

MGI

Company report

1.6.2023 8:30



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Lower growth, but improved profitability

MGI's Q1 revenues came in lower than our estimates, but operating profit surprised to the upside. Operating cash flow meanwhile was weak but should improve as the year continues. We believe that MGI can reduce their debt load even in a tougher ad market and we see clear upside from low valuation as ad spending picks back up. We therefore reiterate our Buy recommendation but lower the target price to SEK 22 (prev. SEK 26) to reflect changes in estimates and an increase in WACC.

Q1 revenues lower than expected due to a slowdown in ad spending

MGI's Q1 revenues increased by 4.4% to EUR 68.8 million, which was 4% lower than our estimates. The lower revenue growth was partially due to a market wide slowdown in ad spending and due to a decline in MGI's games revenues following the divestment of smaller and non-strategic games in Q4'22. MGI's EBIT (adj.) came in at EUR 15.2 million (22% margin) and was significantly higher than our estimate. The improvement in operating profit was driven by lower operating expenses and lower amortization. Due to higher financial expenses (MEUR 11), EPS adjusted for non-recurring costs and PPA amortization decreased to EUR 0.03 (Q1'22: 0.04). Operating cash flow came in at negative EUR 8.7 million due to a negative change in working capital of EUR 26 million, this was largely driven by seasonal effects and one-time payments of accrued expenses.

Bond issue and higher interest rates

During the quarter MGI issued a EUR 225 million bond (and repurchased old ones) with higher interest rates that combined with higher EURIBOR rates increased MGI's financial expenses markedly. The company has hedged a large part of their interest rate and is therefore less susceptible to further increases in EURIBOR going forward. At the end of Q1'23 MGI had net debt of EUR 288 million. MGI's ND/EBITDA (adj.) ratio increased to 3.0x (Q4'22 2.9x), which is at the top end of MGI's target of 2-3x. With MGI's solid profitability we believe they will be able to continue to repurchase bonds to lessen the interest burden. In addition, MGI's strong cash position of EUR 130 million gives added protection.

Expectations of lower growth materialized in Q1

The concerns about slower revenue growth in 2023 clearly materialized in Q1 and is expected to continue throughout the year. In conjunction with the Q1 earnings release MGI provided full year guidance. The company expects revenues to grow to EUR 335 – 345 million (3-7%) and their adjusted EBITDA to growth to EUR 95-105 million (3-13% growth). In light of the guidance, we lowered our revenue estimates and increased our near-term estimates regarding operating profitability. We also increased our estimates of net financial expenses, which decreased the adjusted EPS for 2024 and 2025 by 16% and 28%, respectively.

Valuation attractive on multiple measures

With our current estimates for 2023 and 2024 MGI's P/E (adj.) multiples are 6.0x and 6.3x. While the EV/EBIT (adj.) multiples for the same time period are 5.5x and 5.7x. Using the unadjusted EBIT figure, we get an EV/EBIT multiple of 6.8x and 6.5x for 2023 and 2024. Even though this year will be a year of lower growth we still believe that MGI's growth prospects over the medium term are good. Based on the Q1-results MGI can maintain a strong operative profitability in a lower growth environment and will therefore be able to start accruing FCF, especially once the earn out payments are behind it.

Recommendation

Buy

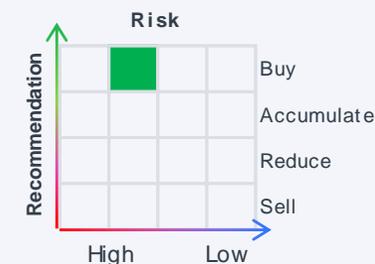
(Previous Buy)

22 SEK

(Previous 26 SEK)

Share price:

12.70 SEK



Key indicators

	2022	2023e	2024e	2025e
Revenue	324.4	339.9	370.4	406.2
growth-%	29 %	5 %	9 %	10 %
EBIT adj.	76.6	77.1	75.4	76.9
EBIT-% adj.	23.6 %	22.7 %	20.4 %	18.9 %
Net Income	-20.3	15.2	18.2	21.0
EPS (adj.)	0.19	0.19	0.18	0.20
P/E (adj.)	8.6	6.0	6.3	5.7
P/B	0.8	0.5	0.5	0.5
Dividend yield-%	0.0 %	0.0 %	0.0 %	0.0 %
EV/EBIT (adj.)	6.9	5.5	5.7	5.5
EV/EBITDA	5.6	4.4	4.3	4.1
EV/S	1.6	1.3	1.2	1.0

Source: Inderes

Guidance

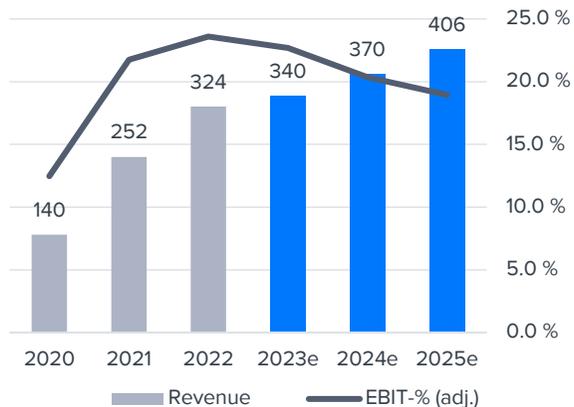
Revenue EUR 335 – 345 million (3-7%) and adjusted EBITDA EUR 95-105 million (3-13% growth).

Share price



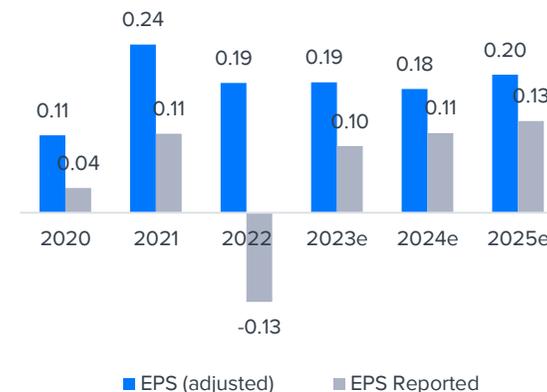
Source: Millstream Market Data AB

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
- 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 130 million

Valuation	2023e	2024e	2025e
Share price	1.12	1.12	1.12
Number of shares, millions	159.2	159.2	159.2
Market cap	179	179	179
EV	427	427	423
P/E (adj.)	6.0	6.3	5.7
P/E	11.8	9.8	8.5
P/FCF	3.3	5.7	5.4
P/B	0.5	0.5	0.5
P/S	0.5	0.5	0.4
EV/Sales	1.3	1.2	1.0
EV/EBITDA	4.4	4.3	4.1
EV/EBIT (adj.)	5.5	5.7	5.5
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 profitability

Revenues below our expectations

Q1 revenues increased 4.4 % compared to the comparison period and were 4% below our expectations. Revenue growth was driven by 8% growth from the programmatic ad platform which were, however, partly offset by a 6% decline in 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 grew 2% while the smaller DSP segment grew an impressive 35%.

MGI served 166 billion ad impressions in Q1'23, which was a 6% increase year over year. Quarter to quarter the ad impressions declined 8%. This was, however, expected as seasonally Q1 is the weakest quarter for ad tech companies.

The number of large software clients continued to grow albeit at a slower pace and increased to 557 (Q4'23: 551). The retention rate of these clients came in at 95%, which is slightly lower than the 97% level in

Q4 & Q3 last year.

The Net dollar expansion rate came in at 89%, the lowest level since MGI started reporting it. The Net dollar expansion rate states how much existing customers spent on the platform compared to the comparable quarter. A figure below 100% means that the customers spent less than in the previous period. The lower level demonstrates the softness in ad spending as customers allocated less money towards advertising.

Q1 operating profit strong, net profit burdened by higher financial expenses

Adjusted EBITDA increased by 9% compared to the comparison quarter and was about 13% above our estimates. The increase in adjusted EBITDA was driven largely by costs savings from consolidation of MGI's tech stack and lower costs derived from the games closed in Q4'22. Adjusted EBIT increased even more due lower than expected amortization and grew by 12%.

Further down on the income statement, financial expenses increased significantly compared to Q1'22. This was driven by higher interest rates. The higher financial expenses depressed the net profits and consequently EPS came in at 0.00. If we add back non-recurring costs and amortization of PPA we get an adjusted EPS of 0.03.

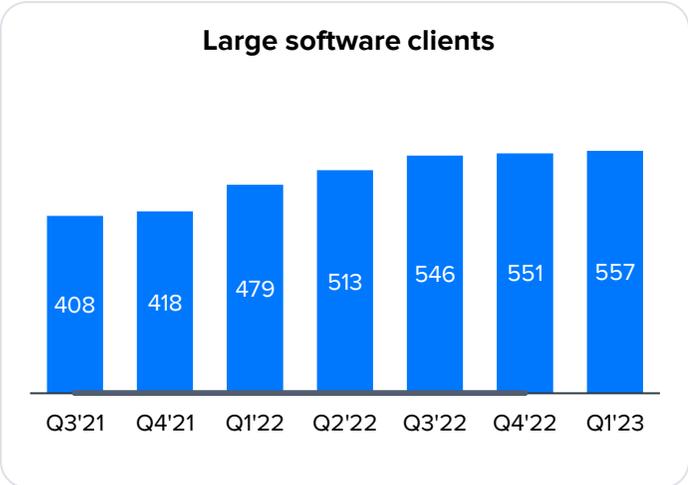
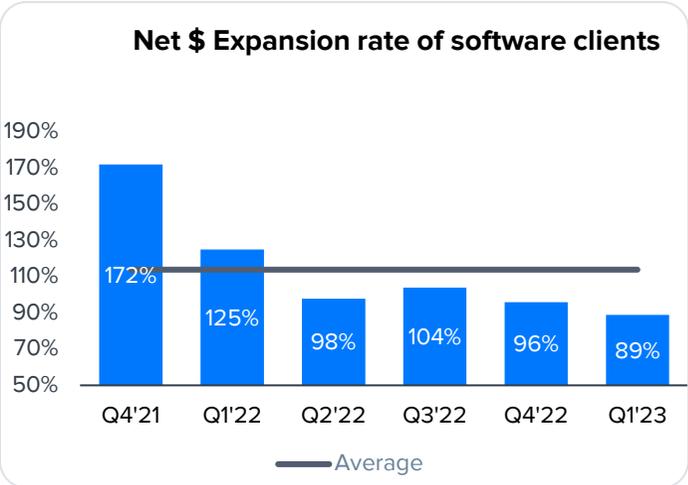
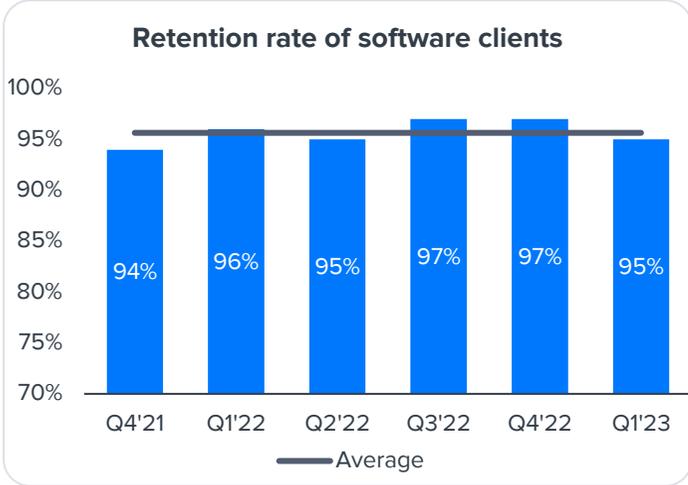
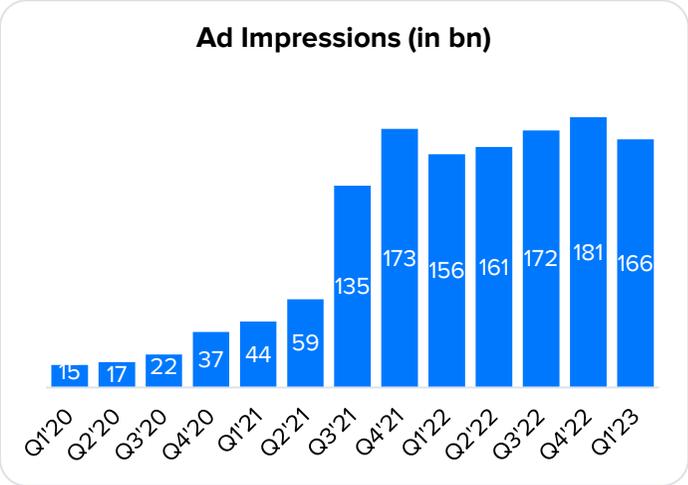
Cash Flow was weak, but should improve

Operating cash flow came in at negative EUR 8.7 million due to a change in working capital of EUR -26 million. This was primarily driven by a reduced use of the securitization program compared to the previous quarter as well as seasonal working capital swings where MGI paid publishers following a seasonal strong fourth quarter. Additionally, it was affected by one-time payments of accrued restructuring expenses following the streamlining of the games division in Q4 2022. MGI does not expect changes in working capital to significantly burden operating cash flow going forward.

Estimates	Q1'22	Q1'23	Q1'23e	Q1'23e	Consensus		Difference (%)	2023e
MEUR / EUR	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. inderes	Inderes
Revenue	65.9	68.8	71.8				-4 %	354
EBITDA (adj.)	17.6	19.1	16.9				13 %	89.3
EBIT (adj.)	13.6	15.2	11.8				29 %	68.9
EBIT	9.8	11.0	8.3				34 %	54.9
PTP	3.1	0.6	1.1				-46 %	18.8
EPS (adj.)	0.04	0.03	0.03				8 %	0.18
EPS (reported)	0.02	0.00	0.01				-30 %	0.09
Revenue growth-%	26.8 %	4.4 %	9.0 %				-4.6 pp	9.1 %
EBIT-% (adj.)	20.7 %	22.0 %	16.4 %				5.7 pp	19.5 %

Source: Inderes

KPIs



Lower revenue estimates and higher profitability

2023 the year of lower ad spending

In conjunction with the Q1 earnings release MGI provided guidance for the full year. MGI expects that revenues will grow to EUR 335 – 345 million (3-7%) and adjusted EBITDA will grow to EUR 95 – 105 million (2%-13%).

This quarter demonstrated that the dreaded softening of ad spending has now materialized. In light of the uncertain macro economic environment advertisers have pulled back their ad- and user acquisition-budgets. In other words, the demand of ads have fallen and consequently so does the price of ads CPMs (Cost Per Thousand ad impressions delivered). Therefore, even as MGI was able to increase the volume (ad impressions served) the lower prices held back revenue growth.

Industry forecasts for ad spending in 2023 include eMarketer's projection of 9.5% growth (worldwide

digital ad spending) and MAGNA who anticipates US all-media ad revenues to increase by 3.4% and digital advertising to grow by 9%. The projections for 2023 started to be revised downwards during H2'22 and might continue to be revised down if the current situation does not improve.

Lower revenue estimates going forward

Based on the Q1 results and the guidance provided we have lowered our revenue estimates over the next years. For 2023 our estimate is roughly the mid point of MGI's guidance. In 2024, we expect ad spending to pick back up and remain strong in 2025 and 2026. eMarketer's annual growth rate projections for 2024, 2025, and 2026 averages 10%

Operating profit estimates increased

With the efficiency improvements leading to lower costs in Q1'23 we have raised our estimates of operating profit. Our estimate for adjusted EBITDA

comes in at the low end of the guidance range. We also lowered our estimate of amortization of PPA based on the Q1 results. We also included EUR 1 million in non-recurring costs to each of the remaining quarters. The lower amortization of PPA increased our EBIT estimate by 14 % for 2023. In general, the increase in profitability estimates raised our forecast of EBIT in 2023 and 2024, but by 2025 the decrease in revenue starts to negate the increase in profitability.

Increase in financial expenses offset by higher profitability

Due to the higher interest rates, we increased our estimates of financial expenses. However, these were offset by the lower operating costs, lower amortization of PPA, and non-recurring costs in 2023. Consequently, our 2023 estimate for adjusted EPS increased by 6%, while for 2024 and 2025 it decreased by 16% and 28%, respectively.

Estimate revisions MEUR / EUR	2023e	2023e	Change %	2024e	2024e	Change %	2025e	2025e	Change %
	Old	New		Old	New		Old	New	
Revenue	354	340	-4 %	399	370	-7 %	451	406	-10 %
EBITDA	89.3	91.7	3 %	99.0	98.2	-1 %	110	104	-6 %
EBIT (exc. NRIs)	68.9	77.1	12 %	74.4	75.4	1 %	81.8	76.9	-6 %
EBIT	54.9	62.5	14 %	60.6	65.4	8 %	68.0	66.4	-2 %
PTP	18.8	20.1	7 %	26.7	24.3	-9 %	39.9	28.0	-30 %
EPS (excl. NRIs)	0.18	0.19	6 %	0.21	0.18	-16 %	0.27	0.20	-28 %
DPS	0.00	0.00		0.00	0.00		0.00	0.00	

Source: Inderes

Valuation still attractive

Valuation based on DCF favored

As MGI's income statement contains a number of non-cash items and non-recurring costs 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 22 SEK a share, which is about 70% above yesterday's closing price. Our model assumes that MGI's revenues will grow inline with the guidance in 2023. During 2024-2026 we expect higher revenue growth inline 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 – 15%. Our adjusted EBIT margin starts out inline with the strong figures of Q1'23 and 2022 and slowly tapers off towards 15% as we near the term period. Since our last company report we increased the WACC to 10.2% (9.2% prev.) to account for rising interest rates.

MGI continues to trade at low multiples

Since our last report on MGI (1.3.202) the share price has dropped 32%. In light of this decline the valuation multiples still appear attractive even though we decreased our near-terms earnings estimates. As MGI books a relatively large amortization of PPA (MEUR 10 in 2023e) and non-recurring costs (MEUR 5m in 2023e) there is a relatively large discrepancy between adjusted and unadjusted figures. The higher adjusted figures naturally converts into lower multiples. However, at the current market valuation even the unadjusted figures are more than reasonable. MGI's EV/EBIT ratio based on our estimates for 2023 and 2024 are 7x and 7x. While the P/E multiples are 12x and 10x. In light of the growth potential MGI has, the EV/EBIT multiples are on the low side. The P/E multiples are higher due to the relatively large financial

expenses.

As PPA amortization stems from M&A activity and not from the underlying operations it is of interest to adjust the figures for it to gauge what the underlying operations are capable of. And as non-recurring costs are (or should) be non-recurring it is also of interest to add these back. MGI's EV/EBIT (adj.) multiples for 2023 and 2024 are 6x and 6x, while the P/E (adj.) are 6x and 6x. 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 are 8x and 14x, respectively. The increase in 2024 is due to EUR 10 million earn out payment (10x 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 25x and 20x. While the P/E ratios are 45x and 30x.

Reiterating buy recommendation and lowering target price to SEK 22

We decided to lower our target price to SEK 22 (prev.) 26 SEK, which corresponds to our DCF-model's fair value estimate. At this share price MGI's adjusted P/E multiple for the years 2023 and 2024 are 10x and 11x. The adjusted EV/EBIT multiple for the same years are 7x and 7x. While the unadjusted EV/EBIT multiples are 9x and 8x. We feel these multiples are fair for a company with potential for high growth and margin expansion. 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 potential for upside. In the short-term, however, the persisting uncertainty regarding ad spend might continue to pressure the valuations of entire ad tech sector and MGI.

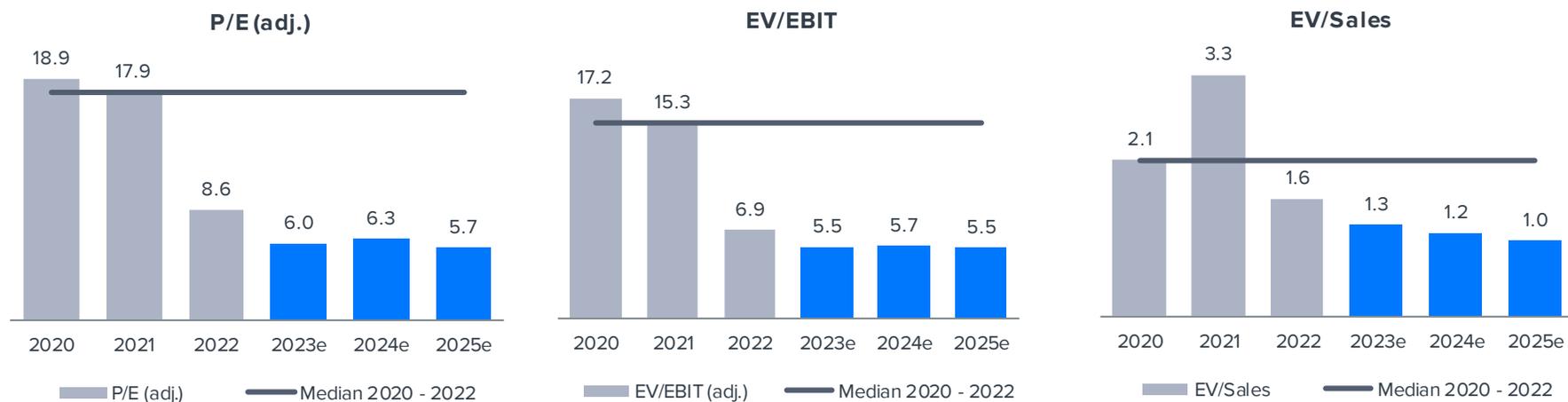
Valuation	2023e	2024e	2025e
Share price	1.12	1.12	1.12
Number of shares, millions	159.2	159.2	159.2
Market cap	179	179	179
EV	427	427	423
P/E (adj.)	6.0	6.3	5.7
P/E	11.8	9.8	8.5
P/FCF	3.3	5.7	5.4
P/B	0.5	0.5	0.5
P/S	0.5	0.5	0.4
EV/Sales	1.3	1.2	1.0
EV/EBITDA	4.4	4.3	4.1
EV/EBIT (adj.)	5.5	5.7	5.5
Payout 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	2.10	4.30	1.60	1.12	1.12	1.12	1.12
Number of shares, millions	85.5	141.7	159.2	159.2	159.2	159.2	159.2
Market cap	246	644	255	179	179	179	179
EV	301	840	525	427	427	423	405
P/E (adj.)	18.9	17.9	8.6	6.0	6.3	5.7	5.3
P/E	58.7	37.9	neg.	11.8	9.8	8.5	7.6
P/FCF	neg.	neg.	neg.	3.3	5.7	5.4	4.0
P/B	1.4	2.1	0.8	0.5	0.5	0.5	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	1.3	1.2	1.0	0.9
EV/EBITDA	10.3	11.8	5.6	4.4	4.3	4.1	3.7
EV/EBIT (adj.)	17.2	15.3	6.9	5.5	5.7	5.5	5.2
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	8,232	10,084	31.2	25.8	9.3	8.1	3.7	3.4	76.2	38.9	4.3
Magnite Inc	1,506	1,918	13.7	11.2	11.2	9.3	3.7	3.3	21.4	14.0	2.6
Trade Desk Inc	31,889	30,649	49.5	38.9	44.2	34.3	17.2	13.8	58.1	48.4	15.7
PubMatic Inc	855	692	244.4	33.4	9.3	7.6	2.8	2.5	113.9	43.0	2.7
DoubleVerify Holdings Inc	5,278	5,014	66.1	44.4	30.8	24.4	9.5	7.8	100.2	68.9	6.0
Criteo SA	1,670	1,330	6.7	5.9	5.0	4.4	1.4	1.3	11.4	10.2	1.5
Tremor International Ltd	463	377	8.1	4.6	2.9	2.4	1.0	0.9	8.3	3.9	
Liveramp Holdings Inc	1,511	1,047	18.1	12.7	16.6	11.5	1.9	1.8	33.0	22.0	1.7
MGI (Inderes)	179	427	5.5	5.7	4.4	4.3	1.3	1.2	6.0	6.3	0.5
Average			54.7	22.1	16.2	12.7	5.1	4.3	52.8	31.2	4.9
Median			24.7	19.3	10.2	8.7	3.2	2.9	45.5	30.4	2.7
Diff-% to median			-78 %	-71 %	-57 %	-50 %	-61 %	-60 %	-87 %	-79 %	-81 %

Source: Refinitiv / Inderes

Income statement

Income statement	2021	Q1'22	Q2'22	Q3'22	Q4'22	2022	Q1'23	Q2'23e	Q3'23e	Q4'23e	2023e	2024e	2025e	2026e
Revenue	252	65.9	78.1	87.6	92.9	324	68.8	81.4	91.8	97.8	340	370	406	442
EBITDA	65.0	16.9	20.0	21.4	26.5	84.8	17.4	20.8	25.4	28.1	91.7	98.2	104	108.3
Depreciation	-28.2	-7.1	-8.1	-8.1	-34.9	-58.1	-6.4	-7.6	-7.6	-7.6	-29.2	-32.7	-37.2	-41.0
EBIT (excl. NRI)	54.9	13.6	16.4	18.5	28.1	76.6	15.2	16.7	21.3	24.0	77.1	75.4	76.9	77.9
EBIT	36.8	9.8	12.0	13.3	-8.4	26.6	11.0	13.2	17.8	20.5	62.5	65.4	66.4	67.2
Share of profits in assoc. compan.	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net financial items	-21.9	-6.6	-7.7	-8.8	-14.8	-38.0	-10.5	-10.6	-10.7	-10.8	-42.5	-41.2	-38.5	-36.1
PTP	14.9	3.1	4.2	4.4	-23.2	-11.3	0.6	2.6	7.2	9.7	20.1	24.3	28.0	31.2
Taxes	1.2	-0.6	-1.2	-1.3	-5.9	-9.1	0.0	-0.6	-1.8	-2.4	-4.9	-6.1	-7.0	-7.8
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	1.9	5.4	7.3	15.2	18.2	21.0	23.4
EPS (adj.)	0.24	0.04	0.05	0.05	0.05	0.19	0.03	0.03	0.06	0.07	0.19	0.18	0.20	0.21
EPS (rep.)	0.11	0.02	0.02	0.02	-0.18	-0.13	0.00	0.01	0.03	0.05	0.10	0.11	0.13	0.15
Key figures	2021	Q1'22	Q2'22	Q3'22	Q4'22	2022	Q1'23	Q2'23e	Q3'23e	Q4'23e	2023e	2024e	2025e	2026e
Revenue growth-%	79.8 %	26.8 %	36.7 %	39.3 %	15.8 %	28.7 %	4.4 %	4.3 %	4.8 %	5.3 %	4.7 %	9.0 %	9.7 %	8.8 %
Adjusted EBIT growth-%	214.1 %	45.3 %	46.9 %	23.9 %	44.6 %	39.5 %	11.4 %	1.6 %	15.4 %	-14.5 %	0.8 %	-2.2 %	2.0 %	1.2 %
EBITDA-%	25.8 %	25.6 %	25.7 %	24.4 %	28.5 %	26.1 %	25.3 %	25.5 %	27.7 %	28.7 %	27.0 %	26.5 %	25.5 %	24.5 %
Adjusted EBIT-%	21.8 %	20.7 %	21.0 %	21.1 %	30.2 %	23.6 %	22.0 %	20.5 %	23.2 %	24.5 %	22.7 %	20.4 %	18.9 %	17.6 %
Net earnings-%	6.4 %	3.9 %	3.9 %	3.6 %	-31.3 %	-6.3 %	0.8 %	2.4 %	5.9 %	7.4 %	4.5 %	4.9 %	5.2 %	5.3 %

Source: Inderes

Balance sheet

Assets	2021	2022	2023e	2024e	2025e
Non-current assets	650	824	807	812	817
Goodwill	412	588	583	583	583
Intangible assets	194	204	210	216	220
Tangible assets	4.7	5.5	5.8	5.9	6.0
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	6.7	6.7	6.7
Current assets	284	221	247	226	219
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	74.8	85.2	93.8
Cash and equivalents	180	150	166	135	119
Balance sheet total	934	1045	1054	1038	1036

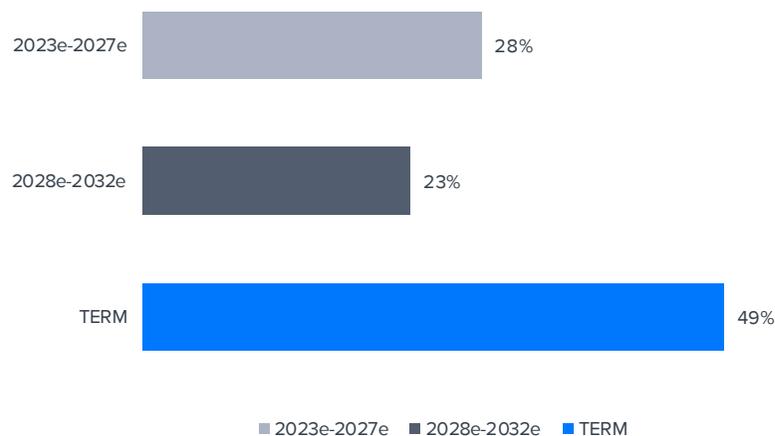
Source: Inderes

Liabilities & equity	2021	2022	2023e	2024e	2025e
Equity	307	322	337	355	376
Share capital	150	159	159	159	159
Retained earnings	21.7	1.4	16.5	34.8	55.7
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	-1.4	-1.4	-1.4
Non-current liabilities	383	503	489	447	417
Deferred tax liabilities	23.2	24.4	27.0	27.0	27.0
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	80.1	70.1	60.1
Current liabilities	243	219	228	236	243
Short term debt	32.0	31.9	33.6	33.6	33.6
Payables	77.1	90.1	96.9	105	112
Other current liabilities	134	97.5	97.5	97.5	97.5
Balance sheet total	934	1045	1054	1038	1036

DCF calculation

DCF model	2022	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	TERM
Revenue growth-%	28.7 %	4.7 %	9.0 %	9.7 %	8.8 %	8.0 %	7.0 %	6.0 %	5.0 %	5.0 %	2.0 %	2.0 %
EBIT-%	8.2 %	18.4 %	17.7 %	16.4 %	15.2 %	14.0 %	13.5 %	13.0 %	13.0 %	13.0 %	13.0 %	13.0 %
EBIT (operating profit)	26.6	62.5	65.4	66.4	67.2	66.8	68.9	70.4	73.9	77.6	79.1	
+ Depreciation	58.1	29.2	32.7	37.2	41.0	45.1	48.9	54.4	56.5	58.0	60.2	
- Paid taxes	-2.9	-2.3	-6.1	-7.0	-7.8	-9.4	-10.4	-11.3	-12.6	-14.0	-14.8	
- Tax, financial expenses	-8.0	-10.3	-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	-2.9	-2.1	-2.1	-2.8	-3.1	-3.3	-3.3	-3.4	-3.6	-3.9	
Operating cash flow	82.4	76.2	79.7	84.9	88.6	92.2	97.4	104	108	113	116	
+ Change in other long-term liabilities	73.6	-9.5	-10.0	-10.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-236.3	-12.2	-38.4	-41.8	-43.9	-46.1	-48.5	-51.0	-53.0	-55.2	-57.5	
Free operating cash flow	-80.3	54.4	31.3	33.1	44.7	46.1	48.9	53.0	55.4	57.3	58.2	
+/- 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	54.4	31.3	33.1	44.7	46.1	48.9	53.0	55.4	57.3	58.2	721
Discounted FCFF		51.4	26.8	25.7	31.6	29.5	28.4	27.9	26.5	24.8	22.9	284
Sum of FCFF present value		579	528	501	475	443	414	386	358	331	306	284
Enterprise value DCF		579										
- Interest bearing debt		-421.3										
+ Cash and cash equivalents		150										
-Minorities		0.7										
-Dividend/capital return		0.0										
Equity value DCF		308										
Equity value DCF per share		1.9										
Equity value DCF per share (SEK)		22.5										

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	339.9	370.4	EPS (reported)	0.04	0.11	-0.13	0.10	0.11
EBITDA	26.5	65.0	84.8	91.7	98.2	EPS (adj.)	0.11	0.24	0.19	0.19	0.18
EBIT	11.0	36.8	26.6	62.5	65.4	OCF / share	0.29	1.06	0.52	0.48	0.50
PTP	3.9	14.9	-11.3	20.1	24.3	FCF / share	-0.29	-1.66	-0.50	0.34	0.20
Net Income	3.1	16.1	-20.3	15.2	18.2	Book value / share	2.07	2.17	2.03	2.12	2.24
Extraordinary items	-6.4	-18.1	-49.9	-14.6	-10.0	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	1053.8	1038.4	Revenue growth-%	67 %	80 %	29 %	5 %	9 %
Equity capital	176.8	307.5	321.7	336.8	355.0	EBITDA growth-%	71 %	145 %	30 %	8 %	7 %
Goodwill	164.0	412.0	587.7	583.0	583.0	EBIT (adj.) growth-%	67 %	214 %	40 %	1 %	-2 %
Net debt	55.2	195.8	271.3	249.1	248.7	EPS (adj.) growth-%	31 %	117 %	-23 %	1 %	-5 %
Cash flow	2020	2021	2022	2023e	2024e	EBITDA-%	18.9 %	25.8 %	26.1 %	27.0 %	26.5 %
EBITDA	26.5	65.0	84.8	91.7	98.2	EBIT (adj.)-%	12.5 %	21.8 %	23.6 %	22.7 %	20.4 %
Change in working capital	-0.3	82.0	8.6	-2.9	-2.1	EBIT-%	7.9 %	14.6 %	8.2 %	18.4 %	17.7 %
Operating cash flow	25.1	150.2	82.4	76.2	79.7	ROE-%	2.2 %	6.6 %	-6.4 %	4.6 %	5.2 %
CAPEX	-53.2	-389.4	-236.3	-12.2	-38.4	ROI-%	4.3 %	7.7 %	3.7 %	8.4 %	8.8 %
Free cash flow	-24.8	-234.8	-80.3	54.4	31.3	Equity ratio	45.8 %	32.9 %	30.8 %	32.0 %	34.2 %
Valuation multiples	2020	2021	2022	2023e	2024e	Gearing	31.2 %	63.7 %	84.3 %	74.0 %	70.1 %
EV/S	2.1	3.3	1.6	1.3	1.2						
EV/EBITDA (adj.)	10.3	11.8	5.6	4.4	4.3						
EV/EBIT (adj.)	17.2	15.3	6.9	5.5	5.7						
P/E (adj.)	18.9	17.9	8.6	6.0	6.3						
P/B	1.4	2.1	0.8	0.5	0.5						
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



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