

MGI

Company report

8.5.2024 07:27



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✓ Inderes corporate customer

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Navigating effectively in a dynamic market

MGI's Q1 revenues increased organically by 21%, slightly ahead of our estimates. At the same time, the adjusted operating profit fell short of our expectations due to higher operating costs than estimated. The new guidance for 2024 was in line with our estimates; however, following the announcement of the Google Cloud deal, we have raised our mid-term earnings estimates. Nonetheless, given the recent surge in the share price, indicating that the market has been pricing in improved financials, we believe that the current price levels present a moderate risk/reward ratio. Hence, we revise our recommendation to Accumulate (was Buy) while increasing the target price to SEK 24 (previously SEK 20).

Strong organic growth underpinned by an improve market sentiment and new customer onboarding

MGI reported revenues of 82.5 MEUR in Q1'24, representing a 20% increase year-on-year, which was 2% higher than our estimates. The revenue increase followed a strong end to 2023, reinforces the notion of an overall recovery in the digital ad market. The growth in Q1 was supported by strong new customer onboardings, increased spending from existing customer as well as a growing demand for ID-less targeting solutions. Notably, the net dollar expansion rate exceeded the 100%-mark for the first time in 18 months, amounting to 110% in Q1, after hovering between 89-95% in 2023. EBIT adjusted for PPA amortization and non-recurring costs amounted to 16.6 MEUR, slightly lower than expected, translating to an adjusted EBIT margin of 20.2% (Q1'23: 22%). The adjusted EPS, burdened by higher financial expenses, was flat year-on-year and amounted to EUR 0.03.

New strategic collaboration lays the foundation for enhanced operational efficiency

In the Q1 report, MGI provided a more detailed outlook for 2024 and guided for revenues in the range of 350-370 MEUR (9-15%) and adjusted EBITDA of 100-110 MEUR (5-16% growth). We believe that the guidance is very achievable given the strong start to the year, several significant cyclical events during the year and increasing consumer privacy expectations, which are well aligned with MGI's product offering. MGI also announced in Q2'24 that it had entered into a strategic collaboration with Google Cloud, which is expected to result in cost savings of 20 MEUR over the next four years (with effects from mid-2025) by consolidating MGI's marketplace onto a single cloud infrastructure. To reflect the expected cost savings and the potential for increased economies of scale from a unified single cloud environment, we have raised our earnings estimates for 2025 and beyond. For 2024, we estimate revenues of 366.8 MEUR and an adj. EBIT of 81.2 MEUR.

Still trading at moderately low absolute multiples

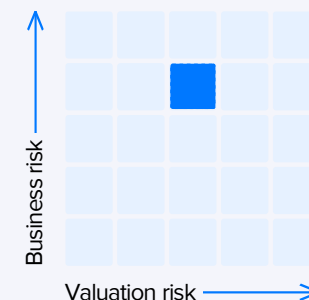
Based on our estimates for 2024 and 2025, MGI's adjusted EV/EBIT multiples are 7.7x and 7.8x, respectively. With a robust start to the year and a favorable outlook for the remainder of 2024 as the market continues to recover, we remain optimistic about MGI's near- and medium-term growth prospects. Notably, MGI has demonstrated strong margin profile resilience regardless of market conditions due to its flexible cost structure and focus on efficiency. With solid operating margins and a strong cash position (Q1'24: 124.7 MEUR), we expect MGI to skillfully manage the current debt burden, with net debt amounting to 318.8 MEUR at the end of Q1'24. MGI should be able to generate solid FCF going forward, especially after the earn-out payments (15 MEUR remaining in cash) and with the help of lower expected interest rates going forward.

Recommendation

Accumulate
(prev. Buy)

24 SEK
(prev. 20 SEK)

Share price:
20.85 SEK



Key indicators

| | 2023 | 2024e | 2025e | 2026e |
|-------------------------|--------|--------|--------|--------|
| Revenue | 322.0 | 366.8 | 399.9 | 434.9 |
| growth-% | -1% | 14% | 9% | 9% |
| EBIT adj. | 76.9 | 81.2 | 80.1 | 87.5 |
| EBIT-% adj. | 23.9 % | 22.1 % | 20.0 % | 20.1 % |
| Net Income | 46.7 | 10.4 | 21.8 | 29.1 |
| EPS (adj.) | 0.15 | 0.16 | 0.20 | 0.26 |
| P/E (adj.) | 6.6 | 11.2 | 8.9 | 7.0 |
| P/B | 0.5 | 0.8 | 0.7 | 0.7 |
| Dividend yield-% | 0.0 % | 0.0 % | 0.0 % | 0.0 % |
| EV/EBIT (adj.) | 5.9 | 7.2 | 7.3 | 6.4 |
| EV/EBITDA | 2.9 | 5.9 | 5.6 | 4.8 |
| EV/S | 1.4 | 1.6 | 1.5 | 1.3 |

Source: Inderes

Guidance

(New guidance)

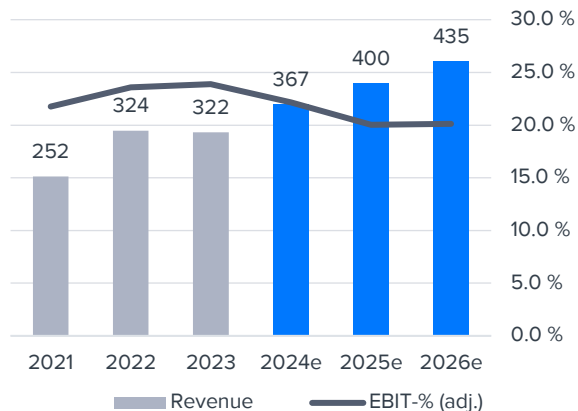
Revenue EUR 350-370 million (9-15%) and adjusted EBITDA EUR 100-110 million (5-16% growth)

Share price



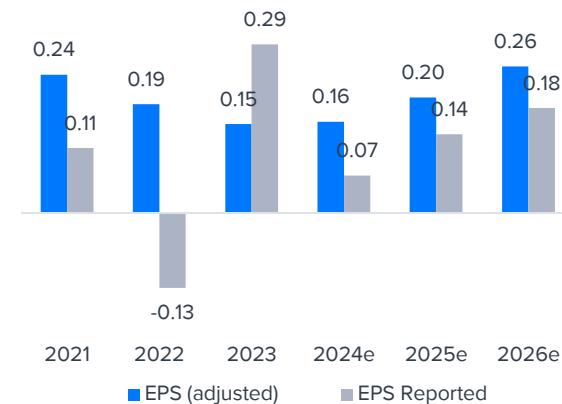
Source: Millstream Market Data AB

Revenues and operating profit-%



Source: Inderes

Earnings per share



Source: Inderes



Value drivers

- Double-digit growth in the programmatic ad market over the medium to long-term
- Market-Leading mobile In-App SSP
- A number of proprietary targeting solutions for a post identifier and cookie-less world
- A trusted end-to-end omnichannel platform
- Own first-party content that provides data to the ad platform



Risk factors

- Failing to maintain/increase market share in programmatic advertising
- Market disruption due to technological or regulatory reasons
- Slowdown in advertising spending persisting
- Rapid slowdown in first party games revenue
- Should operating profit decline FCF might not be able to cover the higher financial expenses.

| Valuation | 2024e | 2025e | 2026e |
|----------------------------|-------|-------|-------|
| Share price (EUR) | 1.78 | 1.78 | 1.78 |
| Number of shares, millions | 159.2 | 159.2 | 159.2 |
| Market cap (MEUR) | 284 | 284 | 284 |
| EV (MEUR) | 587 | 589 | 564 |
| P/E (adj.) | 11.2 | 8.9 | 7.0 |
| P/E | 27.2 | 13.0 | 9.8 |
| P/B | 0.8 | 0.7 | 0.7 |
| P/S | 0.8 | 0.7 | 0.7 |
| EV/Sales | 1.6 | 1.5 | 1.3 |
| EV/EBITDA | 5.9 | 5.6 | 4.8 |
| EV/EBIT (adj.) | 7.2 | 7.3 | 6.4 |
| Payout ratio (%) | 0.0 % | 0.0 % | 0.0 % |
| Dividend yield-% | 0.0 % | 0.0 % | 0.0 % |

Source: Inderes

Delivers strong organic growth as the ad market continues to recover

Revenue slightly higher expectations

MGI's Q1 revenues amounted to 82.5 MEUR (20% y/y), beating our estimates by 2%. According to the company, the revenue increase was supported by a strong inflow of new software clients, increased budgets from existing customers, and a growing demand for ID-less targeting solutions. The organic revenue growth, adjusted for FX, amounted to 21%.

Looking at some key KPI's, MGI served 199 billion ad impressions in Q1, representing an year-on-year increase of 20%. However, on a quarter-on-quarter basis, ad impressions declined by 3%. The net dollar expansion rate climbed above the 100% mark for the first time in 18 months, amounting to 110% (Q4'23: 95%), indicating that existing customers are spending 10% more than last year as a result of increased budgets and successful up-sell and cross-sell efforts. Regarding the number of large software customers, MGI changed the definition during the quarter. The new definition includes not only supply partners but also demand

partners. This number was 764 in Q1'24 (Q1'23: 612), an increase of 25% year-on-year and 5% quarter-on-quarter. The company did not disclose the retention rate of these customers due to the change in definition, but we understand that MGI will include the retention rate again going forward.

Operating profit came in slightly lower than our estimates

MGI reported an adjusted EBIT of 16.6 MEUR for Q1 (Q1'23: 15.2 MEUR), which was slightly lower than our and consensus estimates. The lower-than-expected adjusted EBIT was a combination of higher purchased services & other operating expenses and slightly higher amortization of other intangibles. At the same time, MGI reported lower than expected personnel costs, showing clear effects of the cost reduction program implemented since Q2'23. The adjusted EBIT margin was 20.2% compared to 22.0% in the same period of the previous year. The pre-tax result was worse than expected, at -1.9 MEUR, due to higher-

than-expected financial expenses. Due to a tax benefit of approximately 2.5 MEUR, the reported EPS was EUR 0.00, and adjusted for one-time costs and PPA amortization, the corresponding figure was EUR 0.03.

Operating cash flow affected by seasonality

The operating cash flow (OCF) amounted to 9.1 MEUR (Q1'23: -8.7 MEUR) due to a change in working capital of -14.6 MEUR. The cash flow is affected by seasonality, as MGI normally shows lower cash flows in the beginning of the year, as MGI pays publishers after Q4. The cash flow profile typically improves as the year progresses, as does the rest of the financials, which is also embedded in our estimates. MGI ended the quarter with cash and cash equivalents of 124.7 MEUR and net debt of 318.8 MEUR.

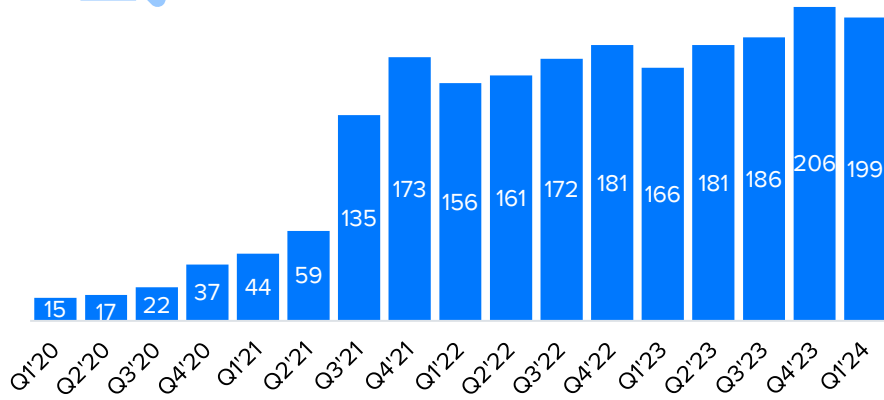
| Estimates | Q1'23 | Q1'24 | Q1'24e | Q1'24e | Consensus | | Difference (%) | 2024e |
|------------------|------------|------------|---------|-----------|-----------|----------|------------------|---------|
| | Comparison | Actualized | Inderes | Consensus | Low | High | Act. vs. inderes | Inderes |
| Revenue | 68.8 | 82.5 | 81.1 | 82.2 | 81.1 | - 83.2 | 2% | 367 |
| EBITDA (adj.) | 19.1 | 22.0 | 22.5 | 21.3 | 19.5 | - 22.5 | -2% | 104 |
| EBIT (adj.) | 15.2 | 16.6 | 17.7 | 17.9 | 17.7 | - 18.0 | -6% | 81.2 |
| EBIT | 11.0 | 12.3 | 13.9 | 17.7 | 12.4 | - 14.8 | -12% | 66.4 |
| PTP | 0.6 | -1.9 | 1.4 | 2.6 | -0.6 | - 11 | -234% | 11.2 |
| EPS (adj.) | 0.03 | 0.03 | 0.03 | 0.03 | 0.02 | - 0.03 | 3% | 0.16 |
| EPS (reported) | 0.01 | 0.00 | 0.01 | 0.01 | 0.01 | - 0.01 | -42% | 0.07 |
| Revenue growth-% | 4.4 % | 20.0 % | 18.0 % | 19.5 % | 18.0 % | - 21.0 % | 1.9 pp | 13.9 % |
| EBIT-% (adj.) | 22.0 % | 20.2 % | 21.8 % | 21.7 % | 21.8 % | - 21.6 % | -1.6 pp | 22.1 % |

Source: Inderes & Bloomberg (4) (consensus)

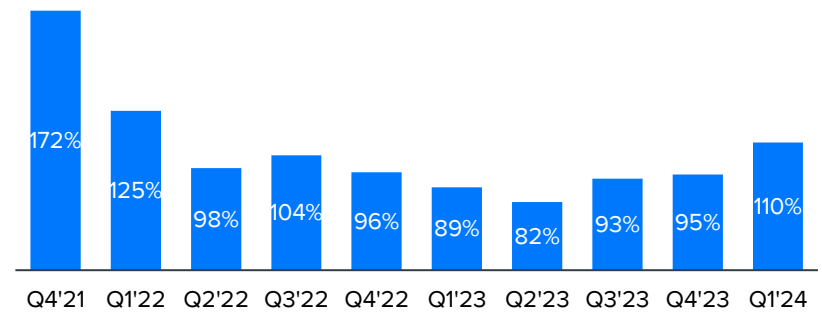
KPIs



Ad Impressions (in bn)

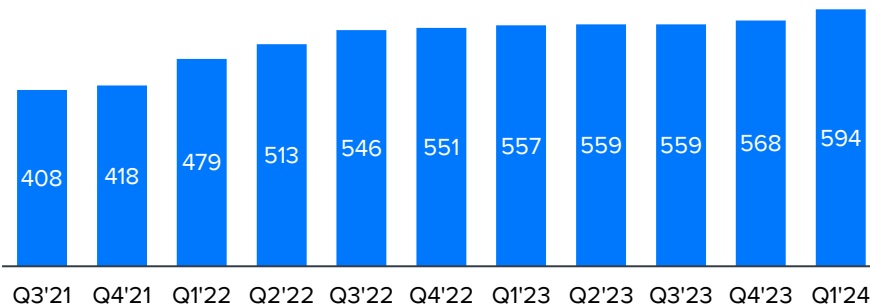


Net Dollar Expansion rate of Software Clients



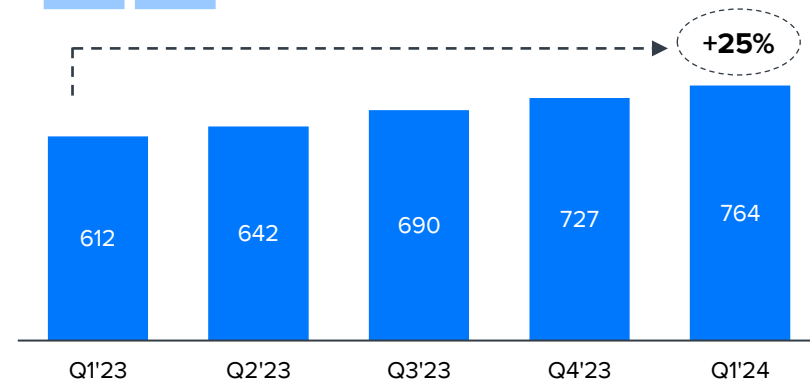
Large Software Clients

Previous definition: >100k \$ supply partners only



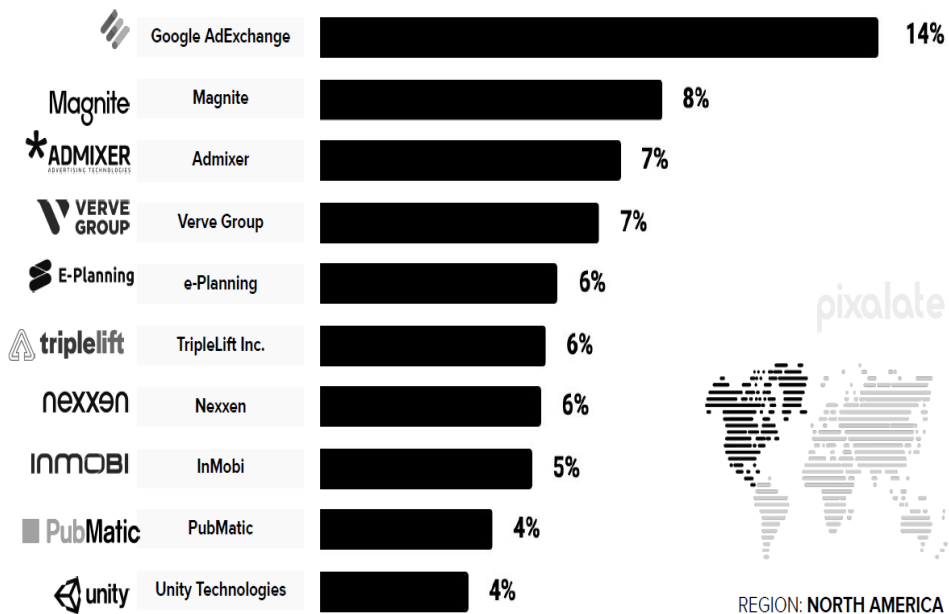
Large Software Clients

New definition: >100k \$ demand and supply partners

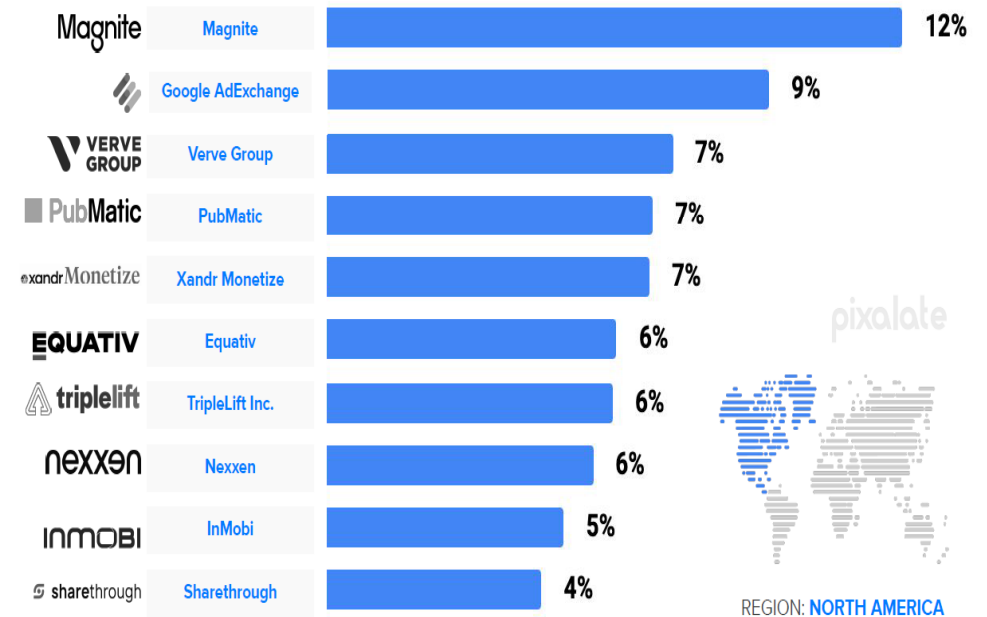


Pixalate's Mobile in-app SSP Market Share Q1'24 Report

Apple (North America)



Google Play (North America)



Verve Group is the name of MGI's ad platform business

The report rank SSPs based on their share of voice of open programmatic ads sold on apps from the Apple App Store and Google Play Store, as measured by Pixalate.

Further efficiencies supports an improved profitability in the mid-term

Estimate changes

- We keep our revenue estimates for 2024 and beyond unchanged. We are expecting revenue to grow by 13.9% in 2024 to 367 MEUR. This corresponds to the upper limit of the company's revenue guidance range of 350-370 MEUR, which the company's have stated is somewhat conservative.
- Our 2024 adjusted EBIT projection is relatively unchanged, however, we have increased our estimates for 2025 and onwards to, e.g., better reflect the strategic collaboration with Google Cloud, which is anticipated to result in 20 MEUR in cost savings over the next four years through the consolidation of MGI's marketplace into one cloud infrastructure.
- Furthermore, we have adjusted our estimates for earn-out payments. In Q1'24, MGI paid 10 MEUR in cash in earn-out to Dataseat. The company communicated that the book value of the amounts that will be settled in 2025 comprises 15.2 MEUR to be paid in cash, which was lower than our previous estimates of 20 MEUR, and we have changed our estimates regarding earn-outs accordingly. However, the earn-out payments are subject to certain performance metrics; therefore, the actual amount paid may vary.
- We have also lowered our estimated pre-tax profit by 28% due to higher than expected financial expenses during Q1'24 and the current outlook for interest rate cuts in 2024.

| Estimate revisions MEUR / EUR | 2024e | | | 2025e | | | 2026e | | |
|----------------------------------|-------|------|----------|-------|------|----------|-------|------|----------|
| | Old | New | Change % | Old | New | Change % | Old | New | Change % |
| Revenue | 367 | 367 | 0% | 400 | 400 | 0% | 435 | 435 | 0% |
| EBITDA | 98.8 | 98.8 | 0% | 102 | 106 | 4% | 111 | 117 | 6% |
| EBIT (exc. NRIs) | 81.0 | 81.2 | 0% | 76.9 | 80.1 | 4% | 81.0 | 87.5 | 8% |
| EBIT | 65.7 | 66.4 | 1% | 65.7 | 70.0 | 6% | 69.8 | 76.0 | 9% |
| PTP | 15.7 | 11.2 | -28% | 25.4 | 29.1 | 15% | 32.7 | 38.8 | 19% |
| EPS (excl. NRIs) | 0.17 | 0.16 | -6% | 0.19 | 0.20 | 6% | 0.22 | 0.26 | 14% |
| DPS | 0.00 | 0.00 | | 0.00 | 0.00 | | 0.00 | 0.00 | |

Source: Inderes

The valuation is starting to look more reasonable

Valuation based on DCF-model favored

MGI's income statement contains several non-cash items and non-recurring costs, so we pay close attention to an FCF-based valuation method such as DCF. According to our DCF model, MGI's fair value is SEK 23.8 per share, about 14% above yesterday's closing price. Our model assumes that MGI's revenues will grow at a low double-digit rate in 2024, in line with the company's guidance. For 2025-2026, we expect growth to be roughly in line with the overall forecasts¹ of global digital ad spending growth. After 2026, our revenue growth rate estimate starts to taper off until reaching the terminal growth estimate of 2%. As for profitability, we expect an adjusted EBIT margin between 22% and 15% (company target 15-20%). Our adjusted EBIT margin starts in line with the figures for 2023 and 2022 and slowly tapers towards 15% as we approach the terminal period. We use a WACC of 10.2% in our model.

MGI continues to trade at low multiples

Since our last report on MGI (March 21, 2024), the share price has increased by 23%. and is up roughly 80% YTD. Despite the recent surge in the share, MGI still trades at relatively low absolute multiples, especially the ones adjusted for PPA amortization. MGI's adjusted EV/EBIT multiples based on our estimates for 2024 and 2025 are 7.2x and 7.3x, respectively. As MGI records a relatively high PPA amortizations (11 MEUR in 2023), the adjusted multiples are generally lower than the unadjusted ones. As a result, the unadjusted EV/EBIT multiples for 2024 and 2025 are 8.8x and 8.4x, respectively.

We can also look at a cash flow-based multiple, such as EV/FCF, to see how the current valuation compares to MGI's free cash flow. MGI's EV/FCF multiple for 2024 and 2025, adjusted for earn-outs, are 11.4x and 13.4x, respectively.

MGI's multiples are significantly lower than those of its peer group. The peer group's median EV/EBIT multiples for 2024 and 2025 are 49.3x and 18.7x, respectively. We note that the median multiples of the peer group appear to be somewhat unreasonable, as the variation between companies is large. Nevertheless, we contend that a valuation gap between MGI and its peers is warranted, considering the peers' anticipated higher median 3-year revenue compound annual growth rate (CAGR), lower debt burdens, stronger earnings growth, and similar margin profile (see graphs on the next page). However, we acknowledge that the current discount to peers appears excessively steep, but instead of expecting MGI to revert to the mean, we believe it should rather be the other way around.

Still room for an upside in the share price

We raise our target price to SEK 24 (was 20 SEK). At this target price, MGI's adjusted EV/EBIT multiples for 2024 and 2025 are 7.7x and 7.8x. We believe these multiples are fair or even on the low side for a company with high growth potential and robust operating margins. However, with cash flow still burdened by earn-outs and high interest expenses relative to near-term EBIT estimates, we think it's prudent to err on the conservative side. As MGI's strategy progresses and/or the ad markets recovers stronger than the current expectations, we see further upside potential, especially if CPMs bounces back. However, in the short term, market sentiment remains uncertain due to factors such as the prevailing geopolitical landscape and the potential trajectory of interest rate adjustments, which contribute to the risk of not achieving a full-scale recover. This could, in turn, continue to weigh on valuations for the ad tech sector as a whole and for MGI.

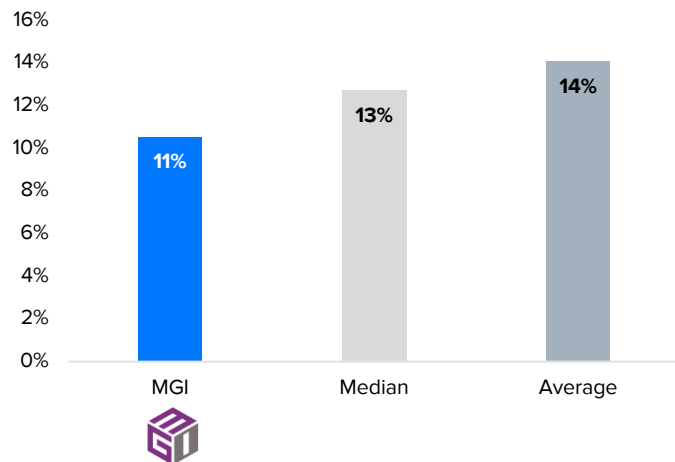
| Valuation | 2024e | 2025e | 2026e |
|----------------------------|-------|-------|-------|
| Share price (EUR) | 1.78 | 1.78 | 1.78 |
| Number of shares, millions | 159.2 | 159.2 | 159.2 |
| Market cap (MEUR) | 284 | 284 | 284 |
| EV (MEUR) | 587 | 589 | 564 |
| P/E (adj.) | 11.2 | 8.9 | 7.0 |
| P/E | 27.2 | 13.0 | 9.8 |
| P/B | 0.8 | 0.7 | 0.7 |
| P/S | 0.8 | 0.7 | 0.7 |
| EV/Sales | 1.6 | 1.5 | 1.3 |
| EV/EBITDA | 5.9 | 5.6 | 4.8 |
| EV/EBIT (adj.) | 7.2 | 7.3 | 6.4 |
| Payout ratio (%) | 0.0 % | 0.0 % | 0.0 % |
| Dividend yield-% | 0.0 % | 0.0 % | 0.0 % |

Source: Inderes

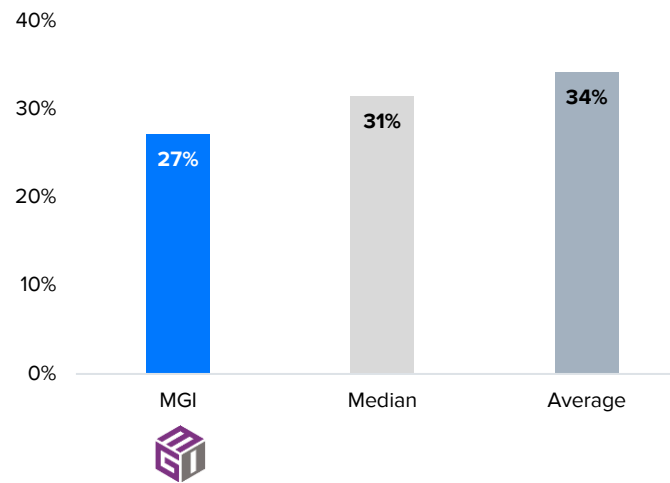
¹ eMarketer's latest projections of global digital ad spending growth is 2024: 13.2%, 2025: 11.0%, 2026: 9.8%, 2027: 9.2%

MGI vs. Peers: At a glance

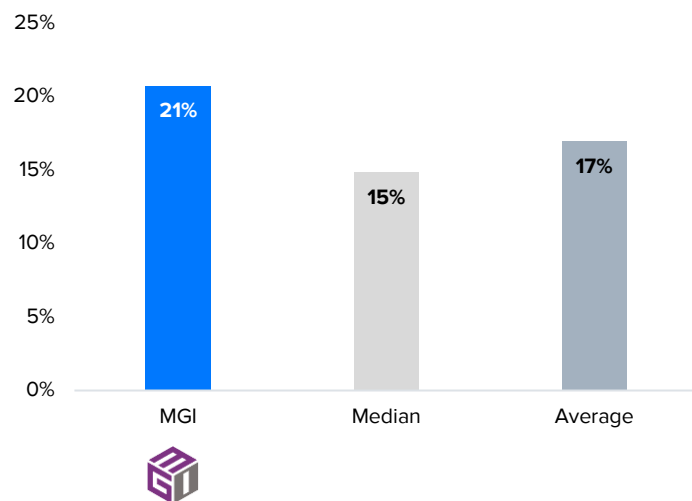
Revenue CAGR 24-26'



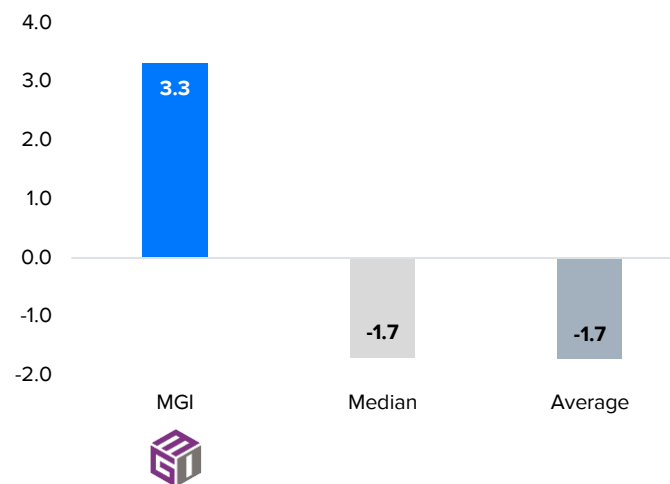
Avg. EBITDA-% 24-26'



Avg. EBIT-% 24-26'



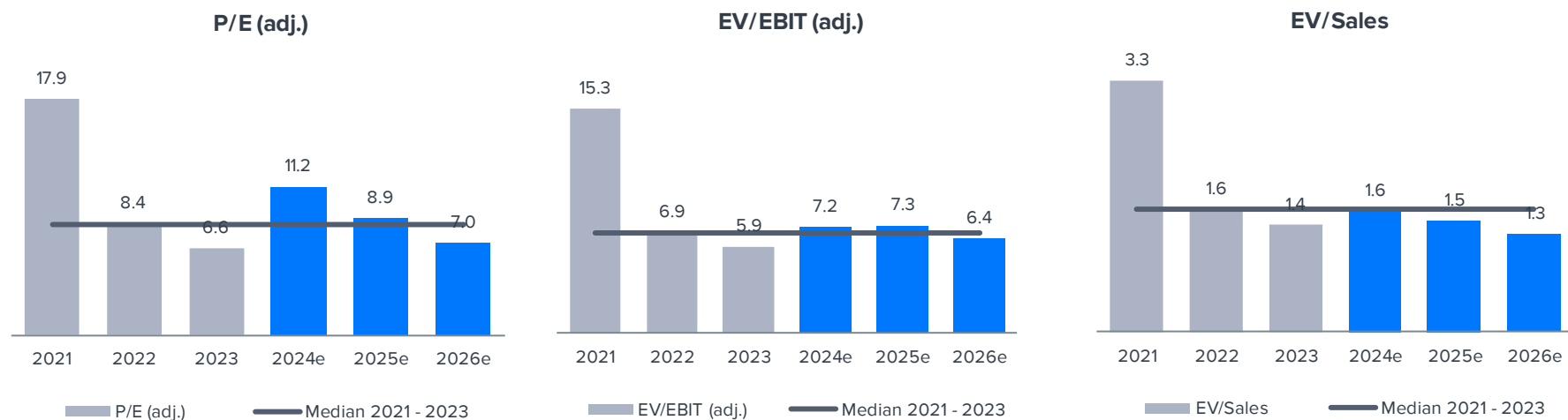
Net Debt/EBITDA 23'



Valuation table

| Valuation | 2021 | 2022 | 2023 | 2024e | 2025e | 2026e | 2027e |
|----------------------------|-------|-------|-------|-------|-------|-------|-------|
| Share price (EUR) | 4.30 | 1.60 | 1.02 | 1.78 | 1.78 | 1.78 | 1.78 |
| Number of shares, millions | 141.7 | 156.2 | 159.2 | 159.2 | 159.2 | 159.2 | 159.2 |
| Market cap (MEUR) | 644 | 255 | 163 | 284 | 284 | 284 | 284 |
| EV (MEUR) | 840 | 525 | 456 | 587 | 589 | 564 | 526 |
| P/E (adj.) | 17.9 | 8.4 | 6.6 | 11.2 | 8.9 | 7.0 | 5.5 |
| P/E | 37.9 | neg. | 3.5 | 27.2 | 13.0 | 9.8 | 7.1 |
| P/B | 2.1 | 0.8 | 0.5 | 0.8 | 0.7 | 0.7 | 0.6 |
| P/S | 2.6 | 0.8 | 0.5 | 0.8 | 0.7 | 0.7 | 0.6 |
| EV/Sales | 3.3 | 1.6 | 1.4 | 1.6 | 1.5 | 1.3 | 1.1 |
| EV/EBITDA | 11.8 | 5.6 | 2.9 | 5.9 | 5.6 | 4.8 | 4.2 |
| EV/EBIT (adj.) | 15.3 | 6.9 | 5.9 | 7.2 | 7.3 | 6.4 | 5.7 |
| Payout ratio (%) | 0.0 % | 0.0 % | 0.0 % | 0.0 % | 0.0 % | 0.0 % | 0.0 % |
| Dividend yield-% | 0.0 % | 0.0 % | 0.0 % | 0.0 % | 0.0 % | 0.0 % | 0.0 % |

Source: Inderes



Peer group valuation

| Peer group valuation | Market cap | EV | EV/EBIT | | EV/EBITDA | | EV/S | | P/E | | P/B |
|---------------------------|------------|------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Company | MEUR | MEUR | 2024e | 2025e | 2024e | 2025e | 2024e | 2025e | 2024e | 2025e | 2024e |
| Applovin Corp | 24,102 | 26,677 | 23.6 | 18.7 | 13.9 | 12.3 | 7.1 | 6.5 | 30.3 | 24.4 | 12.4 |
| Magnite Inc | 1,285 | 1,479 | 49.3 | 16.8 | 8.3 | 7.3 | 2.7 | 2.4 | 12.8 | 11.1 | 1.8 |
| Trade Desk Inc | 39,105 | 37,838 | 104.9 | 70.2 | 43.0 | 35.2 | 17.2 | 14.4 | 58.8 | 49.2 | 15.3 |
| PubMatic Inc | 1,089 | 928 | 139.0 | 47.7 | 11.3 | 9.6 | 3.4 | 3.1 | 123.8 | 71.0 | 4.0 |
| DoubleVerify Holdings Inc | 5,249 | 4,969 | 66.3 | 45.7 | 25.2 | 20.1 | 7.8 | 6.4 | 93.0 | 64.5 | 4.8 |
| Criteo SA | 1,787 | 1,431 | 12.9 | 11.5 | 4.9 | 4.6 | 1.4 | 1.4 | 10.4 | 10.1 | 1.7 |
| Liveramp Holdings Inc | 2,108 | 1,619 | 17.3 | 16.1 | 16.1 | 13.0 | 2.7 | 2.5 | 23.6 | 21.3 | 2.4 |
| MGI (Inderes) | 284 | 587 | 7.2 | 7.3 | 5.9 | 5.6 | 1.6 | 1.5 | 11.2 | 8.9 | 0.8 |
| Average | | | 59.1 | 32.4 | 17.5 | 14.6 | 6.0 | 5.2 | 50.4 | 35.9 | 6.1 |
| Median | | | 49.3 | 18.7 | 13.9 | 12.3 | 3.4 | 3.1 | 30.3 | 24.4 | 4.0 |
| Diff-% to median | | | -85% | -61% | -57% | -55% | -53% | -52% | -63% | -64% | -80% |

Source: Refinitiv / Inderes

Income statement

| Income statement | 2022 | Q1'23 | Q2'23 | Q3'23 | Q4'23 | 2023 | Q1'24 | Q2'24e | Q3'24e | Q4'24e | 2024e | 2025e | 2026e | 2027e |
|---------------------|-------|-------|-------|-------|-------|-------|-------|--------|--------|--------|-------|-------|-------|-------|
| Revenue | 324 | 68.8 | 76.2 | 78.3 | 98.7 | 322 | 82.5 | 85.4 | 88.1 | 111 | 367 | 400 | 435 | 467 |
| EBITDA (excl. NRI) | 93.2 | 19.1 | 21.3 | 23.1 | 31.7 | 95.2 | 22.0 | 23.3 | 25.0 | 33.3 | 104 | 106 | 117 | 126 |
| EBITDA | 84.8 | 17.4 | 20.0 | 63.7 | 27.3 | 128 | 20.2 | 22.3 | 24.0 | 32.3 | 98.8 | 106 | 117 | 125.6 |
| Depreciation | -58.1 | -6.4 | -7.2 | -8.3 | -7.6 | -29.5 | -7.9 | -7.8 | -8.2 | -8.5 | -32.4 | -35.6 | -41.4 | -45.0 |
| EBIT (excl. NRI) | 76.6 | 15.2 | 16.6 | 18.4 | 26.8 | 76.9 | 16.6 | 18.0 | 19.3 | 27.3 | 81.2 | 80.1 | 87.5 | 92.2 |
| EBIT | 26.6 | 11.0 | 12.8 | 55.4 | 19.7 | 99.0 | 12.3 | 14.5 | 15.8 | 23.8 | 66.4 | 70.0 | 76.0 | 80.7 |
| Net financial items | -38.0 | -10.5 | -12.7 | -12.8 | -14.1 | -50.1 | -14.1 | -14.0 | -13.5 | -13.5 | -55.1 | -40.9 | -37.2 | -27.6 |
| PTP | -11.3 | 0.6 | 0.1 | 42.6 | 5.6 | 48.9 | -1.9 | 0.5 | 2.3 | 10.3 | 11.2 | 29.1 | 38.8 | 53.0 |
| Taxes | -9.1 | 0.0 | 1.4 | -3.4 | -0.7 | -2.7 | 2.5 | -0.1 | -0.6 | -2.6 | -0.8 | -7.3 | -9.7 | -13.3 |
| Minority interest | 0.1 | 0.3 | 0.2 | 0.0 | 0.0 | 0.5 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Net earnings | -20.3 | 0.82 | 1.7 | 39.3 | 4.9 | 46.7 | 0.6 | 0.4 | 1.7 | 7.8 | 10.4 | 21.8 | 29.1 | 39.8 |
| EPS (adj.) | 0.19 | 0.03 | 0.03 | 0.01 | 0.08 | 0.15 | 0.03 | 0.02 | 0.03 | 0.07 | 0.16 | 0.20 | 0.26 | 0.32 |
| EPS (rep.) | -0.13 | 0.01 | 0.01 | 0.25 | 0.03 | 0.29 | 0.00 | 0.00 | 0.01 | 0.05 | 0.07 | 0.14 | 0.18 | 0.25 |

| Key figures | 2022 | Q1'23 | Q2'23 | Q3'23 | Q4'23 | 2023 | Q1'24 | Q2'24e | Q3'24e | Q4'24e | 2024e | 2025e | 2026e | 2027e |
|------------------------|--------|--------|--------|---------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Revenue growth-% | 28.7 % | 4.4 % | -2.4 % | -10.6 % | 6.3 % | -0.8 % | 20.0 % | 12.1 % | 12.5 % | 12.2 % | 13.9 % | 9.0 % | 8.8 % | 7.4 % |
| Adjusted EBIT growth-% | 39.5 % | 11.4 % | 1.0 % | -0.3 % | -4.6 % | 0.5 % | 9.7 % | 8.6 % | 4.5 % | 2.2 % | 5.6 % | -1.3 % | 9.2 % | 5.3 % |
| EBITDA-% | 26.1 % | 25.3 % | 26.2 % | 81.4 % | 27.7 % | 39.9 % | 24.5 % | 26.1 % | 27.2 % | 29.2 % | 26.9 % | 26.4 % | 27.0 % | 26.9 % |
| Adjusted EBIT-% | 23.6 % | 22.0 % | 21.8 % | 23.5 % | 27.1 % | 23.9 % | 20.2 % | 21.1 % | 21.9 % | 24.7 % | 22.1 % | 20.0 % | 20.1 % | 19.7 % |
| Net earnings-% | -6.3 % | 1.2 % | 2.3 % | 50.1 % | 5.0 % | 14.5 % | 0.7 % | 0.4 % | 1.9 % | 7.0 % | 2.8 % | 5.5 % | 6.7 % | 8.5 % |

Source: Inderes

Balance sheet

| Assets | 2022 | 2023 | 2024e | 2025e | 2026e |
|----------------------------|-------------|-------------|------------|------------|------------|
| Non-current assets | 824 | 814 | 823 | 830 | 833 |
| Goodwill | 588 | 578 | 578 | 578 | 578 |
| Intangible assets | 204 | 219 | 226 | 232 | 234 |
| Tangible assets | 5.5 | 4.0 | 5.8 | 7.1 | 7.6 |
| Associated companies | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 |
| Other investments | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other non-current assets | 19.2 | 1.4 | 1.4 | 1.4 | 1.4 |
| Deferred tax assets | 6.7 | 10.5 | 10.5 | 10.5 | 10.5 |
| Current assets | 221 | 194 | 170 | 147 | 151 |
| Inventories | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other current assets | 5.9 | 5.9 | 5.9 | 5.9 | 5.9 |
| Receivables | 65.1 | 65.8 | 78.9 | 90.0 | 102 |
| Cash and equivalents | 150 | 122 | 85.4 | 50.6 | 43 |
| Balance sheet total | 1045 | 1007 | 993 | 977 | 984 |

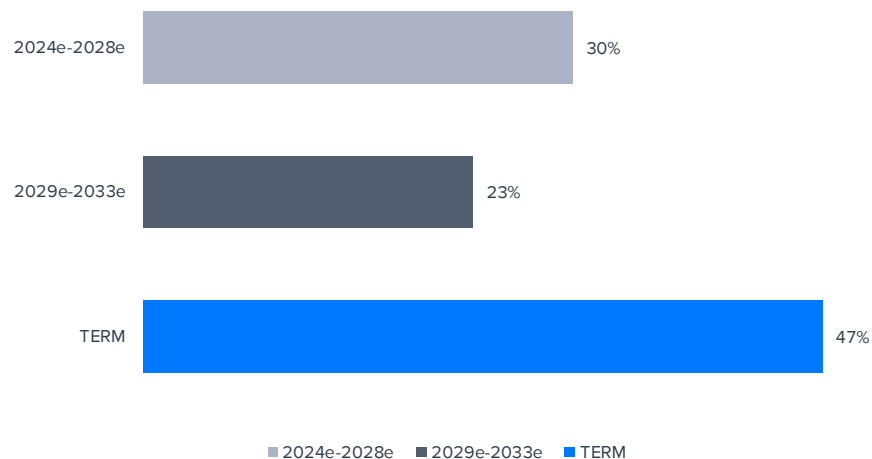
Source: Inderes

| Liabilities & equity | 2022 | 2023 | 2024e | 2025e | 2026e |
|--------------------------------|-------------|-------------|------------|------------|------------|
| Equity | 322 | 352 | 363 | 385 | 414 |
| Share capital | 159 | 159 | 159 | 159 | 159 |
| Retained earnings | 1.4 | 48.1 | 58.5 | 80.4 | 109 |
| Hybrid bonds | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Revaluation reserve | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other equity | 162 | 145 | 145 | 145 | 145 |
| Minorities | -1.2 | 0.2 | 0.2 | 0.2 | 0.2 |
| Non-current liabilities | 503 | 414 | 406 | 361 | 331 |
| Deferred tax liabilities | 24.4 | 28.9 | 28.9 | 28.9 | 28.9 |
| Provisions | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Interest bearing debt | 389 | 348 | 350 | 320 | 290 |
| Convertibles | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other long term liabilities | 89.6 | 36.9 | 26.9 | 11.7 | 11.7 |
| Current liabilities | 219 | 241 | 224 | 231 | 239 |
| Interest bearing debt | 31.9 | 66.5 | 38.0 | 35.0 | 32.0 |
| Payables | 90.1 | 102 | 114 | 124 | 135 |
| Other current liabilities | 97.5 | 72.4 | 72.4 | 72.4 | 72.4 |
| Balance sheet total | 1045 | 1007 | 993 | 977 | 984 |

DCF calculation

| DCF model | 2023 | 2024e | 2025e | 2026e | 2027e | 2028e | 2029e | 2030e | 2031e | 2032e | 2033e | TERM |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|------------|
| Revenue growth-% | -0.8 % | 13.9 % | 9.0 % | 8.8 % | 7.4 % | 7.0 % | 6.0 % | 5.0 % | 5.0 % | 5.0 % | 2.0 % | 2.0 % |
| EBIT-% | 30.7 % | 18.1 % | 17.5 % | 17.5 % | 17.3 % | 16.4 % | 14.5 % | 13.0 % | 13.0 % | 13.0 % | 13.0 % | 13.0 % |
| EBIT (operating profit) | 99.0 | 66.4 | 70.0 | 76.0 | 80.7 | 82.0 | 76.8 | 72.3 | 75.9 | 79.7 | 81.3 | |
| + Depreciation | 29.5 | 32.4 | 35.6 | 41.4 | 45.0 | 48.8 | 52.1 | 55.0 | 55.6 | 56.9 | 56.4 | |
| - Paid taxes | -2.1 | -0.8 | -7.3 | -9.7 | -13.3 | -14.3 | -13.6 | -13.2 | -14.8 | -16.4 | -17.5 | |
| - Tax, financial expenses | -2.8 | -4.0 | -10.2 | -9.3 | -6.9 | -6.2 | -5.6 | -4.9 | -4.2 | -3.5 | -2.9 | |
| + Tax, financial income | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | |
| - Change in working capital | -14.1 | -1.2 | -0.9 | -1.4 | -2.3 | -2.9 | -3.6 | -4.4 | -4.9 | -5.4 | -6.1 | |
| Operating cash flow | 109 | 92.8 | 87.2 | 97.0 | 103 | 107 | 106 | 105 | 108 | 111 | 111 | |
| + Change in other long-term liabilities | -52.7 | -10.0 | -15.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | |
| - Gross CAPEX | -15.5 | -41.5 | -43.1 | -44.0 | -44.9 | -45.8 | -46.7 | -47.9 | -49.1 | -50.3 | -51.2 | |
| Free operating cash flow | 41.3 | 41.3 | 28.9 | 53.1 | 58.3 | 61.6 | 59.3 | 57.0 | 58.6 | 61.0 | 60.2 | |
| +/- Other | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | |
| FCFF | 41.3 | 41.3 | 28.9 | 53.1 | 58.3 | 61.6 | 59.3 | 57.0 | 58.6 | 61.0 | 60.2 | 746 |
| Discounted FCFF | | 38.8 | 24.6 | 41.0 | 40.9 | 39.2 | 34.2 | 29.8 | 27.8 | 26.3 | 23.5 | 291 |
| Sum of FCFF present value | | 618 | 579 | 554 | 513 | 472 | 433 | 399 | 369 | 341 | 315 | 291 |
| Enterprise value DCF | | 618 | | | | | | | | | | |
| - Interest bearing debt | | -414.5 | | | | | | | | | | |
| + Cash and cash equivalents | | 122 | | | | | | | | | | |
| -Minorities | | -0.1 | | | | | | | | | | |
| -Dividend/capital return | | 0.0 | | | | | | | | | | |
| Equity value DCF | | 325 | | | | | | | | | | |
| Equity value DCF per share | | 2.0 | | | | | | | | | | |
| Equity value DCF per share (SEK) | | 23.8 | | | | | | | | | | |

Cash flow distribution

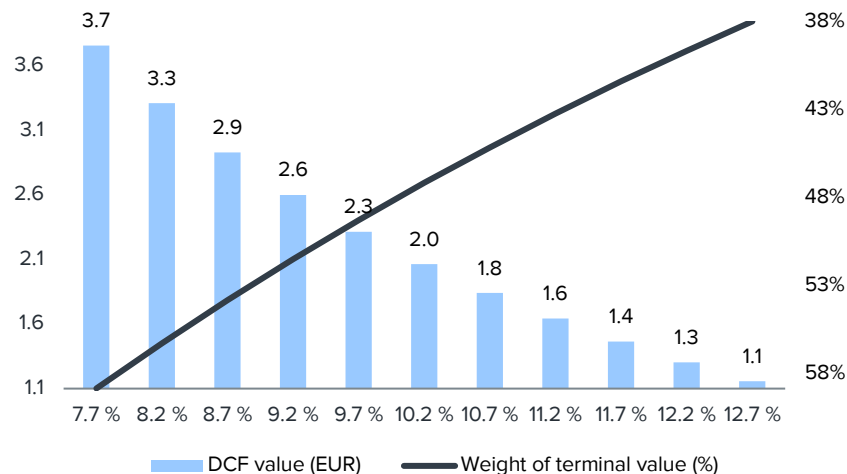


WACC

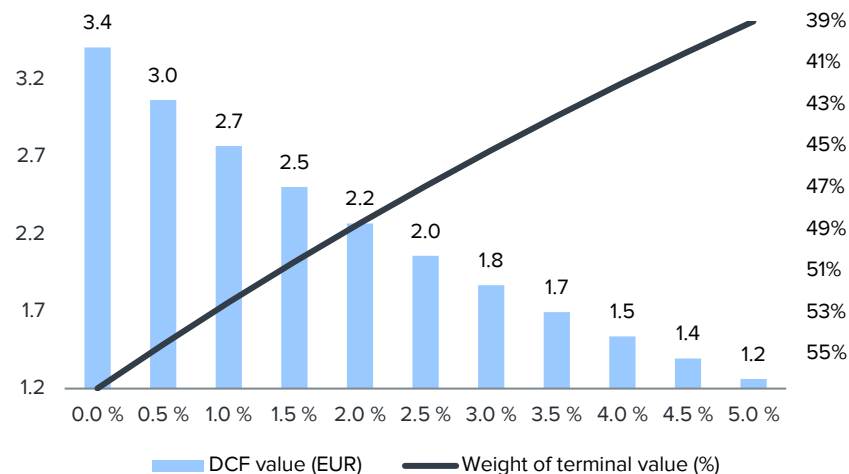
| | |
|--|---------------|
| Tax-% (WACC) | 21.0 % |
| Target debt ratio (D/(D+E)) | 15.0 % |
| Cost of debt | 8.5 % |
| Equity Beta | 1.40 |
| Market risk premium | 4.75% |
| Liquidity premium | 1.70% |
| Risk free interest rate | 2.5 % |
| Cost of equity | 10.9 % |
| Weighted average cost of capital (WACC) | 10.2 % |

DCF sensitivity calculations and key assumptions in graphs

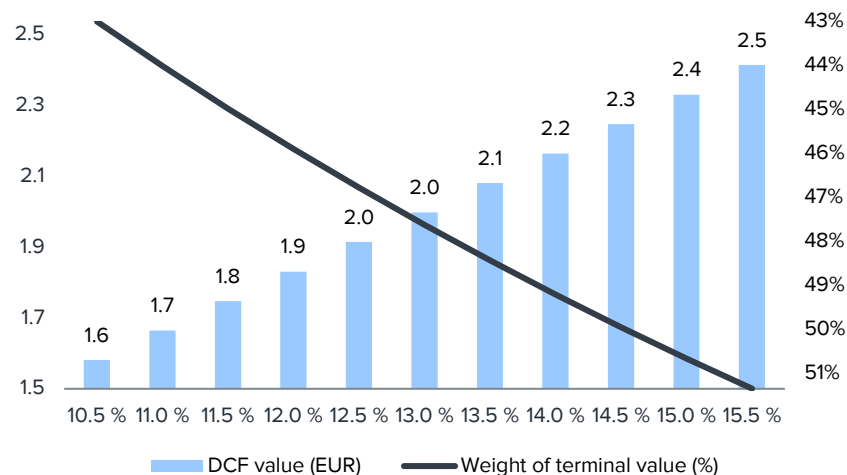
Sensitivity of DCF to changes in the WACC-%



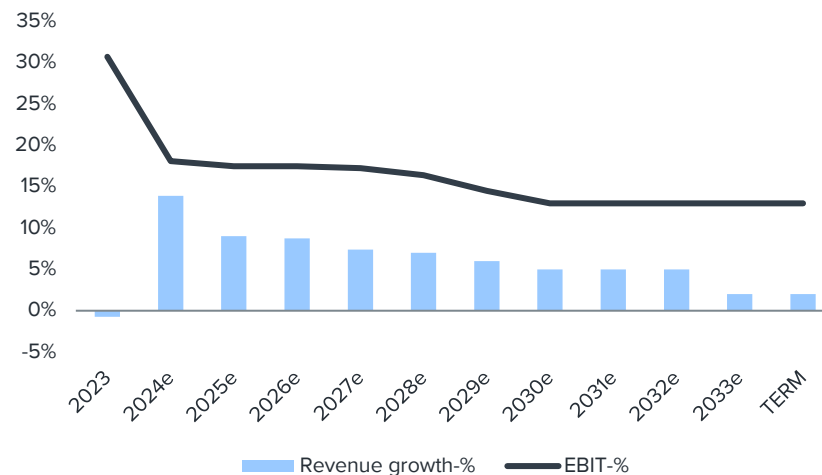
Sensitivity of DCF to changes in the risk-free rate



Sensitivity of DCF to changes in the terminal EBIT margin



Growth and profitability assumptions in the DCF calculation



Source: Inderes. Note that the weight of the terminal value (%) is shown on an inverse scale for clarity.

Summary

| Income statement | 2021 | 2022 | 2023 | 2024e | 2025e | Per share data | 2021 | 2022 | 2023 | 2024e | 2025e |
|---------------------------|--------|--------|--------|--------------|--------------|--------------------------|--------|--------|--------|---------------|---------------|
| Revenue | 252.2 | 324.4 | 322.0 | 366.8 | 399.9 | EPS (reported) | 0.11 | -0.13 | 0.29 | 0.07 | 0.14 |
| EBITDA | 65.0 | 84.8 | 128.5 | 98.8 | 105.6 | EPS (adj.) | 0.24 | 0.19 | 0.15 | 0.16 | 0.20 |
| EBIT | 36.8 | 26.6 | 99.0 | 66.4 | 70.0 | OCF / share | 1.06 | 0.53 | 0.69 | 0.58 | 0.55 |
| PTP | 14.9 | -11.3 | 48.9 | 11.2 | 29.1 | FCF / share | -1.66 | -0.51 | 0.26 | 0.26 | 0.18 |
| Net Income | 16.1 | -20.3 | 46.7 | 10.4 | 21.8 | Book value / share | 2.17 | 2.07 | 2.21 | 2.28 | 2.41 |
| Extraordinary items | -18.1 | -49.9 | 22.1 | -14.9 | -10.2 | Dividend / share | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Balance sheet | 2021 | 2022 | 2023 | 2024e | 2025e | Growth and profitability | 2021 | 2022 | 2023 | 2024e | 2025e |
| Balance sheet total | 934.1 | 1044.7 | 1007.0 | 992.8 | 976.7 | Revenue growth-% | 80% | 29% | -1% | 14% | 9% |
| Equity capital | 307.5 | 321.7 | 352.5 | 362.9 | 384.7 | EBITDA growth-% | 145% | 30% | 52% | -23% | 7% |
| Goodwill | 412.0 | 587.7 | 578.0 | 578.0 | 578.0 | EBIT (adj.) growth-% | 214% | 40% | 0% | 6% | -1% |
| Net debt | 195.8 | 271.3 | 292.8 | 302.6 | 304.4 | EPS (adj.) growth-% | 117% | -21% | -18% | 3% | 26% |
| Cash flow | 2021 | 2022 | 2023 | 2024e | 2025e | EBITDA-% | 25.8 % | 26.1 % | 39.9 % | 26.9 % | 26.4 % |
| EBITDA | 65.0 | 84.8 | 128.5 | 98.8 | 105.6 | EBIT (adj.)-% | 21.8 % | 23.6 % | 23.9 % | 22.1 % | 20.0 % |
| Change in working capital | 82.0 | 8.6 | -14.1 | -1.2 | -0.9 | EBIT-% | 14.6 % | 8.2 % | 30.7 % | 18.1 % | 17.5 % |
| Operating cash flow | 150.2 | 82.4 | 109.5 | 92.8 | 87.2 | ROE-% | 6.6 % | -6.4 % | 13.8 % | 2.9 % | 5.8 % |
| CAPEX | -389.4 | -236.3 | -15.5 | -41.5 | -43.1 | ROI-% | 7.7 % | 3.7 % | 13.1 % | 8.7 % | 9.4 % |
| Free cash flow | -234.8 | -80.3 | 41.3 | 41.3 | 28.9 | Equity ratio | 32.9 % | 30.8 % | 35.0 % | 36.6 % | 39.4 % |
| Valuation multiples | 2021 | 2022 | 2023 | 2024e | 2025e | Gearing | 63.7 % | 84.3 % | 83.1 % | 83.4 % | 79.1 % |
| EV/S | 3.3 | 1.6 | 1.4 | 1.6 | 1.5 | | | | | | |
| EV/EBITDA (adj.) | 11.8 | 5.6 | 2.9 | 5.9 | 5.6 | | | | | | |
| EV/EBIT (adj.) | 15.3 | 6.9 | 5.9 | 7.2 | 7.3 | | | | | | |
| P/E (adj.) | 17.9 | 8.4 | 6.6 | 11.2 | 8.9 | | | | | | |
| P/B | 2.1 | 0.8 | 0.5 | 0.8 | 0.7 | | | | | | |
| Dividend-% | 0.0 % | 0.0 % | 0.0 % | 0.0 % | 0.0 % | | | | | | |

Source: Inderes

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Buy The 12-month risk-adjusted expected shareholder

return of the share is very attractive

Accumulate The 12-month risk-adjusted expected shareholder return of the share is attractive

Reduce The 12-month risk-adjusted expected shareholder return of the share is weak

Sell The 12-month risk-adjusted expected shareholder return of the share is very weak

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Recommendation history (>12 mo)

| Date | Recommendation | Target | Share price |
|------------|----------------|--------|-------------|
| 2022-12-12 | Buy | 23 kr | 16.90 kr |
| 2023-01-03 | Buy | 26 kr | 18.00 kr |
| 2023-06-01 | Buy | 22 kr | 12.70 kr |
| 2023-09-01 | Buy | 21 kr | 15.20 kr |
| 2023-12-01 | Buy | 16 kr | 10.10 kr |
| 2024-03-01 | Buy | 17 kr | 12.09 kr |
| 2024-03-21 | Buy | 20 kr | 16.98 kr |
| 2024-05-08 | Accumulate | 24 kr | 20.85 kr |



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