

MGI – Media and Games Invest

Company report

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Tough market environment persisting

MGI's Q3 revenues declined as expected, while adjusted operating profit fell short of our expectations due to higher operating costs than estimated. MGI reiterated its guidance of lower revenues in 2023 due to a challenging market environment. During the quarter, MGI increased its market share further, and we believe MGI is well-positioned to continue to do so. We, therefore, see a clear upside in the low valuation as ad spending recovers. We recognize the possibility that the recovery might take longer than expected, which could impede the stock's performance until the outlook improves. However, we believe the stock is currently undervalued and presents an attractive risk-to-reward situation; therefore, we reiterate our Buy recommendation. We lower the target price to SEK 16 (was SEK 21) to reflect changes in estimates.

Q3 revenues declined in line with the company's guidance

MGI's Q3 revenues fell 11% to EUR 78.3 million, aligning with our estimate. Despite a 1% growth in the core business, total revenue declined due to FX headwinds and lower game revenues post-Q4'22 game divestments. In the quarter, MGI released EUR 63 million (non-cash) in earn-out liabilities related to AxesInMotion's acquisition, significantly boosting EBIT to EUR 55.4 million (Q2'23: 13.3). Adjusted for the earn-out liability, PPA amortization, and non-recurring costs (MEUR 22), adjusted EBIT was EUR 18.4 million, with the margin improving to 23.5% (Q3'22: 21.2%). Non-recurring costs of EUR 22 million were significantly higher than previous quarters (Q2'23: 1.3 MEUR) and mainly consisted of expenses tied to the cost-saving program. Reported EPS was EUR 0.25, and adjusted EPS was EUR 0.01 (Q3'22: 0.05).

Improved cash flow due to a positive change in working capital

Operating cash flow improved to EUR 28 million as expected, of which EUR 23 million was due to a positive working capital change. The positive cash flow decreased MGI's net debt to EUR 305 million (Q2'23: MEUR 308). Meanwhile, the company's Net debt/adjusted EBITDA ratio remained unchanged at 3.2x, which is above MGI's target of 2-3x. With MGI's solid operating margin and strong cash position (MEUR 110), we believe MGI will be able to manage the debt burden. If the robust operating margin endures, MGI should be able to accrue solid FCF in the future, especially once the earn-out payments are behind it (MEUR 15 payable in cash left).

MGI does not expect the ad market to recover in the short-term

The slowdown in ad spending persisted in Q3, and the company stated that they do not expect a turnaround in the short term due to a continuous negative macroeconomic environment. The number of ad impressions served by MGI continued to increase (8% y-o-y), but the price of ads (CPM) remained muted. We anticipate this trend to persist beyond 2023, leading us to lower our revenue and operating profit estimates going forward. We also decidedly lowered our estimates of adjusted EPS due to the higher interest costs seen in Q3'23.

Valuation multiples remain attractive

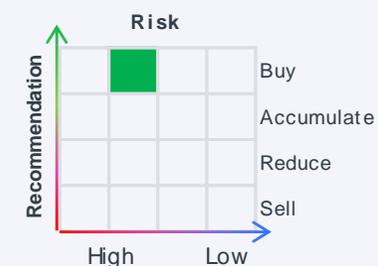
With our current estimates for 2023 and 2024, MGI's adjusted EV/EBIT multiples stand at 6x and 7x, respectively, while the adjusted P/E multiples are 6x and 8x for the same years. Despite the anticipated decline in this year's revenues, we remain optimistic about MGI's medium-term growth prospects. Notably, MGI has maintained robust operating margins even in a more challenging market environment. MGI is also spending significant resources to position itself as a leading mobile in-app player poised to capitalize on the anticipated recovery in advertising demand.

Recommendation

Buy
(Previous Buy)

16 SEK
(Previous 21 SEK)

Share price:
10.1 SEK



Key indicators

	2022	2023e	2024e	2025e
Revenue	324.4	303.0	312.0	340.1
growth-%	29 %	-7 %	3 %	9 %
EBIT adj.	76.6	74.4	63.0	66.0
EBIT-% adj.	23.6 %	24.5 %	20.2 %	19.4 %
Net Income	-20.3	44.3	5.8	11.1
EPS (adj.)	0.19	0.14	0.11	0.14

P/E (adj.)	8.4	6.3	8.3	6.3
P/B	0.8	0.4	0.4	0.4
Dividend yield-%	0.0 %	0.0 %	0.0 %	0.0 %
EV/EBIT (adj.)	6.9	5.9	7.1	6.7
EV/EBITDA	5.6	2.8	5.3	4.9
EV/S	1.6	1.5	1.4	1.3

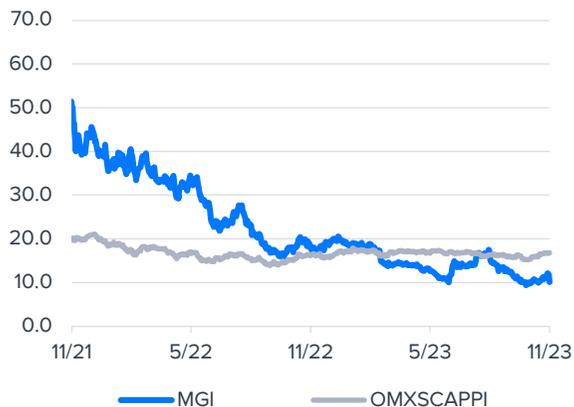
Source: Inderes

Guidance

(Unchanged)

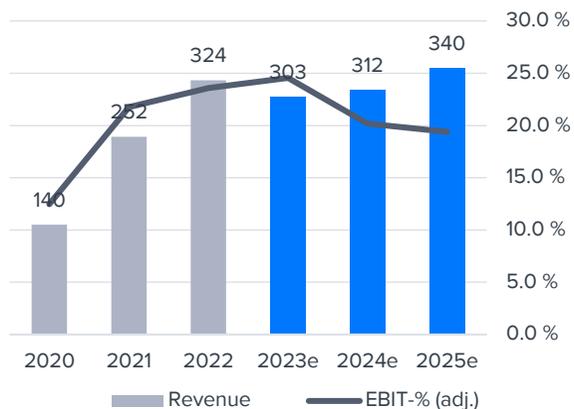
Revenue EUR 303 million and adjusted EBITDA EUR 93 million

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 110 million

Valuation	2023e	2024e	2025e
Share price (EUR)	0.89	0.89	0.89
Number of shares, millions	159.2	159.2	159.2
Market cap (MEUR)	142	142	142
EV (MEUR)	441	446	445
P/E (adj.)	6.3	8.3	6.3
P/E	3.2	24.3	12.7
P/B	0.4	0.4	0.4
P/S	0.5	0.5	0.4
EV/Sales	1.5	1.4	1.3
EV/EBITDA	2.8	5.3	4.9
EV/EBIT (adj.)	5.9	7.1	6.7
Payout ratio (%)	0.0 %	0.0 %	0.0 %
Dividend yield-%	0.0 %	0.0 %	0.0 %

Source: Inderes

Operating results impacted by one-time costs and income

Revenues in line with expectations

Q3 revenues decreased 11% year-on-year and were in line with our expectations. The underlying core business grew 1%, which was offset by FX headwinds and lower games revenues following the divestment of games in Q4'22. On segment level, the substantially larger SSP segment declined by 11%, while the smaller DSP segment declined by 8%. Volume continued to grow, with MGI serving 186 billion ad impressions in Q3'23, an 8% increase year-on-year. The Net dollar expansion rate declined on a year-on-year basis to 94% (Q3'22: 104%) but recovered somewhat compared to Q2'23. 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.

The number of large software clients stayed the

same at 559 (Q2'23: 559). The retention rate of these clients remained at a strong 96%, which is in line with the average rate over the last eight quarters.

Q3 operating results muddled by non-recurring costs and reversal of earn-out liability

During the quarter, MGI released EUR 63 million in earn-out liabilities related to AxesInMotion's acquisition. This was booked under "other operating income," and greatly enhanced the quarter's results. Reported EBIT increased to EUR 55 million and reported EPS came in at EUR 0.25. The income is, however, non-cash and did not impact the cash flow statement.

The adjusted operating figures presented by MGI deducted the EUR 63 million of released earn-outs and added back non-recurring costs of EUR 22 million and PPA amortization (not in EBITDA). Adjusted EBITDA and adjusted EBIT aligned with the comparison quarter, while the margins improved somewhat. The non-recurring costs of EUR 22 million

were significantly higher than in previous quarters (Q1'23: 1.6 MEUR, Q2'23: 1.3 MEUR). According to MGI, the non-recurring costs consisted primarily of expenses related to the cost-saving program, ESOP program, and post-M&A legal and advisory costs.

Net financial expenses increased significantly compared to Q3'22, driven by higher interest rates. The higher financial expenses depressed the net profits and consequently, adjusted EPS landed at EUR 0.01.

Cash flow improved due to positive working capital development

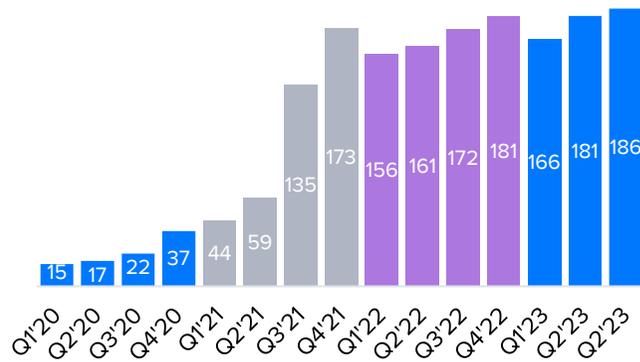
Operating cash flow came in at EUR 28 million, of which EUR 23 million was due to a positive working capital change. We expect operating cash flow to improve further in Q4'23 due to the fourth quarter being the strongest one due to seasonality. MGI ended the quarter with EUR 110 million cash and a net debt of EUR 305 million.

Estimates MEUR / EUR	Q3'22	Q3'23	Q3'23e	Q3'23e	Consensus		Difference (%)	2023e
	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. inderes	Inderes
Revenue	87.6	78.3	77.6				1 %	303
EBITDA (adj.)	23.0	23.1	25.3				-9 %	92.4
EBIT (adj.)	18.5	18.4	20.2				-9 %	74.4
EBIT	13.3	55.4	15.4				259 %	96.0
PTP	4.4	42.6	5.4				696 %	47.3
EPS (adj.)	0.05	0.01	0.06				-74 %	0.14
EPS (reported)	0.02	0.25	0.03				891 %	0.28
Revenue growth-%	39.3 %	-10.6 %	-11.5 %				0.8 pp	-6.6 %
EBIT-% (adj.)	21.1 %	23.6 %	26.1 %				-2.5 pp	24.5 %

Source: Inderes

KPIs

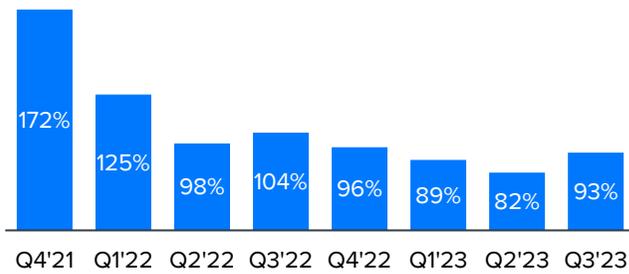
Ad Impressions (in bn)



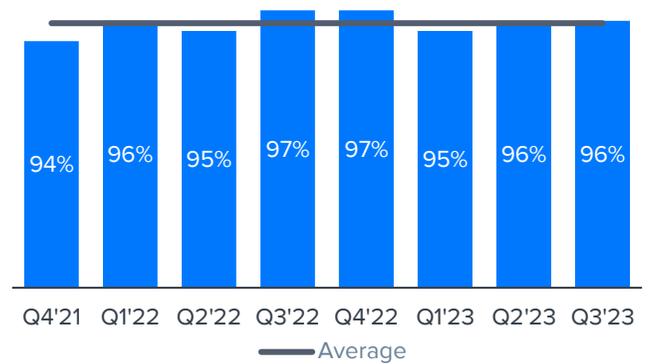
Large software clients



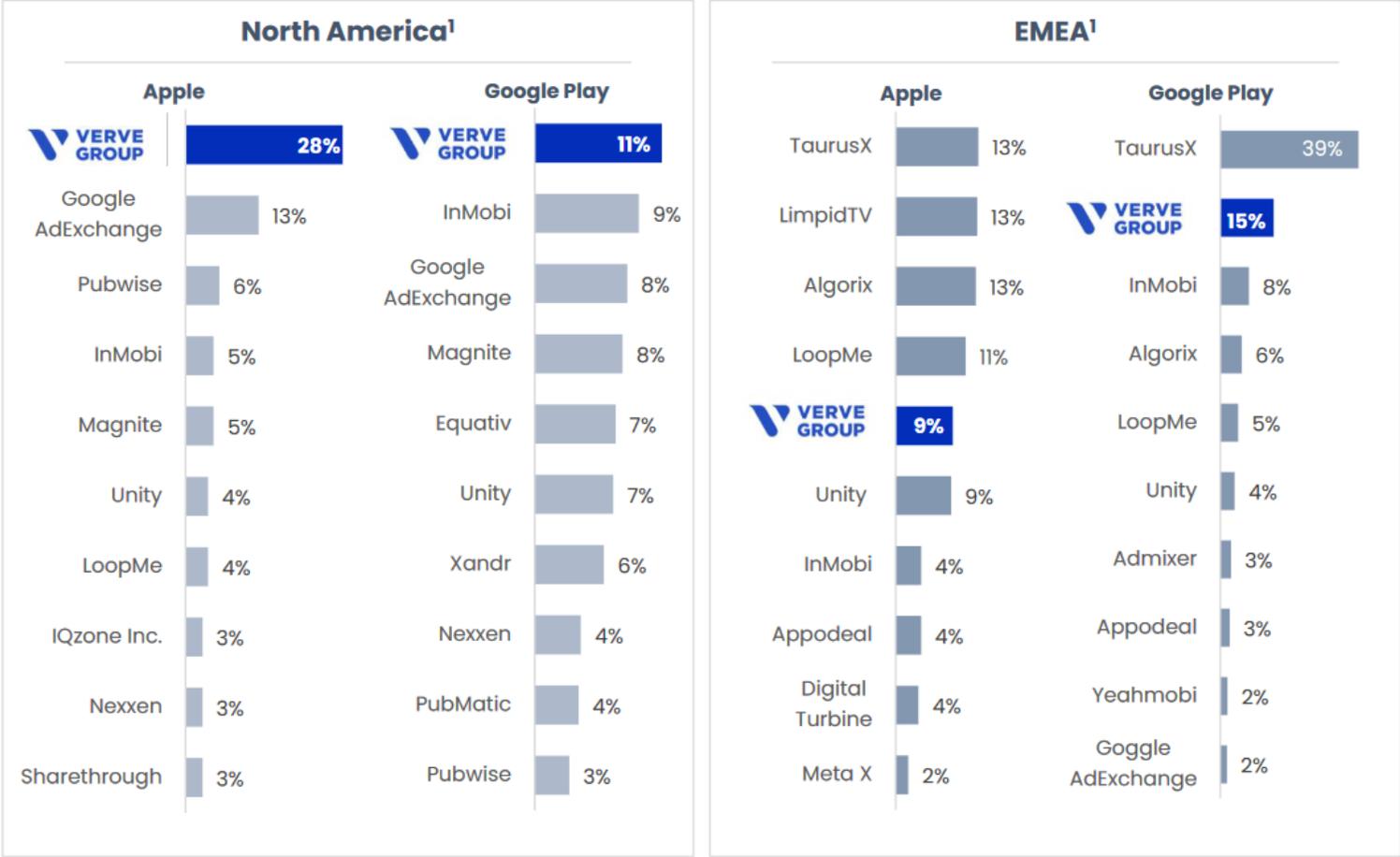
Net \$ Expansion rate of software clients



Retention rate of software clients



Pixalate's Mobile in-app SSP Market Share Q3'23 Report



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

We lowered estimates and took a more cautious short-term outlook

Estimate changes 2023e-2026e

- We adjusted our 2023 figures to reflect the release of EUR 62 million in earn-outs. We also slightly increased the Q4'23 net financial expenses to align with Q3'23. Overall, our full-year estimates for 2023 align with the company's guidance for revenues of EUR 303 million and adjusted EBITDA of EUR 93 million.
- Due to the continued slowdown of ad spending, we slightly decreased our estimated revenue for 2024 and 2025. We expect the difficult macro environment to continue to weigh on ad demand in 2024. However, we expect some growth during the year due to the return of major cyclical events (US presidential elections, Paris Olympics, Euro Football championship).
- We also increased our estimates of operating costs and net financial expenses for 2024, 2025, and 2026. Operating costs were increased to better align with Q3'23 results and to account for the weaker market ahead. Net financial expenses in Q3'23 came in higher than expected, and consequently, we increased them for Q4'23 and beyond.

Estimate revisions	2023e	2023e	Change	2024e	2024e	Change	2025e	2025e	Change
MEUR / EUR	Old	New	%	Old	New	%	Old	New	%
Revenue	304	303	0 %	321	312	-3 %	351	340	-3 %
EBITDA	85.4	125	46 %	91.6	84.2	-8 %	98.2	90.1	-8 %
EBIT (exc. NRIs)	74.1	74.4	0 %	69.4	63.0	-9 %	72.9	66.0	-10 %
EBIT	56.7	96.0	69 %	58.4	51.7	-11 %	61.4	54.5	-11 %
PTP	12.8	47.3	268 %	17.3	7.8	-55 %	22.9	14.8	-35 %
EPS (excl. NRIs)	0.18	0.14	-21 %	0.15	0.11	-29 %	0.18	0.14	-21 %

Source: Inderes

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 17 SEK a share, about 69% 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 be negative to flat in H1 and then pick up somewhat during H2. For 2025-2026, we expect growth in line with the overall forecasts of digital ad spending growth. 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 24% and 15%. Our adjusted EBIT margin starts in line with the figures of Q1-Q3 2023 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 (1 SEP 2023), the share price has decreased 21%. Due to this decline, MGI still trades at low multiples even though we have lowered our near-term estimates. MGI's adjusted EV/EBIT multiples based on our estimates for 2023 and 2024 are 6x and 7x, respectively. Meanwhile, the adjusted P/E multiples are 6x and 8x for the same years. Given the growth potential MGI has, the multiples are on the lower side.

With MGI booking a relatively large amortization of PPA (11 MEUR in 2023e), the adjusted multiples are generally lower than the unadjusted ones. In 2023, however, with MGI booking the reversal of the earn-out liability (63 MEUR), the opposite is true. However, these unadjusted multiples for 2023 misrepresent the

situation and are best disregarded.

The unadjusted P/E multiple for 2024 and 2025 are significantly higher than the adjusted ones due to the significant PPA amortizations relative to MGI's EBIT in the coming years.

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 2023 and 2024 are high at 28x and 16x, respectively. Free cash flow in 2023 has been underwhelming, being burdened by earn-out payments and a negative change in working capital.

Compared to its peer group, MGI's multiples are considerably lower. The peer group's median EV/EBIT multiple for 2023 and 2024 is 27x and 34x, respectively. Meanwhile, the median P/E ratios are 45x and 25x. We note that the peer group's median multiples seem unreasonable to a degree as the variation between companies is large.

Valuation still attractive

We lowered our target price to SEK 16 (was 21 SEK). At this target price MGI's adjusted P/E multiples for 2023 and 2024 are 10x and 13x, respectively. The adjusted EV/EBIT multiples for the same years are 7x and 8x. We feel these multiples are fair for a company with the potential for high growth and robust operating margins.

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.

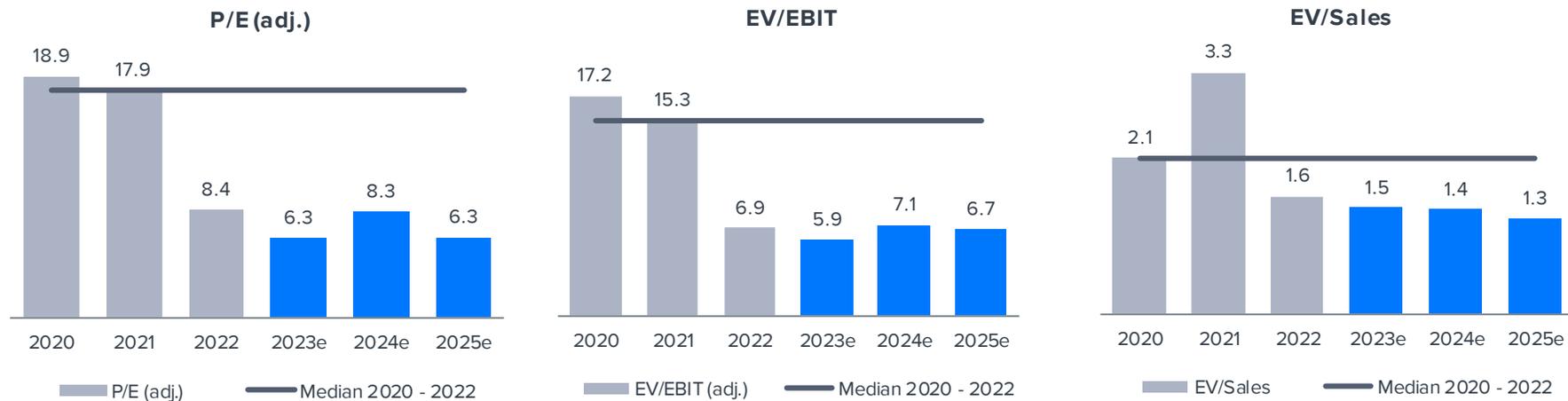
Valuation	2023e	2024e	2025e
Share price (EUR)	0.89	0.89	0.89
Number of shares, millions	159.2	159.2	159.2
Market cap (MEUR)	142	142	142
EV (MEUR)	441	446	445
P/E (adj.)	6.3	8.3	6.3
P/E	3.2	24.3	12.7
P/B	0.4	0.4	0.4
P/S	0.5	0.5	0.4
EV/Sales	1.5	1.4	1.3
EV/EBITDA	2.8	5.3	4.9
EV/EBIT (adj.)	5.9	7.1	6.7
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	0.89	0.89	0.89	0.89
Number of shares, millions	85.5	141.7	156.2	159.2	159.2	159.2	159.2
Market cap (MEUR)	246	644	255	142	142	142	142
EV (MEUR)	301	840	525	441	446	445	432
P/E (adj.)	18.9	17.9	8.4	6.3	8.3	6.3	5.3
P/E	58.7	37.9	neg.	3.2	24.3	12.7	9.1
P/B	1.4	2.1	0.8	0.4	0.4	0.4	0.4
P/S	1.8	2.6	0.8	0.5	0.5	0.4	0.4
EV/Sales	2.1	3.3	1.6	1.5	1.4	1.3	1.2
EV/EBITDA	10.3	11.8	5.6	2.8	5.3	4.9	4.5
EV/EBIT (adj.)	17.2	15.3	6.9	5.9	7.1	6.7	6.3
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	11,942	14,511	26.9	18.2	10.9	8.8	4.9	4.2	44.6	24.2	9.7
Magnite Inc	1,041	1,310		206.5	8.6	7.8	2.6	2.4	15.8	11.8	1.8
Trade Desk Inc	31,437	30,055	187.7	93.9	43.4	36.2	17.2	14.3	55.5	49.8	15.0
PubMatic Inc	790	634		61.5	9.6	8.3	2.7	2.4	775.0	102.7	2.9
DoubleVerify Holdings Inc	5,093	4,862	67.5	50.5	29.5	24.5	9.3	7.6	94.8	72.7	5.3
Criteo SA	1,275	1,041	4.9	5.5	4.1	3.9	1.1	1.1	9.3	9.3	1.3
Tremor International Ltd	249	189	7.0	4.2	2.5	2.1	0.6	0.6	8.7	4.7	
Liveramp Holdings Inc	1,971	1,494	26.5	16.8	24.3	16.1	2.7	2.6	44.6	25.3	2.3
MGI (Inderes)	142	441	5.9	7.1	2.8	5.3	1.5	1.4	6.3	8.3	0.4
Average			53.4	57.1	16.6	13.5	5.2	4.4	131.0	37.6	5.5
Median			26.7	34.3	10.2	8.5	2.7	2.5	44.6	24.8	2.9
Diff-% to median			-78 %	-79 %	-72 %	-38 %	-46 %	-43 %	-86 %	-66 %	-87 %

Source: Refinitiv / Inderes

Income statement

Income statement	2021	Q1'22	Q2'22	Q3'22	Q4'22	2022	Q1'23	Q2'23	Q3'23	Q4'23e	2023e	2024e	2025e	2026e
Revenue	252	65.9	78.1	87.6	92.9	324	68.8	76.2	78.3	79.8	303	312	340	370
EBITDA (excl. NRI)	71.1	17.6	21.1	23.0	31.5	93.2	19.1	21.3	23.1	28.9	92.4	84.2	90.1	95.7
EBITDA	65.0	16.9	20.0	21.4	26.5	84.8	17.4	20.0	63.7	23.9	125	84.2	90.1	95.73
Depreciation	-28.2	-7.1	-8.1	-8.1	-34.9	-58.1	-6.4	-7.2	-8.3	-7.2	-29.1	-32.5	-35.6	-38.5
EBIT (excl. NRI)	54.9	13.6	16.4	18.5	28.1	76.6	15.2	16.6	18.4	24.2	74.4	63.0	66.0	68.5
EBIT	36.8	9.8	12.0	13.3	-8.4	26.6	11.0	12.8	55.4	16.7	96.0	51.7	54.5	57.2
Net financial items	-21.9	-6.6	-7.7	-8.8	-14.8	-38.0	-10.5	-12.7	-12.8	-12.8	-48.7	-44.0	-39.6	-36.5
PTP	14.9	3.1	4.2	4.4	-23.2	-11.3	0.6	0.1	42.6	4.0	47.3	7.8	14.8	20.7
Taxes	1.2	-0.6	-1.2	-1.3	-5.9	-9.1	0.0	1.4	-3.4	-1.0	-3.0	-1.9	-3.7	-5.2
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	39.2	3.0	44.3	5.8	11.1	15.5
EPS (adj.)	0.24	0.04	0.05	0.05	0.05	0.19	0.03	0.03	0.01	0.07	0.14	0.11	0.14	0.17
EPS (rep.)	0.11	0.02	0.02	0.02	-0.19	-0.13	0.00	0.01	0.25	0.02	0.28	0.04	0.07	0.10
Key figures	2021	Q1'22	Q2'22	Q3'22	Q4'22	2022	Q1'23	Q2'23	Q3'23	Q4'23e	2023e	2024e	2025e	2026e
Revenue growth-%	79.8 %	26.8 %	36.7 %	39.3 %	15.8 %	28.7 %	4.4 %	-2.4 %	-10.6 %	-14.1 %	-6.6 %	3.0 %	9.0 %	8.7 %
Adjusted EBIT growth-%	214.1 %	45.3 %	46.9 %	23.9 %	44.6 %	39.5 %	11.4 %	1.0 %	-0.3 %	-13.7 %	-2.8 %	-15.4 %	4.8 %	3.9 %
EBITDA-%	25.8 %	25.6 %	25.7 %	24.4 %	28.5 %	26.1 %	25.3 %	26.2 %	81.4 %	30.0 %	41.3 %	27.0 %	26.5 %	25.9 %
Adjusted EBIT-%	21.8 %	20.7 %	21.0 %	21.1 %	30.2 %	23.6 %	22.0 %	21.8 %	23.5 %	30.4 %	24.5 %	20.2 %	19.4 %	18.5 %
Net earnings-%	6.4 %	3.9 %	3.9 %	3.6 %	-31.3 %	-6.3 %	0.8 %	2.0 %	50.1 %	3.7 %	14.6 %	1.9 %	3.3 %	4.2 %

Source: Inderes

Balance sheet

Assets	2021	2022	2023e	2024e	2025e
Non-current assets	650	824	819	818	817
Goodwill	412	588	589	589	589
Intangible assets	194	204	215	214	213
Tangible assets	4.7	5.5	5.1	5.2	5.3
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	8.9	8.9	8.9
Current assets	284	221	189	158	155
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	66.7	72.7	81.1
Cash and equivalents	180	150	116	79.2	68
Balance sheet total	934	1045	1008	976	972

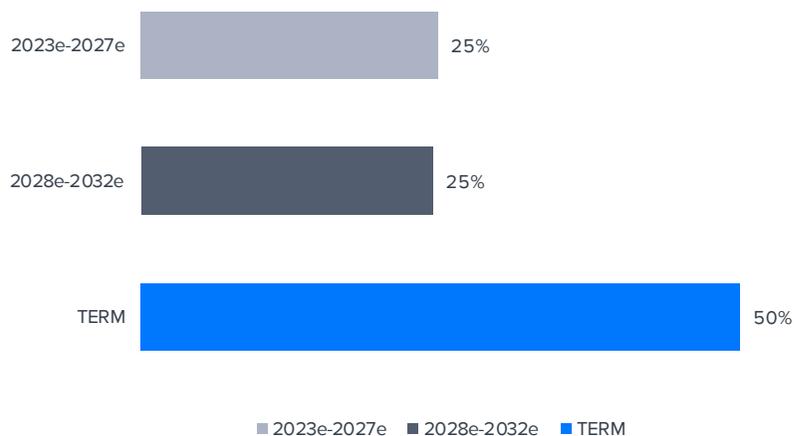
Source: Inderes

Liabilities & equity	2021	2022	2023e	2024e	2025e
Equity	307	322	367	373	384
Share capital	150	159	159	159	159
Retained earnings	21.7	1.4	45.7	51.5	62.6
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	0.2	0.2	0.2
Non-current liabilities	383	503	423	384	366
Deferred tax liabilities	23.2	24.4	27.9	27.9	27.9
Provisions	0.0	0.0	0.0	0.0	0.0
Interest bearing debt	344	389	382	350	338
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	16.0	89.6	12.9	6.5	0.0
Current liabilities	243	219	217	218	222
Interest bearing debt	32.0	31.9	33.6	33.6	33.6
Payables	77.1	90.1	86.4	87.4	90.5
Other current liabilities	134	97.5	97.5	97.5	97.5
Balance sheet total	934	1045	1008	976	972

DCF calculation

DCF model	2022	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	TERM
Revenue growth-%	28.7 %	-6.6 %	3.0 %	9.0 %	8.7 %	8.0 %	7.0 %	6.0 %	5.0 %	5.0 %	2.0 %	2.0 %
EBIT-%	8.2 %	31.7 %	16.6 %	16.0 %	15.5 %	15.5 %	15.5 %	14.0 %	13.0 %	13.0 %	13.0 %	13.0 %
EBIT (operating profit)	26.6	96.0	51.7	54.5	57.2	61.8	66.2	63.4	61.8	64.9	66.2	
+ Depreciation	58.1	29.1	32.5	35.6	38.5	42.3	45.0	48.8	49.7	50.4	51.7	
- Paid taxes	-2.9	-1.8	-1.9	-3.7	-5.2	-8.1	-9.7	-9.5	-9.6	-10.8	-11.6	
- Tax, financial expenses	-8.0	-3.1	-11.0	-9.9	-9.1	-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	-5.3	-5.0	-5.3	-5.1	-5.0	-5.2	-5.1	-5.1	-5.3	-5.5	
Operating cash flow	82.4	115	66.3	71.2	76.3	83.6	89.5	91.3	91.0	93.7	95.8	
+ Change in other long-term liabilities	73.6	-76.7	-6.5	-6.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-236.3	-22.3	-31.6	-34.1	-35.8	-37.6	-39.5	-41.5	-43.2	-44.6	-45.6	
Free operating cash flow	-80.3	15.9	28.2	30.6	40.5	46.0	50.0	49.8	47.8	49.1	50.2	
+/- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	-80.3	15.9	28.2	30.6	40.5	46.0	50.0	49.8	47.8	49.1	50.2	622
Discounted FCFF		15.8	25.4	25.0	30.0	30.9	30.5	27.5	24.0	22.3	20.7	257
Sum of FCFF present value		509	493	468	443	413	382	351	324	300	277	257
Enterprise value DCF		509										
- Interest bearing debt		-421.3										
+ Cash and cash equivalents		150										
-Minorities		-0.1										
-Dividend/capital return		0.0										
Equity value DCF		237										
Equity value DCF per share		1.5										
Equity value DCF per share (SEK)		17.0										

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 %

Summary

Income statement	2020	2021	2022	2023e	2024e	Per share data	2020	2021	2022	2023e	2024e
Revenue	140.2	252.2	324.4	303.0	312.0	EPS (reported)	0.04	0.11	-0.13	0.28	0.04
EBITDA	26.5	65.0	84.8	125.1	84.2	EPS (adj.)	0.11	0.24	0.19	0.14	0.11
EBIT	11.0	36.8	26.6	96.0	51.7	OCF / share	0.29	1.06	0.53	0.72	0.42
PTP	3.9	14.9	-11.3	47.3	7.8	FCF / share	-0.29	-1.66	-0.51	0.10	0.18
Net Income	3.1	16.1	-20.3	44.3	5.8	Book value / share	2.07	2.17	2.07	2.31	2.34
Extraordinary items	-6.4	-18.1	-49.9	21.6	-11.2	Dividend / share	0.00	0.00	0.00	0.00	0.00
Balance sheet	2020	2021	2022	2023e	2024e	Growth and profitability	2020	2021	2022	2023e	2024e
Balance sheet total	385.8	934.1	1044.7	1007.7	976.0	Revenue growth-%	67 %	80 %	29 %	-7 %	3 %
Equity capital	176.8	307.5	321.7	367.4	373.3	EBITDA growth-%	71 %	145 %	30 %	48 %	-33 %
Goodwill	164.0	412.0	587.7	588.9	588.9	EBIT (adj.) growth-%	67 %	214 %	40 %	-3 %	-15 %
Net debt	55.2	195.8	271.3	299.6	304.4	EPS (adj.) growth-%	31 %	117 %	-21 %	-25 %	-25 %
Cash flow	2020	2021	2022	2023e	2024e	EBITDA-%	18.9 %	25.8 %	26.1 %	41.3 %	27.0 %
EBITDA	26.5	65.0	84.8	125.1	84.2	EBIT (adj.)-%	12.5 %	21.8 %	23.6 %	24.5 %	20.2 %
Change in working capital	-0.3	82.0	8.6	-5.3	-5.0	EBIT-%	7.9 %	14.6 %	8.2 %	31.7 %	16.6 %
Operating cash flow	25.1	150.2	82.4	114.9	66.3	ROE-%	2.2 %	6.6 %	-6.4 %	12.8 %	1.6 %
CAPEX	-53.2	-389.4	-236.3	-22.3	-31.6	ROI-%	4.3 %	7.7 %	3.7 %	12.6 %	6.7 %
Free cash flow	-24.8	-234.8	-80.3	15.9	28.2	Equity ratio	45.8 %	32.9 %	30.8 %	36.5 %	38.2 %
						Gearing	31.2 %	63.7 %	84.3 %	81.5 %	81.5 %
Valuation multiples	2020	2021	2022	2023e	2024e						
EV/S	2.1	3.3	1.6	1.5	1.4						
EV/EBITDA (adj.)	10.3	11.8	5.6	2.8	5.3						
EV/EBIT (adj.)	17.2	15.3	6.9	5.9	7.1						
P/E (adj.)	18.9	17.9	8.4	6.3	8.3						
P/B	1.4	2.1	0.8	0.4	0.4						
Dividend-%	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %						

Source: Inderes

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Recommendation history (>12 mo)

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
01.12.2023	Buy	16 SEK	10.1 SEK



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