

Miss on EBIT

Talenom's Q4 results were below our expectations due to a miss on profitability. Net sales amounted to EUR 14.9m (Evli/cons. EUR 15.1m) while the operating profit amounted to EUR 1.5m (Evli/cons. EUR 2.6/2.4m). Talenom reiterated its guidance for 2020, expecting relative growth and relative profitability to be in line with 2019. Talenom proposes a dividend of EUR 0.75 (Evli/cons. 0.74/0.71).

- Talenom's net sales in Q4 amounted to EUR 14.9m (EUR 12.4m in Q4/18), in line with our and consensus estimates (Evli/cons. EUR 15.1m). Revenue growth in Q4 was 19.8% y/y.
- Introduction of the Incomes Register had a negative impact of EUR 0.33m on net sales and operating profit in Q4/19.
- The operating profit in Q4 was EUR 1.5m (EUR 1.5m in Q4/18), below our and consensus estimates (Evli/cons. EUR 2.6/2.4m), at a margin of 9.8%. The operating profit miss was mainly due to higher than estimated depreciation and amortization.
- Guidance reiterated: the relative growth in net sales and relative profitability in 2020 expected to be in line with 2019.
- Net investments in 2019 EUR 15.4m compared with 9.5m in 2018.
- Talenom proposes a dividend of EUR 0.75 per share (Evli/cons. 0.74/0.71).

Rating + BUY

Q4/19	Actual	Evli	Consensus	Year ago
Net sales	14.9	15.1	15.1	12.4
EBIT	1.5	2.6	2.4	1.5
EPS	0.15	0.28	0.24	0.15
DPS 2019	0.75	0.74	0.71	0.55
Deviation	Actual	Evli	Consensus	Year ago
Net sales		-1%	-1%	20%
EBIT		-44%	-39%	-1%
EPS		-47%	-38%	3%
DPS 2019		2%	6%	36%

**Consensus by Bloomberg*

Share price, EUR (Last trading day's closing price) 46.20

Target price, EUR 37.5

Latest change in recommendation	22-Oct-19
Latest report on company	22-Oct-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	322
Free float, %	58.5
Exchange rate	0.000
Reuters code	TNOM.HE
Bloomberg code	TNOM FH
Average daily volume, EURm	0.28
Next interim report	03-Feb-20
Web site	talenom.fi/en/investors

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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%	5.3	0.50	23.4	2.5	21.6	6.1	0.32
2018	48.9	8.5	17.5%	6.8	0.93	20.6	3.2	18.4	5.2	0.55
2019E	58.1	11.6	19.9%	0.9	1.23	37.6	6.0	30.3	0.3	0.74
2020E	69.2	14.3	20.7%	7.3	1.55	29.9	5.0	24.3	2.3	0.93
2021E	79.6	16.7	21.0%	8.5	1.82	25.4	4.4	20.7	2.6	1.09

Market cap, EURm	322	BV per share 2019E, EUR	119.6	CAGR EPS 2018-21, %	25.2
Net debt 2019E, EURm	28	Price/book 2019E	13.6	CAGR sales 2018-21, %	17.6
Enterprise value, EURm	351	Dividend yield 2019E, %	1.6	ROE 2019E, %	40.4
Total assets 2019E, EURm	71	Tax rate 2019E, %	20.3	ROCE 2019E, %	20.8
Goodwill 2019E, EURm	21	Equity ratio 2019E, %	33.4	PEG, P/E 19/CAGR	2.0

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

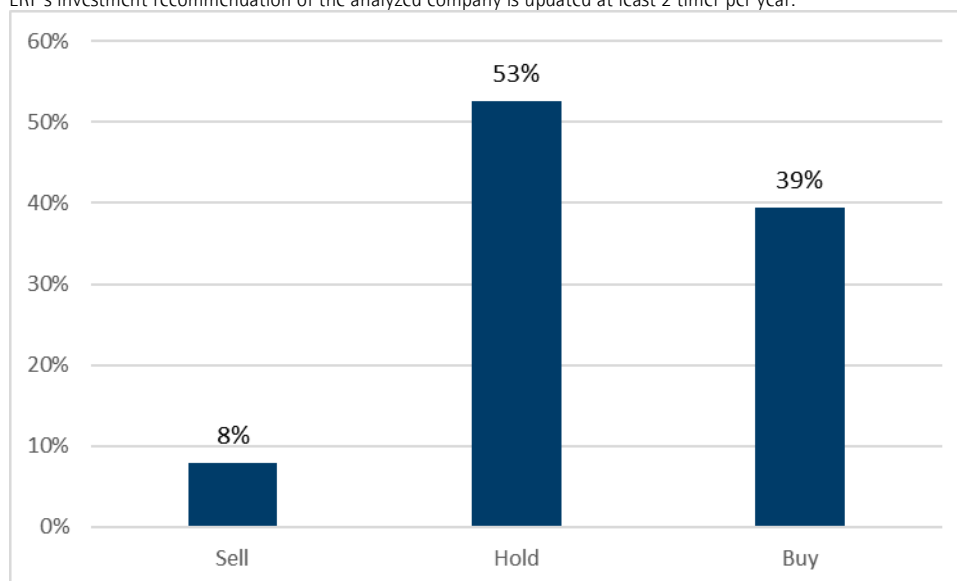
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Investment recommendations are defined as follows:

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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