

## Margins improve

**Both the Media and the Printing segment posted higher margins vs. last year, and the digital subscriber growth is set to improve margins further. The first quarter is loss making due to seasonality, which is still a surprise to many investors. We raise our Base case motivated share price.**

### Higher margins

Digital subscriber growth (+74% y-on-y) boosted the Q1/21 Media segment margin to 7.5% from 2.5% in Q1 last year, while cost efficiencies improved the Printing segment margin to 10.0% from 9.4%. We forecast margins excl. Covid subsidies for the Media segment to improve to 14.2% in 2021 from 13.3% in 2020, while the Printing segment margins are expected to improve to 9.8% (8.8%).

### Q1 low season quarter

Due to the seasonality of the advertising market, Q1 is usually a loss making quarter – something that seems to surprise many investors given the share price reaction (down ~9% after the report). We believe this year will follow the usual seasonal pattern i.e., each remaining quarter of the year will be better than the previous quarter.

### Base case share price raised

Despite lowering our Sales estimates by 3-4% in 2021-23, our EBITDA estimates are raised by 8-10% due to higher margins from digital sales. The higher EBITDA estimate means our Base case Sum-of-the-parts motivated share price is raised to EUR 1.17 (1.10).

### Key figures (MEUR)

	2019	2020	2021E	2022E	2023E
Net sales	67.5	63.2	63.5	64.6	65.5
Net sales growth	11.5%	-6.3%	0.4%	1.8%	1.3%
EBITDA	6.8	7.0	7.5	8.1	8.4
EBITDA margin	10.0%	11.1%	11.9%	12.5%	12.9%
EBIT	2.7	3.1	3.1	3.5	3.8
EBIT margin	4.0%	4.9%	4.9%	5.5%	5.9%
EV/Sales	0.7	0.7	0.7	0.6	0.6
EV/EBITDA	6.8	5.9	5.7	5.2	4.9
EV/EBIT	16.9	13.5	14.0	11.9	10.7
P/E adj.	16.9	9.8	13.5	11.1	10.2
P/BV	0.5	0.4	0.5	0.5	0.4
EPS adj.	0.05	0.06	0.07	0.08	0.09
EPS growth adj.	nm	20.5%	19.5%	24.1%	11.5%
Div. per share	0.00	0.00	0.00	0.02	0.03
Dividend yield	0.00%	0.00%	0.00%	2.25%	3.37%

Source: Company data, Enlight Research (estimates)

### Fair value range (EUR)

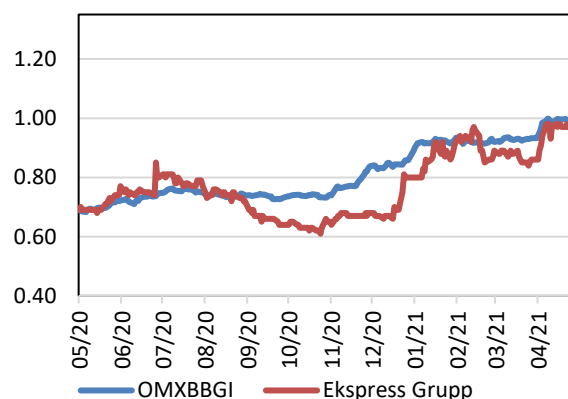
Bull	1.52
Base	1.17
Bear	0.85

### Key Data

Price (EUR)	0.90
Ticker	EEG1T
Country	Estonia
Listed	Tallinn

Market Cap (EURm)	27
Net debt (EURm)	15

Shares (m)	31
Free float	42%



### Price range

52-week high	0.98
52-week low	0.61

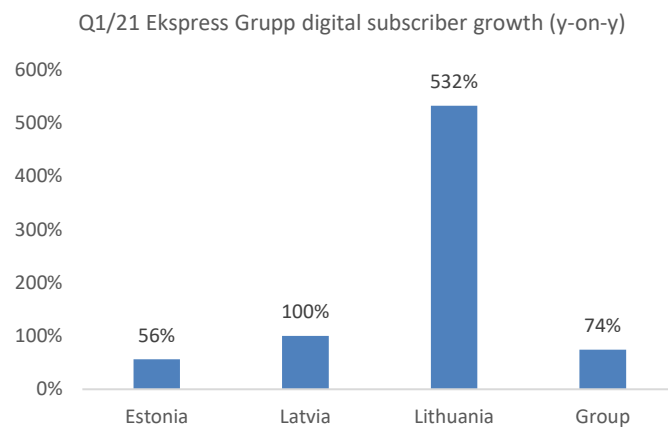
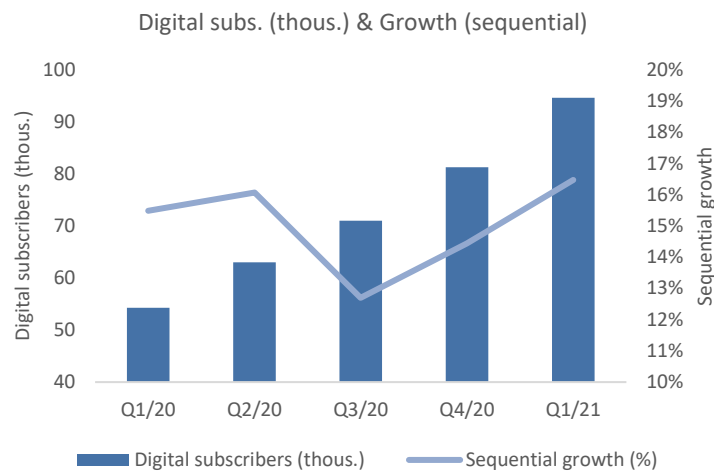
### Analyst

ResearchTeam@enlightresearch.net

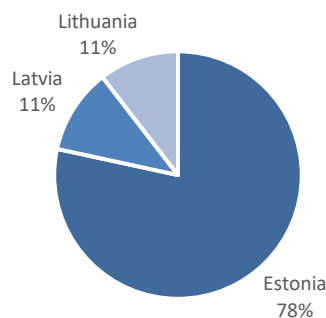
## Q1 Key takeaways

### Continued strong digital subscriber growth

The main driver of Ekspress Grupp’s digitalization is the digital subscriber growth. Since the company started reporting the number of digital subscribers in Q4/19, the quarterly sequential growth has been 13-16%, and the reported annual growth was 73-74% in the last two quarters (Q4/20, Q1/21). As of Q1/21, most of the digital subscribers are in Estonia (78% or 74K), while Latvia and Lithuania have around 11% or 10K subscribers each. A lower base means the growth rate is much higher in Latvia (+100%) and Lithuania (+500%) compared to Estonia (+54%). We foresee a continued strong digital subscriber growth as the willingness to pay for content seems to steadily increase.



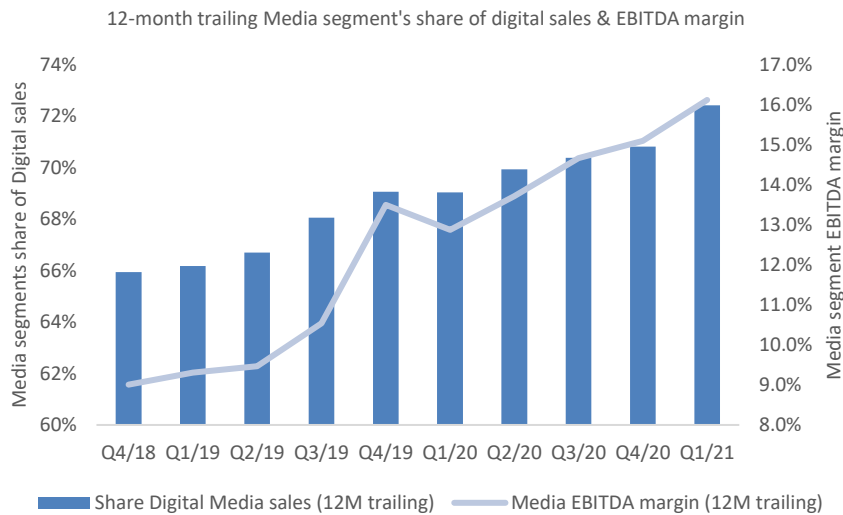
Ekspress Grupp Digital subscriber distribution by Country



Source: Company reports, Company announcements

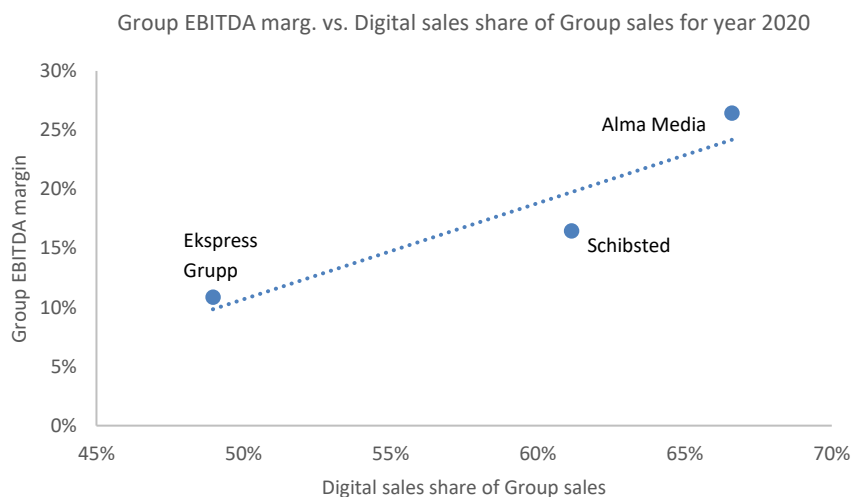
**Digital sales boost margins**

The main benefit of digitalization are higher margins, and it has indeed been the case for Ekspress Grupp’s Media segment. Between Q4/18 and Q1/21, the share of digital sales on a 12-month rolling basis for the Media segment has increased from 66% to 72%. Meanwhile, the 12-month rolling EBITDA margin increased from 9.0% to 16.1% i.e., there seems to be a clear relationship between the share of digital sales and margins, which makes sense given the low incremental cost of a digital customer.



Source: Company reports

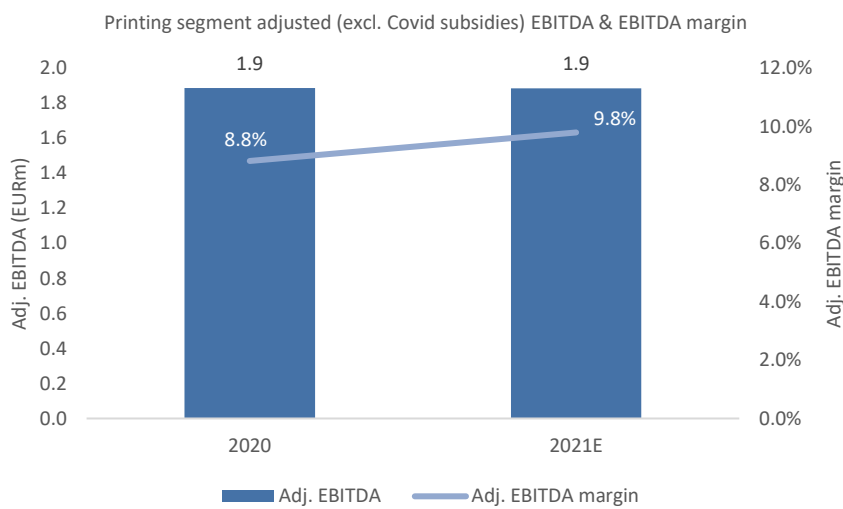
From a group perspective, we see further potential for an EBITDA margin improvement if the share of digital sales continues to increase. Looking at the regional digital leaders, Schibsted and Alma Media, both have a higher share of digital sales and EBITDA margin (see below chart). We believe Schibsted is the best comparable as it also has printing operations. This implies that Ekspress Grupp’s group EBITDA margin could gradually improve from around 11% to 16% as the share of digital sales increase.



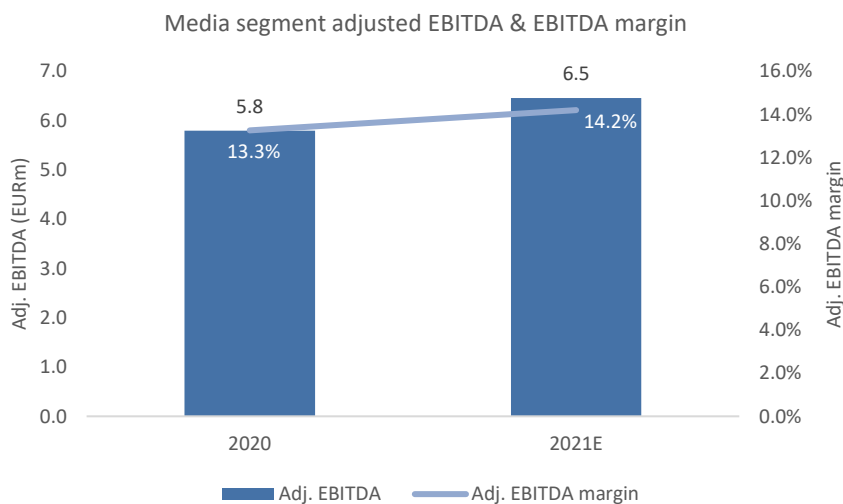
Source: Company reports

**The EBITDA outlook is positive**

At first glance, the Printing segment’s Q1/21 sales decline of 21% y-on-y might seem alarming, but we believe it is more important to focus on the EBITDA that came in above our forecast (EUR 0.493m vs. forecast 0.410m) with an EBITDA margin that improved from 9.4% in Q1/20 to 10.0% in Q1/21. For the full-year 2021, we forecast a Printing segment EBITDA of EUR 1.9m which is unchanged compared to the 2020 EBITDA excluding one-offs (covid subsidies) i.e., the estimated 10% sales decline in 2021 is not expected to hurt the EBITDA as the underlying margin is forecast to improve from 8.8% to 9.8%. For the Media segment, we forecast an EBITDA improvement to EUR 6.5m in 2021 from EUR 5.8m in 2020 (excluding covid subsidies), corresponding to a margin improvement of almost one percentage point to 14.2%.



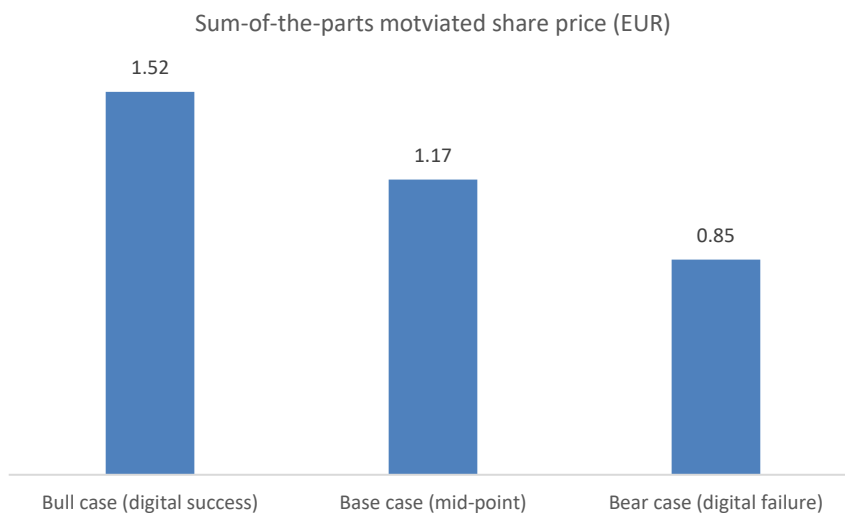
Source: Company reports, Enlight Research



Source: Company reports, Enlight Research

**Sum-of-parts-valuation (SOTP) valuation increased**

Our Sum-of-the-parts valuation is based on the EV/EBITDA 2021E multiple. For the Media segment, we apply an EV/EBITDA ratio of 7x in our Base case, while our Bull and Bear case apply a multiple of 8x, and 6x, respectively. For the Printing segment, we apply a multiple of 3.0x for all scenarios. After deducting our end of 2021 estimated Net debt of EUR 15m, the motivated Base case share price is EUR 1.17 (prev. 1.10), while the Bull and Bear case indicate a share price of EUR 1.52 (prev. 1.46), and EUR 0.85 (prev. 0.69), respectively.



Source: Enlight Research

## Estimate deviations

### Sales deviations by segment

The Q1/21 Media segment sales of EUR 10.7m was slightly above our EUR 10.2m forecast. The Media segment sales grew 6.3% y-on-y vs. our forecast growth of 2.0%. Continued growth in Digital subscriptions (+74% y-on-y) contributed to a better than expected digital and online segment sales EUR 7.7m vs. EUR 6.8m estimate. The Q1/21 Printing segment sales declined by 21.4% y-on-y to EUR 4.9m, which was below our estimated decline of 7.0% to EUR 5.8m. The main reason for the negative sales deviation for the Printing segment was lower export sales due to the pandemic. Worth noting is that the Printing segment's EBITDA was above our forecast despite the lower than expected sales.

#### Deviation table by Segment

Sales	Estimate Q1/21	Outcome Q1/21	Diff EURm	Diff %
Media segment	10.203	10.656	0.5	4.4%
<i>whereof digital and online</i>	6.830	7.663	0.8	12.2%
Printing	5.806	4.908	-0.9	-15.5%
Corporate functions	0.520	1.052	0.5	102.2%
Eliminations pct of sales	-1.157	-1.326	-0.2	14.6%
<b>Total Sales (Equity)</b>	<b>15.372</b>	<b>15.290</b>	<b>-0.1</b>	<b>-0.5%</b>

Sales growth	Estimate Q1/21	Outcome Q1/21	Diff bps
Media segment	2.0%	6.3%	428
<i>whereof digital and online</i>	5.0%	17.8%	1280
Printing	-7.0%	-21.4%	-1438
Corporate functions	1.0%	104.3%	10327
Eliminations pct of sales	7.0%	8.7%	167
<b>Total sales</b>	<b>-2.0%</b>	<b>-2.6%</b>	<b>-67</b>

Source: Company reports, Enlight Research

### EBITDA deviations by segment

The Q1/21 Media segment EBITDA was EUR 0.8m or 56% above our forecast as cost savings and digital subscribers improved margins. The Q1/21 Printing segment EBITDA of EUR 0.5m was 20% higher than our forecast despite lower than expected sales. The Printing segment Q1/21 EBITDA margin of 10.0% was better than our estimate of 7.1%.

EBITDA by segment	Estimate Q1/21	Outcome Q1/21	Diff EURm	Diff %
Media segment	0.510	0.795	0.3	55.8%
Printing	0.410	0.493	0.1	20.1%
Corporate functions	-0.161	-0.178	0.0	10.4%
Eliminations	-0.025	-0.020	0.0	-20.0%
<b>EBITDA (equity)</b>	<b>0.734</b>	<b>1.090</b>	<b>0.4</b>	<b>48.4%</b>

EBITDA margin by segment	Estimate Q1/21	Outcome Q1/21	Diff bps
Media segment	5.0%	7.5%	246
Printing	7.1%	10.0%	297
Corporate functions	-31.0%	-16.9%	1408
<b>EBITDA (equity)</b>	<b>4.8%</b>	<b>7.1%</b>	<b>235</b>

Source: Company reports, Enlight Research

### Group deviations

The Q1/21 Group sales of EUR 15.3m was in-line with our estimate, while the Gross profit was 10.3% or EUR 0.2m higher than forecast. The Q1/21 EBITDA was EUR 1.1m corresponding to an EBITDA margin of 7.1% vs. our estimated EBITDA of EUR 0.8m and EBITDA margin of 4.8%, while the Q1/21 Operating profit was just above the break-even vs. our estimated negative Operating profit of EUR 0.3m and negative Operating margin of 1.9%. The positive deviation at the Operating profit line was slightly reduced due to losses in the joint venture, nevertheless, the Q1/21 Group Net loss of EUR -0.265m was 50% smaller net loss than expected.

#### Deviation table Group

P&L (EURm)	Estimate Q1/21	Outcome Q1/21	Diff EURm	Diff %
Sales	15.372	15.290	-0.082	-0.5%
Costs of sales	-13.066	-12.747	0.319	-2.4%
<b>Gross profit (loss)</b>	<b>2.306</b>	<b>2.543</b>	<b>0.237</b>	<b>10.3%</b>
Other income	0.077	0.107	0.030	39.2%
Marketing expenses	-0.769	-0.596	0.173	-22.5%
Administrative expenses	-1.880	-2.025	-0.145	7.7%
Other expenses	-0.025	-0.025	0.000	0.0%
<b>Operating profit</b>	<b>-0.291</b>	<b>0.004</b>	<b>0.295</b>	<b>-101.4%</b>
Interest income	0.009	0.009	0.000	0.0%
Interest expense	-0.238	-0.211	0.027	-11.2%
FX gain/loss	0.000	0.000	0.000	
Other finance costs	0.000	0.011	0.011	
<i>Financial net</i>	<i>-0.229</i>	<i>-0.191</i>	<i>0.038</i>	<i>-16.4%</i>
Profit on shrs of JVs	0.025	-0.107	-0.132	-528.0%
Profit on shrs of associates	-0.032	0.035	0.067	-209.4%
<b>Profit (loss) before taxes</b>	<b>-0.526</b>	<b>-0.259</b>	<b>0.267</b>	<b>-50.8%</b>
Income tax	-0.002	-0.005	-0.003	150.0%
<b>Net profit</b>	<b>-0.528</b>	<b>-0.264</b>	<b>0.264</b>	<b>-50.0%</b>
Other	-0.001	-0.001	0.000	0.0%
<b>Net profit (loss)</b>	<b>-0.529</b>	<b>-0.265</b>	<b>0.264</b>	<b>-49.9%</b>
<b>EBITDA</b>	<b>0.734</b>	<b>1.089</b>	<b>0.355</b>	<b>48.3%</b>

	Estimate Q1/21	Outcome Q1/21	Diff bps
<b>Sales growth</b>			
Group Sales	-2.0%	-2.6%	-67

	Estimate Q1/21	Outcome Q1/21	Diff bps
<b>Margins</b>			
Gross margin	15.0%	16.6%	163
EBITDA margin	4.8%	7.1%	234
EBIT margin	-1.9%	0.0%	192
PTP margin	-3.4%	-1.7%	173
Net profit margin	-3.4%	-1.7%	171

Source: Company reports, Enlight Research

## Estimate changes

### Sales estimate changes by Segment

We raise our Media segment Sales by 0.5% each year in the forecast period 2021-23, which is a result of our Digital & Online media sales estimates being raised by 2.8% for the same years. Our sales estimates for the Printing segment are lowered by 12% in 2021, 16% in 2022, and 19% in 2023, which is mainly an effect of the structural transition from print to digital media (this year is also affected by the pandemic). Worth noting is that our Print segment EBITDA estimates are raised despite the lower expected sales (see EBITDA section below).

Estimate changes			
Sales	2021E	2022E	2023E
<b>Media segment</b>			
Old	45.258	47.069	48.481
New	45.477	47.296	48.715
Change (EURm)	0.219	0.227	0.234
Change (%)	0.5%	0.5%	0.5%
<i>whereof digital and online</i>			
Old	32.821	34.462	35.840
New	33.750	35.437	36.855
Change (EURm)	0.929	0.975	1.014
Change (%)	2.8%	2.8%	2.8%
<b>Printing</b>			
Old	21.812	21.812	21.812
New	19.246	18.283	17.735
Change (EURm)	-2.566	-3.528	-4.077
Change (%)	-11.8%	-16.2%	-18.7%

Source: Enlight Research

### EBITDA estimate changes by Segment

We raise our Media segment EBITDA estimate by 1.9% in 2021, and 3.9% in 2022, and 3.8% in 2023 on higher than expected digital sales. For the Printing segment, we raise our EBITDA estimate by 12% in 2021, 8% in 2022, and 4% in 2023 on the back of efficiency improvements evident in the second half in 2020 (e.g. cost cutting from personnel reduction enabled by automation of the printing process).

Estimate changes			
EBITDA	2021E	2022E	2023E
<b>Media segment</b>			
Old	6.336	6.825	7.272
New	6.458	7.094	7.551
Change (EURm)	0.122	0.269	0.279
Change (%)	1.9%	3.9%	3.8%
<b>Printing</b>			
Old	1.679	1.701	1.701
New	1.886	1.828	1.773
Change (EURm)	0.207	0.127	0.072
Change (%)	12.3%	7.5%	4.2%

Source: Enlight Research



### Group estimate changes

Our Group Sales forecast is lowered by around 3-4% in the forecast period 2021-23E due to lower Printing segment estimates. Our Group EBITDA estimates are raised by 8-10% in the forecast period as both our Media and Printing segment estimates are raised. Our EPS estimate is raised by EUR 0.01 this year and EUR 0.02 for 2022, and 2023. We do not forecast dividends for 2021, but keep our dividend estimate of EUR 0.02 in 2022, and EUR 0.03 in 2023.

#### Group estimate changes

Sales (EURm)	2021E	2022E	2023E
Old estimate	65.1	66.8	68.2
New estimate	63.5	64.6	65.5
Change	-1.6	-2.2	-2.7
Change (pct)	-2.5%	-3.3%	-3.9%

EBITDA (EURm)	2021E	2022E	2023E
Old estimate	7.0	7.3	7.7
New estimate	7.5	8.1	8.4
Change	0.5	0.8	0.7
Change (pct)	7.7%	10.4%	8.8%

EBIT (EURm)	2021E	2022E	2023E
Old estimate	2.9	2.9	3.2
New estimate	3.1	3.5	3.8
Change	0.2	0.6	0.7
Change (pct)	6.7%	21.1%	20.7%

EPS (EUR)	2021E	2022E	2023E
Old estimate	0.06	0.06	0.07
New estimate	0.07	0.08	0.09
Change	0.01	0.02	0.02
Change (pct)	15.3%	34.1%	34.4%

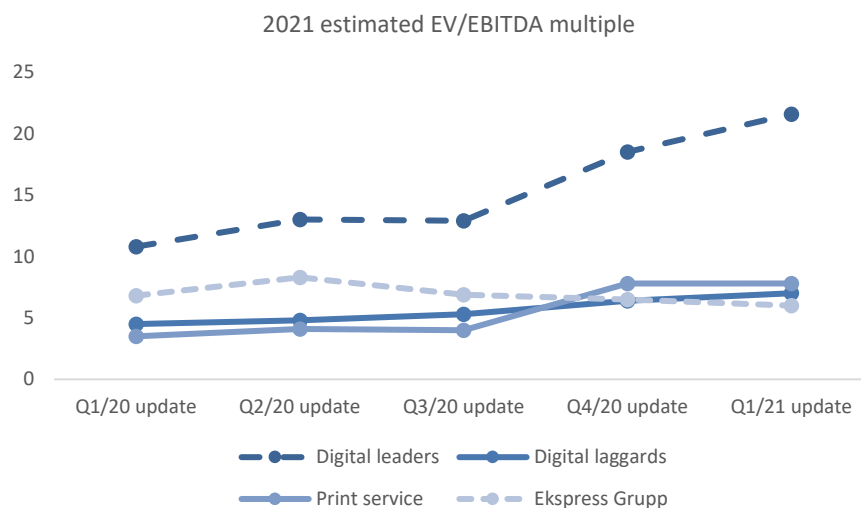
Dividend (EUR)	2021E	2022E	2023E
Old estimate	0.00	0.02	0.03
New estimate	0.00	0.02	0.03
Change	0.00	0.00	0.00
Change (pct)	nm	0.0%	0.0%

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 Q4/20 report), the 2021E EV/EBITDA multiple has expanded further for the digital leaders which depict the market's appreciation of a successful digitalization of a media business. During the same period, Ekspress Grupp's 2021E EV/EBITDA ratio has contracted from 6.5x to 5.7x, which shows that Ekspress Grupp has yet to be rewarded for its digitalization.



Source: MarketScreener, Enlight Research, Q1/20 prices from 14 May 2020, Q2/20 prices from 4 Aug 2020, Q3/20 prices from 11 Nov 2020, Q4/20 prices from 17 Feb 2021, Q1/21 prices from 6 May 2021

#### Digital leaders

Company	Ccy	Price (last)	Shares (m)	Mcap (m) (last)	EV (m) (last)	EV/Sales 2020	EV/Sales 2021E	EV/Sales 2022E	EV/EBITDA 2020	EV/EBITDA 2021E	EV/EBITDA 2022E
Alma Media	EUR	10.08	82	830	821	3.6	3.2	3.0	13.5	11.6	10.1
Daily Mail & General	GBP	8.96	227	2,030	1,854	1.5	1.6	1.6	12.4	13.8	12.0
Schibsted	NOK	420.50	234	98,334	102,585	7.9	7.2	6.9	48.3	39.3	34.6
Average						4.3	4.0	3.8	24.7	21.6	18.9
Median						3.6	3.2	3.0	13.5	13.8	12.0
Ekspress Grupp	EUR	0.90	30.8	29	43	0.66	0.69	0.65	5.9	5.7	5.2

#### Digital laggards

Company	Ccy	Price (last)	Shares (m)	Mcap (m) (last)	EV (m) (last)	EV/Sales 2020E	EV/Sales 2021E	EV/Sales 2022E	EV/EBITDA 2020	EV/EBITDA 2021E	EV/EBITDA 2022E
Monrif S.P.A.	EUR	0.09	150	14	95	0.7	0.6	0.6	19.0	13.6	10.5
Agora	PLN	7.84	47	365	945	1.1	1.0	0.8	18.4	6.4	4.8
Cofina SGPS	EUR	0.22	103	23	74	1.0	1.0	0.9	5.3	5.3	5.3
North Media A/S	DKK	120.60	18	2,165	2,145	2.1	2.1	2.0	7.9	7.9	7.6
Reach PLC	GBP	2.20	310	680	661	1.1	1.1	1.1	4.1	4.1	4.0
Sanoma Oyj	EUR	13.76	163	2,243	2,904	2.7	2.4	2.3	6.5	8.7	8.2
Roularta Media Group	EUR	14.85	12	173	80	0.3	0.3	0.3	4.1	3.1	2.5
Average						1.3	1.2	1.2	9.3	7.0	6.1
Median						1.1	1.0	0.9	6.5	6.4	5.3

## Print service

Company	Ccy	Price (last)	Shares (m)	Mcap (m) (last)	EV (m) (last)	EV/Sales 2020E	EV/Sales 2021E	EV/Sales 2022E	EV/EBITDA 2020	EV/EBITDA 2021E	EV/EBITDA 2022E
Elanders	SEK	172.6	35	6,103	8,957	0.8	0.8	0.9	6.3	5.5	5.3
Lisgrafica Impressao	EUR	0.01	185	2	14	1.6	1.4	1.4	28.2	14.1	9.4
ScandBook	SEK	28.0	5	129	151	0.5	0.5	1.0	4.0	3.8	3.6
Average						1.0	0.9	1.1	12.8	7.8	6.1
Median						0.8	0.8	1.0	6.3	5.5	5.3

Source: MarketScreener, Enlight Research, prices from 6 May 2021

## 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 8.0x, while our Bear case applies a multiple of 6.0x. Our Base case uses the midpoint multiple of 7.0x. For the Print segment, we apply an EV/EBITDA multiple of 3.0x for all scenarios. Applying these multiples to our estimated 2021 EBITDA, and deducting the estimated year-end 2021 Net debt, indicates a Base case value per share of EUR 1.17 (up from EUR 1.10 in our previous report). Our Bull and Bear cases indicate a value per share of EUR 1.52 (prev. 1.46), and EUR 0.85 (prev. 0.69), 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)	6.9	6.5	6.0
Media segment EV/EBITDA multiple	8.0	7.0	6.0
<b>EV Media segment (EURm)</b>	<b>55</b>	<b>45</b>	<b>36</b>
<b>Print service segment</b>			
Print service segment EBITDA (EURm)	2.1	1.9	1.7
Print service segment EV/EBITDA multiple	3.0	3.0	3.0
<b>EV Print service segment (EURm)</b>	<b>6</b>	<b>6</b>	<b>5</b>
<b>EV Ekspress Grupp</b>	<b>62</b>	<b>51</b>	<b>41</b>
Less Net debt	15	15	15
<b>Equity value</b>	<b>47</b>	<b>36</b>	<b>26</b>
<b>Equity value per share</b>	<b>1.52</b>	<b>1.17</b>	<b>0.85</b>

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 additional risks, we refer to our initiation report "Transforming to Digital" published on Nov 18, 2019.

### **Covid-19**

Although the pandemic seems to have increased the speed of the digital transformation in the form of digital subscriber growth, the digital ticketing platform and the printing segment have been negatively affected. A prolonged pandemic with restrictions on larger events could continue to affect the ticketing platform negatively, while travel restrictions could affect the print demand from the travel & leisure sector.

### **Loan re-financing risk**

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.

### **Recession risk**

In the event of a sharp rise in unemployment due to e.g., a prolonged recession, there is a risk that clients will not be able to pay their invoices, which could result in accounts receivables write-down

<b>Income Statement</b>	2019	2020	2021E	2022E	2023E
Net sales	67	63	64	65	65
Total operating costs	-61	-56	-56	-57	-57
EBITDA	7	7	8	8	8
Depr. & Amort.	-4	-4	-4	-5	-5
One-off EBIT items	0	0	0	0	0
EBIT	3	3	3	4	4
Financial net	-1	0	-1	-1	-1
Pre-tax profit	2	3	2	3	3
Taxes	0	0	0	0	0
Minority interest	0	0	0	0	0
Other items	0	0	0	0	0
Net profit	1	3	2	2	3

<b>Balance Sheet</b>	2019	2020	2021E	2022E	2023E
Cash and cash equivalent	4	6	4	4	4
Receivables	13	9	9	10	10
Inventories	3	3	3	3	3
Other current assets	0	0	0	0	0
<b>Total current assets</b>	<b>19</b>	<b>18</b>	<b>17</b>	<b>16</b>	<b>17</b>
Tangible assets	15	14	13	12	11
Goodwill & Intangible assets	56	57	57	57	57
Lease & Investment properties	0	0	1	2	3
Long-term Investments	1	2	2	2	2
Associated companies	2	2	2	2	2
Other long-term assets	1	1	1	1	1
<b>Total fixed assets</b>	<b>76</b>	<b>76</b>	<b>75</b>	<b>75</b>	<b>75</b>
<b>Total assets</b>	<b>95</b>	<b>94</b>	<b>92</b>	<b>92</b>	<b>92</b>
Accounts payable	16	15	14	13	12
Short-term IB debt	5	4	3	3	2
Other current liabilities	0	0	0	0	0
<b>Total current liabilities</b>	<b>22</b>	<b>19</b>	<b>17</b>	<b>16</b>	<b>14</b>
Long-term IB debt	19	19	15	13	11
Convertibles & Lease liab.	0	0	1	2	3
Deferred tax liab.	0	0	0	0	0
Provisions	0	0	0	0	0
Other long-term liab.	3	2	2	2	2
<b>Total long-term liab</b>	<b>22</b>	<b>21</b>	<b>18</b>	<b>17</b>	<b>16</b>
<b>Total liabilities</b>	<b>44</b>	<b>40</b>	<b>35</b>	<b>32</b>	<b>30</b>
Minority interest	0	0	0	0	0
Shareholders' equity	52	54	57	59	61
<b>Total liabilities and Equity</b>	<b>95</b>	<b>94</b>	<b>92</b>	<b>92</b>	<b>92</b>

<b>DCF valuation</b>		<b>Cash flow, mEUR</b>	
WACC (%)	8.45	NPV FCF (2020-2022)	8
Assumptions 2020-2026 (%)		NPV FCF (2023-2029)	11
Average sales growth (%)	2.84	NPV FCF (2030-)	33
EBIT margin (%)	5.52	Non-operating assets	5
Fair value per share (EUR)	1.14	Interest-bearing debt	-22
Share price (EUR)	0.89	Fair value estimate	35

<b>Free Cash Flow</b>	2019	2020	2021E	2022E	2023E
Operating profit	3	3	3	4	4
Depreciation	4	4	4	5	5
Working capital chg	2	2	-1	-1	-1
Other operating CF items	-2	0	0	0	-1
<b>Operating Cash Flow</b>	<b>7</b>	<b>9</b>	<b>6</b>	<b>6</b>	<b>7</b>
Net investments	-9	-3	-3	-4	-4
Other items	-1	0	0	0	0
<b>Free Cash Flow</b>	<b>-3</b>	<b>6</b>	<b>3</b>	<b>3</b>	<b>3</b>

<b>Capital structure</b>	2019	2020	2021	2022	2023
Equity ratio	54.1%	58.0%	61.6%	64.6%	66.8%
Debt/Equity ratio	47.3%	40.7%	34.0%	29.5%	27.2%
Net debt/Equity ratio	40.1%	29.2%	26.1%	22.9%	20.7%
Net debt/EBITDA ratio	0.0	0.0	0.0	0.0	0.0

<b>Profitability</b>	2019	2020	2021E	2022E	2023E
ROE	2.8%	4.7%	3.7%	4.3%	4.5%
FCF yield	-0.1	0.2	0.1	0.1	0.1
EBITDA margin	10.0%	11.1%	11.9%	12.5%	12.9%
EBIT margin	4.0%	4.9%	4.9%	5.5%	5.9%
PTP margin	0.0	0.0	0.0	0.0	0.0

<b>Valuation</b>	2019	2020	2021E	2022E	2023E
P/E	16.9	9.8	13.5	11.1	10.2
P/E adjusted	16.9	9.8	13.5	11.1	10.2
P/Sales	0.4	0.4	0.4	0.4	0.4
EV/Sales	0.7	0.7	0.7	0.6	0.6
EV/EBITDA	6.8	5.9	5.7	5.2	4.9
EV/EBIT	16.9	13.5	14.0	11.9	10.7
P/BV	0.5	0.4	0.5	0.5	0.4
P/BV tangible	-4.9	-11.3	-187.7	11.8	6.2

<b>Per share ratios</b>	2019	2020	2021E	2022E	2023E
EPS	0.05	0.08	0.07	0.08	0.09
EPS, adjusted	0.05	0.06	0.07	0.08	0.09
Operating CF/share	0.29	0.30	0.19	0.21	0.21
Free Cash Flow/share	-0.11	0.14	0.09	0.10	0.10
BV/share	1.73	1.77	1.84	1.92	1.98
Tangible BV/share	-0.16	-0.07	0.00	0.08	0.14
Div. per share	0.00	0.00	0.00	0.02	0.03
Div. payout ratio	0.0%	0.0%	0.0%	24.9%	34.2%
Dividend yield	0.0%	0.0%	0.0%	2.3%	3.4%

<b>Shareholders</b>	<b>Capital</b>	<b>Votes</b>
HHL RÜHM OÜ	9.423	34.38 %
HANS LUIK	7.087	25.86 %
ING LUXEMBOURG S.A. AIF ACCOUNT	3.562	13.00 %
LHV Pensionfond L	1.669	6.09 %
SEB S.A. Client UCITS	0.772	2.81 %
Ekspress Grupp AS	0.654	2.38 %
LHV Pensionfond XL	0.426	1.55 %
Citibank/Govt of Norway	0.333	1.21 %
Compensa Life Vienna Ins.	0.293	1.07 %
Wood Grouse Consulting OU	0.147	0.54 %

<b>Key people</b>	
CEO	Mari-Liis Rüttsalu
CFO	Signe Kukin
IR	Signe Kukin
Chairman	Priit Rohumaa (Chairman)

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

## 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 one trading day 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](mailto:ResearchTeam@EnlightResearch.net)