

Stairway to Digital

Both Q3 sales and profits were significantly better than expected, driven by online ads and digital subscriptions as well as cost efficiencies. The report makes us wonder if Ekspress Grupp could be on the stairway to digital leadership.

Both sales and earnings above forecast

Q3/20 Media sales was 23% above our forecast, while Print sales was 3% above forecast (Group 18% above forecast). Both Media and Print EBITDA were +100% better than forecast, with Group EBITDA 229% above forecast.

Digital transformation hurried by pandemic

The share of digital group revenues reached an all-time high of 73% in Q3/20, driven by Online advertising and Digital subscriptions (Q3/20 digital media sales increased 12% y-on-y and digital subscriptions increased 42% since end of 2019). In our view, the pandemic might drive the digital transformation as people not only demand more news but are willing to pay to avoid “fake news”.

Valuation attractive

Since our Q2/20 update, the EV/EBITDA 2021E multiple for our “Media laggards” peers has expanded, while it has been unchanged for “Digital leaders” and Printing peers. Our sum-of-the-parts valuation with an applied Media multiple between digital leaders and laggards (EV/EBITDA 2021E of 8.5x) indicate a share price of EUR 1.05 (up from EUR 0.98), implying an upside of over 50%.

Key figures (MEUR)

	2018	2019	2020E	2021E	2022E
Net sales	60.5	67.5	63.8	65.6	67.8
Net sales growth	11.9%	11.5%	-5.4%	2.8%	3.4%
EBITDA	4.3	6.8	6.1	6.1	6.5
EBITDA margin	7.1%	10.0%	9.6%	9.2%	9.6%
EBIT	1.2	2.7	1.8	2.2	2.6
EBIT margin	2.0%	4.0%	2.7%	3.3%	3.9%
EV/Sales	0.7	0.7	0.7	0.6	0.6
EV/EBITDA	10.6	6.8	6.8	6.9	6.6
EV/EBIT	37.4	16.9	23.7	19.3	16.3
P/E	nm	16.9	89.7	21.2	15.2
P/BV	0.6	0.5	0.4	0.4	0.4
EPS	0.00	0.05	0.01	0.03	0.04
EPS growth	-99%	nm	-84%	322%	39%
Div. per share	0.00	0.00	0.00	0.00	0.02
Dividend yield	0.00%	0.00%	0.00%	0.00%	3.03%

Source: Company data, Enlight Research estimates

Fair value range (EUR)

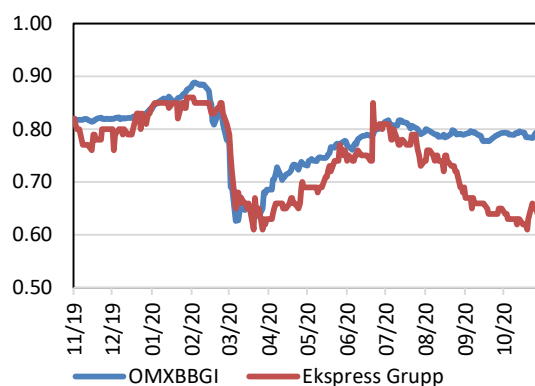
Bull	1.37
Base	1.05
Bear	0.62

Key Data

Price (EUR)	0.66
Ticker	EEG1T
Country	Estonia
Listed	Tallinn

Market Cap (EURm)	19.8
Net debt (EURm)	16.5

Shares (m)	30
Free float	42%



Price range

52-week high	0.86
52-week low	0.61

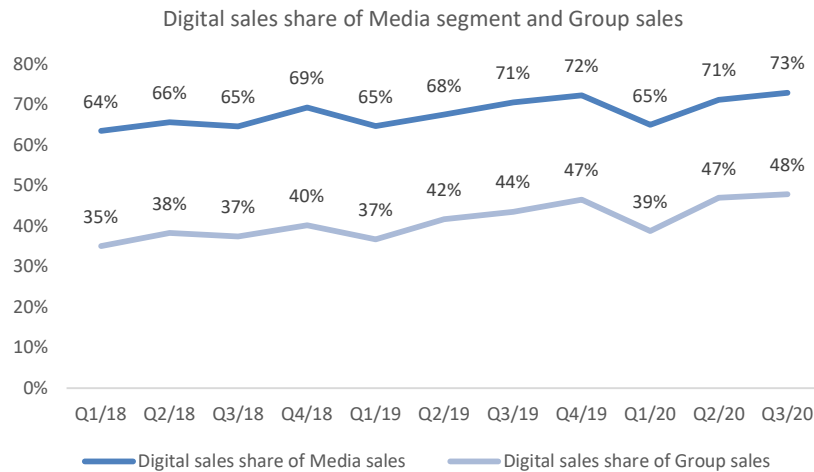
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Q3 Key takeaways

Digitalization accelerates...

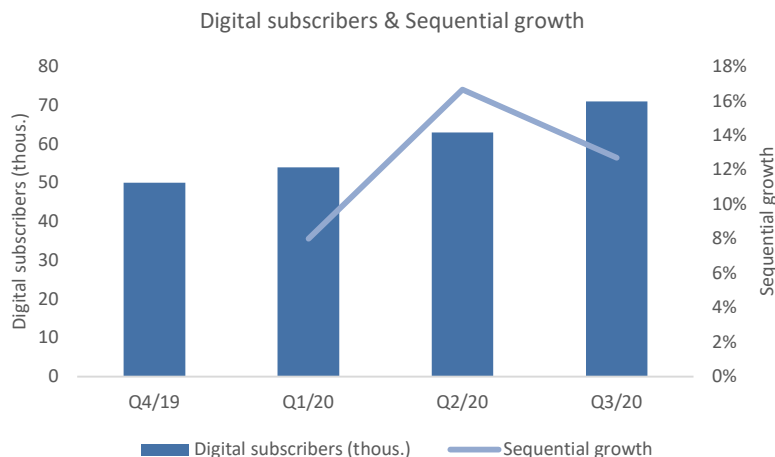
After a temporary dip in Q1/20, the digital share of sales has picked up to pre-pandemic levels or even slightly above. In Q3/20, the digital sales made up 73% of the Media segment sales and 48% of the group sales. This means the share of digital sales in relation to group sales is at an all-time-high and resuming its path towards the 60% level, that we regard as a key level where a “digital leader” premium valuation could be motivated.



Source: Company reports

...driven by Online ads and Digital subscriptions

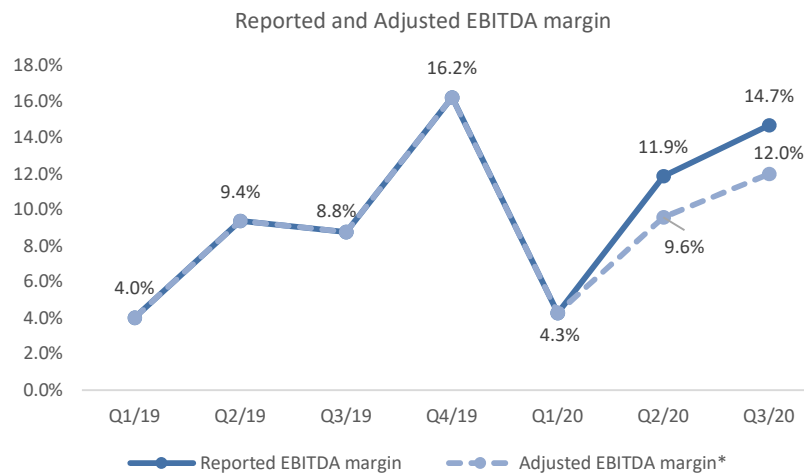
The main drivers behind the digitalization are online advertising and digital subscriptions. The sales of online advertising is not reported, however, the company stated in the report that there has been a “decent recovery in the overall advertising revenue”, and that “advertising customers prefer internet”, which leads us to believe that online advertising sales was strong. The number of digital subscriptions at the end of the quarter was 71 thousand, corresponding to a sequential growth of 13%, and 42% growth from the end of 2019 (company started reporting digital subscriptions at the end of 2019). We believe the pandemic has hurried the digitalization trend that was strong even before the pandemic.



Source: Company reports

Digitalization drive margin expansion...

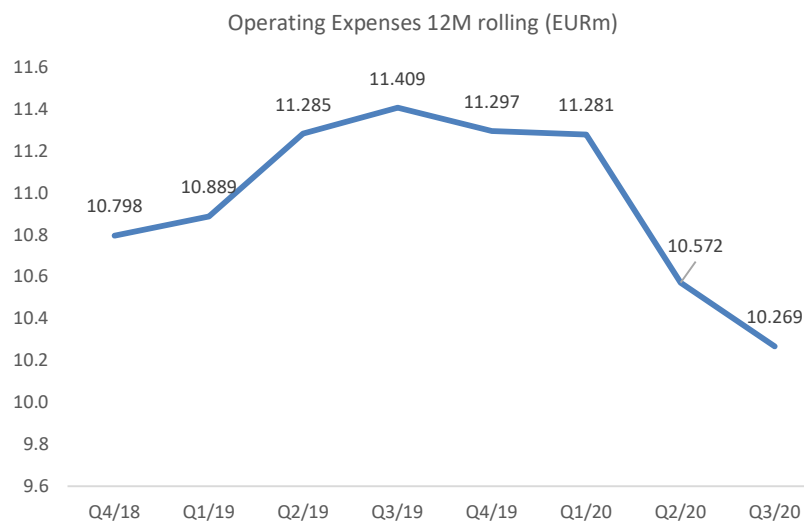
We believe the best proof of a successful digitalization is that margins improve as the digitalization enables the company to lower the costs of delivery and production of paper media. Looking at the adjusted EBITDA margin (EBITDA margin excluding the positive effect from government covid subsidies), we see that the EBITDA margin is on par with or higher the non-pandemic year 2019. Consequently, we believe the margins can continue to improve beyond the pandemic.



Source: Company reports, *Adjusted for government covid subsidies

...and structural cost reduction

The Q3/20 Operating expenses (Marketing, Admin., Other) declined by 12% y-on-y to EUR 2.3m (while sales increased 1%), and on a 12-month trailing basis, the Operating expenses declined by 10% y-on-y. We believe around half of the EUR 1.1m lower Operating expenses on a 12-month basis is structural, implying at least EUR 0.5m in lower annual Operating expenses in coming years.



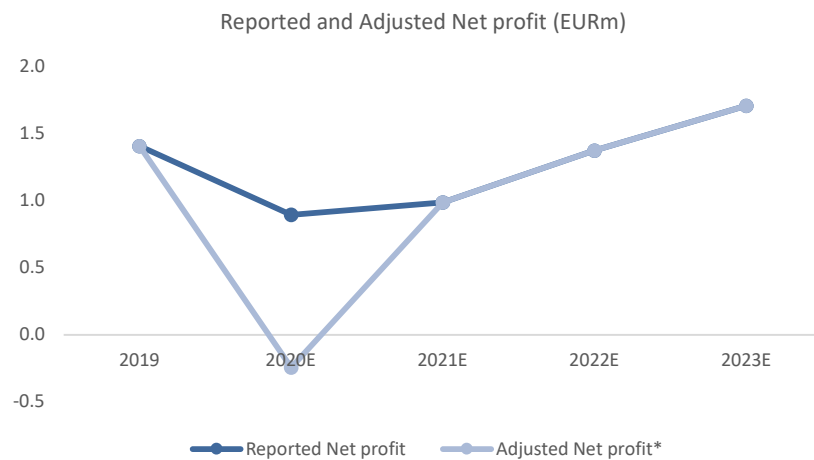
Source: Company reports

2020 forecast of profits reiterated

We reiterate our view that 2020 will be a profitable year for Ekspress Grupp, helped by government covid subsidies. We forecast reported 2020 Net profit of EUR 0.9m, which is down 36% from the non-pandemic year 2019. Adjusted for the estimated EUR 1.1m in government covid subsidies, we forecast a 2020 Net loss of EUR 0.2m, which we regard as relatively good given the pandemic circumstances. For 2021, the clean (without one-offs) Net profit is forecast to increase to EUR 1.0m from an estimated loss of EUR 0.2m this year.

Net profit (EURm)	2018	2019	2020E	2021E	2022E	2023E
Reported Net profit	0.025	1.407	0.895	0.987	1.374	1.708
Growth	-99%	5528%	-36%	10%	39%	24%
Adjusted Net profit*	0.025	1.407	-0.245	0.987	1.374	1.708
Growth	-99%	nm	-117%	nm	39%	24%

Source: Company reports, *Adjusted for government covid subsidies



Source: Company reports, *Adjusted for government covid subsidies

Estimate deviations

Sales deviations by segment

Q3 group sales was EUR 2.3m, or 18% above our forecast, which was mainly due to EUR 2.0m higher than expected sales for the Media segment. The Media segment Q3/20 Sales grew 8.1% (est. decline 12.0%), driven by Digital and Online sales which grew 11.8% y-on-y (est. decline 7.0%). Solid growth within Digital subscriptions and Online advertising were the main reasons for the outperformance of the Media segment. The Q3/20 Sales for the Printing segment came in 2.8% above our forecast (sales declined 12.6% vs. our estimated decline of 15.0%).

Deviation table by Segment

	Estimate	Outcome	Diff	Diff
Sales	Q3/20	Q3/20	EURm	%
Media segment	8.719	10.709	2.0	22.8%
<i>whereof digital and online</i>	6.498	7.812	1.3	20.2%
Printing	4.767	4.901	0.1	2.8%
Corporate functions	0.522	0.693	0.2	32.7%
Eliminations pct of sales	-1.116	-1.124	0.0	0.7%
Total Sales (Equity)	12.892	15.179	2.3	17.7%
	Estimate	Outcome	Diff	
Sales growth	Q3/20	Q3/20	bps	
Media segment	-12.0%	8.1%	2008	
<i>whereof digital and online</i>	-7.0%	11.8%	1881	
Printing	-15.0%	-12.6%	239	
Corporate functions	2.0%	35.4%	3335	
Eliminations pct of sales	7.0%	7.4%	40	
Total sales	-14.0%	1.3%	1526	

Source: Company reports, Enlight Research

EBITDA deviations by segment

The Q3 EBITDA was more than 3x better than our forecast (EUR 2.2m vs. est. EUR 0.7m) as both the Media and the Printing segment exceeded our estimates. The Media segment came in EUR 0.9m or 120% better than forecast and the Printing segment came in EUR 0.4m or 181% better than forecast. Note that our forecast included the EUR 0.4m positive covid subsidy effect so this was a true beat. The Printing segment improvement was due to automation of certain processes after a new machine was installed (enabled reduction of 25 employees) and focus on higher-margin projects.

	Estimate	Outcome	Diff	Diff
EBITDA by segment	Q3/20	Q3/20	EURm	%
Media segment	0.785	1.729	0.9	120.3%
Printing	0.215	0.603	0.4	181.1%
Corporate functions	-0.270	-0.090	0.2	-66.7%
Eliminations	-0.050	-0.011	0.0	-78.0%
EBITDA (equity)	0.679	2.231	1.6	228.5%
	Estimate	Outcome	Diff	
EBITDA margin by segment	Q3/20	Q3/20	bps	
Media segment	9.0%	16.1%	715	
Printing	4.5%	12.3%	780	
Corporate functions	-51.7%	-13.0%	3871	
EBITDA (equity)	5.3%	14.7%	943	

Source: Company reports, Enlight Research

Group deviations

The Q3/20 Group sales was 18%, or 2.3m higher than our forecast while the gross profit was 42%, or EUR 0.9m higher than forecast. The Q3/20 Operating profit was EUR 1.3m better than our forecast (profit of EUR 1.3m vs. our estimated loss of EUR 0.1m). The EUR 1.3m positive Operating profit deviation followed through to the Net profit line that was also EUR 1.3m better than forecast.

Deviation table Group

	Estimate	Outcome	Diff	Diff
P&L (EURm)	Q3/20	Q3/20	EURm	%
Sales	12.892	15.179	2.287	17.7%
Costs of sales	-10.829	-12.255	-1.426	13.2%
Gross profit (loss)	2.063	2.924	0.861	41.8%
Other income	0.413	0.693	0.280	68.0%
Marketing expenses	-0.580	-0.661	-0.081	13.9%
Administrative expenses	-1.921	-1.658	0.263	-13.7%
Other expenses	-0.030	-0.024	0.006	-20.0%
Operating profit	-0.056	1.274	1.330	nm
Interest income	0.006	0.007	0.001	16.7%
Interest expense	-0.217	-0.217	0.000	0.0%
FX gain/loss	0.000	0.000	0.000	
Other finance costs	0.000	-0.033	-0.033	
<i>Financial net</i>	<i>-0.211</i>	<i>-0.243</i>	<i>-0.032</i>	<i>15.2%</i>
Profit on shrs of JVs	0.100	0.099	-0.001	-1.0%
Profit on shrs of associates	-0.008	-0.048	-0.040	500.0%
				-
Profit (loss) before taxes	-0.175	1.082	1.257	719.0%
Income tax	0.000	-0.001	-0.001	
				-
Net profit	-0.175	1.081	1.256	718.5%
Other	-0.007	-0.007	0.000	0.0%
				-
Net profit (loss)	-0.182	1.074	1.256	690.8%
EBITDA	0.679	2.231	1.552	228.5%

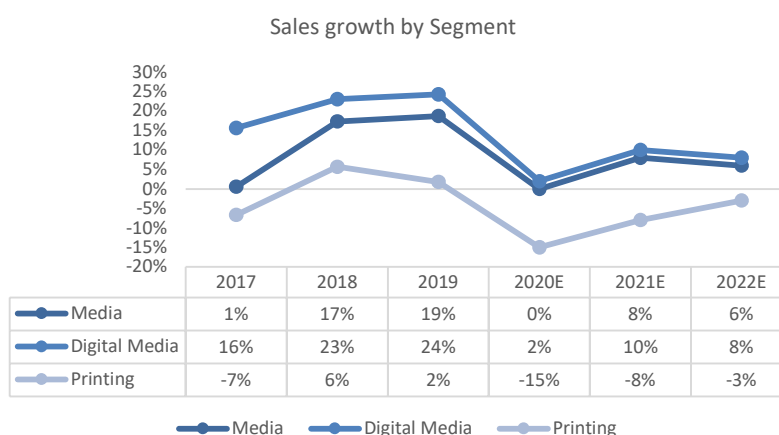
	Estimate	Outcome	Diff
Margins	Q3/20	Q3/20	bps
Gross margin	16.0%	19.3%	326
EBITDA margin	5.3%	14.7%	943
EBIT margin	-0.4%	8.4%	883
PTP margin	-1.4%	7.1%	848
Net profit margin	-1.4%	7.1%	849

Source: Company reports, Enlight Research

Forecast update & Estimate changes

Sales forecast

Following the Media segment's solid Q3/20 8.1% y-on-y sales growth, we forecast this segment to have flat sales for the full-year 2020, which is quite good in our view given that Q2/20 sales declined 14.4%. For 2021, and 2022, we forecast annual growth of 6-8%. Worth to note, is that our expected return to growth is not so much dependent on the pandemic disappearing as the company has already showed it can grow during the pandemic. Digital Media is the main growth driver for the Media segment with higher growth rate than the overall Media segment. For the Printing segment, we forecast a 2020 full-year Sales decline of 15% whereof roughly half of the decline is due to the pandemic and half the decline is due to the structural shift towards digital media. For 2021, and 2022, we forecast the sales decline to taper off to 8%, and 3%, respectively, as we look for the market to near its minimum level.



Source: Company reports, Enlight Research

EBITDA forecast

Following the Media segment's strong Q3/20 EBITDA margin of 16.1% (13.3% excluding covid subsidies), we forecast the Media segment to reach a full-year 2020 EBITDA margin of 11.8% including covid subsidies and 10.0% excluding covid subsidies. The Printing segment also posted a strong Q3/20 EBITDA margin at 12.3%, up from last year's Q3 margin of 6.4%. Even excluding covid subsidies of EUR 0.130m, the Printing segment Q3/20 EBITDA margin was encouraging at 9.7%. Consequently, we forecast a full-year 2020 EBITDA margin for the Printing segment of 6.5% including covid subsidies and 5.0% excluding covid subsidies. The Q3/20 EBITDA margin for the group was 14.7% including covid subsidies, and 12.0% excluding covid subsidies. This means the underlying EBITDA margin was higher compared to Q3 last year when it was 8.8%. We believe this is an effect of the higher margins inherent in digital sales.

Media	2020E	Marg.
EBITDA	5.222	11.8%
Sal subsidy	0.803	
EBITDA excl. subs.	4.419	10.0%
Print	2020E	Marg.
EBITDA	1.420	6.5%
Sal subsidy	0.337	
EBITDA excl. subs.	1.082	5.0%

Source: Enlight Research

EBITDA Forecast

EBITDA by segment	Q1/20	Q2/20	Q3/20	Q4/20E	2019	2020E	2021E
Media segment	0.248	1.514	1.729	1.731	5.966	5.222	5.578
Printing	0.584	0.248	0.603	-0.015	2.032	1.420	1.306
Corporate functions	-0.143	-0.092	-0.090	-0.159	-1.150	-0.484	-0.758
Eliminations	-0.017	-0.016	-0.011	-0.016	-0.075	-0.060	-0.065
EBITDA	0.672	1.654	2.231	1.541	6.773	6.098	6.061
Covid one-offs	0.000	0.320	0.410	0.410		1.140	
EBITDA excluding covid one-offs	0.672	1.334	1.821	1.131	6.773	4.958	6.061
Margin	4.3%	9.6%	12.0%	5.9%	10.0%	7.8%	9.2%

EBITDA margin by segment	Q1/20	Q2/20	Q3/20	Q4/20E	2019	2020E	2021E
Media segment	2.5%	15.4%	16.1%	12.7%	13.5%	11.8%	11.7%
Printing	9.4%	5.4%	12.3%	-0.3%	7.9%	6.5%	6.5%
Corporate functions	-27.8%	-17.7%	-13.0%	-23.0%	-55.4%	-20.0%	-31.0%
EBITDA	4.3%	11.9%	14.7%	8.1%	10.0%	9.6%	9.2%

Source: Company reports, Enlight Research

Sales estimate changes by segment

We raise our Media segment sales by 9-12% in the forecast period on the back of the visible resumption of digital sales seen in Q3/20, but also on an expected recovery of traditional media sales as the covid effect tapers off in coming years. Our estimates for the Printing segment are unchanged for this year, and lowered by 9%, and 13%, for 2021, and 2022, respectively as we see further structural declines from digitalization.

Estimate changes			
Sales	2020E	2021E	2022E
Media segment			
Old	40.681	43.121	45.277
New	44.218	47.755	50.621
Change (EURm)	3.537	4.634	5.343
Change (%)	8.7%	10.7%	11.8%
<i>whereof digital and online</i>			
Old	29.160	31.493	34.642
New	31.145	34.259	37.000
Change (EURm)	1.985	2.766	2.358
Change (%)	6.8%	8.8%	6.8%
Printing			
Old	21.841	22.059	22.280
New	21.841	20.093	19.491
Change (EURm)	0.000	-1.966	-2.789
Change (%)	0.0%	-8.9%	-12.5%

Source: Enlight Research

EBITDA estimate changes by segment

We raise our Media segment 2020 EBITDA forecast by 11%, following the more than 100% better than expected Q3/20 EBITDA. Our 2020 Printing segment EBITDA forecast is unchanged and lowered by 15-19% in coming two years due to the structural change from print to digital media.

Estimate changes			
EBITDA	2020E	2021E	2022E
Media segment			
Old	4.719	5.390	5.660
New	5.222	5.578	6.267
Change (EURm)	0.503	0.188	0.607
Change (%)	10.7%	3.5%	10.7%
Printing			
Old	1.420	1.544	1.560
New	1.420	1.306	1.267
Change (EURm)	0.000	-0.238	-0.293
Change (%)	0.0%	-15.4%	-18.8%

Source: Enlight Research

Group estimate changes

Our Group sales forecast is raised by 6.1% this year and around 4% in the coming two years. Our Group EBITDA forecast is raised by 18.7% this year and 8-9% in coming two years, while our EBIT forecast is raised by 29.7% this year and 12-17% in coming two years. The raised 2020 estimates are due to the strong Q3/20 i.e. it is not based on an overly positive Q4/20 forecast. Due to a higher estimated tax rate, our estimated EPS for this year is lowered to EUR 0.01 from EUR 0.03, while it is raised by one Euro cent for 2021, and 2022. We have added 1 million shares (as of November 2020) to our total number of shares due to the shares issued in connection with the option program (total number of shares increased from 29.8m to 30.8m).

Group estimate changes			
Sales (EURm)	2020E	2021E	2022E
Old estimate	60.2	62.9	65.1
New estimate	63.8	65.6	67.8
Change	3.7	2.7	2.6
Change (pct)	6.1%	4.3%	4.1%
EBITDA (EURm)	2020E	2021E	2022E
Old estimate	5.1	5.6	5.9
New estimate	6.1	6.1	6.5
Change	1.0	0.4	0.6
Change (pct)	18.7%	7.6%	9.3%
EBIT (EURm)	2020E	2021E	2022E
Old estimate	1.3	1.9	2.2
New estimate	1.8	2.2	2.6
Change	0.4	0.2	0.4
Change (pct)	29.7%	12.1%	17.3%
EPS (EUR)	2020E	2021E	2022E
Old estimate	0.03	0.02	0.03
New estimate	0.01	0.03	0.04
Change	-0.02	0.01	0.01
Change (pct)	-70.6%	24.3%	23.8%
Dividend (EUR)	2020E	2021E	2022E
Old estimate	0.00	0.00	0.02
New estimate	0.00	0.00	0.02
Change	0.00	0.00	0.00
Change (pct)	nm	nm	0.0%

Source: Enlight Research

Valuation update

Peer valuation

We divide our peer companies into Digital leaders (60%+ digital sales), Digital laggards (less than 50% digital sales), and Print service providers. Since our last peer valuation update (after the Q2/20 report), the 2021E EV/EBITDA multiple has expanded for the Digital laggards, while it has roughly stayed the same for the Digital leaders, and Print service peers. The multiple expansion for Digital laggards comes from higher share prices but also from lower estimates. At the same time, Ekspress Grupp's 2021E EV/EBITDA ratio has contracted from 8.3x to 6.9x. This is a result of both a lower share price and higher estimates that has yet to be rewarded by investors. The valuation premium for digital leaders vs. digital laggards has decreased from 173% at our Q2/20 update to 142% at our Q3/20 update.

Peer EV/EBITDA 2021E ratios

	Q1/20 update	Q2/20 update	Q3/20 update
Digital leaders	10.8	13.0	12.9
Digital laggards	4.5	4.8	5.3
Print service	3.5	4.1	4.0
Ekspress Grupp	6.8	8.3	6.9

Source: MarketScreener, Enlight Research, Q1 prices from 14 May 2020, Q2 prices from 4 Aug 2020, Q3 prices from 11 Nov 2020

Digital leaders

Company	Ccy	Price (last)	Shares (m)	Mcap (m)	Net		EV/Sales 2019	EV/Sales 2020E	EV/Sales 2021E	EV/EBITDA 2019	EV/EBITDA 2020E	EV/EBITDA 2021E
					debt (m)	EV (m)						
Axel Springer*	EUR	56.03	108	6,045	1,795	7,840	2.5	2.5	2.4	12.4	13.8	13.8
Ama Media	EUR	7.97	82	657	24	680	2.0	3.0	2.9	8.2	11.5	11.2
Daily Mail & General	GBP	7.03	229	1,611	-458	1,152	0.8	1.0	0.9	6.0	9.4	7.5
Schibsted	NOK	372.00	234	86,981	2,811	89,792	4.7	4.5	4.1	23.0	24.2	19.1
Average							2.5	2.7	2.6	12.4	14.7	12.9
Ekspress Grupp	EUR	0.66	30.8	20	16.5	37	0.52	0.55	0.54	6.8	6.9	6.9

Digital laggards

Company	Ccy	Price (last)	Shares (m)	Mcap (m)	Net		EV/Sales 2019	EV/Sales 2020E	EV/Sales 2021E	EV/EBITDA 2019E	EV/EBITDA 2020E	EV/EBITDA 2021E
					debt (m)	EV (m)						
Poligrafici Editoriale	EUR	0.14	132	19	29	48	0.3	0.3	0.4	-16.9	9.7	10.7
Agora	PLN	6.40	47	298	616	914	0.7	1.0	0.8	5.0	16.4	6.2
Cofina SGPS	EUR	0.22	103	22	45	67	0.8	0.9	0.8	4.0	6.7	4.8
North Media A/S	DKK	72.00	18	1,293	-553	739	0.7	0.7	0.7	3.9	2.7	2.7
Reach PLC	GBP	1.49	309	460	-19	441	0.6	0.8	0.8	2.5	3.2	3.1
Sanoma Oyj	EUR	11.84	163	1,930	234	2,165	2.4	2.1	1.9	8.6	4.8	6.7
Roularta Media Group	EUR	12.05	13	151	-93	58	0.2	0.2	0.2	2.5	2.7	2.9
Average							0.8	0.9	0.8	1.4	6.6	5.3

Print service

Company	Ccy	Price (last)	Shares (m)	Mcap (m)	Net		EV/Sales 2019E	EV/Sales 2020E	EV/Sales 2021E	EV/EBITDA 2019E	EV/EBITDA 2020E	EV/EBITDA 2021E
					debt (m)	EV (m)						
Elanders	SEK	88.4	35	3,126	3,567	6,693	0.6	0.6	0.6	4.7	5.0	4.4
Lisgrafica Impressao	EUR	0.01	185	1	9	10	0.5	0.5	0.5	3.2	3.4	3.5
ScandBook	SEK	16.2	5	75	37	111	0.4	0.4	0.4	3.3	3.8	4.1
Average							0.5	0.5	0.5	3.7	4.1	4.0

Source: MarketScreener, Enlight Research, prices from 11 Nov 2020, *Axel Springer was delisted in April 2020

Sum-of-the-parts (SOTP) valuation

As in previous reports, we base our SOTP valuation on the estimated EV/EBITDA 2021 peer multiples for our peer groups (Digital leaders, Digital laggards, and Print service). For the Media segment, our Bull case applies an EV/EBITDA multiple of 10.0x, while our Bear case applies a multiple of 7.0x. Our Base case uses the mid-point multiple of 8.5x. For the Print segment, we apply an EV/EBITDA multiple of 4.0x for all scenarios. Applying these multiples to our estimated EBITDA, and deducting the estimated 2021 Net debt, indicates a Base case equity value per share of EUR 1.05 (up from EUR 0.98 in our previous report). Our Bull and Bear cases indicates an equity value per share of EUR 1.37, and EUR 0.62, respectively (see below table for SOTP summary).

Sum-of-parts valuation	Bull case	Base case	Bear case
Media segment	Digital success	Mid-point	Digital failure
Media segment EBITDA (EURm)	5.6	5.6	5.1
Media segment EV/EBITDA multiple	10.0	8.5	7.0
EV Media segment (EURm)	56	47	36
Print service segment			
Print service segment EBITDA (EURm)	1.6	1.3	1.0
Print service segment EV/EBITDA multiple	4.0	4.0	4.0
EV Print service segment (EURm)	7	5	4
EV Ekspress Grupp	62	53	40
Less Net debt	21	21	21
Equity value	41	32	19
Equity value per share	1.37	1.05	0.62

Source: Enlight Research

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 more risks, we refer to our initiation report "Transforming to Digital" published on Nov 18, 2019 as well as previously published reports.

COVID-19

The latest sign indicates that Ekspress Grupp's digital offering is benefitting from the pandemic. However, there is no guarantee that this will remain the case in the future i.e. if the pandemic gets worse (second wave), the company's sales and earnings could get hurt. For example, the ticketing and outdoor advertising operations are already negatively affected by the pandemic.

Loan re-financing risk

Given the uncertainty in the economy, there could be a risk that the company cannot re-finance its loans at the same terms. For example, the Mar-Aug loan vacation granted from SEB in the amount of EUR 1.2 will be added as a bullet on the due date of the loan in October 2021 (current loan interest is 2.15-2.6% base interest rate of zero).

Interest rate risk

The interest rates on loans are tied to the EURIBOR. A significant increase in the EURIBOR most likely would affect the profitability of the company.

Credit risk

Given the increase in unemployment, there is a risk that clients will not be able to pay their invoices resulting in accounts receivables write-down.

Income Statement	2018	2019	2020E	2021E	2022E
Net sales	60	67	64	66	68
Total operating costs	-56	-61	-58	-60	-61
EBITDA	4	7	6	6	6
Depreciation	-3	-4	-4	-4	-4
Amortizations (total)	0	0	0	0	0
Impairment charges	0	0	0	0	0
EBIT	1	3	2	2	3
Associated companies' profit/loss	-1	0	0	0	0
Net financial items	0	-1	0	-1	-1
Exchange rate differences	0	0	0	0	0
Pre-tax profit (PTP)	0	2	1	1	2
Net earnings	0	1	1	1	1

Balance Sheet	2018	2019	2020E	2021E	2022E
Assets					
Cash and cash equivalent	1	4	3	2	2
Receivables	9	13	12	12	13
Inventories	3	3	3	3	3
Other current assets	0	0	0	0	0
Current assets	14	19	18	18	18
Tangible assets	12	15	13	12	12
Associated companies	0	2	2	2	2
Investments	3	7	3	3	4
Goodwill	47	56	56	56	56
O intangible rights	0	0	0	0	0
O non-current assets	2	1	1	1	1
Total non-current assets	63	76	75	75	76
Deferred tax assets	0	0	0	0	0
Total (assets)	77	95	93	93	94
Liabilities					
Short-term debt	1	5	5	5	5
Non-ib current liabilities	11	16	13	12	11
O current liabilities	0	0	0	0	0
Current liabilities	12	22	18	16	15
Long-term debt	14	19	18	17	17
O long-term liabilities	0	3	3	3	3
Convertibles	0	0	0	0	0
Total Liabilities	26	44	38	37	35
Deferred tax liabilities	0	0	0	0	0
Provisions	0	0	0	0	0
Shareholders' equity	50	52	53	54	56
Minority interest (BS)	0	0	0	0	0
Minority and equity	50	52	54	55	56
Total (liabilities)	77	95	93	93	94

DCF valuation		Cash flow, mEUR	
WACC (%)	8.60 %	NPV FCF (2020-2022)	2.78
		NPV FCF (2023-2029)	12.13
		NPV FCF (2030-)	38.22
		Non-operating assets	2.61
		Interest-bearing debt	-24.34
		Fair value estimate	31.40
Assumptions 2020-2026 (%)			
Average sales growth	3.25 %	Fair value e. per share (EUR)	1.05
EBIT margin	4.40 %	Share price (EUR)	0.66

Free Cash Flow	2018	2019	2020E	2021E	2022E
Net sales	60	67	64	66	68
Total operating costs	-56	-61	-58	-60	-61
Depreciations total	-3	-4	-4	-4	-4
EBIT	1	3	2	2	3
Taxes on EBIT	0	0	0	0	0
NOPLAT	1	2	2	2	2
Depreciation (neg.)	3	4	4	4	4
Gross cash flow	4	6	6	6	6
Change in wc	3	2	-3	-1	-1
Gross capex (neg.)	-4	-15	-3	-3	-4
Free cash flow	3	-3	1	1	1

Capital structure	2018	2019	2020E	2021E	2022E
Equity ratio	65.7%	54.1%	57.9%	58.6%	59.4%
Debt / Equity ratio	30.7%	47.3%	43.6%	43.7%	43.9%
Capital invested	64.3	70.0	71.0	71.5	72.8
Capital turnover rate	0.8	0.7	0.7	0.7	0.7

Profitability	2018	2019	2020E	2021E	2022E
ROE %	0.0%	2.8%	2.6%	1.8%	2.4%
ROCE%	0.5%	3.6%	2.5%	2.7%	3.2%
ROC%	1.2%	3.5%	2.4%	2.6%	3.1%
EBITDA %	7.1%	10.0%	9.6%	9.2%	9.6%
EBIT %	2.0%	4.0%	2.7%	3.3%	3.9%
Net Margin	0.0%	2.1%	2.1%	1.5%	2.0%

Valuation	2018	2019	2020E	2021E	2022E
EV	45.2	46.0	41.6	42.1	42.9
P/E	5164.8	16.9	89.7	21.2	15.2
P/E diluted	5164.8	16.9	89.7	21.2	15.2
P/Sales	0.5	0.4	0.3	0.3	0.3
EV/Sales	0.7	0.7	0.7	0.6	0.6
EV/EBITDA	10.6	6.8	6.8	6.9	6.6
EV/EBIT	37.4	16.9	23.7	19.3	16.3
P/BV	0.6	0.5	0.4	0.4	0.4

Per share measures	2018	2019	2020E	2021E	2022E
EPS, unadjusted	0.00	0.05	0.05	0.03	0.04
EPS	0.00	0.05	0.01	0.03	0.04
CEPS	0.10	0.18	0.19	0.16	0.17
Operating CF/share	0.22	0.29	0.10	0.14	0.15
Capital empl./share	2.16	2.35	2.37	2.32	2.36
BV/share	1.69	1.73	1.78	1.77	1.81
Tangible BV/share	0.12	-0.16	-0.10	-0.06	-0.02
Div. per share	0.00	0.00	0.00	0.00	0.02
Payout	0.0%	0.0%	0.0%	0.0%	46.2%
Dividend yield	0.0%	0.0%	0.0%	0.0%	3.0%

Shareholders	Capital	Votes
HHL RÜHM OÜ	6.287	31.79 %
HANS LUIK	5.286	26.73 %
ING LUXEMBOURG S.A. AIF ACCOUNT	2.656	13.43 %
LHV funds	1.695	8.57 %
SEB S.A. Client UCITS	0.838	4.24 %

Key people	
CEO	Mari-Liis Rüütsalu
CFO	Signe Kukin
IR	Signe Kukin
Chairman	Ahto Päril (Chairman)

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

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