

# MGI – Media and Games Invest

Company report

1.9.2023 8:45



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✓ Inderes corporate customer

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# Challenging market leads to lower revenues

MGI's Q2 revenues came in lower than expected, while operating profit was in line with our estimates. MGI decided to lower its guidance for 2023 due to a more challenging market environment. Operating cash flow improved compared to last quarter and should improve further as the year continues. Despite the challenging short-term outlook, MGI has maintained good operating margins. As highlighted in yesterday's CMD, MGI is well-positioned to capture further market share and we see a clear upside in the low valuation as ad spending picks back up. Therefore, we reiterate our Buy recommendation and slightly lower the target price to SEK 21 (was SEK 22) to reflect changes in estimates.

## Q2 revenues lower than expected due to a slowdown in ad spending, FX headwinds, and games divestments

MGI's Q2 revenues declined by 2.4% to EUR 76.2 million, 6% lower than our estimates. The underlying core business grew 3%, but total revenue declined due to FX headwinds and lower game revenues following the divestment of smaller and non-strategic games in Q4'22. MGI's adjusted EBIT landed at EUR 16.6 million, with the margin improving by one percentage point to 22%. Lower operating expenses and lower amortization drove the improvement in operating margin. Due to higher financial expenses (13 MEUR), EPS adjusted for non-recurring costs and PPA amortization decreased to EUR 0.03 (Q2'22: 0.05).

## Volume and market share increased

The number of ad impressions served by MGI increased by 13% year-on-year. MGI also added two new large software customers. According to Pivalate's Mobile Sell-Side Platform Market Share Q2'23 Report, Verve Group (MGI) led the entire North American market for both Google and Apple App Stores. MGI had already claimed the title of market leader in Q1 for Google Play store (NA and EMEA) and now did the same for Apple App store in North America (3rd in EMEA).

## MGI lowers full-year guidance for 2023

The slowdown in ad spending continued in Q2, and MGI now expects it to last for the rest of the year. In response to this, MGI decided to lower its guidance for 2023. MGI now expects its 2023 result to align with 2022 normalized for FX and game divestments. The updated guidance is now revenues of EUR 303 million (prev. 335-345 MEUR) and an adjusted EBITDA of EUR 93 million (prev. 95-105 MEUR). In light of the lowered guidance, we lowered our revenue and operating profit estimates. MGI's net debt increased to EUR 308 million (Q1'23: MEUR 288) mostly due to seasonal working capital effects which are expected to balance out until end of 2023. MGI's ND/adjusted EBITDA ratio consequently increased to 3.2x (Q1'23 3.0x), which is above MGI's target of 2-3x. With MGI's solid operating margin and strong cash position, we believe MGI will be able to continue repurchasing bonds to lessen the interest burden.

## Valuation multiples are still attractive

With our current estimates for 2023 and 2024, MGI's adjusted P/E multiples are 7.5x and 9.0x, while the adjusted EV/EBIT multiples for the same period are 6.5x and 7.0x. Using the unadjusted EBIT figure, we get an EV/EBIT multiple of 8.5x and 8.3x for 2023 and 2024. Even though this year revenues will decline, we still believe that MGI's growth prospects over the medium term are good. Based on the H1 results, MGI seems to be able to maintain strong operating margins even in a more challenging market environment. This should enable MGI to accrue FCF, especially once the earn-out payments are behind.

## Recommendation

**Buy**

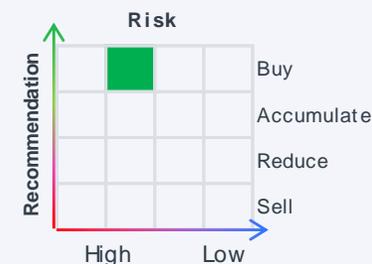
(Previous Buy)

**21 SEK**

(Previous 22 SEK)

**Share price:**

15.24 SEK



## Key indicators

	2022	2023e	2024e	2025e
<b>Revenue</b>	324.4	303.9	321.3	350.6
<b>growth-%</b>	29 %	-6 %	6 %	9 %
<b>EBIT adj.</b>	76.6	74.1	69.4	72.9
<b>EBIT-% adj.</b>	23.6 %	24.4 %	21.6 %	20.8 %
<b>Net Income</b>	-20.3	11.2	13.0	17.2
<b>EPS (adj.)</b>	0.19	0.18	0.15	0.18
<b>P/E (adj.)</b>	8.6	7.5	9.0	7.5
<b>P/B</b>	0.8	0.6	0.6	0.6
<b>Dividend yield-%</b>	0.0 %	0.0 %	0.0 %	0.0 %
<b>EV/EBIT (adj.)</b>	6.9	6.5	7.0	6.6
<b>EV/EBITDA</b>	5.6	5.2	5.3	4.9
<b>EV/S</b>	1.6	1.6	1.5	1.4

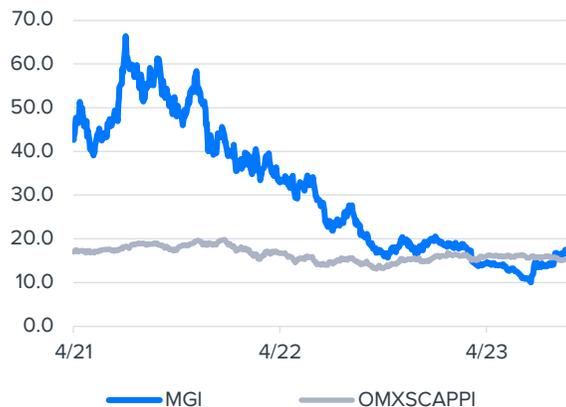
Source: Inderes

## Guidance

(New guidance)

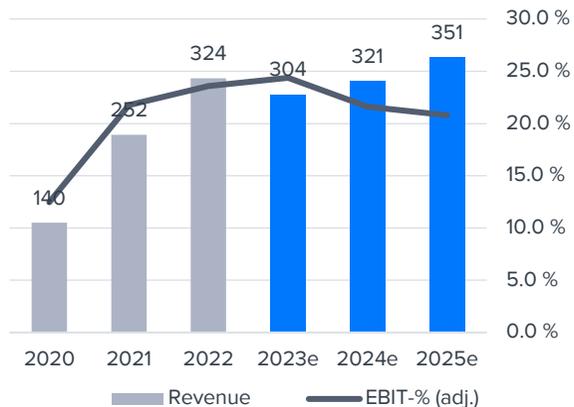
Revenue EUR 303 million and adjusted EBITDA EUR 93 million

## Share price



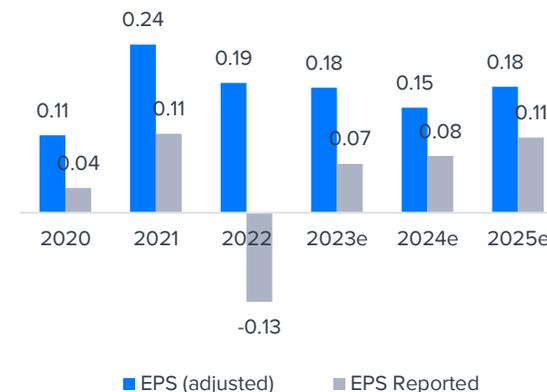
Source: Millstream Market Data AB

## Revenue & 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
- Low valuation multiples with upside potential as the strategy progresses and growth continues
- 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. Risk mitigated by MGI's strong cash position of EUR 108 million

Valuation	2023e	2024e	2025e
Share price (EUR)	1.35	1.35	1.35
Number of shares, millions	159.2	159.2	159.2
Market cap (MEUR)	215	215	215
EV (MEUR)	483	484	481
P/E (adj.)	7.5	9.0	7.5
P/E	19.2	16.6	12.5
P/FCF	5.3	7.3	6.6
P/B	0.6	0.6	0.6
P/S	0.7	0.7	0.6
EV/Sales	1.6	1.5	1.4
EV/EBITDA	5.2	5.3	4.9
EV/EBIT (adj.)	6.5	7.0	6.6
Payout ratio (%)	0.0 %	0.0 %	0.0 %
Dividend yield-%	0.0 %	0.0 %	0.0 %

Source: Inderes

# Lower revenues than expected, but better operating margins

## Revenues below our expectations

Q2 revenues decreased 2.4% year-on-year and were 6% below our expectations. The underlying core business grew 3%, which was offset by FX headwinds and lower games revenues following the divestment of games in Q4'22. The FX-adjusted organic growth for the group was 1%. On segment level, the substantially larger SSP segment declined by 3% while the smaller DSP segment grew by 2%. Volume continued to grow, with MGI serving 181 billion ad impressions in Q2'23, a 13% increase year-on-year. However, as demonstrated by the Net dollar expansion rate, which declined to 82%, customer spending slowed further. The Net dollar expansion rate states how much existing customers spent on the platform compared to the comparable quarter. A figure below 100% means customers spent less than in the previous period.

The lower level demonstrates the softness in ad spending as customers allocated less money

towards advertising. The number of large software clients continued to grow, albeit slowly, and increased to 559 (Q1'23: 557). The retention rate of these clients came in at a strong 96%, which is in line with the average rate over the last seven quarters.

## Q2 operating profit stable, net profit continued to be burdened by higher financial expenses

Adjusted EBITDA and adjusted EBIT increased by 1% compared to the comparison quarter and aligned with our estimates. The adjusted EBITDA margin improved by roughly one percentage point to 28%. Adjusted EBIT margin also increased by one percentage point to 22%. The increase in margin was primarily driven by cost savings from consolidation of MGI's tech stack and lower costs thanks to the divestment of certain games in Q4'22.

Financial expenses increased significantly compared to Q2'22, driven by higher interest rates. The higher financial expenses depressed the net profits and

consequently, EPS landed at 0.01. If we add back non-recurring costs and amortization of PPA, we get an adjusted EPS of 0.03.

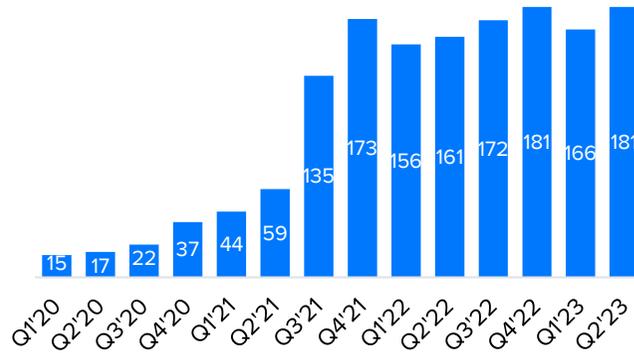
## Cash flow improved compared to Q1'23 and should improve further

Operating cash flow came in at EUR 13 million and was, to a degree, still burdened by a negative working capital change of EUR -8 million. This was primarily driven by seasonal working capital swings leading to increased account receivables while account payables only increased moderately. MGI expects the working capital situation to balance out during the second half of 2023.

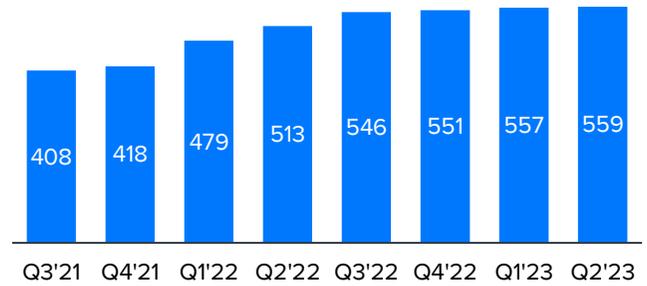
Estimates MEUR / EUR	Q2'22	Q2'23	Q2'23e	Q2'23e	Consensus		Difference (%)	2023e
	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. inderes	Inderes
Revenue	78.1	76.2	81.4				-6 %	304
EBITDA (adj.)	21.1	21.3	21.8				-2 %	92.9
EBIT (adj.)	16.4	16.6	16.7				0 %	74.1
EBIT	12.0	12.8	13.2				-3 %	56.7
PTP	4.2	0.1	2.6				-97 %	12.8
EPS (adj.)	0.05	0.03	0.03				-12 %	0.18
EPS (reported)	0.02	0.01	0.01				-18 %	0.07
Revenue growth-%	36.7 %	-2.4 %	4.3 %				-6.7 pp	-6.3 %
EBIT-% (adj.)	21.0 %	21.8 %	20.5 %				1.3 pp	24.4 %

# KPIs

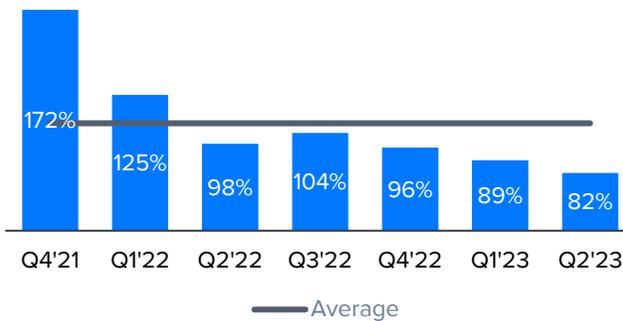
### Ad Impressions (in bn)



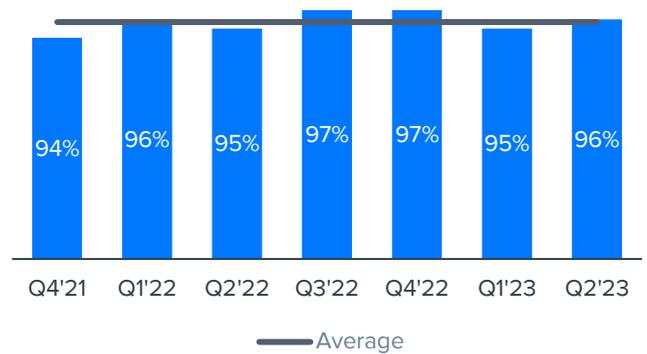
### Large software clients



### Net \$ Expansion rate of software clients

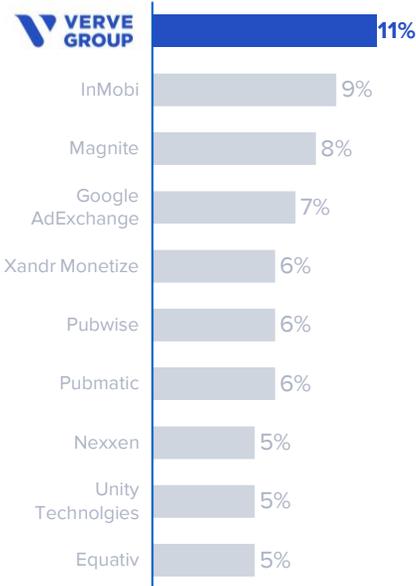


### Retention rate of software clients

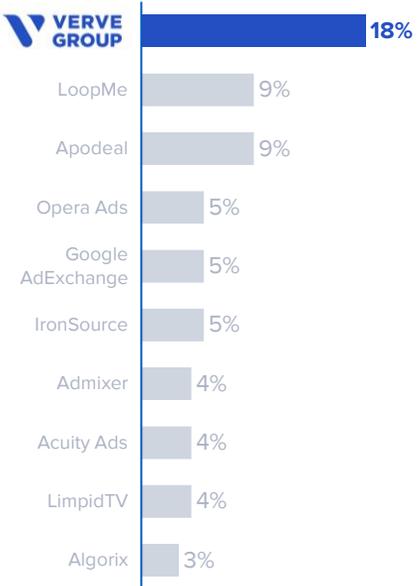


# Pixalate's Mobile SSP Market Share Q2'23 Report

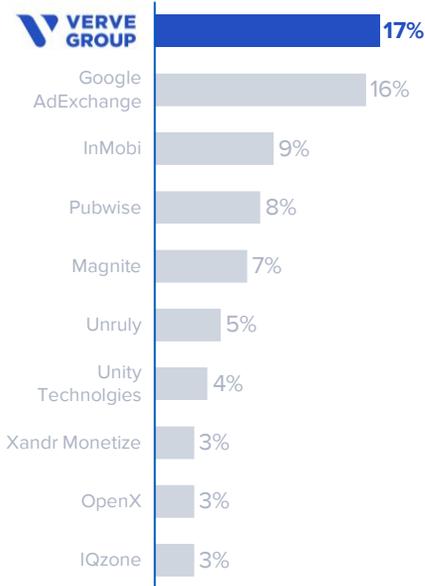
Google Play North America



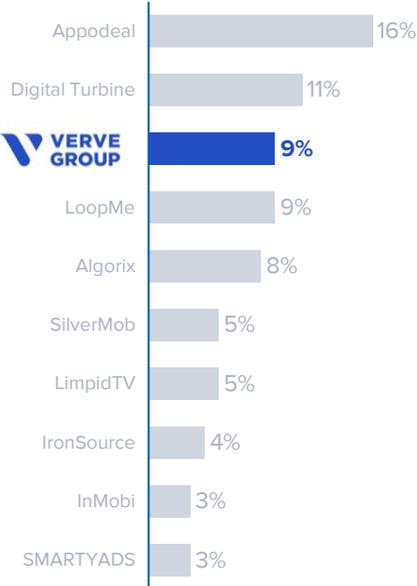
Google Play EMEA



Apple North America



Apple EMEA



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

# MGI CMD – MGI’s outlook going forward



## OUTLOOK & CLOSING REMARKS



### IN-APP

- Leading US & EU positions built within 4 years
- Focus on further increasing market share



### CTV

- Next key focus area. Building on In-App and Data strengths
- Investing in features and sales



### DATA & AI

- Leading mix; contextual + 1st party + behavioral
- Well prepared for ID-less world



### COST

- Flexible cost structure
- Ability to adapt cost to protect profitability



### GROWTH

- Resilient in weak macro environment
- Outlook; increasing CPM's & return to 2-digit organic growth

MGI did not updated its strategy or financial targets during the CMD (Inderes comment)

## MGI CMD - market trends

# Our Market is Evolving Dynamically



CONSUMER HABITS CHANGING - TREND TOWARDS MOBILE AND CTV



ADVERTISERS LOOKING FOR TRANSPARENCY AND DIRECT SUPPLY



GOVERNMENTS ENFORCING PRIVACY



TECHNOLOGICAL CHANGE ENABLED BY AI, BIG DATA



DOMINANT PLAYERS STRENGTHEN WALLED GARDENS, PRIVACY SANDBOX, SKAD



MARKET CONSOLIDATION



CYCLICAL MARKET LINKED TO MACRO ENVIRONMENT

**PLENTY OF OPPORTUNITIES**

# Lower revenue estimates and a moderate increase in operating margin

## 2023 the year of lower ad spending

In conjunction with the Q2 earnings release, MGI lowered its guidance for 2023. MGI now expects its revenues to be EUR 303 million (prev. 335-345 MEUR) and adjusted EBITDA to be EUR 93 million (prev. 95-105 MEUR).

During the quarter, ad spending continued to soften. Advertisers have pulled back their advertising and user acquisition budgets due to the uncertain macroeconomic environment. In other words, advertising demand has decreased, and consequently, so has the price of ads, i.e., CPMs (Cost Per Thousand ad impressions delivered). Therefore, even as MGI was able to increase the volume (ad impressions served), the lower CPM held back revenue growth.

Due to the seasonal nature of the advertising market MGI's revenues in the second half of the year are

expected to be higher than in the first half. However, considering the updated guidance revenues in Q3 and Q4 will decline about 12% year-on-year.

## Lower revenue estimates going forward

Based on the new guidance provided, we have lowered our revenue estimates for the coming years. For 2023, our estimate aligns with MGI's guidance of EUR 303 million.

In 2024, we expect ad spending to pick back up. Industry forecasts for ad spending in 2024 include eMarketer's projection of 11% growth (worldwide digital ad spending), and MAGNA who anticipates global ad spending will re-accelerate to 6% due to economic stabilization and the return of major cyclical events (US presidential elections, Paris Olympics, Euro Football championship). We expect this growth to continue in 2025 and 2026. eMarketer's annual growth rate projections for these years are about

10%.

## Operating profit estimates decreased

With lower revenue estimates, our operating profit estimates naturally also decreased. We did, however, slightly increase our operating margin assumptions to be more in line with the improvements achieved during Q2'23. MGI also announced a EUR 10 million annual cost-saving program, which will help to maintain/increase the margins. MGI expects main effects of these cost reductions from Q4 onwards. Our 2023 estimate for adjusted EBITDA comes in at the guidance of EUR 93 million.

Estimate revisions	2023e	2023e	Change	2024e	2024e	Change	2025e	2025e	Change
MEUR / EUR	Old	New	%	Old	New	%	Old	New	%
Revenue	340	304	-11 %	370	321	-13 %	406	351	-14 %
EBITDA	91.7	85.4	-7 %	98.2	91.6	-7 %	104	98.2	-5 %
EBIT (exc. NRIs)	77.1	74.1	-4 %	75.4	69.4	-8 %	76.9	72.9	-5 %
EBIT	62.5	56.7	-9 %	65.4	58.4	-11 %	66.4	61.4	-8 %
PTP	20.1	12.8	-36 %	24.3	17.3	-29 %	28.0	22.9	-18 %
EPS (excl. NRIs)	0.19	0.18	-4 %	0.18	0.15	-15 %	0.20	0.18	-9 %

# Valuation still attractive

## Valuation based on DCF-model favored

MGI's income statement contains several non-cash items and non-recurring costs, so we prefer to focus on a free cash-flow-based valuation method like DCF. According to our DCF-model, MGI's fair value is about 21 SEK a share, about 38% above yesterday's closing price. Our model assumes that MGI's revenues will grow in line with the guidance in 2023. In 2024, we expect revenue growth to pick up throughout the year slowly. For 2025-2026, we expect growth in line with the overall forecasts of digital ad spending. After 2026, we start to taper off the revenue growth rate until we reach our terminal rate of 2%. As for profitability, we expect an adjusted EBIT margin between 23 and 15%. Our adjusted EBIT margin starts in line with the strong figures of H1'23 and 2022 and slowly tapers towards 15% as we near the term period. We use a WACC of 10.2% in our model.

## MGI continues to trade at low multiples

Since our last report on MGI (6/1/2023), the share price has come up about 20%. With this increase, the valuation multiples have naturally also increased, but we still think they remain attractive. MGI books a relatively large amortization of PPA (10 MEUR in 2023e) and non-recurring costs (7.4 MEUR in 2023e), so there is a rather large discrepancy between adjusted and unadjusted figures. The higher adjusted figures naturally convert into lower multiples. However, even the unadjusted figures are reasonable at the current market valuation. MGI's EV/EBIT ratio based on our estimates for 2023 and 2024 are 9x and 8x. At the same time, the P/E multiples are 19x and 17x. Given the growth potential MGI has, the EV/EBIT multiples are on the low side. The P/E multiples are higher due to the significant financial expenses relative to EBIT in the coming years. If we

add back PPA amortization that stems from M&A activity and non-recurring costs, MGI's adjusted EV/EBIT multiples for 2023 and 2024 are 7x and 7x, while the adjusted P/E ratios are 8x and 9x. We can also look at a cash-flow-based multiple, such as EV/FCF, to see how the current valuation compares to free cash flow. MGI's EV/FCF multiple for 2023 and 2024 is 12x and 16x, respectively. The increase in 2024 is due to a EUR 10 million earn-out payment (12x without it).

Compared to its peer group, MGI's multiples are considerably lower. The peer group's median EV/EBIT multiple for 2023 and 2024 is 30x and 35x. In comparison, the P/E ratios are 43x and 31x.

## Valuation still attractive

We trimmed our target price to SEK 21 (was 22 SEK), which corresponds to our DCF model's fair value estimate. MGI's adjusted P/E multiple for 2023 and 2024 at this share price are 10x and 12x. The adjusted EV/EBIT multiple for the same years are 7x and 8x. At the same time, the unadjusted EV/EBIT multiples are 10x and 9x. We feel these multiples are fair for a company with the potential for high growth and decent operating margins. At this valuation, MGI's multiples are still far below its peer group. However, the median multiples for the peer group seem unreasonable to a degree. As MGI's strategy progresses, we still see further upside potential, especially if CPMs recover. In the short term, however, the persisting uncertainty regarding ad spend might continue to pressure the valuations of the entire ad tech sector and MGI.

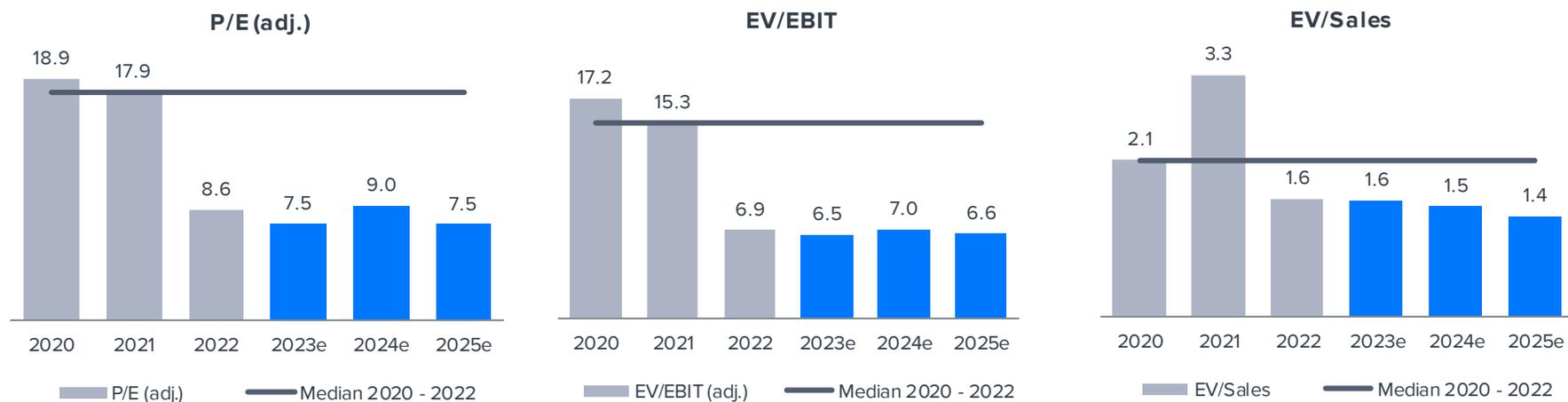
Valuation	2023e	2024e	2025e
Share price (EUR)	1.35	1.35	1.35
Number of shares, millions	159.2	159.2	159.2
Market cap (MEUR)	215	215	215
EV (MEUR)	483	484	481
P/E (adj.)	7.5	9.0	7.5
P/E	19.2	16.6	12.5
P/FCF	5.3	7.3	6.6
P/B	0.6	0.6	0.6
P/S	0.7	0.7	0.6
EV/Sales	1.6	1.5	1.4
EV/EBITDA	5.2	5.3	4.9
EV/EBIT (adj.)	6.5	7.0	6.6
Payout ratio (%)	0.0 %	0.0 %	0.0 %
Dividend yield-%	0.0 %	0.0 %	0.0 %

Source: Inderes

# Valuation table

Valuation	2020	2021	2022	2023e	2024e	2025e	2026e
Share price (EUR)	2.10	4.30	1.60	1.35	1.35	1.35	1.35
Number of shares, millions	85.5	141.7	159.2	159.2	159.2	159.2	159.2
Market cap (MEUR)	246	644	255	215	215	215	215
EV (MEUR)	301	840	525	483	484	481	462
P/E (adj.)	18.9	17.9	8.6	7.5	9.0	7.5	6.5
P/E	58.7	37.9	neg.	19.2	16.6	12.5	10.0
P/FCF	neg.	neg.	neg.	5.3	7.3	6.6	4.6
P/B	1.4	2.1	0.8	0.6	0.6	0.6	0.6
P/S	1.8	2.6	0.8	0.7	0.7	0.6	0.6
EV/Sales	2.1	3.3	1.6	1.6	1.5	1.4	1.2
EV/EBITDA	10.3	11.8	5.6	5.2	5.3	4.9	4.4
EV/EBIT (adj.)	17.2	15.3	6.9	6.5	7.0	6.6	6.1
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	2023e	2024e	2023e	2024e	2023e	2024e	2023e	2024e	2023e
Applovin Corp	13,678	15,828	33.5	24.0	13.1	11.0	5.6	5.0	57.4	32.9	8.6
Magnite Inc	1,041	1,382		705.8	8.9	7.5	2.8	2.5	16.4	11.1	1.8
Trade Desk Inc	36,010	34,700	193.7	89.1	49.6	39.1	19.5	15.8	64.7	54.0	18.5
PubMatic Inc	654	497		87.4	8.8	6.9	2.2	1.9		72.5	2.2
DoubleVerify Holdings Inc	5,173	4,909	68.8	45.7	30.5	24.1	9.5	7.7	97.0	67.5	5.5
Criteo SA	1,504	1,243	6.3	5.3	4.7	4.2	1.3	1.2	10.4	9.5	1.5
Tremor International Ltd	262	210	4.1	3.7	2.3	2.0	0.7	0.6	6.3	4.3	
Liveramp Holdings Inc	1,973	1,512	26.7	18.3	24.4	17.5	2.8	2.6	44.0	28.1	2.2
<b>MGI (Inderes)</b>	<b>215</b>	<b>483</b>	<b>6.5</b>	<b>7.0</b>	<b>5.2</b>	<b>5.3</b>	<b>1.6</b>	<b>1.5</b>	<b>7.5</b>	<b>9.0</b>	<b>0.6</b>
<b>Average</b>			<b>55.5</b>	<b>122.4</b>	<b>17.8</b>	<b>14.0</b>	<b>5.5</b>	<b>4.7</b>	<b>42.3</b>	<b>35.0</b>	<b>5.8</b>
<b>Median</b>			<b>30.1</b>	<b>34.8</b>	<b>11.0</b>	<b>9.2</b>	<b>2.8</b>	<b>2.6</b>	<b>44.0</b>	<b>30.5</b>	<b>2.2</b>
<b>Diff-% to median</b>			<b>-78 %</b>	<b>-80 %</b>	<b>-53 %</b>	<b>-43 %</b>	<b>-43 %</b>	<b>-41 %</b>	<b>-83 %</b>	<b>-71 %</b>	<b>-71 %</b>

Source: Refinitiv / Inderes

# Income statement

Income statement	2021	Q1'22	Q2'22	Q3'22	Q4'22	2022	Q1'23	Q2'23	Q3'23e	Q4'23e	2023e	2024e	2025e	2026e
Revenue	252	65.9	78.1	87.6	92.9	324	68.8	76.2	77.6	81.4	304	321	351	381
EBITDA (excl. NRI)	71.1	17.6	21.1	23.0	31.5	93.2	19.1	21.3	25.3	27.2	92.9	91.6	98.2	104
EBITDA	65.0	16.9	20.0	21.4	26.5	84.8	17.4	20.0	23.0	25.0	85.4	91.6	98.2	104.5
Depreciation	-28.2	-7.1	-8.1	-8.1	-34.9	-58.1	-6.4	-7.2	-7.6	-7.6	-28.7	-33.2	-36.8	-39.9
EBIT (excl. NRI)	54.9	13.6	16.4	18.5	28.1	76.6	15.2	16.6	20.2	22.1	74.1	69.4	72.9	76.2
EBIT	36.8	9.8	12.0	13.3	-8.4	26.6	11.0	12.8	15.4	17.4	56.7	58.4	61.4	64.6
Net financial items	-21.9	-6.6	-7.7	-8.8	-14.8	-38.0	-10.5	-12.7	-10.1	-10.6	-43.9	-41.2	-38.5	-36.1
PTP	14.9	3.1	4.2	4.4	-23.2	-11.3	0.6	0.1	5.4	6.8	12.8	17.3	22.9	28.5
Taxes	1.2	-0.6	-1.2	-1.3	-5.9	-9.1	0.0	1.4	-1.3	-1.7	-1.6	-4.3	-5.7	-7.1
Minority interest	0.0	0.0	0.0	0.1	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net earnings	16.1	2.5	3.0	3.2	-29.1	-20.3	0.6	1.5	4.0	5.1	11.2	13.0	17.2	21.4
EPS (adj.)	0.24	0.04	0.05	0.05	0.05	0.19	0.03	0.03	0.06	0.06	0.18	0.15	0.18	0.21
EPS (rep.)	0.11	0.02	0.02	0.02	-0.18	-0.13	0.00	0.01	0.03	0.03	0.07	0.08	0.11	0.13
<b>Key figures</b>	<b>2021</b>	<b>Q1'22</b>	<b>Q2'22</b>	<b>Q3'22</b>	<b>Q4'22</b>	<b>2022</b>	<b>Q1'23</b>	<b>Q2'23</b>	<b>Q3'23e</b>	<b>Q4'23e</b>	<b>2023e</b>	<b>2024e</b>	<b>2025e</b>	<b>2026e</b>
Revenue growth-%	79.8 %	26.8 %	36.7 %	39.3 %	15.8 %	28.7 %	4.4 %	-2.4 %	-11.5 %	-12.3 %	-6.3 %	5.7 %	9.1 %	8.7 %
Adjusted EBIT growth-%	214.1 %	45.3 %	46.9 %	23.9 %	44.6 %	39.5 %	11.4 %	1.0 %	9.5 %	-21.2 %	-3.3 %	-6.2 %	5.0 %	4.5 %
EBITDA-%	25.8 %	25.6 %	25.7 %	24.4 %	28.5 %	26.1 %	25.3 %	26.2 %	29.7 %	30.7 %	28.1 %	28.5 %	28.0 %	27.4 %
Adjusted EBIT-%	21.8 %	20.7 %	21.0 %	21.1 %	30.2 %	23.6 %	22.0 %	21.8 %	26.1 %	27.1 %	24.4 %	21.6 %	20.8 %	20.0 %
Net earnings-%	6.4 %	3.9 %	3.9 %	3.6 %	-31.3 %	-6.3 %	0.8 %	2.0 %	5.2 %	6.3 %	3.7 %	4.0 %	4.9 %	5.6 %

Source: Inderes

# Balance sheet

Assets	2021	2022	2023e	2024e	2025e
<b>Non-current assets</b>	<b>650</b>	<b>824</b>	<b>820</b>	<b>820</b>	<b>820</b>
Goodwill	412	588	584	584	584
Intangible assets	194	204	219	220	220
Tangible assets	4.7	5.5	5.5	5.6	5.7
Associated companies	1.2	1.0	1.0	1.0	1.0
Other investments	0.0	0.0	0.0	0.0	0.0
Other non-current assets	27.4	19.2	0.0	0.0	0.0
Deferred tax assets	11.5	6.7	9.9	9.9	9.9
<b>Current assets</b>	<b>284</b>	<b>221</b>	<b>219</b>	<b>194</b>	<b>186</b>
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	97.5	65.1	66.9	74.9	83.6
Cash and equivalents	180	150	146	113	96
<b>Balance sheet total</b>	<b>934</b>	<b>1045</b>	<b>1038</b>	<b>1014</b>	<b>1006</b>

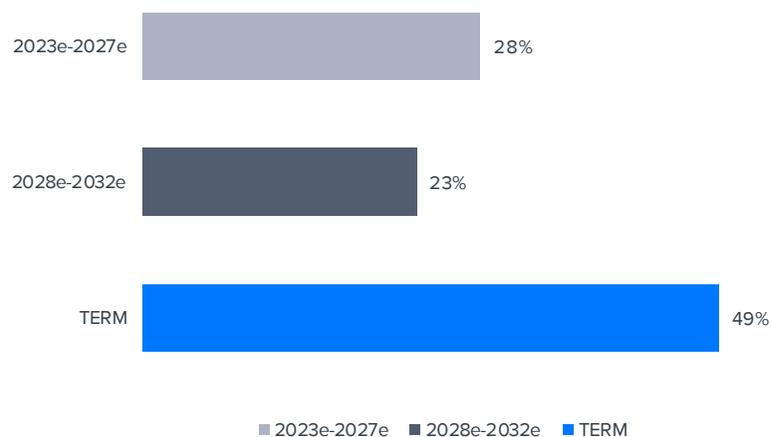
Source: Inderes

Liabilities & equity	2021	2022	2023e	2024e	2025e
<b>Equity</b>	<b>307</b>	<b>322</b>	<b>333</b>	<b>346</b>	<b>363</b>
Share capital	150	159	159	159	159
Retained earnings	21.7	1.4	12.6	25.5	42.7
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	136	162	162	162	162
Minorities	0.1	-1.2	-1.6	-1.6	-1.6
<b>Non-current liabilities</b>	<b>383</b>	<b>503</b>	<b>488</b>	<b>446</b>	<b>416</b>
Deferred tax liabilities	23.2	24.4	26.4	26.4	26.4
Provisions	0.0	0.0	0.0	0.0	0.0
Long term debt	344	389	382	350	330
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	16.0	89.6	79.8	69.8	59.8
<b>Current liabilities</b>	<b>243</b>	<b>219</b>	<b>218</b>	<b>222</b>	<b>227</b>
Short term debt	32.0	31.9	33.6	33.6	33.6
Payables	77.1	90.1	86.6	91.3	96.4
Other current liabilities	134	97.5	97.5	97.5	97.5
<b>Balance sheet total</b>	<b>934</b>	<b>1045</b>	<b>1038</b>	<b>1014</b>	<b>1006</b>

# DCF calculation

DCF model	2022	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	TERM
Revenue growth-%	28.7 %	-6.3 %	5.7 %	9.1 %	8.7 %	8.0 %	7.0 %	6.0 %	5.0 %	5.0 %	2.0 %	2.0 %
EBIT-%	8.2 %	18.7 %	18.2 %	17.5 %	16.9 %	16.4 %	15.5 %	14.0 %	13.0 %	13.0 %	13.0 %	13.0 %
<b>EBIT (operating profit)</b>	<b>26.6</b>	<b>56.7</b>	<b>58.4</b>	<b>61.4</b>	<b>64.6</b>	<b>67.5</b>	<b>68.3</b>	<b>65.4</b>	<b>63.8</b>	<b>66.9</b>	<b>68.3</b>	
+ Depreciation	58.1	28.7	33.2	36.8	39.9	43.2	46.2	50.9	52.5	53.6	55.4	
- Paid taxes	-2.9	-2.9	-4.3	-5.7	-7.1	-9.5	-10.3	-10.0	-10.1	-11.3	-12.1	
- Tax, financial expenses	-8.0	-5.6	-10.3	-9.6	-9.0	-7.3	-6.8	-6.3	-5.9	-5.4	-5.0	
+ 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	8.6	-5.2	-3.4	-3.6	-3.5	-3.6	-3.6	-3.8	-4.0	-4.0	-4.0	
<b>Operating cash flow</b>	<b>82.4</b>	<b>71.7</b>	<b>73.6</b>	<b>79.2</b>	<b>84.9</b>	<b>90.3</b>	<b>93.9</b>	<b>96.1</b>	<b>96.3</b>	<b>99.9</b>	<b>103</b>	
+ Change in other long-term liabilities	73.6	-9.8	-10.0	-10.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-236.3	-21.5	-34.0	-36.8	-38.6	-40.5	-42.6	-44.8	-46.6	-48.1	-48.9	
<b>Free operating cash flow</b>	<b>-80.3</b>	<b>40.5</b>	<b>29.6</b>	<b>32.5</b>	<b>46.3</b>	<b>49.8</b>	<b>51.3</b>	<b>51.4</b>	<b>49.7</b>	<b>51.7</b>	<b>53.7</b>	
+/- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	-80.3	40.5	29.6	32.5	46.3	49.8	51.3	51.4	49.7	51.7	53.7	665
<b>Discounted FCFF</b>		<b>39.2</b>	<b>26.0</b>	<b>25.9</b>	<b>33.4</b>	<b>32.6</b>	<b>30.5</b>	<b>27.7</b>	<b>24.3</b>	<b>23.0</b>	<b>21.6</b>	<b>268</b>
Sum of FCFF present value		552	513	487	461	428	395	365	337	313	290	268
<b>Enterprise value DCF</b>		<b>552</b>										
- Interest bearing debt		-421.3										
+ Cash and cash equivalents		150										
-Minorities		1.0										
-Dividend/capital return		0.0										
<b>Equity value DCF</b>		<b>282</b>										
<b>Equity value DCF per share</b>		<b>1.8</b>										
<b>Equity value DCF per share (SEK)</b>		<b>20.9</b>										

## 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 %
<b>Cost of equity</b>	<b>10.9 %</b>
<b>Weighted average cost of capital (WACC)</b>	<b>10.2 %</b>

# Summary

Income statement	2020	2021	2022	2023e	2024e	Per share data	2020	2021	2022	2023e	2024e
Revenue	140.2	252.2	324.4	<b>303.9</b>	<b>321.3</b>	EPS (reported)	0.04	0.11	-0.13	<b>0.07</b>	<b>0.08</b>
EBITDA	26.5	65.0	84.8	<b>85.4</b>	<b>91.6</b>	EPS (adj.)	0.11	0.24	0.19	<b>0.18</b>	<b>0.15</b>
EBIT	11.0	36.8	26.6	<b>56.7</b>	<b>58.4</b>	OCF / share	0.29	1.06	0.52	<b>0.45</b>	<b>0.46</b>
PTP	3.9	14.9	-11.3	<b>12.8</b>	<b>17.3</b>	FCF / share	-0.29	-1.66	-0.50	<b>0.25</b>	<b>0.19</b>
Net Income	3.1	16.1	-20.3	<b>11.2</b>	<b>13.0</b>	Book value / share	2.07	2.17	2.03	<b>2.10</b>	<b>2.18</b>
Extraordinary items	-6.4	-18.1	-49.9	<b>-17.4</b>	<b>-11.0</b>	Dividend / share	0.00	0.00	0.00	<b>0.00</b>	<b>0.00</b>
Balance sheet	2020	2021	2022	2023e	2024e	Growth and profitability	2020	2021	2022	2023e	2024e
Balance sheet total	385.8	934.1	1044.7	<b>1038.5</b>	<b>1014.1</b>	Revenue growth-%	67 %	80 %	29 %	<b>-6 %</b>	<b>6 %</b>
Equity capital	176.8	307.5	321.7	<b>332.6</b>	<b>345.5</b>	EBITDA growth-%	71 %	145 %	30 %	<b>1 %</b>	<b>7 %</b>
Goodwill	164.0	412.0	587.7	<b>583.9</b>	<b>583.9</b>	EBIT (adj.) growth-%	67 %	214 %	40 %	<b>-3 %</b>	<b>-6 %</b>
Net debt	55.2	195.8	271.3	<b>269.5</b>	<b>270.8</b>	EPS (adj.) growth-%	31 %	117 %	-23 %	<b>-4 %</b>	<b>-16 %</b>
Cash flow	2020	2021	2022	2023e	2024e	EBITDA-%	18.9 %	25.8 %	26.1 %	<b>28.1 %</b>	<b>28.5 %</b>
EBITDA	26.5	65.0	84.8	<b>85.4</b>	<b>91.6</b>	EBIT (adj.)-%	12.5 %	21.8 %	23.6 %	<b>24.4 %</b>	<b>21.6 %</b>
Change in working capital	-0.3	82.0	8.6	<b>-5.2</b>	<b>-3.4</b>	EBIT-%	7.9 %	14.6 %	8.2 %	<b>18.7 %</b>	<b>18.2 %</b>
Operating cash flow	25.1	150.2	82.4	<b>71.7</b>	<b>73.6</b>	ROE-%	2.2 %	6.6 %	-6.4 %	<b>3.4 %</b>	<b>3.8 %</b>
CAPEX	-53.2	-389.4	-236.3	<b>-21.5</b>	<b>-34.0</b>	ROI-%	4.3 %	7.7 %	3.7 %	<b>7.6 %</b>	<b>7.9 %</b>
Free cash flow	-24.8	-234.8	-80.3	<b>40.5</b>	<b>29.6</b>	Equity ratio	45.8 %	32.9 %	30.8 %	<b>32.0 %</b>	<b>34.1 %</b>
Valuation multiples	2020	2021	2022	2023e	2024e	Gearing	31.2 %	63.7 %	84.3 %	<b>81.0 %</b>	<b>78.4 %</b>
EV/S	2.1	3.3	1.6	<b>1.6</b>	<b>1.5</b>						
EV/EBITDA (adj.)	10.3	11.8	5.6	<b>5.2</b>	<b>5.3</b>						
EV/EBIT (adj.)	17.2	15.3	6.9	<b>6.5</b>	<b>7.0</b>						
P/E (adj.)	18.9	17.9	8.6	<b>7.5</b>	<b>9.0</b>						
P/B	1.4	2.1	0.8	<b>0.6</b>	<b>0.6</b>						
Dividend-%	0.0 %	0.0 %	0.0 %	<b>0.0 %</b>	<b>0.0 %</b>						

Source: Inderes

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Date	Recommendation	Target price	Share price
12.12.2022	Buy	23 SEK	16.9 SEK
01.03.2023	Buy	26 SEK	18.0 SEK
01.06.2023	Buy	22 SEK	12.7 SEK
01.09.2023	Buy	21 SEK	15.2 SEK



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