

## Still double-digit growth

**Q2 Sales was above estimates while earnings were below. Sales is still expected to grow by double-digits this year, while the operational improvement should be visible at the bottom line next year. We lower our profit forecast and Fair value somewhat to factor in a slower advertising market.**

### Healthy growth

Q2 Sales grew 13% to EUR 18.5m, which was 3% above forecast. We raise our 2023 Sales forecast by 1% predicting a full-year sales growth of 15%. The Q2 EBIT of EUR 1.2m was 16% below forecast prompting us to lower the 2023 EBIT forecast by 8% due to operating cost inflation.

### Operational improvement visible next year

We forecast the 2023 EBIT to improve by 18% to EUR 5.7m from EUR 4.8m last year. However, the 2023 Net profit is expected to decline by 16% to EUR 3.4m from EUR 4.0 last year, as higher interest costs and costs for closing AS Ekspress Post more than offsets the EBIT improvement. Next year, we expect the EBIT improvement to follow-through to the Net profit line (forecast 2024 Net profits of EUR 4.5m from EUR 3.4m in 2023).

### Fair value EUR 2.10/shr., div. yield 4.1%

Our Base case DCF Fair value is lowered to EUR 2.10/shr. (prev. 2.20) due to lower profit estimates and terminal EBIT margin. Our 2023 dividend estimate is EUR 0.06/shr. (prev. 0.08) equal to a yield of 4.10%, which is expected to increase to 4.8% next year.

### Key figures (MEUR)

	2021	2022	2023E	2024E	2025E
Net sales	53.5	64.1	73.9	79.7	84.0
Net sales growth	20.2%	19.9%	15.3%	7.8%	5.4%
EBITDA	8.2	8.9	10.3	10.5	10.5
EBITDA margin	15.4%	13.9%	13.9%	13.1%	12.5%
EBIT	4.9	4.8	5.7	6.1	6.2
EBIT margin	9.1%	7.5%	7.7%	7.6%	7.4%
EV/Sales	1.1	1.0	0.7	0.7	0.6
EV/EBITDA	7.2	7.1	5.4	5.1	4.9
EV/EBIT	12.2	13.2	9.8	8.8	8.2
P/E adj.	12.9	12.0	11.9	9.8	8.9
P/BV	0.9	0.9	0.8	0.7	0.7
EPS adj.	0.12	0.14	0.12	0.15	0.17
EPS growth adj.	44.93%	14.22%	-10.68%	22.21%	9.69%
Div. per share	0.18	0.05	0.06	0.07	0.08
Dividend yield	11.58%	3.01%	4.08%	4.76%	5.44%

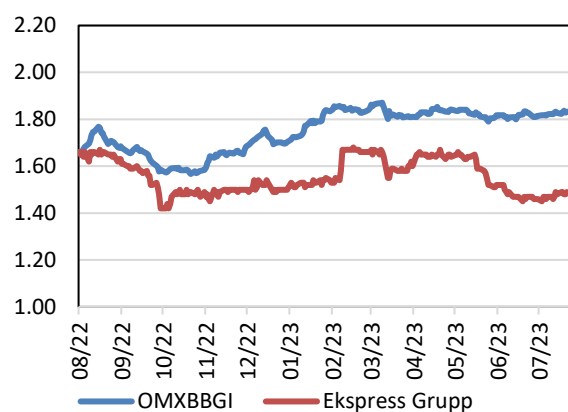
Source: Company data, Enlight Research estimates

### Fair value range (EUR)

Bull (term. EBIT marg. 11%)	2.44
Base (term. EBIT marg. 9%)	2.10
Bear (term. EBIT marg. 7%)	1.76

### Key Data

Price (EUR)	1.47
Ticker	EEG1T
Country	Estonia
Listed	Tallinn
Market Cap (EURm)	44
Net debt (EURm)	15
Shares (m)	30.2
Free float	27%



### Price range

52-week high	1.68
52-week low	1.42

### Analyst

ResearchTeam@enlightresearch.net

### Coverage frequency

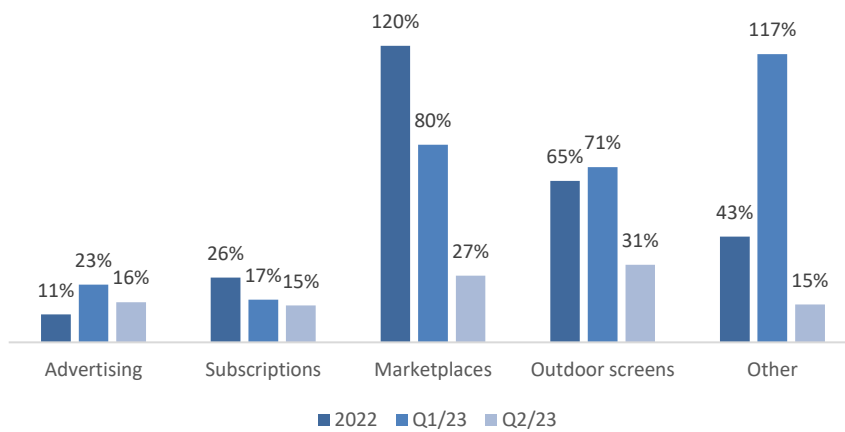
4x per year

## Key takeaways

### Still healthy revenue growth

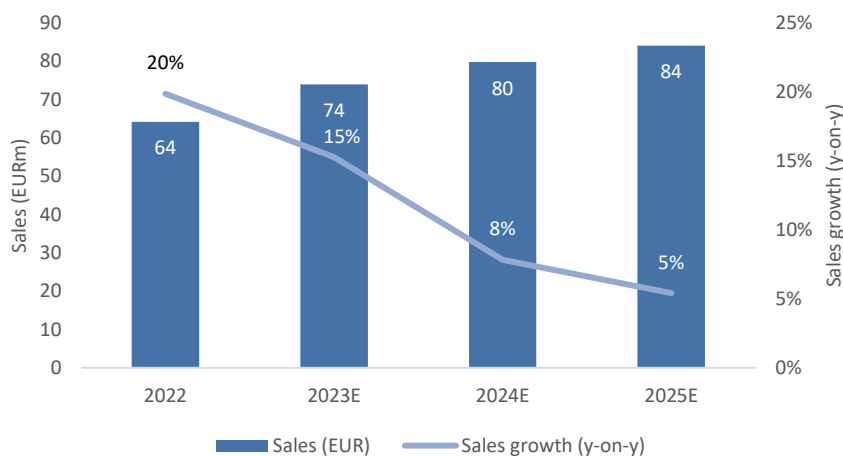
Q2/23 Sales grew 12.9% y-on-y to EUR 18.5m, which was 3.3% above our estimate of EUR 17.9m. The growth was driven by digital and online sales which grew 23.4% y-on-y to EUR 15.4m (10.1% above our forecast growth of 12.0% to EUR 14.0m). The largest revenue stream, advertising revenue (~56% of group sales), grew by 16.3% y-on-y to EUR 11.1m. Although the advertising revenue growth is still healthy, it is a slowdown compared to the previous quarter's growth of 23.5%, which is mainly due to Latvia where the company said advertising revenue decreased 4% y-on-y (Estonia and Lithuania were stable). We forecast stable y-on-y advertising revenue growth rate at around 12-13% for Q3 and Q4 this year, as the weaker economy affects the advertising market. Strong growth for ticket platforms (+27% in Q2/23) and outdoor screens (+31% in Q2/23) as well as acquisition growth (represented 6 percentage points growth in the H1/23 growth of 18%), offset the slowdown in the advertising growth rate. Hence, we forecast 15.3% Group revenue growth this year followed by 7.8% growth in 2024, and 5.4% growth in 2025, which is still very health in our view.

Growth rate (y-on-y) by Media segment revenue stream



Source: Company reports

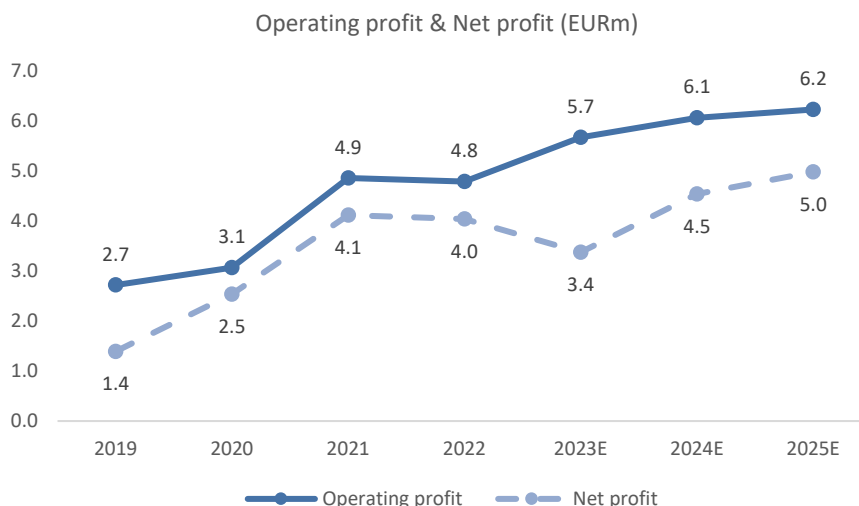
Group Sales (EURm) & Sales growth (y-on-y)



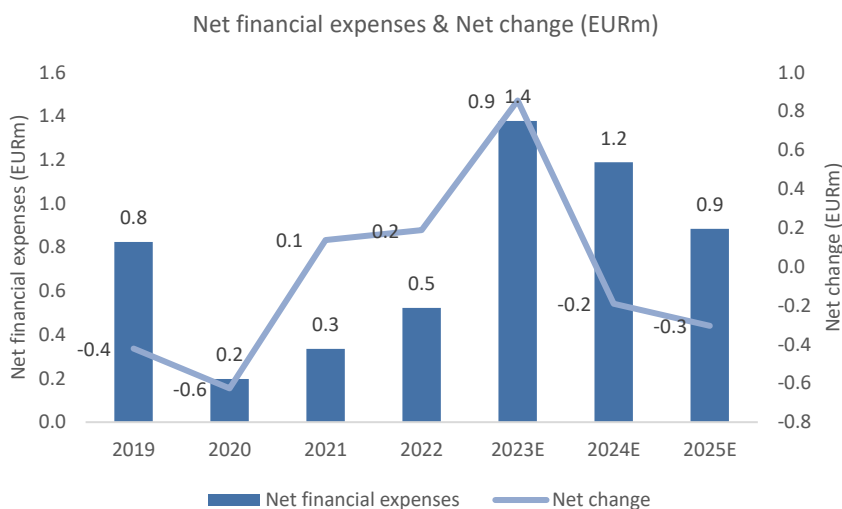
Source: Company reports (historic), Enlight Research (estimates)

**Operating profit improvement visible in 2024**

Our full-year 2023 Operating profit is forecast to increase by 18% or EUR 0.9m to EUR 5.7m. However, this operational improvement is not expected to be visible at the Net profit line due to EUR 0.9m estimated higher interest expenses, resulting in a 2023 Net profit decline of 16% or EUR 0.7m to EUR 3.4m. Next year is different. We estimate 2024 Operating profit to increase 7% or EUR 0.4m to EUR 6.1m while the Net profit is expected to increase by 34%, or EUR 1.2m to EUR 4.5m. To summarize, while we expect the operating profit to improve steadily in the forecast period 2023-25, the Net profit is expected to decline this year mainly due to higher interest expenses – in 2024, the Net profit is expected to reflect the operational improvement.



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

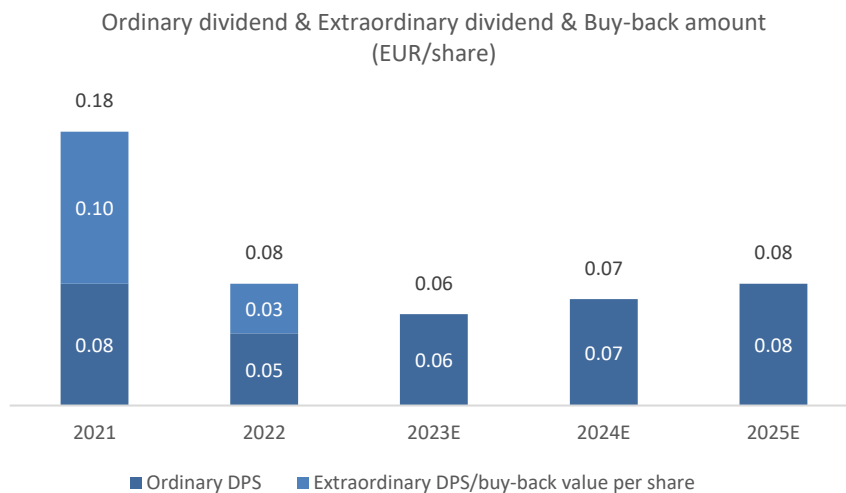


Source: Company reports (historic), Enlight Research (estimates)

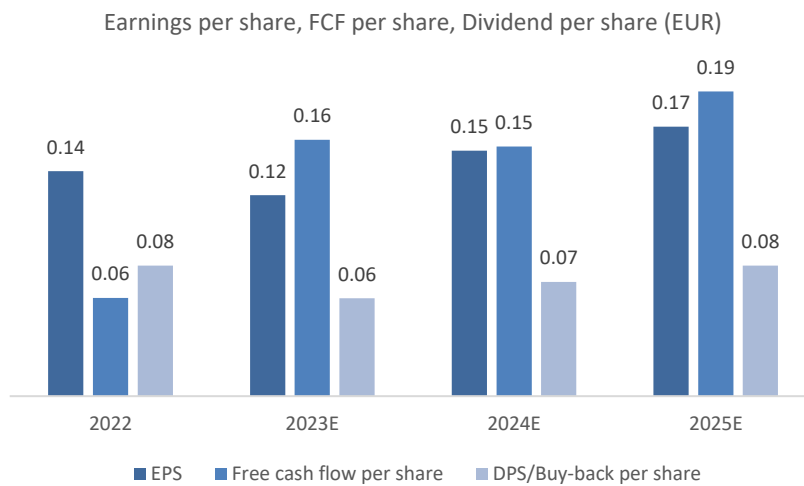
**Forecast dividends well covered by EPS and Free cash flow**

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. For this year, we expect a dividend of EUR 0.06 per share equal to a yield of 4.1%. We forecast EUR 0.01 higher dividend per share in 2024 and 2025 to EUR 0.07 per share (yield 4.8%), and EUR 0.08 (yield 5.5%), respectively. Previously, we expected a dividend of EUR 0.08 per share for each year

in the forecast period 2023-25. Our lowered dividend forecast is mainly due to a lower assumed growth for the Baltic advertising market due to the overall economic slowdown. Also, we believe the company will take a more conservative stance with regards to payouts until we get more clarity on the depth of the economic slowdown. Our expected dividend payout ratio is 46-49% which can be compared to the dividend policy to pay out at least 30% of the net profit and last year’s payout ratio of 58% (including share buy-backs). Worth noting is that the estimated dividends are well covered by the Free cash flow and the EPS (see chart below). The expected Free cash flow yield is 10-13% (free cash flow in relation to market cap) in the forecast period 2023-25, which is attractive in our view.



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



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

**EPS and Dividend forecast**

(EUR)	2022	2023E	2024E	2025E
EPS	0.14	0.12	0.15	0.17
Free cash flow per share	0.06	0.16	0.15	0.19
DPS/Buy-back per share	0.08	0.06	0.07	0.08
Payout ratio	58%	49%	46%	48%

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

## Valuation

### DCF Valuation Base case Fair value EUR 2.10

Our Base case DCF Fair value is lowered to EUR 2.10/share (prev. 2.20), corresponding to an upside of around 40%. Lowered estimates (see Estimate changes) and a lowered assumed terminal EBIT margin to 9.0% (prev. 10.0%) are the main reasons for the lower Fair value. Our Bear and Bull case motivated share prices are EUR 1.76 (prev. 1.85), and EUR 2.44 (prev. 2.55), respectively. The only difference between our Bear and Bull scenarios is the assumed terminal EBIT margin which is 7% (Bear) and 11% (Bull), respectively. See below tables for our scenarios and DCF sensitivity.

DCF Valuation Scenarios	Bear	Base	Bull
WACC	11.3%	11.3%	11.3%
Terminal Sales growth	3.0%	3.0%	3.0%
Terminal EBIT margin	7.0%	9.0%	11.0%
Fair Value per share (EUR)	1.76	2.10	2.44
Upside/Downside (last price)	20%	43%	66%
Share price (EUR)	1.47	1.47	1.47

Source: Enlight Research

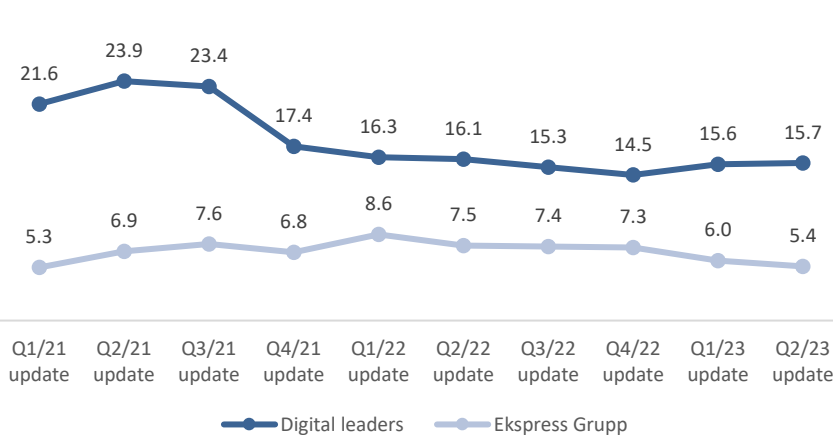
DCF sensitivity	Current	Step			Test values & Results									
<b>Equity beta</b>	1.20	0.20	0.20	0.40	0.60	0.80	1.00	<b>1.20</b>	1.40	1.60	1.80	2.00	2.20	
Fair value (DCF)	2.10		3.86	3.34	2.94	2.61	2.33	2.10	1.91	1.74	1.60	1.47	1.35	
<b>Target debt ratio*</b>	30.0 %	5.0 %	5%	10%	15%	20%	25%	<b>30%</b>	35%	40%	45%	50%	55%	
Fair value (DCF)	2.10		1.56	1.65	1.75	1.85	1.97	<b>2.10</b>	2.25	2.41	2.59	2.80	3.04	
<b>Risk-free IR</b>	3.5 %	0.9 %	-1.0 %	-0.1 %	0.8 %	1.7 %	2.6 %	<b>3.5 %</b>	4.4 %	5.3 %	6.2 %	7.1 %	8.0 %	
Fair value (DCF)	2.10		3.71	3.25	2.88	2.57	2.32	2.10	1.92	1.76	1.62	1.49	1.38	

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 Q1/23 Update in May 2023, the current year forecast average EV/EBITDA multiple has expanded a bit for the Digital leaders’ peer group from 15.6x to 15.7x, while Ekspress Grupp’s multiple has contracted from 6.0x to 5.4x. This means Ekspress Grupp is trading at an EV/EBITDA 2023E peer discount of 66% (was 62% in our Q1/23 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, Q2/23 prices from 8 August 2023

## Digital leaders

Company	Ccy	Price (last)	EV/EBITDA 2022	EV/EBITDA 2023E	EV/EBITDA 2024E	EV/EBITDA 2025E	Div. yield 2021	Div. yield 2022	Div. yield 2023E	Div. yield 2024E	Div. yield 2025E
Alma Media	EUR	9.04	9.1	10.1	9.8	9.4	3.9%	4.9%	4.9%	5.3%	5.5%
Schibsted	NOK	211.10	22.3	21.8	17.6	15.0	0.9%	0.9%	0.9%	1.1%	1.3%
Baltic Classifieds Group	EUR	2.30	25.4	22.0	19.1	16.7	0.4%	0.9%	1.3%	1.3%	1.7%
Wirtualna Polska Hld	PLN	117	11.7	9.0	8.2	7.5	1.3%	2.1%	2.4%	2.1%	2.8%
Average			17.1	15.7	13.7	12.2	1.6%	2.2%	2.4%	2.4%	2.8%
Median			17.0	16.0	13.7	12.2	1.1%	1.5%	1.8%	1.7%	2.3%
Ekspress Grupp	EUR	1.47	7.1	5.4	5.1	4.9	11.6%	3.0%	4.1%	4.8%	5.4%

Source: MarketScreener, Enlight Research, prices from 1 August 2023

## Estimate deviations

The Q2/23 Sales was 3% or EUR 0.6m above our estimate of EUR 17.9m. The Q2/23 Gross profit was roughly in-line with forecast, while the EBITDA was 5% or EUR 0.1m below forecast. The Q2/23 EBIT was 16% or EUR 0.2m below our forecast, while the Pre-tax profit and the Net profit was 38% below forecast due to higher than expected interest rate costs and loss from JVs (closure of AS Ekspress Post).

### Deviation table Group

P&L (EURm)	Estimate	Outcome	Diff	Diff
	Q2/23	Q2/23	EURm	%
Sales	17.933	18.528	0.594	3.3%
Costs of sales	-13.486	-14.106	-0.620	4.6%
<b>Gross profit (loss)</b>	<b>4.447</b>	<b>4.422</b>	<b>-0.026</b>	<b>-0.6%</b>
Other income	0.197	0.110	-0.087	-44.2%
Marketing expenses	-0.807	-0.791	0.016	-2.0%
Administrative expenses	-2.331	-2.376	-0.045	1.9%
Other expenses	-0.019	-0.120	-0.101	531.6%
<b>Operating profit</b>	<b>1.487</b>	<b>1.245</b>	<b>-0.243</b>	<b>-16.3%</b>
Interest income	0.000	0.010	0.010	nm
Interest expense	-0.332	-0.347	-0.015	4.5%
FX gain/loss	0.000	0.000	0.000	nm
Other finance costs	0.000	-0.010	-0.010	nm
<i>Financial net</i>	<i>-0.332</i>	<i>-0.347</i>	<i>-0.015</i>	<i>4.5%</i>
Profit on shrs of JVs	-0.100	-0.242	-0.142	142.0%
Profit on shrs of associates	0.000	0.002	0.002	nm
<b>Profit (loss) before taxes</b>	<b>1.055</b>	<b>0.658</b>	<b>-0.398</b>	<b>-37.7%</b>
Income tax	-0.069	-0.046	0.023	-33.6%
<b>Net profit</b>	<b>0.986</b>	<b>0.613</b>	<b>-0.374</b>	<b>-37.9%</b>
<b>EBITDA</b>	<b>2.534</b>	<b>2.399</b>	<b>-0.135</b>	<b>-5.3%</b>

Sales growth	Estimate	Outcome	Diff
	Q2/23	Q2/23	%-pts
Group Sales (excl. Printing)	9.3%	12.9%	3.6

Margins	Estimate	Outcome	Diff
	Q2/23	Q2/23	bps
Gross margin	24.8%	23.9%	-0.9
EBITDA margin	14.1%	12.9%	-1.2
EBIT margin	8.3%	6.7%	-1.6
PTP margin	5.9%	3.5%	-2.3
Net profit margin	5.5%	3.3%	-2.2

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

## Estimate changes

We increase our 2023-2025 sales estimates by around 1% on the back of the Q2/23 sales outperformance. Our EBITDA is lowered by 3.5% for this year and 10-12% in 2024-25, mainly due to higher Cost of sales. The EBIT estimate is lowered by 8.3% this year and 18-20% in 2024-25. The 2023-25 EPS estimates are lowered by 18-23% reflecting higher interest costs as well as some margin pressure due to cost inflation. Our dividend per share is lowered to EUR 0.06 (prev. 0.08) this year and to EUR 0.07 (prev. 0.08) next year as we believe management will take a more cautious stance due to the economic slowdown. Our 2025 dividend is unchanged at EUR 0.08 per share.

### Group estimate changes

Sales (EURm)	2023E	2024E	2025E
Old estimate (excl. Print)	73.1	79.5	83.4
New estimate (excl. Print)	73.9	79.7	84.0
Change	0.8	0.3	0.7
Change (pct)	1.1%	0.3%	0.8%

EBITDA (EURm)	2023E	2024E	2025E
Old estimate (excl. Print)	10.6	11.6	11.9
New estimate (excl. Print)	10.3	10.5	10.5
Change	-0.4	-1.2	-1.4
Change (pct)	-3.5%	-10.1%	-11.9%

EBIT (EURm)	2023E	2024E	2025E
Old estimate (excl. Print)	6.2	7.4	7.8
New estimate (excl. Print)	5.7	6.1	6.2
Change	-0.5	-1.3	-1.6
Change (pct)	-8.3%	-17.6%	-20.2%

EPS adj. (EUR)	2023E	2024E	2025E
Old estimate (excl. Print)	0.15	0.19	0.22
New estimate (excl. Print)	0.12	0.15	0.17
Change	-0.03	-0.04	-0.05
Change (pct)	-18.4%	-21.6%	-23.2%

Dividend (EUR)	2023E	2024E	2025E
Old estimate (excl. Print)	0.08	0.08	0.08
New estimate (excl. Print)	0.06	0.07	0.08
Change	-0.02	-0.01	0.00
Change (pct)	-25.0%	-12.5%	0.0%

Source: Enlight Research



## Forecast

Sales by segment	Q1/23	Q2/23	Q3/23E	Q4/23E	2022	2023E	2024E	2025E
Media segment	16.867	18.767	17.102	21.678	62.690	74.413	79.622	83.603
<i>digital channels</i>	13.384	15.412	14.527	18.088	49.928	61.411	66.631	70.629
Corporate functions	1.226	1.081	1.202	1.194	4.500	4.703	4.891	5.062
Eliminations	-1.338	-1.320	-1.197	-1.320	-3.050	-5.176	-4.784	-4.622
<b>Total Sales</b>	<b>16.755</b>	<b>18.528</b>	<b>17.106</b>	<b>21.551</b>	<b>64.140</b>	<b>73.940</b>	<b>79.729</b>	<b>84.042</b>
Sales growth	Q1/23	Q2/23	Q3/23E	Q4/23E	2022	2023E	2024E	2025E
Media segment	28.9%	16.8%	16.0%	15.3%	20.3%	18.7%	7.0%	5.0%
<i>digital channels</i>	28.3%	23.4%	21.0%	20.6%	23.4%	23.0%	8.5%	6.0%
Corporate functions	12.3%	-0.8%	3.5%	3.2%	9.3%	4.5%	4.0%	3.5%
Eliminations	79.1%	77.7%	52.7%	70.1%	13.2%	69.7%	-7.6%	-3.4%
<b>Total Sales</b>	<b>24.8%</b>	<b>12.9%</b>	<b>13.1%</b>	<b>12.3%</b>	<b>19.9%</b>	<b>15.3%</b>	<b>7.8%</b>	<b>5.4%</b>
EBITDA by segment	Q1/23	Q2/23	Q3/23E	Q4/23E	2022	2023E	2024E	2025E
Media segment	1.478	2.643	2.907	4.655	10.183	11.683	12.740	13.795
Corporate functions	-0.321	-0.240	-0.388	-0.456	-1.122	-1.405	-2.258	-3.273
Eliminations	-0.004	-0.004	-0.004	-0.004	-0.171	-0.016	-0.020	-0.025
<b>Total EBITDA</b>	<b>1.153</b>	<b>2.399</b>	<b>2.515</b>	<b>4.195</b>	<b>8.890</b>	<b>10.262</b>	<b>10.461</b>	<b>10.496</b>
EBITDA margin	Q1/23	Q2/23	Q3/23E	Q4/23E	2022	2023E	2024E	2025E
Media segment	8.8%	14.1%	17.0%	21.5%	16.2%	15.7%	16.0%	16.5%
Corporate functions	-26.2%	-22.2%	-32.3%	-38.2%	-24.9%	-29.9%	-46.2%	-64.7%
<b>Total EBITDA</b>	<b>6.9%</b>	<b>12.9%</b>	<b>14.7%</b>	<b>19.5%</b>	<b>13.9%</b>	<b>13.9%</b>	<b>13.1%</b>	<b>12.5%</b>
Income statement	Q1/23	Q2/23	Q3/23E	Q4/23E	2022	2023E	2024E	2025E
Sales	16.755	18.528	17.106	21.551	64.140	73.940	79.729	84.042
Costs of sales	-13.641	-14.106	-12.761	-15.168	-48.185	-55.677	-60.036	-63.200
<b>Gross profit (loss)</b>	<b>3.114</b>	<b>4.422</b>	<b>4.345</b>	<b>6.383</b>	<b>15.955</b>	<b>18.263</b>	<b>19.693</b>	<b>20.843</b>
Other income	0.070	0.110	0.103	0.161	0.789	0.444	0.638	0.672
Marketing expenses	-0.571	-0.791	-0.736	-0.897	-2.979	-2.995	-3.508	-3.782
Administrative expenses	-2.551	-2.376	-2.326	-2.581	-8.823	-9.834	-10.604	-11.346
Other expenses	-0.019	-0.120	-0.030	-0.031	-0.146	-0.200	-0.150	-0.150
<i>Operating expenses</i>	<i>-3.071</i>	<i>-3.177</i>	<i>-2.989</i>	<i>-3.348</i>	<i>-11.159</i>	<i>-12.585</i>	<i>-13.624</i>	<i>-14.605</i>
<b>Operating profit</b>	<b>0.043</b>	<b>1.245</b>	<b>1.356</b>	<b>3.035</b>	<b>4.796</b>	<b>5.678</b>	<b>6.069</b>	<b>6.237</b>
Interest income	0.009	0.010	0.000	-0.019	0.036	0.000	0.000	0.000
Interest expense	-0.330	-0.347	-0.350	-0.352	-0.738	-1.379	-1.189	-0.884
FX gain/loss	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Other finance costs	-0.011	-0.010	0.000	0.021	0.179	0.000	0.000	0.000
<i>Financial net</i>	<i>-0.332</i>	<i>-0.347</i>	<i>-0.350</i>	<i>-0.350</i>	<i>-0.523</i>	<i>-1.379</i>	<i>-1.189</i>	<i>-0.884</i>
Profit on shrs of JVs	-0.553	-0.242	0.000	0.000	-0.242	-0.795	0.000	0.000
Profit on shrs of associates	0.128	0.002	0.000	0.000	0.325	0.130	0.000	0.000
<b>Profit (loss) before taxes</b>	<b>-0.714</b>	<b>0.658</b>	<b>1.006</b>	<b>2.685</b>	<b>4.356</b>	<b>3.634</b>	<b>4.880</b>	<b>5.353</b>
Income tax	-0.016	-0.046	-0.055	-0.134	-0.302	-0.252	-0.332	-0.364
Minority interest	-0.002	0.001	0.000	0.000	-0.007	-0.001	0.000	0.000
<b>Net profit</b>	<b>-0.732</b>	<b>0.613</b>	<b>0.950</b>	<b>2.551</b>	<b>4.047</b>	<b>3.382</b>	<b>4.548</b>	<b>4.989</b>
<b>EBITDA</b>	<b>1.153</b>	<b>2.399</b>	<b>2.515</b>	<b>4.195</b>	<b>8.890</b>	<b>10.262</b>	<b>10.461</b>	<b>10.496</b>
Sales growth	Q1/23	Q2/23	Q3/23E	Q4/23E	2022	2023E	2024E	2025E
Sales growth y-on-y	24.8%	12.9%	13.1%	12.3%	19.9%	15.3%	7.8%	5.4%
Sales growth q-on-q	-12.7%	10.6%	-7.7%	26.0%	nm	nm	nm	nm
Margins	Q1/23	Q2/23	Q3/23E	Q4/23E	2022	2023E	2024E	2025E
Gross margin	18.6%	23.9%	25.4%	29.6%	24.9%	24.7%	24.7%	24.8%
EBITDA margin	6.9%	12.9%	14.7%	19.5%	13.9%	13.9%	13.1%	12.5%
Operating margin	0.3%	6.7%	7.9%	14.1%	7.5%	7.7%	7.6%	7.4%
Pre-tax Profit margin	-4.3%	3.5%	5.9%	12.5%	6.8%	4.9%	6.1%	6.4%
Net margin	-4.4%	3.3%	5.6%	11.8%	6.3%	4.6%	5.7%	5.9%

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.

<b>Income Statement</b>	2021	2022	2023E	2024E	2025E
Net sales	53.5	64.1	73.9	79.7	84.0
Total operating costs	-45.3	-55.3	-63.7	-69.3	-73.5
<b>EBITDA</b>	<b>8.2</b>	<b>8.9</b>	<b>10.3</b>	<b>10.5</b>	<b>10.5</b>
Depreciation & Amort.	-3.4	-4.1	-4.6	-4.4	-4.3
One-off EBIT items	0.4	-0.2	-0.3	0.0	0.0
<b>EBIT</b>	<b>4.9</b>	<b>4.8</b>	<b>5.7</b>	<b>6.1</b>	<b>6.2</b>
Financial net	-0.5	-0.4	-2.0	-1.2	-0.9
<b>Pre-tax profit</b>	<b>4.4</b>	<b>4.4</b>	<b>3.6</b>	<b>4.9</b>	<b>5.4</b>
Taxes	-0.3	-0.3	-0.3	-0.3	-0.4
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>3.4</b>	<b>4.5</b>	<b>5.0</b>
<b>Balance Sheet</b>					
Cash and cash equivalent	11	7	7	6	5
Receivables	9	12	13	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	9	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>100</b>
Non-interest bearing current liabilities	18	21	21	22	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	17	14	11
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>21</b>	<b>18</b>	<b>15</b>
<b>Total Liabilities</b>	<b>41</b>	<b>44</b>	<b>44</b>	<b>41</b>	<b>38</b>
Minority interest (BS)	0	0	0	0	0
Shareholders' equity	54	55	57	60	63
<b>Total liabilities and equity</b>	<b>94</b>	<b>100</b>	<b>101</b>	<b>101</b>	<b>100</b>
<b>DCF valuation</b>					
<b>WACC (%)</b>		<b>Cash flow, mEUR</b>			
11.34 %	NPV FCF (2023-2025)			13	
Assumptions 2023-2029 (%)	NPV FCF (2026-2032)			26	
Sales CAGR	4.39 %	NPV FCF (2033-)		39	
Avg. EBIT margin	7.86 %	Non-operating assets		6	
Fair value per share (EUR)	2.10	Interest-bearing debt		-20	
Share price (EUR)	1.47	Fair value estimate		64	

<b>Free Cash Flow</b>	2021	2022	2023E	2024E	2025E
Operating profit	4.9	4.8	5.7	6.1	6.2
Depreciation & Amort.	3.4	4.1	4.6	4.4	4.3
Working capital chg.	5.0	0.5	-0.2	-0.9	-0.4
Other Operating CF items	-0.3	-0.4	-0.3	-0.4	-0.4
<b>Operating Cash Flow</b>	<b>13.0</b>	<b>9.1</b>	<b>9.8</b>	<b>9.1</b>	<b>9.6</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>4.8</b>	<b>4.6</b>	<b>5.6</b>
<b>Capital structure</b>					
Equity ratio	57.0%	55.5%	56.6%	59.3%	62.6%
Debt / Equity ratio	41.5%	35.5%	32.1%	26.1%	18.5%
Gearing %	21.0%	22.0%	19.1%	15.4%	10.4%
Net debt/EBITDA	1.4	1.4	1.1	0.9	0.6

<b>Profitability</b>	2021	2022	2023E	2024E	2025E
ROE	7.6%	7.4%	6.0%	7.8%	8.1%
FCF yield	21.2%	3.6%	10.7%	10.4%	12.7%
EBITDA margin	15.4%	13.9%	13.9%	13.1%	12.5%
EBIT margin	9.1%	7.5%	7.7%	7.6%	7.4%
PTP margin	8.2%	6.8%	4.9%	6.1%	6.4%
Net margin	7.7%	6.3%	4.6%	5.7%	5.9%

<b>Valuation</b>	2021	2022	2023E	2024E	2025E
P/E	11.6	12.6	13.1	9.8	8.9
P/E, adjusted	12.9	12.0	11.9	9.8	8.9
P/Sales	0.9	0.8	0.6	0.6	0.5
EV/Sales	1.1	1.0	0.7	0.7	0.6
EV/EBITDA	7.2	7.1	5.4	5.1	4.9
EV/EBIT	12.2	13.2	9.8	8.8	8.2
P/BV	0.9	0.9	0.8	0.7	0.7
P/BV tangible	-6.6	-4.4	-4.6	-6.4	-11.0

<b>Per share ratios</b>	2021	2022	2023E	2024E	2025E
EPS	0.13	0.13	0.11	0.15	0.17
EPS, adjusted	0.12	0.14	0.12	0.15	0.17
Operating CF/share	0.42	0.29	0.32	0.30	0.32
Free Cash Flow/share	0.33	0.06	0.16	0.15	0.19
BV/share	1.74	1.79	1.89	1.98	2.08
Tangible BV/share	-0.24	-0.37	-0.32	-0.23	-0.13
Div. per share	0.18	0.05	0.06	0.07	0.08
Div. payout ratio	134.6%	38.0%	53.6%	46.5%	48.4%
Dividend yield	11.6%	3.0%	4.1%	4.8%	5.4%

<b>Shareholders</b>	<b>Capital</b>	<b>Votes</b>
HHL RÜHM OÜ	21.037	47.37 %
HANS LUIK	11.482	25.86 %
LHV Pensionfond L	2.641	5.95 %
Ekspress Grupp AS	1.493	3.36 %
SEB pank AS clients	0.572	1.29 %
OU Observa	0.572	1.29 %
Mattus & Co AG	0.351	0.79 %
Citibank/Govt of Norway	0.327	0.74 %
Compensa Life Vienna Insurance	0.250	0.56 %
LHV Pensionfond M	0.181	0.41 %

<b>Key people</b>	
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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