

Slightly below expectations

Talenom's first quarter results were slightly below our expectations. Net sales amounted to EUR 13.5m (EUR 14.2m Evli) while the operating profit amounted to EUR 2.4m (EUR 2.5m Evli). Talenom reiterated its guidance for 2019 and gave a financial outlook for 2020, expecting growth and relative profitability to be in line with 2019.

- Talenom's net sales in Q3 amounted to EUR 13.5m (EUR 11.1m in Q3/18), slightly below our estimates (Evli EUR 14.2m). Revenue growth in Q3 was 21.1% y/y.
- The operating profit in Q3 was EUR 2.4m (EUR 1.9m in Q3/18), in line with our estimates (Evli EUR 2.5m), at a margin of 17.4%.
- Talenom's guidance intact: the net sales growth rate is expected to be greater than in 2018 and the operating profit margin to improve compared to 2018
- Financial outlook 2020: Growth and profitability expected to be in line with 2019. Our estimates: 2020 revenue growth and EBIT-% 18.0% and 20.7% respectively (2019E: 22.5% and 19.6%)
- Net investments during 1-9/2019 EUR 12.0m compared with 7.1m during 1-9/2018.

Rating 🟡 HOLD

Q3/19	Actual	Evli	Year ago	Q2/19
Net sales	13.5	14.2	11.1	14.8
EBIT	2.4	2.5	1.9	3.2
EPS	0.24	0.27	0.21	0.33
Deviation	Actual	Evli	Year ago	Q2/19
Net sales		-5%	21%	-9%
EBIT		-4%	30%	-24%
EPS		-11%	17%	-27%

Share price, EUR (Last trading day's closing price)	33.20
Target price, EUR	36.0
Latest change in recommendation	30-Jul-19
Latest report on company	30-Jul-19
Research paid by issuer:	YES
No. of shares outstanding, '000's	6,973
No. of shares fully diluted, '000's	6,973
Market cap, EURm	231
Free float, %	58.5
Exchange rate	0.000
Reuters code	TNOM.HE
Bloomberg code	TNOM FH
Average daily volume, EURm	0.07
Next interim report	21-Oct-19
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+ BUY 🟡 HOLD - SELL

PRE-REPORT KEY FIGURES

	Sales EURm	EBIT EURm	EBIT %	FCF EURm	EPS EUR	P/E (x)	EV/Sales (x)	EV/EBIT (x)	FCF yield %	DPS EUR
2017	41.4	4.8	11.7%	2.0	0.50	23.4	2.5	21.6	2.3	0.32
2018	48.9	8.5	17.5%	2.2	0.93	20.6	3.2	18.4	1.7	0.55
2019E	59.8	11.7	19.6%	2.3	1.26	26.4	4.3	22.0	1.0	0.75
2020E	70.6	14.6	20.7%	5.2	1.59	20.8	3.6	17.6	2.2	0.96
2021E	79.8	16.8	21.0%	7.7	1.84	18.1	3.2	15.3	3.3	1.10
Market cap, EURm	231		BV per share 2019E, EUR		103.4		CAGR EPS 2018-21, %		25.7	
Net debt 2019E, EURm	26		Price/book 2019E		9.3		CAGR sales 2018-21, %		17.8	
Enterprise value, EURm	257		Dividend yield 2019E, %		2.3		ROE 2019E, %		40.1	
Total assets 2019E, EURm	67		Tax rate 2019E, %		20.3		ROCE 2019E, %		21.6	
Goodwill 2019E, EURm	19		Equity ratio 2019E, %		37.3		PEG, P/E 19/CAGR		1.5	

All the important disclosures can be found on the last pages of this report.

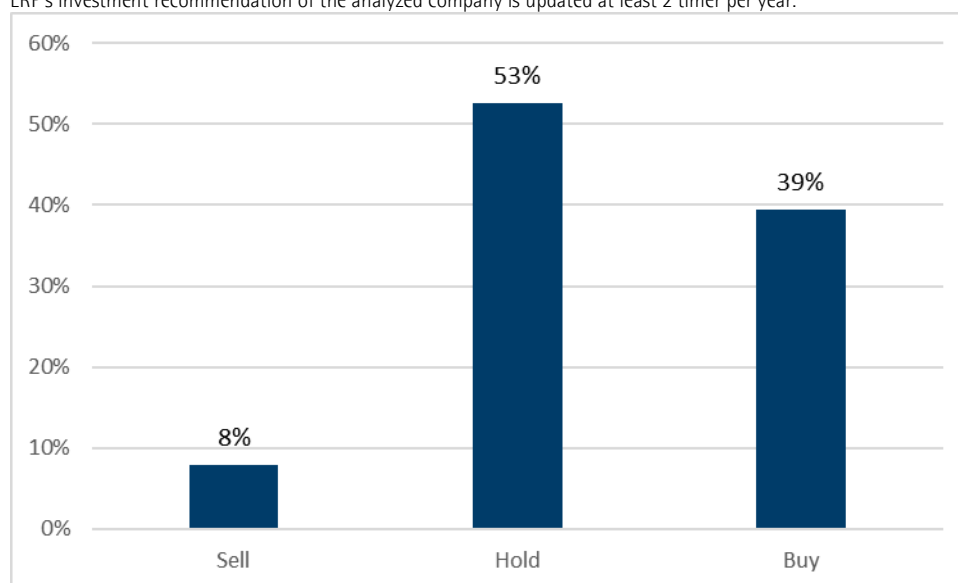
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Investment recommendations are defined as follows:

Target price compared to share price	Recommendation
< -10 %	SELL
-10 – (+10) %	HOLD
> 10 %	BUY

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The graph above shows the distribution of ERP's recommendations of companies under coverage in 1st of February 2019. If recommendation is not given, it is not mentioned here.

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