

Ad spend intact

Sales was below while Net profit was inline. Ad revenue growth is still healthy and niche segments show strong growth. A European ban on “behavioral advertising” could benefit local media players such as Ekspress Grupp. We lower estimates somewhat but keep our dividend forecast.

Ad revenues grow 10%

Q3/22 advertising revenue grew 10% y-on-y whereof roughly half was due to acquisitions. The ad market is slowing down due to the economic slowdown but is not collapsing. Also, the slowdown is offset by niche markets such as ticketing platforms and outdoor screens (+30% growth). The European ban on “behavioral advertising” for non-compliant global platforms like e.g., Meta, could benefit local media companies such as Ekspress Grupp.

Strong cash flow

The 9M/23 Cash flow after investments improved to EUR 3.9m from negative EUR 0.9m in 9M/22, giving us confidence in our 2023 dividend forecast of EUR 0.06/shr. equal to a yield of 4.6%, estimated to improve to 5.3% next year. Worth noting is that the estimated 2023 Net debt/EBITDA of 1.1x is much lower than in the last economic downturn (when Print was part of the group).

Valuation compelling

We lower our Base case Fair value to EUR 2.00 (prev. 2.10) due to lower estimates (factoring in a slower economy). The EV/EBITDA 2023 of 5.0x (>50% peer disc.) feels attractive and signals that a slowdown has been priced into the share.

Key figures (MEUR)

	2021	2022	2023E	2024E	2025E
Net sales	53.5	64.1	72.8	76.3	80.5
Net sales growth	20.2%	19.9%	13.5%	4.9%	5.5%
EBITDA	8.2	8.9	10.2	10.4	10.5
EBITDA margin	15.4%	13.9%	14.1%	13.7%	13.1%
EBIT	4.9	4.8	5.6	5.8	6.0
EBIT margin	9.1%	7.5%	7.7%	7.6%	7.4%
EV/Sales	1.1	1.0	0.7	0.6	0.6
EV/EBITDA	7.2	7.1	5.0	4.7	4.4
EV/EBIT	12.2	13.2	9.1	8.5	7.8
P/E adj.	12.9	12.0	10.9	9.3	8.4
P/BV	0.9	0.9	0.7	0.7	0.6
EPS adj.	0.12	0.14	0.12	0.14	0.16
EPS growth adj.	44.93%	14.22%	-12.06%	17.20%	10.14%
Div. per share	0.18	0.05	0.06	0.07	0.08
Dividend yield	11.58%	3.01%	4.55%	5.30%	6.06%

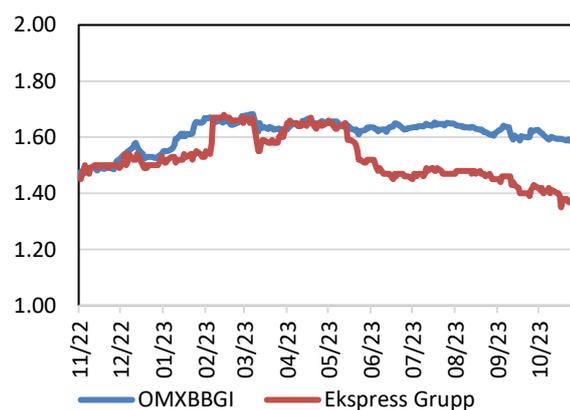
Source: Company data, Enlight Research estimates

Fair value range (EUR)

Bull (term. EBIT marg. 11%)	2.33
Base (term. EBIT marg. 9%)	2.00
Bear (term. EBIT marg. 7%)	1.67

Key Data

Price (EUR)	1.32
Ticker	EEG1T
Country	Estonia
Listed	Tallinn
Market Cap (EURm)	40
Net debt (EURm)	14
Shares (m)	30.2
Free float	27%



Price range

52-week high	1.68
52-week low	1.31

Analyst

ResearchTeam@enlightresearch.net

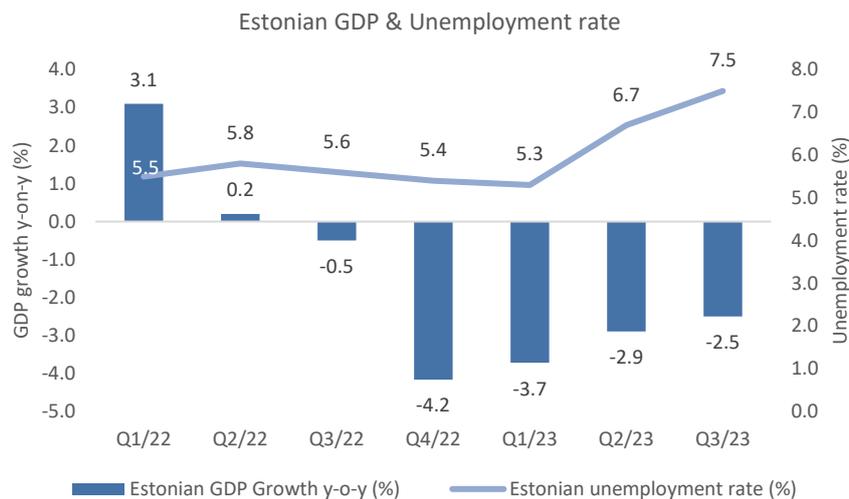
Coverage frequency

4x per year

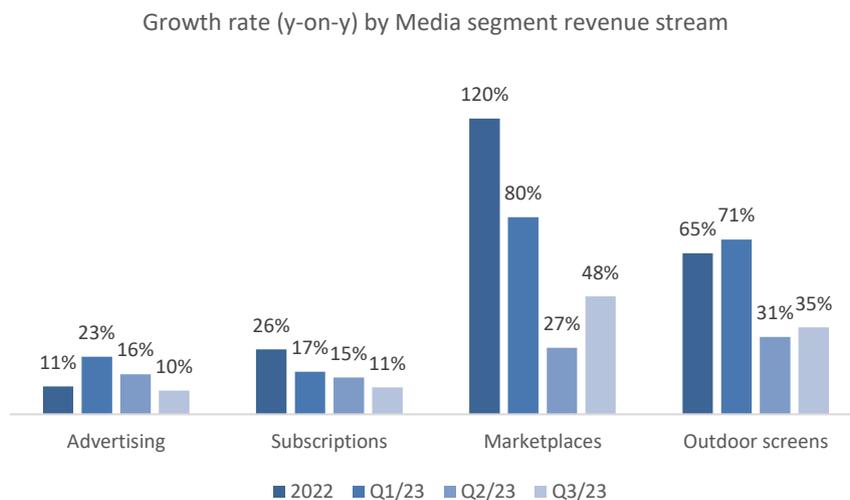
Key takeaways

Moderately cautious

Although Q3/23 Sales of EUR 16.5m (est. 17.1m) was 3.6% below forecast, the 9.1% y-on-y sales growth (est. 12.9%) is still ok in an economic downturn, in our view. In the report, management wrote that they are, "...moderately cautious regarding the end of the year as the higher level of interest rates may affect people's consumption and thereby advertising sales volumes.". Some investors interpreted this as a soft Q4/23 profit warning, which pressured the share price (-3% since the report). However, we do not believe there are any visible signs of a drastic slowdown in Q4/23 as management also wrote in the report, "Until now, the advertising market has behaved rather positively, and there have been no significant volume reductions by customers.". We recognize that the advertising market is likely to slow down given the GDP development and the unemployment rate (see chart below), but this should not come as a surprise to investors and a lot should be priced into the share (down 22% since its 52-week high of EUR 1.68). Furthermore, Ekspress Grupp is active in fast growing niche segments such as ticketing platforms (reported as Marketplaces), and Outdoor screens – both posted +30% y-on-y growth in Q3/23 (see chart below). These segments could offset some of the slowdown in the general advertising market.



Source: Estonian Statistics Center, Estonian Unemployment Agency



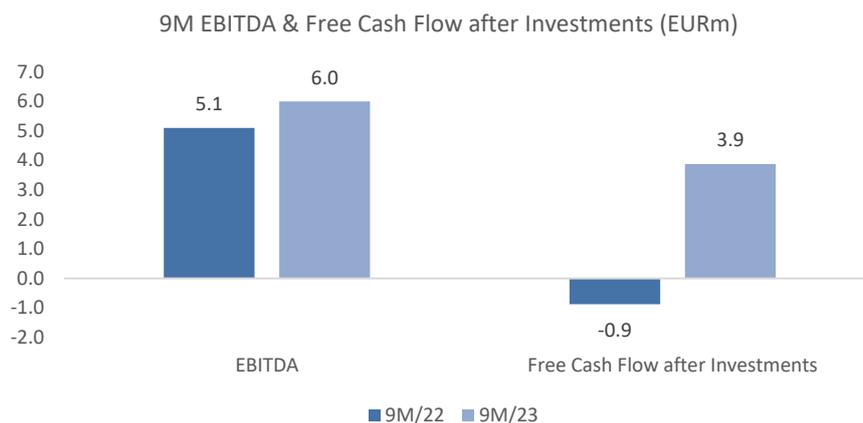
Source: Company reports

European “behavioural advertising” ban positive for Ekspress Grupp

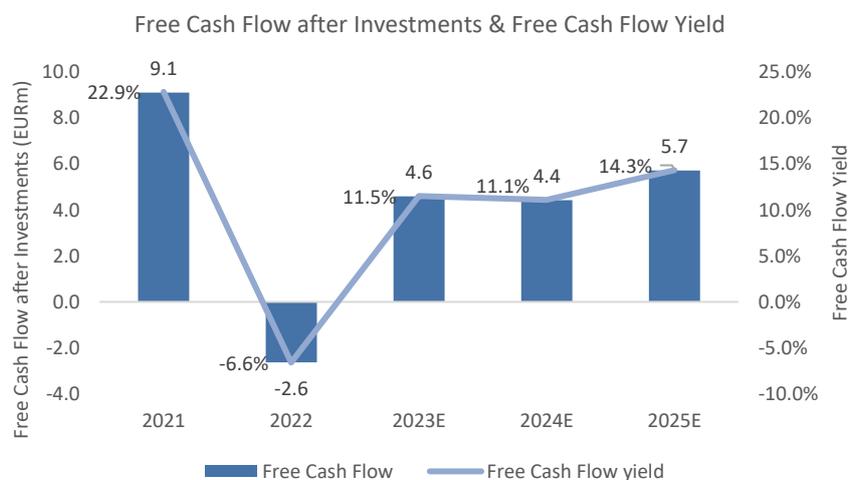
According to a Reuters article on 1 November 2023, the European Data Protection Board (EDPB) has imposed a ban on the processing of personal data for behavioural advertising in the EU/EEA area. Not following this ban would be a violation of the GDPR, the Head of the Norwegian Data Inspection Agency, Tobias Judin, said in the article. The use of behavioural advertising a major selling point for Meta and the likes. If this will be banned or restricted, it could potentially move substantial advertising spend from global players like Meta to local media players like Ekspress Grupp. It is too early to say how the ban will be enforced and how much money that could move to local media companies i.e., our estimates do not include this effect, but it is good to be aware of and monitor.

Strong cash flow and Stable debt situation

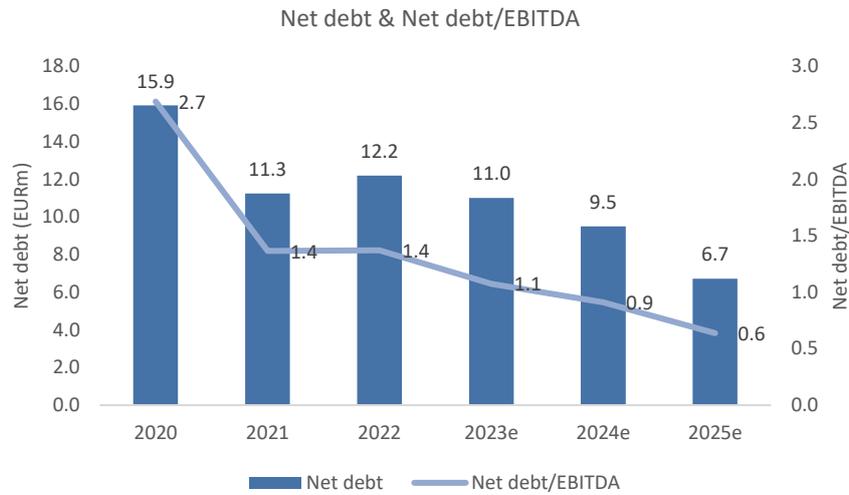
The 9M/23 Free Cash Flow after Investments improved to EUR 3.9m from negative EUR 0.9m in 9M/22. For the full-year 2023, we forecast Free Cash Flow of EUR 4.6m equal to EUR 0.15 per share, which given the reported 9M figures, implies “just” EUR 0.7m or EUR 0.02 per share in Q4/23 Free Cash Flow. The strong cash flow means the estimated Net debt/EBITDA ratio is reduced to 1.1x by the end of 2023 from 1.4x at the end of 2022. Following the sale of the Print segment, Ekspress Grupp liquidity and financial strength has improved significantly (see below chart).



Source: Company reports



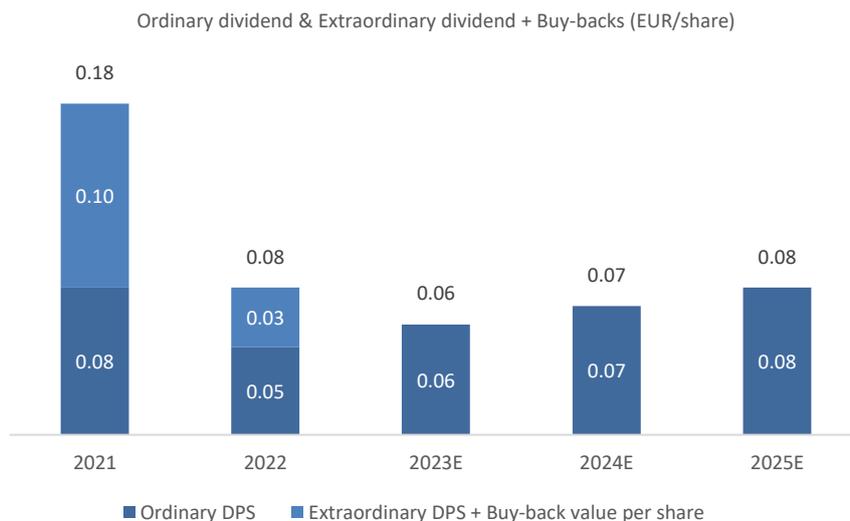
Source: Company (historic), Enlight Research (forecast)



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

Dividend forecast is unchanged

Our dividend forecast is unchanged for 2023-25. In 2021, the company paid EUR 0.08 in ordinary dividends plus EUR 0.10 in extraordinary dividends. In 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 4.6% (to be proposed and paid next year). We forecast EUR 0.01 higher dividend per share in 2024 and 2025 to EUR 0.07 per share (yield 5.3%), and EUR 0.08 (yield 6.1%), respectively. Our expected dividend payout ratio is around 50% 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).



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

Earnings per share, FCF per share, Dividend per share (EUR)



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

EPS and Dividend forecast

(EUR)	2022	2023E	2024E	2025E
EPS	0.14	0.13	0.14	0.16
Free cash flow per share	-0.09	0.15	0.15	0.19
DPS + Buy-back per share	0.08	0.06	0.07	0.08
Payout ratio	58%	48%	49%	51%

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

Valuation

DCF Valuation Base case Fair value EUR 2.00

Our Base case DCF Fair value per share is lowered to EUR 2.00 (prev. 2.10), corresponding to an upside of around 50%. Lowered estimates (see Estimate changes) are the main reason for the lower Fair value. Our Bear and Bull case motivated share prices are EUR 1.67 (prev. 1.76), and EUR 2.33 (prev. 2.44), 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)	1.67	2.00	2.33
Upside/Downside (last price)	27%	51%	77%
Share price (EUR)	1.32	1.32	1.32

Source: Enlight Research

DCF sensitivity	Current	Step	Test values & Results										
Equity beta	1.20	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)	2.00	3.69	3.19	2.80	2.48	2.22	2.00	1.81	1.65	1.51	1.39	1.29	
Target debt ratio*	30.0 %	8.0 %	-10%	-2%	6%	14%	22%	30%	38%	46%	54%	62%	70%
Fair value (DCF)	2.00	1.26	1.37	1.50	1.64	1.81	2.00	2.23	2.51	2.85	3.27	3.82	
Risk-free IR	3.5 %	0.9 %	-1.0 %	-0.1 %	0.8 %	1.7 %	2.6 %	3.5 %	4.4 %	5.3 %	6.2 %	7.1 %	8.0 %
Fair value (DCF)	2.00	3.54	3.10	2.74	2.45	2.21	2.00	1.82	1.67	1.54	1.42	1.31	

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 Q2/23 Update in August 2023, the current year forecast average EV/EBITDA multiple has expanded for the Digital leaders' peer group from 15.7x to 16.4x, while Ekspress Grupp's multiple has contracted from 5.4x to 5.0x. This means Ekspress Grupp is trading at an EV/EBITDA 2023E peer discount of 70% (was 66% in our Q2/23 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 2 November 2023 (midday)

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	8.68	8.6	9.3	9.1	8.7	4.0%	5.1%	5.3%	5.5%	5.8%
Schibsted	NOK	229.20	23.0	21.7	17.8	15.1	0.9%	0.9%	0.9%	1.0%	1.2%
Baltic Classifieds Group	EUR	2.39	26.3	26.3	22.8	19.7	0.4%	0.8%	0.8%	1.3%	1.3%
Wirtualna Polska Hld	PLN	106.6	10.8	8.5	7.7	7.2	1.5%	2.3%	2.3%	2.3%	3.0%
Average			17.2	16.4	14.4	12.7	1.7%	2.3%	2.3%	2.5%	2.8%
Median			16.9	15.5	13.5	11.9	1.2%	1.6%	1.6%	1.8%	2.2%
Ekspress Grupp	EUR	1.32	7.1	5.0	4.7	4.4	11.6%	3.0%	4.6%	5.3%	6.1%

Source: MarketScreener, Enlight Research, prices from 2 November 2023 (midday)

Estimate deviations

The Q3/23 Sales was 3.6% or EUR 0.6m below our estimate of EUR 17.1m. The Q3/23 Gross profit was 5.5% or EUR 0.2m below forecast, while the EBITDA was 3.0% or EUR 0.1m below forecast. The Q3/23 EBIT was 7.8% or EUR 0.1m below our forecast, while the Pre-tax profit and the Net profit roughly in line with forecast as profits on JVs and associates offset the negative Operating profit deviation.

Deviation table Group

P&L (EURm)	Estimate	Outcome	Diff	Diff
	Q3/23	Q3/23	EURm	%
Sales	17.106	16.490	-0.616	-3.6%
Costs of sales	-12.761	-12.384	0.378	-3.0%
Gross profit (loss)	4.345	4.107	-0.238	-5.5%
Other income	0.103	0.167	0.064	62.7%
Marketing expenses	-0.736	-0.649	0.087	-11.8%
Administrative expenses	-2.326	-2.253	0.073	-3.2%
Other expenses	-0.030	-0.122	-0.092	306.7%
Operating profit	1.356	1.250	-0.106	-7.8%
Interest income	0.000	0.012	0.012	nm
Interest expense	-0.350	-0.383	-0.033	9.3%
FX gain/loss	0.000	0.000	0.000	nm
Other finance costs	0.000	-0.014	-0.014	nm
<i>Financial net</i>	<i>-0.350</i>	<i>-0.384</i>	<i>-0.034</i>	<i>9.6%</i>
Profit on shrs of JVs	0.000	0.069	0.069	nm
Profit on shrs of associates	0.000	0.065	0.065	nm
Profit (loss) before taxes	1.006	1.000	-0.005	-0.5%
Income tax	-0.055	-0.052	0.004	-6.9%
Net profit	0.950	0.949	-0.001	-0.2%
EBITDA	2.515	2.440	-0.075	-3.0%

Sales growth	Estimate	Outcome	Diff
	Q3/23	Q3/23	%-pts
Group Sales (excl. Printing)	12.9%	9.1%	-3.8

Margins	Estimate	Outcome	Diff
	Q3/23	Q3/23	bps
Gross margin	25.4%	24.9%	-0.5
EBITDA margin	14.7%	14.8%	0.1
EBIT margin	7.9%	7.6%	-0.3
PTP margin	5.9%	6.1%	0.2
Net profit margin	5.6%	5.8%	0.2

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

Estimate changes

We lower our 2023 Sales estimate by 1.6% while our 2024, and 2025 Sales estimates are lowered by a bit more than 4%, mainly due to an expected, but yet not seen slowdown in the advertising market. Our EBITDA estimates are roughly unchanged in the forecast period 2023-25. The EBIT estimate is lowered by 1.6% this year and a bit more than 4% in 2024-25. The 2023 EPS estimate is raised 1.9% while it is lowered by around 5% in 2024-25. Our dividend estimates are unchanged.

Group estimate changes

Sales (EURm)	2023E	2024E	2025E
Old estimate (excl. Print)	73.9	79.7	84.0
New estimate (excl. Print)	72.8	76.3	80.5
Change	-1.2	-3.4	-3.6
Change (pct)	-1.6%	-4.3%	-4.2%

EBITDA (EURm)	2023E	2024E	2025E
Old estimate (excl. Print)	10.3	10.5	10.5
New estimate (excl. Print)	10.2	10.4	10.5
Change	0.0	0.0	0.0
Change (pct)	-0.3%	-0.2%	0.4%

EBIT (EURm)	2023E	2024E	2025E
Old estimate (excl. Print)	5.7	6.1	6.2
New estimate (excl. Print)	5.6	5.8	6.0
Change	-0.1	-0.3	-0.3
Change (pct)	-1.6%	-4.4%	-4.3%

EPS adj. (EUR)	2023E	2024E	2025E
Old estimate (excl. Print)	0.12	0.15	0.17
New estimate (excl. Print)	0.13	0.14	0.16
Change	0.00	-0.01	-0.01
Change (pct)	1.9%	-5.4%	-5.0%

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

Source: Enlight Research

Forecast

Sales by segment	Q1/23	Q2/23	Q3/23	Q4/23E	2022	2023E	2024E	2025E
Media segment	16.867	18.767	16.454	20.946	62.690	73.034	78.146	82.054
<i>digital channels</i>	13.384	15.412	14.146	17.621	49.928	60.563	65.710	69.653
Corporate functions	1.226	1.081	0.167	0.181	4.500	2.655	2.761	2.858
Eliminations	-1.338	-1.320	-0.131	-0.122	-3.050	-2.911	-4.580	-4.427
Total Sales	16.755	18.528	16.490	21.005	64.140	72.778	76.328	80.485
Sales growth	Q1/23	Q2/23	Q3/23	Q4/23E	2022	2023E	2024E	2025E
Media segment	28.9%	16.8%	11.6%	11.4%	20.3%	16.5%	7.0%	5.0%
<i>digital channels</i>	28.3%	23.4%	17.8%	17.5%	23.4%	21.3%	8.5%	6.0%
Corporate functions	12.3%	-0.8%	-85.6%	-84.4%	9.3%	-41.0%	4.0%	3.5%
Eliminations	79.1%	77.7%	-83.3%	-84.3%	13.2%	-4.6%	57.3%	-3.3%
Total Sales	24.8%	12.9%	9.1%	9.5%	19.9%	13.5%	4.9%	5.4%
EBITDA by segment	Q1/23	Q2/23	Q3/23	Q4/23E	2022	2023E	2024E	2025E
Media segment	1.478	2.643	2.852	4.493	10.183	11.466	12.503	13.375
Corporate functions	-0.321	-0.240	-0.416	-0.159	-1.122	-1.135	-1.863	-2.541
Eliminations	-0.004	-0.004	0.003	-0.095	-0.171	-0.100	-0.200	-0.300
Total EBITDA	1.153	2.399	2.440	4.239	8.890	10.231	10.440	10.534
EBITDA margin	Q1/23	Q2/23	Q3/23	Q4/23E	2022	2023E	2024E	2025E
Media segment	8.8%	14.1%	17.3%	21.4%	16.2%	15.7%	16.0%	16.3%
Corporate functions	-26.2%	-22.2%	-248.8%	-87.8%	-24.9%	-42.8%	-67.5%	-88.9%
Total EBITDA	6.9%	12.9%	14.8%	20.2%	13.9%	14.1%	13.7%	13.1%
Income statement	Q1/23	Q2/23	Q3/23	Q4/23E	2022	2023E	2024E	2025E
Sales	16.755	18.528	16.490	21.005	64.140	72.778	76.328	80.485
Costs of sales	-13.641	-14.106	-12.384	-14.671	-48.185	-54.802	-57.475	-60.525
Gross profit (loss)	3.114	4.422	4.107	6.334	15.955	17.976	18.853	19.960
Other income	0.070	0.110	0.167	0.090	0.789	0.437	0.611	0.644
Marketing expenses	-0.571	-0.791	-0.649	-0.936	-2.979	-2.947	-3.358	-3.622
Administrative expenses	-2.551	-2.376	-2.253	-2.499	-8.823	-9.679	-10.152	-10.865
Other expenses	-0.019	-0.120	-0.122	0.061	-0.146	-0.200	-0.150	-0.150
<i>Operating expenses</i>	<i>-3.071</i>	<i>-3.177</i>	<i>-2.857</i>	<i>-3.285</i>	<i>-11.159</i>	<i>-12.390</i>	<i>-13.049</i>	<i>-13.993</i>
Operating profit	0.043	1.245	1.250	3.049	4.796	5.586	5.804	5.967
Interest income	0.009	0.010	0.012	-0.031	0.036	0.000	0.000	0.000
Interest expense	-0.330	-0.347	-0.383	-0.318	-0.738	-1.377	-1.187	-0.883
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	-0.014	0.035	0.179	0.000	0.000	0.000
<i>Financial net</i>	<i>-0.332</i>	<i>-0.347</i>	<i>-0.384</i>	<i>-0.314</i>	<i>-0.523</i>	<i>-1.377</i>	<i>-1.187</i>	<i>-0.883</i>
Profit on shrs of JVs	-0.553	-0.242	0.069	-0.069	-0.242	-0.795	0.000	0.000
Profit on shrs of associates	0.128	0.002	0.065	-0.065	0.325	0.130	0.000	0.000
Profit (loss) before taxes	-0.714	0.658	1.000	2.600	4.356	3.544	4.617	5.084
Income tax	-0.016	-0.046	-0.052	-0.133	-0.302	-0.247	-0.314	-0.346
Minority interest	-0.002	0.001	0.000	-0.002	-0.007	-0.003	0.000	0.000
Net profit	-0.732	0.613	0.949	2.465	4.047	3.294	4.303	4.738
EBITDA	1.153	2.399	2.440	4.239	8.890	10.231	10.440	10.534
Sales growth	Q1/23	Q2/23	Q3/23	Q4/23E	2022	2023E	2024E	2025E
Sales growth y-on-y	24.8%	12.9%	9.1%	9.5%	19.9%	13.5%	4.9%	5.4%
Sales growth q-on-q	-12.7%	10.6%	-11.0%	27.4%	nm	nm	nm	nm
Margins	Q1/23	Q2/23	Q3/23	Q4/23E	2022	2023E	2024E	2025E
Gross margin	18.6%	23.9%	24.9%	30.2%	24.9%	24.7%	24.7%	24.8%
EBITDA margin	6.9%	12.9%	14.8%	20.2%	13.9%	14.1%	13.7%	13.1%
Operating margin	0.3%	6.7%	7.6%	14.5%	7.5%	7.7%	7.6%	7.4%
Pre-tax Profit margin	-4.3%	3.5%	6.1%	12.4%	6.8%	4.9%	6.0%	6.3%
Net margin	-4.4%	3.3%	5.8%	11.7%	6.3%	4.5%	5.6%	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.

Income Statement	2021	2022	2023E	2024E	2025E
Net sales	53.5	64.1	72.8	76.3	80.5
Total operating costs	-45.3	-55.3	-62.5	-65.9	-70.0
EBITDA	8.2	8.9	10.2	10.4	10.5
Depreciation & Amort.	-3.4	-4.1	-4.6	-4.6	-4.6
One-off EBIT items	0.4	-0.2	-0.4	0.0	0.0
EBIT	4.9	4.8	5.6	5.8	6.0
Financial net	-0.5	-0.4	-2.1	-1.2	-0.9
Pre-tax profit	4.4	4.4	3.5	4.6	5.1
Taxes	-0.3	-0.3	-0.2	-0.3	-0.3
Minority interest	0.0	0.0	0.0	0.0	0.0
Other items	0.0	0.0	0.0	0.0	0.0
Net profit	4.1	4.0	3.3	4.3	4.7

Balance Sheet	2021	2022	2023E	2024E	2025E
Cash and cash equivalent	11	7	7	6	5
Receivables	9	12	12	13	14
Inventories	0	0	0	0	0
Other current assets	0	0	0	0	0
Current assets	21	19	20	19	19
Tangible assets	8	9	9	9	8
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
Total fixed assets	74	80	81	81	80
Total Assets	94	100	101	100	99
Non-interest bearing current liabilities	18	21	21	21	21
Short-term debt	3	2	2	1	1
Other current liabilities	0	0	0	0	0
Total current liabilities	21	22	23	22	22
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
Total long-term liab.	20	22	21	18	15
Total Liabilities	41	44	44	40	37
Minority interest (BS)	0	0	0	0	0
Shareholders' equity	54	55	57	59	62
Total liabilities and equity	94	100	101	100	99

DCF valuation	Cash flow, mEUR		
WACC (%)	11.34 %	NPV FCF (2023-2025)	13
Assumptions 2023-2029 (%)		NPV FCF (2026-2032)	23
Sales CAGR	3.91 %	NPV FCF (2033-)	38
Avg. EBIT margin	7.42 %	Non-operating assets	6
Fair value per share (EUR)	2.00	Interest-bearing debt	-20
Share price (EUR)	1.32	Fair value estimate	60

Free Cash Flow	2021	2022	2023E	2024E	2025E
Operating profit	4.9	4.8	5.6	5.8	6.0
Depreciation & Amort.	3.4	4.1	4.6	4.6	4.6
Working capital chg.	5.0	0.5	-0.3	-1.1	-0.4
Other Operating CF items	-0.3	-0.4	-0.3	-0.4	-0.4
Operating Cash Flow	13.0	9.1	9.6	8.9	9.7
Net investments	-1.4	-10.7	-5.0	-4.5	-4.0
Other items	-2.4	-1.0	0.0	0.0	0.0
Free Cash Flow	9.1	-2.6	4.6	4.4	5.7

Capital structure	2021	2022	2023E	2024E	2025E
Equity ratio	57.0%	55.5%	56.7%	59.6%	62.9%
Debt / Equity ratio	41.5%	35.5%	32.3%	26.5%	18.8%
Gearing %	21.0%	22.0%	19.5%	16.2%	11.0%
Net debt/EBITDA	1.4	1.4	1.1	0.9	0.7

Profitability	2021	2022	2023E	2024E	2025E
ROE	7.6%	7.4%	5.8%	7.4%	7.8%
FCF yield	19.1%	-5.2%	11.5%	11.1%	14.4%
EBITDA margin	15.4%	13.9%	14.1%	13.7%	13.1%
EBIT margin	9.1%	7.5%	7.7%	7.6%	7.4%
PTP margin	8.2%	6.8%	4.8%	6.0%	6.3%
Net margin	7.7%	6.3%	4.5%	5.6%	5.9%

Valuation	2021	2022	2023E	2024E	2025E
P/E	11.6	12.6	12.2	9.3	8.4
P/E, adjusted	12.9	12.0	10.9	9.3	8.4
P/Sales	0.9	0.8	0.5	0.5	0.5
EV/Sales	1.1	1.0	0.7	0.6	0.6
EV/EBITDA	7.2	7.1	5.0	4.7	4.4
EV/EBIT	12.2	13.2	9.1	8.5	7.8
P/BV	0.9	0.9	0.7	0.7	0.6
P/BV tangible	-6.6	-4.4	-4.1	-5.5	-8.5

Per share ratios	2021	2022	2023E	2024E	2025E
EPS	0.13	0.13	0.11	0.14	0.16
EPS, adjusted	0.12	0.14	0.12	0.14	0.16
Operating CF/share	0.42	0.29	0.32	0.30	0.32
Free Cash Flow/share	0.30	-0.09	0.15	0.15	0.19
BV/share	1.74	1.79	1.89	1.97	2.06
Tangible BV/share	-0.24	-0.37	-0.32	-0.24	-0.15
Div. per share	0.18	0.05	0.06	0.07	0.08
Div. payout ratio	134.6%	38.0%	55.5%	49.2%	51.1%
Dividend yield	11.6%	3.0%	4.6%	5.3%	6.1%

Shareholders	Capital	Votes
HHL RÜHM OÜ	18.890	47.37 %
HANS LUIK	10.311	25.86 %
LHV Pensionfond L	2.372	5.95 %
Ekspress Grupp AS	0.860	2.16 %
LHV Pensionfond XL	0.605	1.52 %
OU Observa	0.516	1.29 %
SEB pank clients	0.514	1.29 %
Siim Saidla	0.319	0.80 %
Mattus & Co AG	0.316	0.79 %
Citibank (NY)/Govt. Norway	0.294	0.74 %

Key people	
CEO	Mari-Liis Rüttsalu
CFO	Argo Rannamets
IR	Mari-Liis Rüttsalu
Chairman	Priit Rohumaa

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

This report is commissioned by the company covered in this report which means Enlight Research OÜ receives compensation to write research on the company. The compensation is pre-determined and does not depend on the content in the report. This report is not to be considered investment research under MiFID regulations. Enlight Research OÜ does not issue investment recommendations or advice.

This report is for informational purposes only i.e. it should not be considered as an offer to sell or buy. Investors are encouraged to make their own research and not rely solely on this report when making their investment decisions. The decision to invest or not to invest is fully the responsibility of the investor i.e. Enlight Research OÜ takes no responsibility nor gives any guarantees with regards to investment decisions made by investors. Investing in equities entails risk e.g. the price of an equity decreases. Past performance is not a guarantee for future performance.

This report is based on information and sources that Enlight Research OÜ deemed to be reliable. However, Enlight Research OÜ cannot guarantee the accuracy or completeness of the information. All forward-looking statements and financial forecasts entail uncertainty and are subject to change without notice. Enlight Research OÜ accept no liability for any loss or damage resulting from the use of this report.

The analyst(s) writing this report own shares in the company in this report: Yes

The analyst(s) responsible for this report are not allowed to trade in any financial instruments of the company in this report until after the analyst report has been published, or if other conflict of interest exist e.g., advisory related.

Investors should assume that Enlight Research OÜ is seeking, or is performing, or have performed advisory services or other revenue generating services for the company in this report. An analyst's compensation is never directly related to advisory projects. An analyst working on advisory projects will be taken over the "Chinese wall" as soon as relevant regulations and/or guidelines require this.

The document may not be copied, reproduced, distributed, or published to physical or legal entities that are citizens of or domiciled in any country where relevant laws and/or regulations prohibit this.

This report may not be copied, reproduced, distributed, or published other than for personal reasons without written permission by Enlight Research OÜ. To apply for permission, send an email to below address:

ResearchTeam@enlightresearch.net

© Copyright 2019 Enlight Research OÜ



Follow on Twitter

@ResearchEnlight

Contact information

ResearchTeam@EnlightResearch.net