | 1.69  | 1.54  |
| Target debt ratio* | 30.0 %  | 10.0 % | -20%                  | -10%  | 0%    | 10%   | 20%   | 30%   | 40%   | 50%   | 60%   | 70%   | 80%   |
| Fair value (DCF)   | 2.55    |        | 1.25                  | 1.42  | 1.63  | 1.87  | 2.17  | 2.55  | 3.03  | 3.68  | 4.58  | 5.91  | 8.08  |
| Risk-free IR       | 3.5 %   | 0.8 %  | -0.3 %                | 0.5 % | 1.3 % | 2.0 % | 2.8 % | 3.5 % | 4.3 % | 5.0 % | 5.8 % | 6.5 % | 7.3 % |
| Fair value (DCF)   | 2.55    |        | 4.26                  | 3.80  | 3.41  | 3.08  | 2.79  | 2.55  | 2.33  | 2.15  | 1.98  | 1.83  | 1.70  |

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

### Peer valuation indicates upside

Following the Print segment divestment, more than 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 Q4/22 Update in February 2022, the current year forecast EV/EBITDA multiples have expanded for the Digital leaders’ peer group from 14.5x to 15.6x, while Ekspress Grupp’s multiple has contracted from 7.3x to 6.0x. This means Ekspress Grupp is trading at an EV/EBITDA 2023E peer discount of 61% (was 50% in our Q4/22 Update). Worth noting is that Ekspress Grupp’s dividend yield is superior to all peers except Alma Media (see next page for peer table).

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, Q4/22 prices from 17 Feb 2023, Q1/23 prices from 8 May 2023

**Digital leaders**

| Company                  | Ccy | Price<br>(last) | EV/EBITDA<br>2022 | EV/EBITDA<br>2023E | EV/EBITDA<br>2024E | EV/EBITDA<br>2025E | Div. yield<br>2022 | Div. yield<br>2023E | Div. yield<br>2024E | Div. yield<br>2025E |
|--------------------------|-----|-----------------|-------------------|--------------------|--------------------|--------------------|--------------------|---------------------|---------------------|---------------------|
| Alma Media               | EUR | 9.46            | 9.4               | 10.8               | 10.3               | 9.8                | 4.7%               | 4.7%                | 5.1%                | 5.3%                |
| Schibsted                | NOK | 196.95          | 21.0              | 20.8               | 16.7               | 14.3               | 1.0%               | 1.0%                | 1.2%                | 1.4%                |
| Baltic Classifieds Group | EUR | 1.84            | 24.5              | 21.1               | 18.4               | 16.1               | 0.0%               | 2.2%                | 3.3%                | 3.8%                |
| Wirtualna Polska Hld     | PLN | 115.8           | 11.7              | 9.6                | 8.6                | 7.9                | 2.2%               | 2.2%                | 2.2%                | 2.3%                |
| Average                  |     |                 | 16.6              | 15.6               | 13.5               | 12.0               | 2.0%               | 2.5%                | 2.9%                | 3.2%                |
| Median                   |     |                 | 16.3              | 15.8               | 13.5               | 12.1               | 1.6%               | 2.2%                | 2.8%                | 3.0%                |
| Ekspress Grupp           | EUR | 1.65            | 7.8               | 6.0                | 5.3                | 4.9                | 3.0%               | 4.9%                | 4.9%                | 4.9%                |

Source: MarketScreener, Enlight Research, prices from 8 May 2023

## Estimate deviations

The Q1/23 Sales was 17% or EUR 2.4m above our estimate of EUR 14.3m. The Q1/23 Gross profit was 18% above forecast, while the EBITDA was 79% above forecast reflecting the strong cash flow. The Q1/23 EBIT showed a small profit of EUR 0.042m vs. our estimated loss of EUR 0.297m. The Q1/23 Net profit of negative EUR 0.7m was below our expected loss of EUR 0.5m, however, excluding a one-off cost of EUR 0.3m, it was slightly better.

### Deviation table Group

| P&L (EURm)                        | Estimate      | Outcome       | Diff          | Diff           |
|-----------------------------------|---------------|---------------|---------------|----------------|
|                                   | Q1/23         | Q1/23         | EURm          | %              |
| Sales                             | 14.311        | 16.754        | 2.443         | 17.1%          |
| Costs of sales                    | -11.664       | -13.641       | -1.977        | 17.0%          |
| <b>Gross profit (loss)</b>        | <b>2.648</b>  | <b>3.113</b>  | <b>0.465</b>  | <b>17.6%</b>   |
| Other income                      | 0.129         | 0.070         | -0.059        | -45.7%         |
| Marketing expenses                | -0.687        | -0.571        | 0.116         | -16.9%         |
| Administrative expenses           | -2.361        | -2.551        | -0.190        | 8.0%           |
| Other expenses                    | -0.025        | -0.019        | 0.006         | -24.0%         |
| <b>Operating profit</b>           | <b>-0.297</b> | <b>0.042</b>  | <b>0.339</b>  | <b>-114.1%</b> |
| Interest income                   | 0.000         | 0.009         | 0.009         | nm             |
| Interest expense                  | -0.150        | -0.330        | -0.180        | 120.0%         |
| FX gain/loss                      | 0.000         | 0.000         | 0.000         | nm             |
| Other finance costs               | 0.000         | -0.011        | -0.011        | nm             |
| <i>Financial net</i>              | <i>-0.150</i> | <i>-0.332</i> | <i>-0.182</i> | <i>121.3%</i>  |
| Profit on shrs of JVs             | -0.061        | -0.553        | -0.493        | 814.0%         |
| Profit on shrs of associates      | 0.000         | 0.128         | 0.128         | nm             |
| <b>Profit (loss) before taxes</b> | <b>-0.507</b> | <b>-0.715</b> | <b>-0.208</b> | <b>40.9%</b>   |
| Income tax                        | 0.015         | -0.016        | -0.031        | -205.1%        |
| <b>Net profit</b>                 | <b>-0.492</b> | <b>-0.733</b> | <b>-0.241</b> | <b>48.9%</b>   |
| <b>EBITDA</b>                     | <b>0.645</b>  | <b>1.153</b>  | <b>0.508</b>  | <b>78.6%</b>   |

| Sales growth                 | Estimate | Outcome | Diff  |
|------------------------------|----------|---------|-------|
|                              | Q1/23    | Q1/23   | %-pts |
| Group Sales (excl. Printing) | 6.6%     | 24.8%   | 18.2  |

| Margins           | Estimate | Outcome | Diff |
|-------------------|----------|---------|------|
|                   | Q1/23    | Q1/23   | bps  |
| Gross margin      | 18.5%    | 18.6%   | 0.1  |
| EBITDA margin     | 4.5%     | 6.9%    | 2.4  |
| EBIT margin       | -2.1%    | 0.3%    | 2.3  |
| PTP margin        | -3.5%    | -4.3%   | -0.7 |
| Net profit margin | -3.4%    | -4.4%   | -0.9 |

Source: Company reports (outcome), Enlight Research (estimate)

## Estimate changes

We increase our 2023-2025 sales estimates 2-6% on the back of the Q1/23 sales outperformance. Our EBITDA is raised by 9% this year and 15-18% in 2024-25, reflecting the higher sales estimates and higher margins inherent in digital sales. The EBIT estimate is raised by 15% this year and 22-25% in 2024-25. The 2023E EPS of EUR 0.15 is unchanged as higher financial expenses offsets the EBIT improvement. The 2024, and 2025 EPS is raised by 17% and 24%, respectively. Our dividend per share forecast is unchanged at EUR 0.08 for each year 2023-25.

### Group estimate changes

| Sales (EURm)               | 2023E | 2024E | 2025E |
|----------------------------|-------|-------|-------|
| Old estimate (excl. Print) | 71.8  | 76.1  | 78.4  |
| New estimate (excl. Print) | 73.1  | 79.5  | 83.4  |
| Change                     | 1.3   | 3.4   | 5.0   |
| Change (pct)               | 1.8%  | 4.4%  | 6.4%  |

| EBITDA (EURm)              | 2023E | 2024E | 2025E |
|----------------------------|-------|-------|-------|
| Old estimate (excl. Print) | 9.8   | 9.9   | 10.4  |
| New estimate (excl. Print) | 10.6  | 11.6  | 11.9  |
| Change                     | 0.9   | 1.8   | 1.6   |
| Change (pct)               | 8.7%  | 17.7% | 15.1% |

| EBIT (EURm)                | 2023E | 2024E | 2025E |
|----------------------------|-------|-------|-------|
| Old estimate (excl. Print) | 5.4   | 6.1   | 6.2   |
| New estimate (excl. Print) | 6.2   | 7.4   | 7.8   |
| Change                     | 0.8   | 1.3   | 1.6   |
| Change (pct)               | 15.0% | 21.6% | 25.1% |

| EPS adj. (EUR)             | 2023E | 2024E | 2025E |
|----------------------------|-------|-------|-------|
| Old estimate (excl. Print) | 0.15  | 0.16  | 0.17  |
| New estimate (excl. Print) | 0.15  | 0.19  | 0.21  |
| Change                     | 0.00  | 0.03  | 0.04  |
| Change (pct)               | 0.0%  | 17.4% | 23.7% |

| Dividend (EUR)             | 2023E | 2024E | 2025E |
|----------------------------|-------|-------|-------|
| 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**

| <b>Sales by segment</b>           | <b>Q1/23</b>  | <b>Q2/23E</b> | <b>Q3/23E</b> | <b>Q4/23E</b> | <b>2022</b>    | <b>2023E</b>   | <b>2024E</b>   | <b>2025E</b>   |
|-----------------------------------|---------------|---------------|---------------|---------------|----------------|----------------|----------------|----------------|
| Media segment                     | 16.867        | 17.989        | 16.954        | 21.536        | 62.690         | 73.347         | 78.482         | 82.406         |
| <i>digital channels</i>           | <i>13.384</i> | <i>13.993</i> | <i>13.807</i> | <i>17.232</i> | <i>49.928</i>  | <i>58.416</i>  | <i>63.673</i>  | <i>67.494</i>  |
| Corporate functions               | 1.226         | 1.199         | 1.254         | 1.226         | 4.500          | 4.905          | 5.101          | 5.280          |
| Eliminations                      | -1.339        | -1.255        | -1.191        | -1.334        | -3.050         | -5.119         | -4.131         | -4.334         |
| <b>Total Sales</b>                | <b>16.754</b> | <b>17.933</b> | <b>17.017</b> | <b>21.429</b> | <b>64.140</b>  | <b>73.133</b>  | <b>79.451</b>  | <b>83.351</b>  |
| <b>Sales growth</b>               | <b>Q1/23</b>  | <b>Q2/23E</b> | <b>Q3/23E</b> | <b>Q4/23E</b> | <b>2022</b>    | <b>2023E</b>   | <b>2024E</b>   | <b>2025E</b>   |
| Media segment                     | 28.9%         | 12.0%         | 15.0%         | 14.5%         | 20.3%          | 17.0%          | 7.0%           | 5.0%           |
| <i>digital channels</i>           | <i>28.3%</i>  | <i>12.0%</i>  | <i>15.0%</i>  | <i>14.9%</i>  | <i>23.4%</i>   | <i>17.0%</i>   | <i>9.0%</i>    | <i>6.0%</i>    |
| Corporate functions               | 12.3%         | 10.0%         | 8.0%          | 6.0%          | 9.3%           | 9.0%           | 4.0%           | 3.5%           |
| Eliminations                      | 79.3%         | 69.0%         | 51.9%         | 71.9%         | 13.2%          | 67.8%          | -19.3%         | 4.9%           |
| <b>Total Sales</b>                | <b>24.8%</b>  | <b>9.3%</b>   | <b>12.5%</b>  | <b>11.7%</b>  | <b>19.9%</b>   | <b>14.0%</b>   | <b>8.6%</b>    | <b>4.9%</b>    |
| <b>EBITDA by segment</b>          | <b>Q1/23</b>  | <b>Q2/23E</b> | <b>Q3/23E</b> | <b>Q4/23E</b> | <b>2022</b>    | <b>2023E</b>   | <b>2024E</b>   | <b>2025E</b>   |
| Media segment                     | 1.478         | 2.806         | 3.137         | 4.901         | 10.183         | 12.322         | 13.342         | 14.174         |
| Corporate functions               | -0.321        | -0.269        | -0.376        | -0.619        | -1.122         | -1.585         | -1.601         | -2.164         |
| Eliminations                      | -0.004        | -0.004        | -0.004        | -0.089        | -0.171         | -0.100         | -0.100         | -0.100         |
| <b>Total EBITDA</b>               | <b>1.153</b>  | <b>2.534</b>  | <b>2.757</b>  | <b>4.193</b>  | <b>8.890</b>   | <b>10.637</b>  | <b>11.641</b>  | <b>11.910</b>  |
| <b>EBITDA margin</b>              | <b>Q1/23</b>  | <b>Q2/23E</b> | <b>Q3/23E</b> | <b>Q4/23E</b> | <b>2022</b>    | <b>2023E</b>   | <b>2024E</b>   | <b>2025E</b>   |
| Media segment                     | 8.8%          | 15.6%         | 18.5%         | 22.8%         | 16.2%          | 16.8%          | 17.0%          | 17.2%          |
| Corporate functions               | -26.2%        | -22.4%        | -30.0%        | -50.5%        | -24.9%         | -32.3%         | -31.4%         | -41.0%         |
| <b>Total EBITDA</b>               | <b>6.9%</b>   | <b>14.1%</b>  | <b>16.2%</b>  | <b>19.6%</b>  | <b>13.9%</b>   | <b>14.5%</b>   | <b>14.7%</b>   | <b>14.3%</b>   |
| <b>Income statement</b>           | <b>Q1/23</b>  | <b>Q2/23E</b> | <b>Q3/23E</b> | <b>Q4/23E</b> | <b>2022</b>    | <b>2023E</b>   | <b>2024E</b>   | <b>2025E</b>   |
| Sales                             | 16.754        | 17.933        | 17.017        | 21.429        | 64.140         | 73.133         | 79.451         | 83.351         |
| Costs of sales                    | -13.641       | -13.486       | -12.593       | -14.911       | -48.185        | -54.630        | -58.794        | -61.513        |
| <b>Gross profit (loss)</b>        | <b>3.113</b>  | <b>4.447</b>  | <b>4.424</b>  | <b>6.518</b>  | <b>15.955</b>  | <b>18.503</b>  | <b>20.657</b>  | <b>21.838</b>  |
| Other income                      | 0.070         | 0.197         | 0.187         | 0.277         | 0.789          | 0.731          | 0.953          | 1.000          |
| Marketing expenses                | -0.571        | -0.807        | -0.766        | -0.855        | -2.979         | -2.998         | -3.416         | -3.667         |
| Administrative expenses           | -2.551        | -2.331        | -2.297        | -2.766        | -8.823         | -9.946         | -10.726        | -11.252        |
| Other expenses                    | -0.019        | -0.019        | -0.019        | -0.043        | -0.146         | -0.100         | -0.100         | -0.100         |
| <i>Operating expenses</i>         | <i>-3.071</i> | <i>-2.960</i> | <i>-2.895</i> | <i>-3.387</i> | <i>-11.159</i> | <i>-12.313</i> | <i>-13.289</i> | <i>-14.020</i> |
| <b>Operating profit</b>           | <b>0.042</b>  | <b>1.487</b>  | <b>1.530</b>  | <b>3.130</b>  | <b>4.796</b>   | <b>6.189</b>   | <b>7.368</b>   | <b>7.818</b>   |
| Interest income                   | 0.009         | 0.000         | 0.000         | -0.009        | 0.036          | 0.000          | 0.000          | 0.000          |
| Interest expense                  | -0.330        | -0.332        | -0.332        | -0.334        | -0.738         | -1.328         | -1.139         | -0.906         |
| FX gain/loss                      | 0.000         | 0.000         | 0.000         | 0.000         | 0.000          | 0.000          | 0.000          | 0.000          |
| Other finance costs               | -0.011        | 0.000         | 0.000         | 0.011         | 0.179          | 0.000          | 0.000          | 0.000          |
| <i>Financial net</i>              | <i>-0.332</i> | <i>-0.332</i> | <i>-0.332</i> | <i>-0.332</i> | <i>-0.523</i>  | <i>-1.328</i>  | <i>-1.139</i>  | <i>-0.906</i>  |
| Profit on shrs of JVs             | -0.553        | -0.100        | 0.000         | 0.000         | -0.242         | -0.653         | 0.000          | 0.000          |
| Profit on shrs of associates      | 0.128         | 0.000         | 0.000         | 0.000         | 0.325          | 0.128          | 0.000          | 0.000          |
| <b>Profit (loss) before taxes</b> | <b>-0.715</b> | <b>1.055</b>  | <b>1.198</b>  | <b>2.798</b>  | <b>4.356</b>   | <b>4.336</b>   | <b>6.229</b>   | <b>6.912</b>   |
| Income tax                        | -0.016        | -0.069        | -0.072        | -0.168        | -0.302         | -0.325         | -0.417         | -0.462         |
| Minority interest                 | -0.002        | 0.000         | 0.000         | 0.000         | -0.007         | -0.002         | 0.000          | 0.000          |
| <b>Net profit</b>                 | <b>-0.733</b> | <b>0.986</b>  | <b>1.126</b>  | <b>2.631</b>  | <b>4.047</b>   | <b>4.009</b>   | <b>5.813</b>   | <b>6.450</b>   |
| <b>EBITDA</b>                     | <b>1.153</b>  | <b>2.534</b>  | <b>2.757</b>  | <b>4.193</b>  | <b>8.890</b>   | <b>10.637</b>  | <b>11.641</b>  | <b>11.910</b>  |
| <b>Sales growth</b>               | <b>Q1/23</b>  | <b>Q2/23E</b> | <b>Q3/23E</b> | <b>Q4/23E</b> | <b>2022</b>    | <b>2023E</b>   | <b>2024E</b>   | <b>2025E</b>   |
| Sales growth y-on-y               | 24.8%         | 9.3%          | 12.5%         | 11.7%         | 19.9%          | 14.0%          | 8.6%           | 4.9%           |
| Sales growth q-on-q               | -12.7%        | 7.0%          | -5.1%         | 25.9%         | nm             | nm             | nm             | nm             |
| <b>Margins</b>                    | <b>Q1/23</b>  | <b>Q2/23E</b> | <b>Q3/23E</b> | <b>Q4/23E</b> | <b>2022</b>    | <b>2023E</b>   | <b>2024E</b>   | <b>2025E</b>   |
| Gross margin                      | 18.6%         | 24.8%         | 26.0%         | 30.4%         | 24.9%          | 25.3%          | 26.0%          | 26.2%          |
| EBITDA margin                     | 6.9%          | 14.1%         | 16.2%         | 19.6%         | 13.9%          | 14.5%          | 14.7%          | 14.3%          |
| Operating margin                  | 0.3%          | 8.3%          | 9.0%          | 14.6%         | 7.5%           | 8.5%           | 9.3%           | 9.4%           |
| Pre-tax Profit margin             | -4.3%         | 5.9%          | 7.0%          | 13.1%         | 6.8%           | 5.9%           | 7.8%           | 8.3%           |
| Net margin                        | -4.4%         | 5.5%          | 6.6%          | 12.3%         | 6.3%           | 5.5%           | 7.3%           | 7.7%           |

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. 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      | 2021       | 2022       | 2023E       | 2024E       | 2025E       |
|-----------------------|------------|------------|-------------|-------------|-------------|
| Net sales             | 53.5       | 64.1       | 73.1        | 79.5        | 83.4        |
| Total operating costs | -45.3      | -55.3      | -62.5       | -67.8       | -71.4       |
| <b>EBITDA</b>         | <b>8.2</b> | <b>8.9</b> | <b>10.6</b> | <b>11.6</b> | <b>11.9</b> |
| Depreciation & Amort. | -3.4       | -4.1       | -4.4        | -4.3        | -4.1        |
| One-off EBIT items    | 0.4        | -0.2       | -0.6        | 0.0         | 0.0         |
| <b>EBIT</b>           | <b>4.9</b> | <b>4.8</b> | <b>6.2</b>  | <b>7.4</b>  | <b>7.8</b>  |
| Financial net         | -0.5       | -0.4       | -1.9        | -1.2        | -0.9        |
| <b>Pre-tax profit</b> | <b>4.4</b> | <b>4.4</b> | <b>4.3</b>  | <b>6.2</b>  | <b>7.0</b>  |
| Taxes                 | -0.3       | -0.3       | -0.3        | -0.4        | -0.5        |
| Minority interest     | 0.0        | 0.0        | 0.0         | 0.0         | 0.0         |
| Other items           | 0.0        | 0.0        | 0.0         | 0.0         | 0.0         |
| <b>Net profit</b>     | <b>4.1</b> | <b>4.0</b> | <b>4.0</b>  | <b>5.8</b>  | <b>6.5</b>  |

| Balance Sheet                            | 2021      | 2022       | 2023E      | 2024E      | 2025E      |
|--|-----------|------------|------------|------------|------------|
| Cash and cash equivalent                 | 11        | 7          | 7          | 6          | 5          |
| Receivables                              | 9         | 12         | 12         | 14         | 14         |
| Inventories                              | 0         | 0          | 0          | 0          | 0          |
| Other current assets                     | 0         | 0          | 0          | 0          | 0          |
| <b>Current assets</b>                    | <b>21</b> | <b>19</b>  | <b>20</b>  | <b>20</b>  | <b>20</b>  |
| Tangible assets                          | 8         | 9          | 9          | 10         | 9          |
| Goodwill & intangible assets             | 61        | 67         | 67         | 67         | 67         |
| Lease & Investment properties            | 0         | 0          | 0          | 0          | 0          |
| Investments                              | 1         | 1          | 1          | 1          | 1          |
| Associated companies                     | 2         | 2          | 2          | 2          | 2          |
| Other non-current assets                 | 2         | 2          | 2          | 2          | 2          |
| <b>Total fixed assets</b>                | <b>74</b> | <b>80</b>  | <b>81</b>  | <b>81</b>  | <b>81</b>  |
| <b>Total Assets</b>                      | <b>94</b> | <b>100</b> | <b>101</b> | <b>101</b> | <b>101</b> |
| Non-interest bearing current liabilities | 18        | 21         | 21         | 21         | 22         |
| Short-term debt                          | 3         | 2          | 2          | 1          | 1          |
| Other current liabilities                | 0         | 0          | 0          | 0          | 0          |
| <b>Total current liabilities</b>         | <b>21</b> | <b>22</b>  | <b>23</b>  | <b>23</b>  | <b>23</b>  |
| Long-term debt                           | 19        | 18         | 16         | 13         | 9          |
| Convertibles & Lease liab.               | 0         | 0          | 0          | 0          | 0          |
| Deferred tax liabilities                 | 0         | 0          | 0          | 0          | 0          |
| Provisions                               | 0         | 0          | 0          | 0          | 0          |
| Other long-term liabilities              | 1         | 4          | 4          | 4          | 4          |
| <b>Total long-term liab.</b>             | <b>20</b> | <b>22</b>  | <b>20</b>  | <b>17</b>  | <b>13</b>  |
| <b>Total Liabilities</b>                 | <b>41</b> | <b>44</b>  | <b>43</b>  | <b>40</b>  | <b>35</b>  |
| Minority interest (BS)                   | 0         | 0          | 0          | 0          | 0          |
| Shareholders' equity                     | 54        | 55         | 58         | 61         | 65         |
| <b>Total liabilities and equity</b>      | <b>94</b> | <b>100</b> | <b>101</b> | <b>101</b> | <b>101</b> |

| DCF valuation              | Cash flow, mEUR |                       |     |
|----------------------------|-----------------|-----------------------|-----|
| WACC (%)                   | 11.42 %         | NPV FCF (2022-2024)   | 15  |
| Assumptions 2022-2028 (%)  |                 | NPV FCF (2025-2031)   | 25  |
| Sales CAGR                 | 4.40 %          | NPV FCF (2032-)       | 41  |
| Avg. EBIT margin           | 8.77 %          | Non-operating assets  | 6   |
| Fair value per share (EUR) | 2.20            | Interest-bearing debt | -20 |
| Share price (EUR)          | 1.64            | Fair value estimate   | 67  |

| Free Cash Flow             | 2021        | 2022       | 2023E       | 2024E       | 2025E       |
|----------------------------|-------------|------------|-------------|-------------|-------------|
| Operating profit           | 4.9         | 4.8        | 6.2         | 7.4         | 7.8         |
| Depreciation & Amort.      | 3.4         | 4.1        | 4.4         | 4.3         | 4.1         |
| Working capital chg.       | 5.0         | 0.5        | -0.3        | -0.9        | -0.5        |
| Other Operating CF items   | -0.3        | -0.4       | -0.4        | -0.5        | -0.5        |
| <b>Operating Cash Flow</b> | <b>13.0</b> | <b>9.1</b> | <b>10.0</b> | <b>10.3</b> | <b>10.9</b> |
| Net investments            | -1.4        | -10.7      | -5.0        | -4.5        | -4.0        |
| Other items                | -1.4        | 3.5        | 0.0         | 0.0         | 0.0         |
| <b>Free Cash Flow</b>      | <b>10.1</b> | <b>1.9</b> | <b>5.0</b>  | <b>5.8</b>  | <b>6.9</b>  |

| Capital structure   | 2021  | 2022  | 2023E | 2024E | 2025E |
|---------------------|-------|-------|-------|-------|-------|
| Equity ratio        | 57.0% | 55.5% | 57.3% | 60.4% | 64.9% |
| Debt / Equity ratio | 41.5% | 35.5% | 30.9% | 23.9% | 14.6% |
| Gearing %           | 21.0% | 22.0% | 18.2% | 13.5% | 7.0%  |
| Net debt/EBITDA     | 1.4   | 1.4   | 1.0   | 0.7   | 0.4   |

| Profitability | 2021  | 2022  | 2023E | 2024E | 2025E |
|---------------|-------|-------|-------|-------|-------|
| ROE           | 7.6%  | 7.4%  | 7.1%  | 9.8%  | 10.3% |
| FCF yield     | 21.2% | 3.6%  | 10.0% | 11.7% | 14.0% |
| EBITDA margin | 15.4% | 13.9% | 14.5% | 14.7% | 14.3% |
| EBIT margin   | 9.1%  | 7.5%  | 8.5%  | 9.3%  | 9.4%  |
| PTP margin    | 8.2%  | 6.8%  | 5.9%  | 7.8%  | 8.4%  |
| Net margin    | 7.7%  | 6.3%  | 5.5%  | 7.3%  | 7.8%  |

| Valuation     | 2021 | 2022 | 2023E | 2024E | 2025E |
|---------------|------|------|-------|-------|-------|
| P/E           | 11.6 | 12.6 | 12.4  | 8.5   | 7.6   |
| P/E, adjusted | 12.9 | 12.0 | 10.9  | 8.5   | 7.6   |
| P/Sales       | 0.9  | 0.8  | 0.7   | 0.6   | 0.6   |
| EV/Sales      | 1.1  | 1.0  | 0.8   | 0.7   | 0.6   |
| EV/EBITDA     | 7.2  | 7.1  | 5.7   | 5.0   | 4.5   |
| EV/EBIT       | 12.2 | 13.2 | 9.7   | 7.8   | 6.9   |
| P/BV          | 0.9  | 0.9  | 0.9   | 0.8   | 0.8   |
| P/BV tangible | -6.6 | -4.4 | -5.5  | -8.8  | -31.6 |

| Per share ratios     | 2021   | 2022  | 2023E | 2024E | 2025E |
|----------------------|--------|-------|-------|-------|-------|
| EPS                  | 0.13   | 0.13  | 0.13  | 0.19  | 0.22  |
| EPS, adjusted        | 0.12   | 0.14  | 0.15  | 0.19  | 0.22  |
| Operating CF/share   | 0.42   | 0.29  | 0.33  | 0.34  | 0.36  |
| Free Cash Flow/share | 0.33   | 0.06  | 0.16  | 0.19  | 0.23  |
| BV/share             | 1.74   | 1.79  | 1.91  | 2.02  | 2.16  |
| Tangible BV/share    | -0.24  | -0.37 | -0.30 | -0.19 | -0.05 |
| Div. per share       | 0.18   | 0.05  | 0.08  | 0.08  | 0.08  |
| Div. payout ratio    | 134.6% | 38.0% | 60.3% | 41.7% | 37.2% |
| Dividend yield       | 11.6%  | 3.0%  | 4.9%  | 4.9%  | 4.9%  |

| Shareholders                   | Capital | Votes   |
|--------------------------------|---------|---------|
| HHL RÜHM OÜ                    | 23.470  | 47.37 % |
| HANS LUIK                      | 12.810  | 25.86 % |
| LHV Pensionfond L              | 2.947   | 5.95 %  |
| Ekspress Grupp AS              | 1.665   | 3.36 %  |
| SEB pank AS clients            | 0.638   | 1.29 %  |
| OU Observa                     | 0.638   | 1.29 %  |
| Mattus & Co AG                 | 0.392   | 0.79 %  |
| Citibank/Govt of Norway        | 0.365   | 0.74 %  |
| Compensa Life Vienna Insurance | 0.279   | 0.56 %  |
| LHV Pensionfond M              | 0.202   | 0.41 %  |

| 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   |

## Disclaimer

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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