

# MGI – Media and Games Invest

Company report

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✓ Inderes corporate customer

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# Strong start to the year improves outlook

Yesterday, MGI announced that its organic growth rate has increased to 25% in February 2024. This follows an earlier announcement of an 18% organic growth rate in January 2024. The robust organic growth rate is a strong start to the year and leads us to raise our revenue estimates. As the outlook continues to improve, we believe the risk-to-reward ratio remains very attractive. We reiterate our Buy recommendation and raise our target price to SEK 20 (previously SEK 17).

## Organic growth rate accelerates further in February 2024

February 2024 saw record revenues driven by new customer onboarding, increased budgets from existing customers, and growing demand for ID-less targeting solutions. According to MGI, the company has been able to secure new customers and has a substantial pipeline of potential new customers in the coming quarters. After a period of declining customer budgets in the first nine months of 2023, MGI is now seeing a reversal of this trend, resulting in increased spending by existing customers. The simultaneous improvements in customer onboarding and increased spending are undoubtedly signs that advertising demand has begun to recover. In addition, it appears that MGI's investments in ID-less targeting solutions are further improving the competitiveness of its advertising platform, positioning MGI to take full advantage of the recovery. With the advertising market undergoing a significant shift as Google begins to remove third-party cookies for select users of the Google Chrome browser, we expect demand for ID-less targeting solutions to grow as customers seek to navigate the increasingly ID-less world of digital advertising.

## We are raising our revenue estimates based on the strong start to the year

In conjunction with its Q4'23 results, MGI announced that it had started to see the beginning of a recovery in the advertising market at the end of 2023. This recovery has continued into 2024 with an organic growth rate of 18% in January, which increased to 25% in February. Based on this strong start, the company expects to return to double-digit organic revenue growth in 2024. With the return of major cyclical events this year (U.S. presidential election, Paris Olympics, European Football Championships), overall advertising demand is also expected to improve. The strong start to the year leads us to raise our Q1'24 revenue growth estimate from 11% to 18%. We have also raised our revenue estimates for Q2, Q3 and Q4, resulting in a 14% revenue growth estimate for the full year, up from 11%.

## Valuation remains attractive

With our estimates for 2024 and 2025, MGI's adjusted EV/EBIT multiples are 7x and 7x, respectively, while its adjusted P/E multiples are 9x and 8x for the same years. With a strong finish to 2023 and a positive outlook for 2024, we remain optimistic about MGI's near- and mid-term growth prospects. In addition, MGI has maintained robust operating margins even in a more challenging market environment, and we see no reason why this cannot continue. At the end of 2023, MGI had net debt of 295 MEUR and a net debt/adjusted EBITDA ratio of 3.1x, which is slightly above MGI's target of 2-3x. With MGI's solid operating margin and strong cash position (122 MEUR), we believe that MGI will be able to manage the debt burden. In addition, MGI should be able to generate solid FCF going forward, especially once the earn-out payments are behind it (30 MEUR remaining to be paid in cash).

## Recommendation

**Buy**

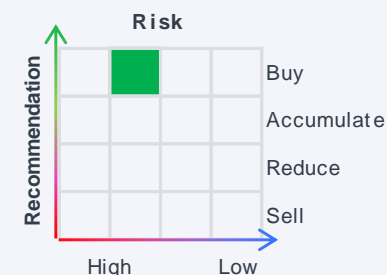
(prev. Buy)

**20 SEK**

(prev. 17 SEK)

**Share price:**

16.98 SEK



## Key indicators

	2023	2024e	2025e	2026e
<b>Revenue</b>	322.0	366.8	399.9	434.9
<b>growth-%</b>	-1 %	14 %	9 %	9 %
<b>EBIT adj.</b>	76.9	81.0	76.9	81.0
<b>EBIT-% adj.</b>	23.9 %	22.1 %	19.2 %	18.6 %
<b>Net Income</b>	46.7	11.8	19.0	24.6
<b>EPS (adj.)</b>	0.15	0.17	0.19	0.22
<b>P/E (adj.)</b>	6.6	8.6	7.7	6.5
<b>P/B</b>	0.5	0.6	0.6	0.6
<b>Dividend yield-%</b>	0.0 %	0.0 %	0.0 %	0.0 %
<b>EV/EBIT (adj.)</b>	5.9	6.6	7.0	6.4
<b>EV/EBITDA</b>	2.9	5.4	5.3	4.7
<b>EV/S</b>	1.4	1.5	1.4	1.2

Source: Inderes

## Guidance

(Unchanged)

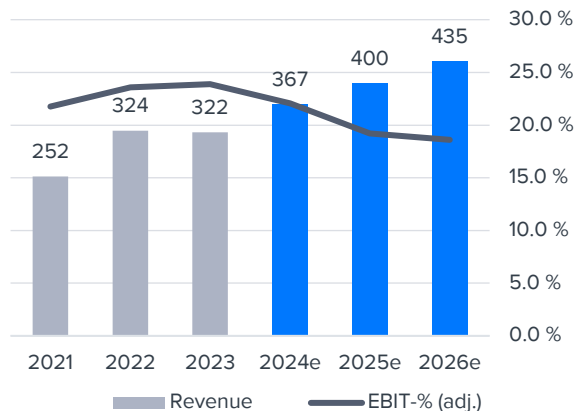
After a strong start to the year the company expects to return double-digit organic revenue growth in 2024

## Share price



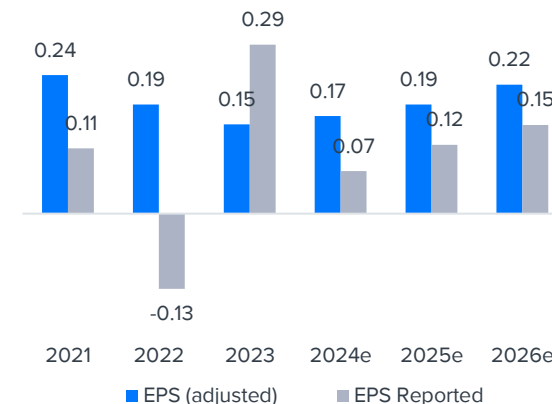
Source: Millstream Market Data AB

## Revenues and 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

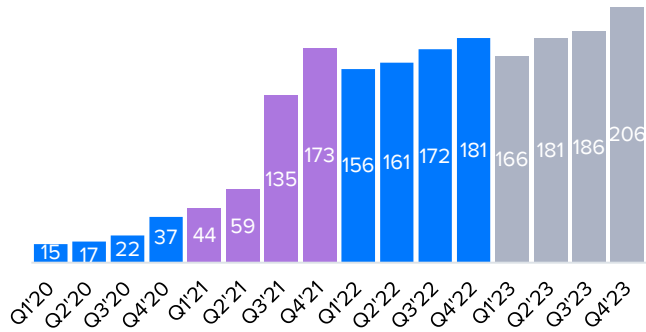
- Failing to maintain/increase market share in programmatic advertising
- Market disruption due to technological or regulatory reasons
- Slowdown in advertising spending persisting
- Rapid slowdown in first party games revenue
- Should operating profit decline FCF might not be able to cover the higher financial expenses. Risk mitigated by MGI's strong cash position of EUR 122 million

Valuation	2024e	2025e	2026e
Share price (EUR)	1.47	1.47	1.47
Number of shares, millions	159.2	159.2	159.2
Market cap (MEUR)	233	233	233
EV (MEUR)	533	541	521
P/E (adj.)	8.6	7.7	6.5
P/E	19.8	12.3	9.5
P/B	0.6	0.6	0.6
P/S	0.6	0.6	0.5
EV/Sales	1.5	1.4	1.2
EV/EBITDA	5.4	5.3	4.7
EV/EBIT (adj.)	6.6	7.0	6.4
Payout ratio (%)	0.0 %	0.0 %	0.0 %
Dividend yield-%	0.0 %	0.0 %	0.0 %

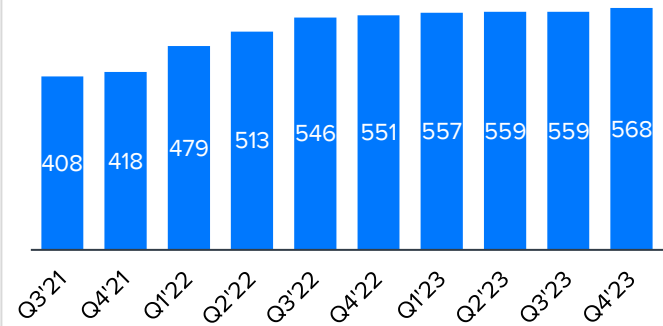
Source: Inderes

# KPIs

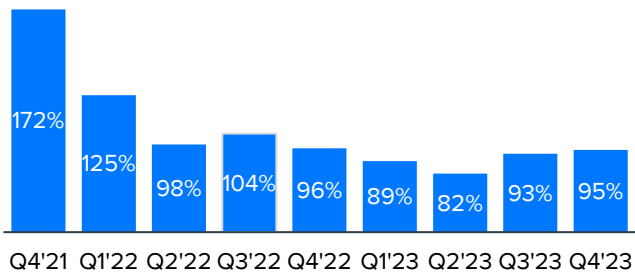
### Ad Impressions (in bn)



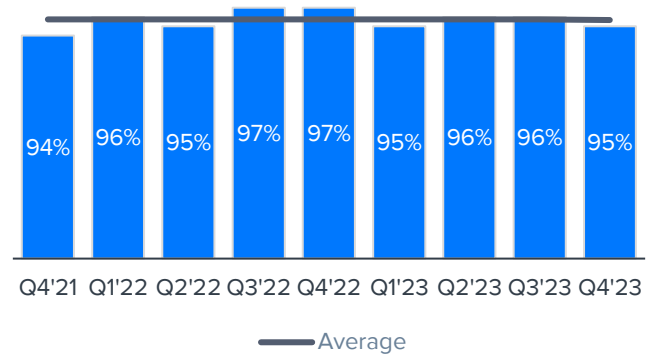
### Large software clients



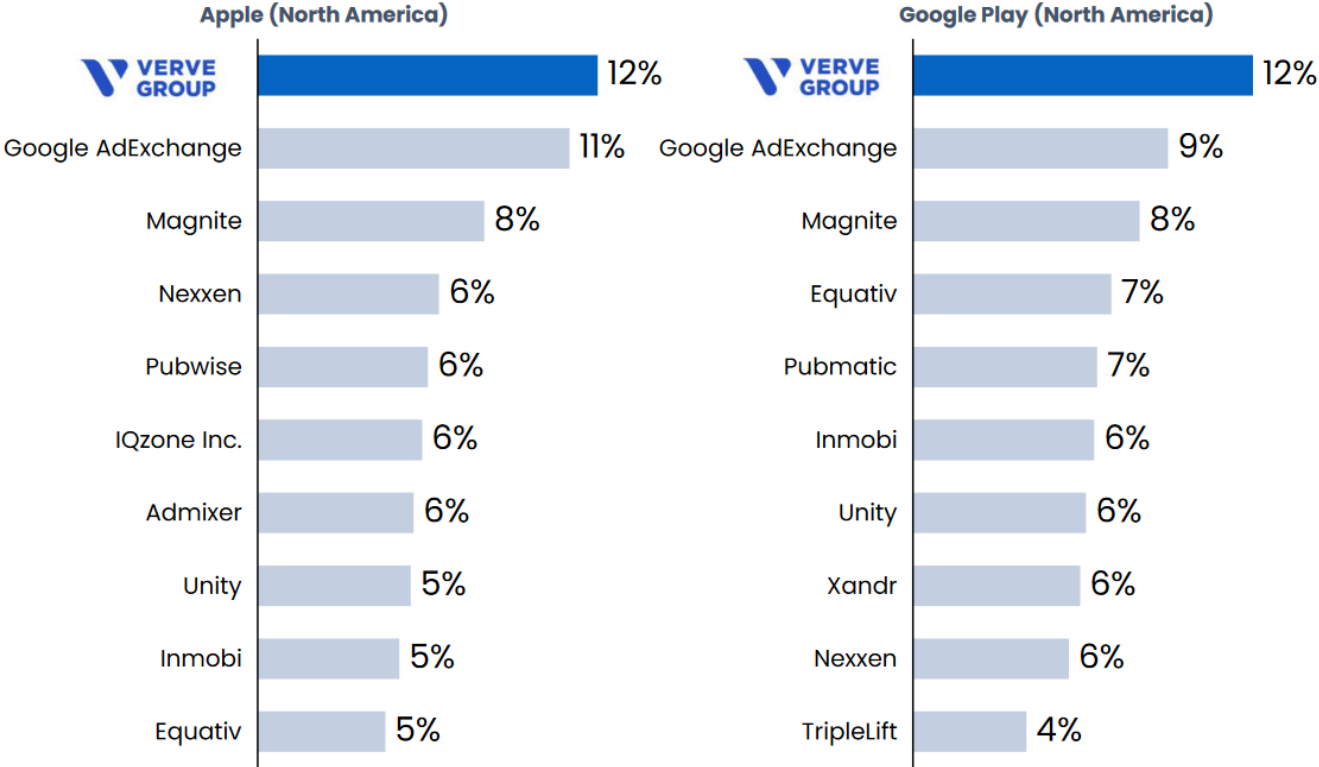
### Net \$ Expansion rate of software clients



### Retention rate of software clients



# Pixalate's Mobile in-app SSP Market Share Q4'23 Report



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

The report rank SSPs based on their share of voice of open programmatic ads sold on apps from the Apple App Store and Google Play Store, as measured by Pixalate.

# Strong start to the year increases estimates

## Estimate changes

- The strong start to the year leads us to raise our revenue growth estimate for Q1'24 to 18% from 11%. We have also increased our revenue estimates for Q2, Q3 and Q4, resulting in our full year revenue growth estimate increasing to 14% from 11%.
- We have made no changes to our profitability estimates. However, the increase in revenues naturally increases EBIT and net income.

Estimate revisions MEUR / EUR	2024e	2024e	Change	2025e	2025e	Change	2026e	2026e	Change
	Old	New	%	Old	New	%	Old	New	%
Revenue	358	367	3 %	390	400	3 %	424	435	3 %
EBITDA	96.3	98.8	3 %	99.4	102	3 %	108	111	3 %
EBIT (excl. NRIs)	78.5	81.0	3 %	74.5	76.9	3 %	78.5	81.0	3 %
EBIT	63.3	65.7	4 %	63.4	65.7	4 %	67.3	69.8	4 %
PTP	13.3	15.7	18 %	23.0	25.4	10 %	30.3	32.7	8 %
EPS (excl. NRIs)	0.16	0.17	7 %	0.18	0.19	6 %	0.21	0.22	5 %
DPS	0.00	0.00		0.00	0.00		0.00	0.00	

Source: Inderes

# Valuation still attractive

## DCF model indicates clear upside

MGI's income statement contains several non-cash items and one-off costs, which is why we pay close attention to an FCF-based valuation method such as DCF. According to our DCF model, MGI's fair value is SEK 21 per share, approximately 21% above yesterday's closing price. Our model assumes that MGI's revenues will grow at a double-digit rate in 2024, in line with the company's guidance. For 2025-2026, we expect growth to be roughly in line with overall forecasts<sup>1</sup> for global digital ad spending growth. After 2026, our revenue growth estimate begins to decline to the terminal growth estimate of 2%. In terms of profitability, we expect an adjusted EBIT margin between 22% and 15% (company target 15-20%). Our adjusted EBIT margin starts in line with the 2023 and 2022 numbers and slowly declines toward 15% as we approach the terminal period. We use a WACC of 10.2% in our model.

## MGI continues to trade at low multiples

Since our last report on MGI (March 1, 2023), the share price has increased by 40%. However, with the increase in estimates, MGI still trades at relatively low multiples, especially the ones adjusted for Purchase Price Allocation (PPA) amortization. MGI's adjusted EV/EBIT multiples based on our estimates for 2024 and 2025 are 7x and 7x, respectively. Meanwhile, the adjusted P/E multiples are 9x and 8x for the same years. Given MGI's growth potential, the multiples are on the low side. In addition, the strong start to the year removes some of the uncertainty about near-term developments.

As MGI records a relatively high PPA amortization (11 MEUR in 2023), the adjusted multiples are generally

lower than the unadjusted ones. As a result, the unadjusted P/E multiples for 2024 and 2025 are 20x and 12x, respectively. The 2024 multiple is particularly high because interest costs consume a large portion of operating profit. If the company were to use some of its 122 MEUR cash to pay down debt, the P/E multiple could come down rapidly.

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 2024 and 2025, adjusted for earn-outs, are 13x and 13x, respectively.

MGI's multiples are significantly lower than those of its peer group. The peer group's median EV/EBIT multiples for 2024 and 2025 are 55x and 19x, respectively. Meanwhile, the median P/E multiples are 27x and 22x. We note that the median multiples of the peer group appear to be somewhat unreasonable, as the variation between companies is large.

## Valuation still attractive

We raise our target price to SEK 20 (was SEK 17). At this target price, MGI's adjusted P/E multiples for 2024 and 2025 are 10x and 9x, respectively. The adjusted EV/EBIT multiples for the same years are 7x and 8x. We believe that these multiples are fair or even on the low side for a company with high growth potential and robust operating margins. However, with cash flow still burdened by earn-outs and high interest costs relative to near-term EBIT estimates, we think it's prudent to err on the conservative side. As MGI's strategy progresses, we see further upside potential, especially if CPMs recover strongly.

Valuation	2024e	2025e	2026e
Share price (EUR)	1.47	1.47	1.47
Number of shares, millions	159.2	159.2	159.2
Market cap (MEUR)	233	233	233
EV (MEUR)	533	541	521
P/E (adj.)	8.6	7.7	6.5
P/E	19.8	12.3	9.5
P/B	0.6	0.6	0.6
P/S	0.6	0.6	0.5
EV/Sales	1.5	1.4	1.2
EV/EBITDA	5.4	5.3	4.7
EV/EBIT (adj.)	6.6	7.0	6.4
Payout ratio (%)	0.0 %	0.0 %	0.0 %
Dividend yield-%	0.0 %	0.0 %	0.0 %

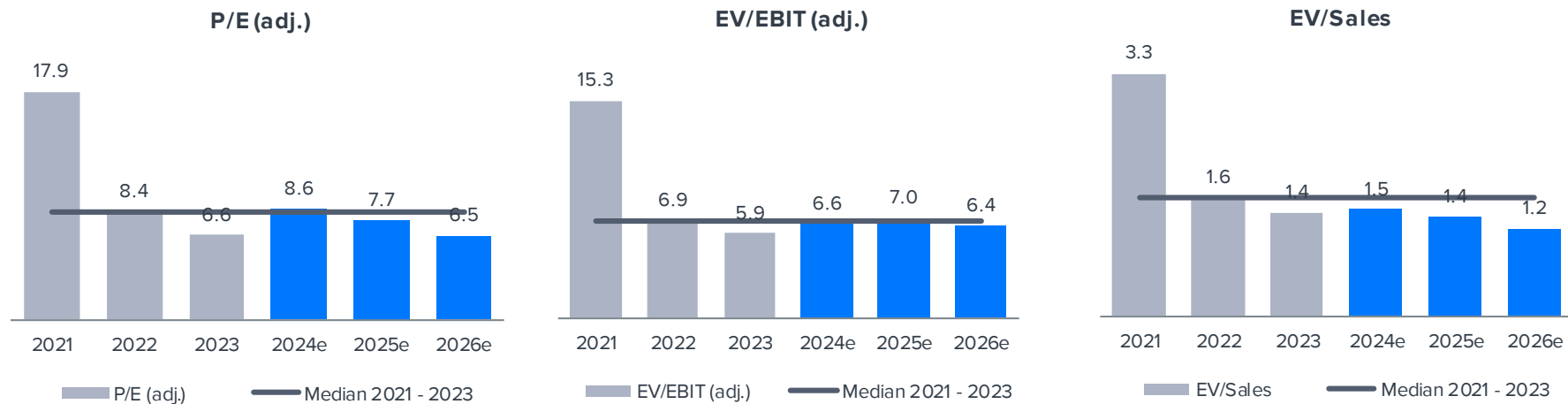
Source: Inderes

<sup>1</sup>) eMarketer's latest projections of global digital ad spending growth is 2024: 13.2%, 2025: 11.0%, 2026: 9.8%, 2027: 9.2%

# Valuation table

Valuation	2021	2022	2023	2024e	2025e	2026e	2027e
Share price (EUR)	4.30	1.60	1.02	1.47	1.47	1.47	1.47
Number of shares, millions	141.7	156.2	159.2	159.2	159.2	159.2	159.2
Market cap (MEUR)	644	255	163	233	233	233	233
EV (MEUR)	840	525	456	533	541	521	490
P/E (adj.)	17.9	8.4	6.6	8.6	7.7	6.5	5.2
P/E	37.9	neg.	3.5	19.8	12.3	9.5	6.9
P/B	2.1	0.8	0.5	0.6	0.6	0.6	0.5
P/S	2.6	0.8	0.5	0.6	0.6	0.5	0.5
EV/Sales	3.3	1.6	1.4	1.5	1.4	1.2	1.0
EV/EBITDA	11.8	5.6	2.9	5.4	5.3	4.7	4.2
EV/EBIT (adj.)	15.3	6.9	5.9	6.6	7.0	6.4	5.9
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	2024e	2025e	2024e	2025e	2024e	2025e	2024e	2025e	2024e
Applovin Corp	21,303	23,878	19.8	16.0	12.4	11.0	6.4	5.8	26.8	21.7	11.0
Magnite Inc	1,469	1,663	55.4	18.9	9.4	8.2	3.0	2.7	14.6	12.7	2.1
Trade Desk Inc	35,913	34,647	96.2	64.3	39.4	32.2	15.8	13.2	54.0	45.1	14.1
PubMatic Inc	1,054	893	156.1	45.9	10.9	9.3	3.3	3.0	126.4	68.7	3.8
DoubleVerify Holdings Inc	5,272	4,992	66.7	45.9	25.3	20.2	7.8	6.4	93.4	64.8	4.8
Criteo SA	1,781	1,425	13.0	11.4	4.9	4.6	1.4	1.4	10.4	10.0	1.7
Liveramp Holdings Inc	2,081	1,592	17.0	15.8	15.8	12.8	2.7	2.4	23.3	21.0	2.4
<b>MGI (Inderes)</b>	<b>233</b>	<b>533</b>	<b>6.6</b>	<b>7.0</b>	<b>5.4</b>	<b>5.3</b>	<b>1.5</b>	<b>1.4</b>	<b>8.6</b>	<b>7.7</b>	<b>0.6</b>
<b>Average</b>			<b>60.6</b>	<b>31.2</b>	<b>16.9</b>	<b>14.0</b>	<b>5.8</b>	<b>5.0</b>	<b>49.9</b>	<b>34.9</b>	<b>5.7</b>
<b>Median</b>			<b>55.4</b>	<b>18.9</b>	<b>12.4</b>	<b>11.0</b>	<b>3.3</b>	<b>3.0</b>	<b>26.8</b>	<b>21.7</b>	<b>3.8</b>
<b>Diff-% to median</b>			<b>-88 %</b>	<b>-63 %</b>	<b>-57 %</b>	<b>-52 %</b>	<b>-56 %</b>	<b>-54 %</b>	<b>-68 %</b>	<b>-64 %</b>	<b>-83 %</b>

Source: Refinitiv / Inderes

# Income statement

Income statement	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24e	Q2'24e	Q3'24e	Q4'24e	2024e	2025e	2026e	2027e
Revenue	324	68.8	76.2	78.3	98.7	322	81.1	85.4	88.1	112	367	400	435	467
EBITDA (excl. NRI)	93.2	19.1	21.3	23.1	31.7	95.2	22.5	23.6	24.8	31.8	103	102	111	117
EBITDA	84.8	17.4	20.0	63.7	27.3	128	21.5	22.6	23.8	30.8	98.8	102	111	117.2
Depreciation	-58.1	-6.4	-7.2	-8.3	-7.6	-29.5	-7.6	-8.1	-8.5	-8.8	-33.0	-36.2	-41.1	-44.7
EBIT (excl. NRI)	76.6	15.2	16.6	18.4	26.8	76.9	17.7	18.3	19.1	25.8	81.0	76.9	81.0	83.7
EBIT	26.6	11.0	12.8	55.4	19.7	99.0	13.9	14.5	15.3	22.0	65.7	65.7	69.8	72.5
Net financial items	-38.0	-10.5	-12.7	-12.8	-14.1	-50.1	-12.5	-12.5	-12.5	-12.5	-50.0	-40.4	-37.1	-27.6
PTP	-11.3	0.6	0.1	42.6	5.6	48.9	1.4	2.0	2.8	9.5	15.7	25.4	32.7	44.9
Taxes	-9.1	0.0	1.4	-3.4	-0.7	-2.7	-0.3	-0.5	-0.7	-2.4	-3.9	-6.3	-8.2	-11.2
Minority interest	0.1	0.3	0.2	0.0	0.0	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net earnings	-20.3	0.82	1.7	39.3	4.9	46.7	1.0	1.5	2.1	7.2	11.8	19.0	24.6	33.7
EPS (adj.)	0.19	0.03	0.03	0.01	0.08	0.15	0.03	0.03	0.04	0.07	0.17	0.19	0.22	0.28
EPS (rep.)	-0.13	0.01	0.01	0.25	0.03	0.29	0.01	0.01	0.01	0.04	0.07	0.12	0.15	0.21
<b>Key figures</b>	<b>2022</b>	<b>Q1'23</b>	<b>Q2'23</b>	<b>Q3'23</b>	<b>Q4'23</b>	<b>2023</b>	<b>Q1'24e</b>	<b>Q2'24e</b>	<b>Q3'24e</b>	<b>Q4'24e</b>	<b>2024e</b>	<b>2025e</b>	<b>2026e</b>	<b>2027e</b>
Revenue growth-%	28.7 %	4.4 %	-2.4 %	-10.6 %	6.3 %	-0.8 %	18.0 %	12.1 %	12.4 %	13.6 %	13.9 %	9.0 %	8.8 %	7.4 %
Adjusted EBIT growth-%	39.5 %	11.4 %	1.0 %	-0.3 %	-4.6 %	0.5 %	16.8 %	10.6 %	3.5 %	-3.4 %	5.2 %	-5.0 %	5.3 %	3.4 %
EBITDA-%	26.1 %	25.3 %	26.2 %	81.4 %	27.7 %	39.9 %	26.5 %	26.5 %	27.0 %	27.5 %	26.9 %	25.5 %	25.5 %	25.1 %
Adjusted EBIT-%	23.6 %	22.0 %	21.8 %	23.5 %	27.1 %	23.9 %	21.8 %	21.5 %	21.7 %	23.0 %	22.1 %	19.2 %	18.6 %	17.9 %
Net earnings-%	-6.3 %	1.2 %	2.3 %	50.1 %	5.0 %	14.5 %	1.3 %	1.8 %	2.4 %	6.4 %	3.2 %	4.8 %	5.6 %	7.2 %

Source: Inderes

# Balance sheet

Assets	2022	2023	2024e	2025e	2026e
<b>Non-current assets</b>	<b>824</b>	<b>814</b>	<b>820</b>	<b>827</b>	<b>830</b>
Goodwill	588	578	578	578	578
Intangible assets	204	219	224	229	232
Tangible assets	5.5	4.0	5.4	7.1	7.6
Associated companies	1.0	1.0	1.0	1.0	1.0
Other investments	0.0	0.0	0.0	0.0	0.0
Other non-current assets	19.2	1.4	1.4	1.4	1.4
Deferred tax assets	6.7	10.5	10.5	10.5	10.5
<b>Current assets</b>	<b>221</b>	<b>194</b>	<b>168</b>	<b>140</b>	<b>143</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	65.1	65.8	78.9	90.0	102
Cash and equivalents	150	122	82.8	44.1	34
<b>Balance sheet total</b>	<b>1045</b>	<b>1007</b>	<b>988</b>	<b>967</b>	<b>973</b>

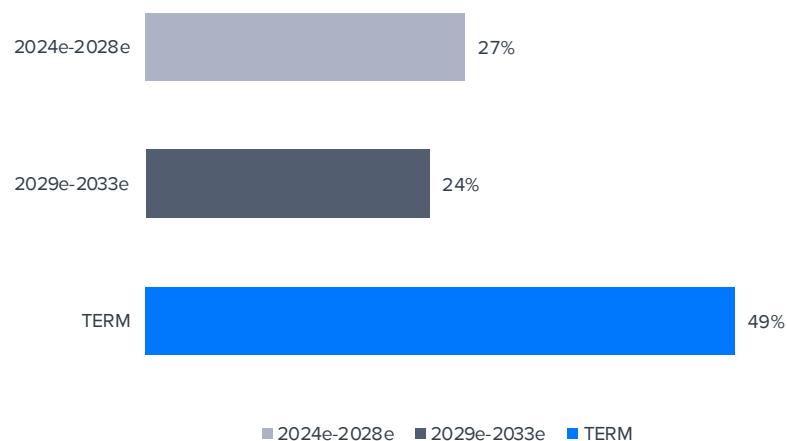
Source: Inderes

Liabilities & equity	2022	2023	2024e	2025e	2026e
<b>Equity</b>	<b>322</b>	<b>352</b>	<b>364</b>	<b>383</b>	<b>408</b>
Share capital	159	159	159	159	159
Retained earnings	1.4	48.1	59.9	78.9	103
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	162	145	145	145	145
Minorities	-1.2	0.2	0.2	0.2	0.2
<b>Non-current liabilities</b>	<b>503</b>	<b>414</b>	<b>406</b>	<b>356</b>	<b>326</b>
Deferred tax liabilities	24.4	28.9	28.9	28.9	28.9
Provisions	0.0	0.0	0.0	0.0	0.0
Interest bearing debt	389	348	350	320	290
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	89.6	36.9	26.9	6.9	6.9
<b>Current liabilities</b>	<b>219</b>	<b>241</b>	<b>218</b>	<b>228</b>	<b>239</b>
Interest bearing debt	31.9	66.5	32.0	32.0	32.0
Payables	90.1	102	114	124	135
Other current liabilities	97.5	72.4	72.4	72.4	72.4
<b>Balance sheet total</b>	<b>1045</b>	<b>1007</b>	<b>988</b>	<b>967</b>	<b>973</b>

# DCF calculation

DCF model	2023	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	TERM
Revenue growth-%	-0.8 %	13.9 %	9.0 %	8.8 %	7.4 %	7.0 %	6.0 %	5.0 %	5.0 %	5.0 %	2.0 %	2.0 %
EBIT-%	30.7 %	17.9 %	16.4 %	16.1 %	15.5 %	15.3 %	14.0 %	13.0 %	13.0 %	13.0 %	13.0 %	13.0 %
<b>EBIT (operating profit)</b>	<b>99.0</b>	<b>65.7</b>	<b>65.7</b>	<b>69.8</b>	<b>72.5</b>	<b>76.4</b>	<b>74.2</b>	<b>72.3</b>	<b>75.9</b>	<b>79.7</b>	<b>81.3</b>	
+ Depreciation	29.5	33.0	36.2	41.1	44.7	48.5	51.8	54.7	55.3	56.6	56.2	
- Paid taxes	-2.1	-3.9	-6.3	-8.2	-11.2	-12.9	-13.0	-13.2	-14.8	-16.4	-17.5	
- Tax, financial expenses	-2.8	-12.5	-10.1	-9.3	-6.9	-6.2	-5.6	-4.9	-4.2	-3.5	-2.9	
+ 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	-14.1	-1.2	-0.9	-1.4	-2.3	-2.9	-3.6	-4.4	-4.9	-5.4	-6.1	
<b>Operating cash flow</b>	<b>109</b>	<b>81.1</b>	<b>84.7</b>	<b>92.1</b>	<b>96.8</b>	<b>103</b>	<b>104</b>	<b>105</b>	<b>107</b>	<b>111</b>	<b>111</b>	
+ Change in other long-term liabilities	-52.7	-10.0	-20.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-15.5	-40.0	-43.1	-44.0	-44.9	-45.8	-46.7	-47.9	-49.1	-50.3	-51.2	
<b>Free operating cash flow</b>	<b>41.3</b>	<b>31.1</b>	<b>21.6</b>	<b>48.1</b>	<b>51.9</b>	<b>57.2</b>	<b>57.0</b>	<b>56.7</b>	<b>58.3</b>	<b>60.7</b>	<b>60.0</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	41.3	31.1	21.6	48.1	51.9	57.2	57.0	56.7	58.3	60.7	60.0	743
<b>Discounted FCFF</b>		<b>28.9</b>	<b>18.1</b>	<b>36.7</b>	<b>35.9</b>	<b>35.9</b>	<b>32.5</b>	<b>29.3</b>	<b>27.3</b>	<b>25.8</b>	<b>23.1</b>	<b>287</b>
Sum of FCFF present value		580	551	533	497	461	425	392	363	336	310	287
<b>Enterprise value DCF</b>		<b>580</b>										
- Interest bearing debt		-414.5										
+ Cash and cash equivalents		122										
-Minorities		-0.1										
-Dividend/capital return		0.0										
<b>Equity value DCF</b>		<b>287</b>										
<b>Equity value DCF per share</b>		<b>1.8</b>										
<b>Equity value DCF per share (SEK)</b>		<b>20.5</b>										

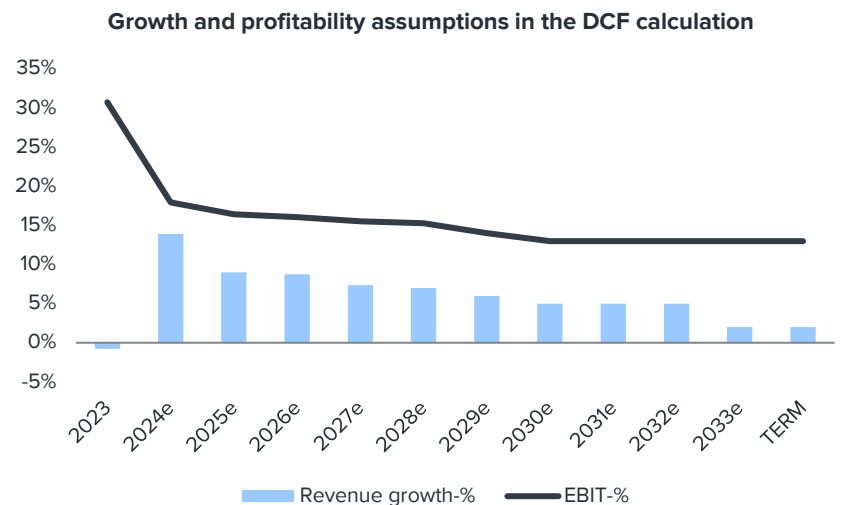
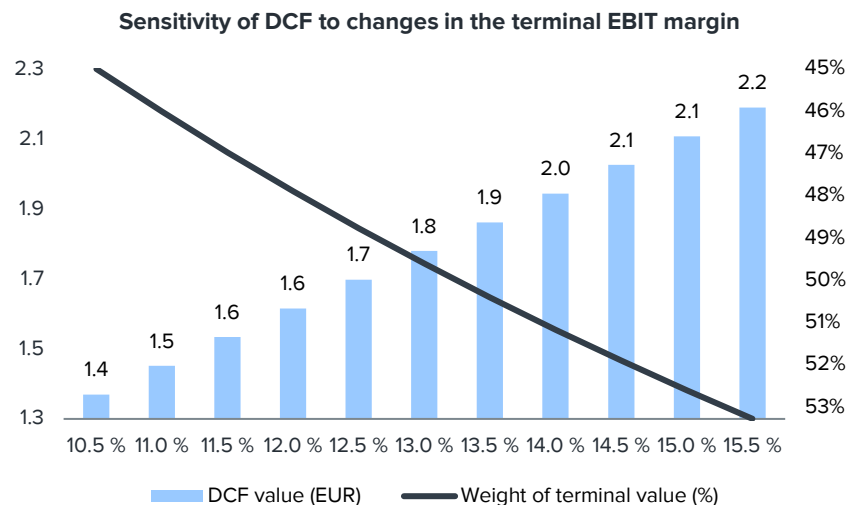
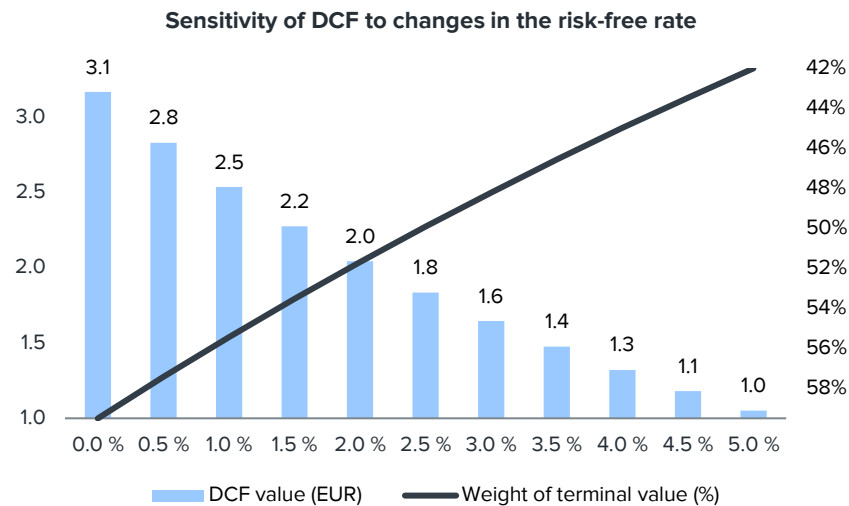
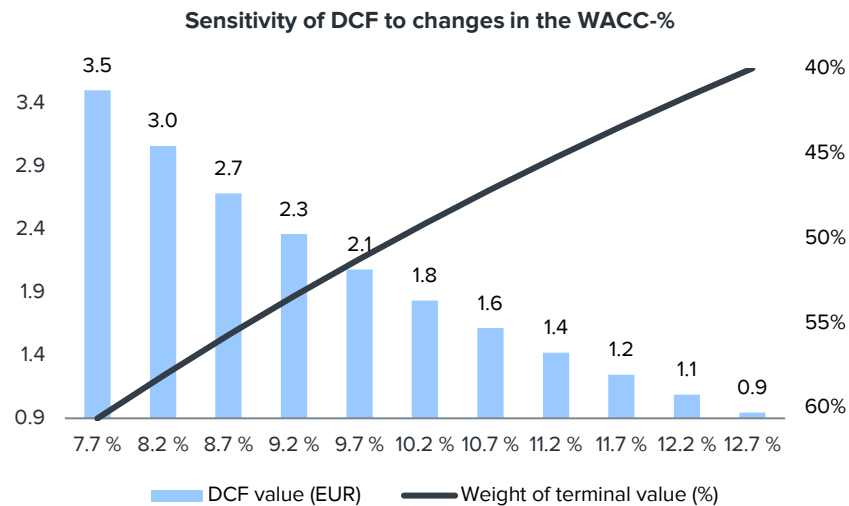
## Cash flow distribution



## 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>

# DCF sensitivity calculations and key assumptions in graphs



Source: Inderes. Note that the weight of the terminal value (%) is shown on an inverse scale for clarity.

# Summary

Income statement	2021	2022	2023	2024e	2025e	Per share data	2021	2022	2023	2024e	2025e
Revenue	252.2	324.4	322.0	<b>366.8</b>	<b>399.9</b>	EPS (reported)	0.11	-0.13	0.29	<b>0.07</b>	<b>0.12</b>
EBITDA	65.0	84.8	128.5	<b>98.8</b>	<b>102.0</b>	EPS (adj.)	0.24	0.19	0.15	<b>0.17</b>	<b>0.19</b>
EBIT	36.8	26.6	99.0	<b>65.7</b>	<b>65.7</b>	OCF / share	1.06	0.53	0.69	<b>0.51</b>	<b>0.53</b>
PTP	14.9	-11.3	48.9	<b>15.7</b>	<b>25.4</b>	FCF / share	-1.66	-0.51	0.26	<b>0.20</b>	<b>0.14</b>
Net Income	16.1	-20.3	46.7	<b>11.8</b>	<b>19.0</b>	Book value / share	2.17	2.07	2.21	<b>2.29</b>	<b>2.41</b>
Extraordinary items	-18.1	-49.9	22.1	<b>-15.2</b>	<b>-11.2</b>	Dividend / share	0.00	0.00	0.00	<b>0.00</b>	<b>0.00</b>
Balance sheet	2021	2022	2023	2024e	2025e	Growth and profitability	2021	2022	2023	2024e	2025e
Balance sheet total	934.1	1044.7	1007.0	<b>988.1</b>	<b>967.4</b>	Revenue growth-%	80 %	29 %	-1 %	<b>14 %</b>	<b>9 %</b>
Equity capital	307.5	321.7	352.5	<b>364.3</b>	<b>383.3</b>	EBITDA growth-%	145 %	30 %	52 %	<b>-23 %</b>	<b>3 %</b>
Goodwill	412.0	587.7	578.0	<b>578.0</b>	<b>578.0</b>	EBIT (adj.) growth-%	214 %	40 %	0 %	<b>5 %</b>	<b>-5 %</b>
Net debt	195.8	271.3	292.8	<b>299.2</b>	<b>307.9</b>	EPS (adj.) growth-%	117 %	-21 %	-18 %	<b>10 %</b>	<b>12 %</b>
Cash flow	2021	2022	2023	2024e	2025e	EBITDA-%	25.8 %	26.1 %	39.9 %	<b>26.9 %</b>	<b>25.5 %</b>
EBITDA	65.0	84.8	128.5	<b>98.8</b>	<b>102.0</b>	EBIT (adj.)-%	21.8 %	23.6 %	23.9 %	<b>22.1 %</b>	<b>19.2 %</b>
Change in working capital	82.0	8.6	-14.1	<b>-1.2</b>	<b>-0.9</b>	EBIT-%	14.6 %	8.2 %	30.7 %	<b>17.9 %</b>	<b>16.4 %</b>
Operating cash flow	150.2	82.4	109.5	<b>81.1</b>	<b>84.7</b>	ROE-%	6.6 %	-6.4 %	13.8 %	<b>3.3 %</b>	<b>5.1 %</b>
CAPEX	-389.4	-236.3	-15.5	<b>-40.0</b>	<b>-43.1</b>	ROI-%	7.7 %	3.7 %	13.1 %	<b>8.7 %</b>	<b>8.9 %</b>
Free cash flow	-234.8	-80.3	41.3	<b>31.1</b>	<b>21.6</b>	Equity ratio	32.9 %	30.8 %	35.0 %	<b>36.9 %</b>	<b>39.6 %</b>
Valuation multiples	2021	2022	2023	2024e	2025e	Gearing	63.7 %	84.3 %	83.1 %	<b>82.1 %</b>	<b>80.3 %</b>
EV/S	3.3	1.6	1.4	<b>1.5</b>	<b>1.4</b>						
EV/EBITDA (adj.)	11.8	5.6	2.9	<b>5.4</b>	<b>5.3</b>						
EV/EBIT (adj.)	15.3	6.9	5.9	<b>6.6</b>	<b>7.0</b>						
P/E (adj.)	17.9	8.4	6.6	<b>8.6</b>	<b>7.7</b>						
P/B	2.1	0.8	0.5	<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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Buy The 12-month risk-adjusted expected shareholder

return of the share is very attractive

Accumulate The 12-month risk-adjusted expected shareholder return of the share is attractive

Reduce The 12-month risk-adjusted expected shareholder return of the share is weak

Sell The 12-month risk-adjusted expected shareholder return of the share is very weak

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Date	Recommendation	Target	Share price
2022-12-12	Buy	23 kr	16.90 kr
2023-01-03	Buy	26 kr	18.00 kr
2023-06-01	Buy	22 kr	12.70 kr
2023-09-01	Buy	21 kr	15.20 kr
2023-12-01	Buy	16 kr	10.10 kr
2024-03-01	Buy	17 kr	12.09 kr
2024-03-21	Buy	20 kr	16.98 kr



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