

Sights remain set on growth

Talenom's Q4 results fell below our expectations, with EBIT at EUR 1.5m (Evli 2.6m), driven by higher than anticipated D&A and the impact of the introduction of the Incomes Register. The impact of growth investments on profitability in 2020 appears somewhat larger than previously anticipated and we have lowered our 2020-2021E EBIT estimates by ~10%. We raise our TP to EUR 41 (37.5) but downgrade to HOLD.

EBIT in Q4 clearly below expectations

Talenom's Q4 results were below our expectations. Revenue grew 19.8% to EUR 14.9m (Evli 15.1m), while EBIT amounted to EUR 1.5m (Evli 2.6m). Compared with our estimates the difference was largely due to higher than anticipated D&A and introduction of the Incomes Register. D&A expenses increased as depreciation of the latest implementations of the bookkeeping line began in Q4. One-off items were limited although year-end reviews to our understanding also affected the elevated expenses.

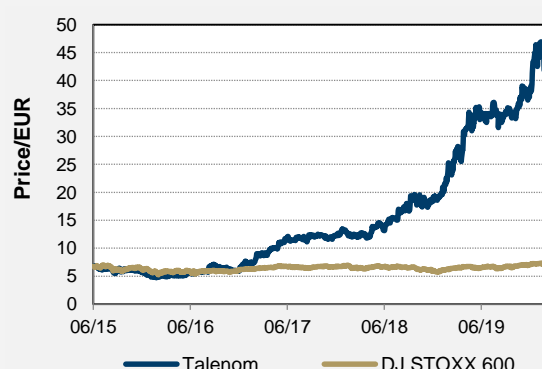
Growth investments pressuring margin improvements

Talenom's expects relative growth in net sales and relative profitability in 2020 to be in line with 2019. We see that margin improvement potential remains possible in 2020 through enhanced operational efficiency in acquired businesses and from the bookkeeping line improvements. More importantly, Talenom is in our view seeking to maintain momentum on growth and targeting geographical expansion and growth in smaller customer segments domestically as well as growth pick-up in Sweden. Talenom also emphasized focus on customer retention and satisfaction. With growth investments expected to increase we now only expect a 0.4pp EBIT-margin improvement and sales growth of 18.9% in 2020.

HOLD (BUY) with a target price of EUR 41 (37.5)

Talenom is in our view continuing on a healthy long-term track. We have lowered our 2020-2021E EBIT estimates by around 10%. With the outlook still remaining solid we raise our target price to EUR 41 (37.5), valuing Talenom at 30x 2020E P/E. With the share price having picked up we downgrade to HOLD (BUY).

Rating

■ HOLD


Share price, EUR (Last trading day's closing price) 41.80

Target price, EUR 41.0

Latest change in recommendation 04-Feb-20

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 291

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 27-Apr-20

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■ BUY ■ HOLD ■ SELL

KEY FIGURES

| | Sales EURm | EBIT EURm | EBIT % | FCF EURm | EPS EUR | P/E (x) | EV/Sales (x) | EV/EBIT (x) | FCF yield % | DPS EUR |
|--------------------------|---------------|--------------|-----------|-------------------------|------------|------------|-----------------------|----------------|----------------|------------|
| 2018 | 48.9 | 8.5 | 17.5% | 3.3 | 0.93 | 20.6 | 3.2 | 18.4 | 2.5 | 0.55 |
| 2019 | 58.0 | 10.4 | 18.0% | 3.2 | 1.09 | 31.1 | 4.6 | 25.5 | 1.4 | 0.75 |
| 2020E | 68.9 | 12.7 | 18.4% | 3.6 | 1.36 | 30.6 | 4.7 | 25.3 | 1.2 | 0.90 |
| 2021E | 79.9 | 14.9 | 18.7% | 6.4 | 1.62 | 25.8 | 4.0 | 21.5 | 2.2 | 1.10 |
| 2022E | 91.1 | 17.5 | 19.2% | 8.2 | 1.91 | 21.9 | 3.5 | 18.4 | 2.8 | 1.31 |
| Market cap, EURm | | | 291 | Gearing 2020E, % | | 108.9 | CAGR EPS 2019-22, % | | | 20.4 |
| Net debt 2020E, EURm | | | 30 | Price/book 2020E | | 10.5 | CAGR sales 2019-22, % | | | 16.3 |
| Enterprise value, EURm | | | 322 | Dividend yield 2020E, % | | 2.2 | ROE 2020E, % | | | 37.0 |
| Total assets 2020E, EURm | | | 81 | Tax rate 2020E, % | | 20.0 | ROCE 2020E, % | | | 19.9 |
| Goodwill 2020E, EURm | | | 21 | Equity ratio 2020E, % | | 34.5 | PEG, P/E 20/CAGR | | | 1.8 |

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

| VALUATION RESULTS | BASE CASE DETAILS | VALUATION ASSUMPTIONS | ASSUMPTIONS FOR WACC | |
|--------------------------|----------------------------|-------------------------|--------------------------------|------|
| Current share price | 41.80 PV of Free Cash Flow | 105 Long-term growth, % | 2.3 Risk-free interest rate, % | 2.25 |
| DCF share value | 44.57 PV of Horizon value | 234 WACC, % | 7.4 Market risk premium, % | 5.8 |
| Share price potential, % | 6.6 Unconsolidated equity | 0 Spread, % | 0.5 Debt risk premium, % | 3.3 |
| Maximum value | 50.4 Marketable securities | 8 Minimum WACC, % | 6.9 Equity beta coefficient | 0.80 |
| Minimum value | 39.8 Debt - dividend | -36 Maximum WACC, % | 7.9 Target debt ratio, % | 25 |
| Horizon value, % | 69.1 Value of stock | 311 Nr of shares, Mn | 7.0 Effective tax rate, % | 20 |

| DCF valuation, EURm | 2019 | 2020E | 2021E | 2022E | 2023E | 2024E | 2025E | 2026E | 2027E | 2028E | 2029E | Horizon |
|-----------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Net sales | 58 | 69 | 80 | 91 | 100 | 107 | 113 | 118 | 124 | 130 | 133 | 136 |
| <i>Sales growth, %</i> | <i>18.6</i> | <i>18.9</i> | <i>16.0</i> | <i>14.0</i> | <i>10.0</i> | <i>7.0</i> | <i>5.0</i> | <i>5.0</i> | <i>5.0</i> | <i>5.0</i> | <i>2.3</i> | <i>2.3</i> |
| Operating income (EBIT) | 10 | 13 | 15 | 17 | 20 | 23 | 24 | 25 | 26 | 27 | 28 | 29 |
| <i>Operating income margin, %</i> | <i>18.0</i> | <i>18.4</i> | <i>18.7</i> | <i>19.2</i> | <i>20.0</i> | <i>21.0</i> | <i>21.0</i> | <i>21.0</i> | <i>21.0</i> | <i>21.0</i> | <i>21.0</i> | <i>21.0</i> |
| + Depreciation+amort. | 8 | 10 | 10 | 10 | 11 | 12 | 13 | 14 | 14 | 15 | 16 | |
| EBITDA | 19 | 22 | 25 | 28 | 31 | 35 | 37 | 39 | 40 | 42 | 44 | |
| - Paid taxes | -3 | -3 | -3 | -3 | -4 | -5 | -5 | -5 | -5 | -5 | -6 | |
| - Change in NWC | 1 | 1 | 1 | 1 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | |
| <i>NWC / Sales, %</i> | <i>-6.4</i> | <i>-6.4</i> | <i>-6.4</i> | <i>-6.4</i> | <i>-6.4</i> | <i>-6.4</i> | <i>-6.4</i> | <i>-6.4</i> | <i>-6.4</i> | <i>-6.4</i> | <i>-6.4</i> | |
| + Change in other liabs | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| - Operative CAPEX | -11 | -14 | -13 | -14 | -14 | -14 | -14 | -14 | -15 | -16 | -15 | |
| <i>opCAPEX / Sales, %</i> | <i>22.9</i> | <i>23.8</i> | <i>19.0</i> | <i>17.4</i> | <i>16.1</i> | <i>15.0</i> | <i>14.3</i> | <i>14.3</i> | <i>14.3</i> | <i>14.3</i> | <i>13.4</i> | |
| - Acquisitions | -2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| + Divestments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| - Other items | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| = FCFF | 6 | 6 | 9 | 11 | 14 | 17 | 19 | 20 | 21 | 22 | 24 | 474 |
| = Discounted FCFF | | 6 | 8 | 9 | 11 | 12 | 12 | 12 | 12 | 12 | 12 | 234 |
| = DFCF min WACC | | 6 | 8 | 9 | 11 | 12 | 13 | 12 | 12 | 12 | 12 | 272 |
| = DFCF max WACC | | 6 | 8 | 9 | 11 | 12 | 12 | 12 | 11 | 11 | 11 | 204 |

INTERIM FIGURES

| EVLI ESTIMATES, EURm | 2019Q1 | 2019Q2 | 2019Q3 | 2019Q4 | 2019 | 2020Q1E | 2020Q2E | 2020Q3E | 2020Q4E | 2020E | 2021E | 2022E |
|--------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Net sales | 14.8 | 14.8 | 13.5 | 14.9 | 58.0 | 17.5 | 17.6 | 16.0 | 17.8 | 68.9 | 79.9 | 91.1 |
| EBITDA | 5.2 | 5.2 | 4.2 | 4.3 | 18.9 | 6.1 | 6.3 | 5.2 | 5.0 | 22.5 | 24.5 | 27.6 |
| <i>EBITDA margin (%)</i> | <i>35.5</i> | <i>35.3</i> | <i>30.8</i> | <i>28.8</i> | <i>32.6</i> | <i>34.6</i> | <i>35.6</i> | <i>32.4</i> | <i>28.0</i> | <i>32.6</i> | <i>30.7</i> | <i>30.3</i> |
| EBIT | 3.4 | 3.2 | 2.4 | 1.5 | 10.4 | 4.1 | 3.8 | 2.9 | 2.0 | 12.7 | 14.9 | 17.5 |
| <i>EBIT margin (%)</i> | <i>23.3</i> | <i>21.4</i> | <i>17.4</i> | <i>9.8</i> | <i>18.0</i> | <i>23.3</i> | <i>21.6</i> | <i>17.8</i> | <i>11.0</i> | <i>18.4</i> | <i>18.7</i> | <i>19.2</i> |
| Net financial items | -0.1 | -0.3 | -0.2 | -0.2 | -0.8 | -0.2 | -0.2 | -0.2 | -0.2 | -0.8 | -0.8 | -0.9 |
| Pre-tax profit | 3.3 | 2.9 | 2.1 | 1.3 | 9.6 | 3.9 | 3.6 | 2.7 | 1.8 | 11.9 | 14.1 | 16.6 |
| Tax | -0.7 | -0.6 | -0.4 | -0.3 | -2.0 | -0.8 | -0.7 | -0.5 | -0.4 | -2.4 | -2.8 | -3.3 |
| <i>Tax rate (%)</i> | <i>20.0</i> | <i>21.2</i> | <i>20.0</i> | <i>20.3</i> | <i>20.4</i> | <i>20.0</i> | <i>20.0</i> | <i>20.0</i> | <i>20.0</i> | <i>20.0</i> | <i>20.0</i> | <i>20.0</i> |
| Net profit | 2.6 | 2.3 | 1.7 | 1.0 | 7.6 | 3.1 | 2.9 | 2.1 | 1.4 | 9.5 | 11.3 | 13.3 |
| EPS | 0.38 | 0.33 | 0.24 | 0.14 | 1.09 | 0.45 | 0.41 | 0.30 | 0.20 | 1.36 | 1.62 | 1.91 |
| EPS adjusted (diluted no. of shares) | 0.38 | 0.33 | 0.24 | 0.14 | 1.09 | 0.45 | 0.41 | 0.30 | 0.20 | 1.36 | 1.62 | 1.91 |
| Dividend per share | 0.00 | 0.00 | 0.00 | 0.00 | 0.75 | 0.00 | 0.00 | 0.00 | 0.00 | 0.90 | 1.10 | 1.31 |
| SALES, EURm | | | | | | | | | | | | |
| Talenom | 14.8 | 14.8 | 13.5 | 14.9 | 58.0 | 17.5 | 17.6 | 16.0 | 17.8 | 68.9 | 79.9 | 91.1 |
| Total | 14.8 | 14.8 | 13.5 | 14.9 | 58.0 | 17.5 | 17.6 | 16.0 | 17.8 | 68.9 | 79.9 | 91.1 |
| SALES GROWTH, Y/Y % | | | | | | | | | | | | |
| <i>Talenom</i> | <i>16.1</i> | <i>17.7</i> | <i>21.1</i> | <i>19.8</i> | <i>18.6</i> | <i>18.4</i> | <i>19.2</i> | <i>18.5</i> | <i>19.4</i> | <i>18.9</i> | <i>16.0</i> | <i>14.0</i> |
| <i>Total</i> | <i>16.1</i> | <i>17.7</i> | <i>21.1</i> | <i>19.8</i> | <i>18.6</i> | <i>18.4</i> | <i>19.2</i> | <i>18.5</i> | <i>19.4</i> | <i>18.9</i> | <i>16.0</i> | <i>14.0</i> |
| EBIT, EURm | | | | | | | | | | | | |
| Talenom | 3.4 | 3.2 | 2.4 | 1.5 | 10.4 | 4.1 | 3.8 | 2.9 | 2.0 | 12.7 | 14.9 | 17.5 |
| Total | 3.4 | 3.2 | 2.4 | 1.5 | 10.4 | 4.1 | 3.8 | 2.9 | 2.0 | 12.7 | 14.9 | 17.5 |
| EBIT margin, % | | | | | | | | | | | | |
| <i>Talenom</i> | <i>23.3</i> | <i>21.4</i> | <i>17.4</i> | <i>9.8</i> | <i>18.0</i> | <i>23.3</i> | <i>21.6</i> | <i>17.8</i> | <i>11.0</i> | <i>18.4</i> | <i>18.7</i> | <i>19.2</i> |
| <i>Total</i> | <i>23.3</i> | <i>21.4</i> | <i>17.4</i> | <i>9.8</i> | <i>18.0</i> | <i>23.3</i> | <i>21.6</i> | <i>17.8</i> | <i>11.0</i> | <i>18.4</i> | <i>18.7</i> | <i>19.2</i> |

| INCOME STATEMENT, EURm | 2015 | 2016 | 2017 | 2018 | 2019 | 2020E | 2021E | 2022E |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Sales | 33.0 | 37.0 | 41.4 | 48.9 | 58.0 | 68.9 | 79.9 | 91.1 |
| <i>Sales growth (%)</i> | <i>11.6</i> | <i>12.0</i> | <i>12.1</i> | <i>18.0</i> | <i>18.6</i> | <i>18.9</i> | <i>16.0</i> | <i>14.0</i> |
| EBITDA | 3.2 | 6.8 | 9.5 | 13.7 | 18.9 | 22.5 | 24.5 | 27.6 |
| <i>EBITDA margin (%)</i> | <i>9.6</i> | <i>18.5</i> | <i>23.0</i> | <i>28.0</i> | <i>32.6</i> | <i>32.6</i> | <i>30.7</i> | <i>30.3</i> |
| Depreciation | -2.0 | -2.6 | -4.7 | -5.1 | -8.5 | -9.8 | -9.6 | -10.1 |
| EBITA | 1.2 | 4.2 | 4.8 | 8.5 | 10.4 | 12.7 | 14.9 | 17.5 |
| Goodwill amortization / writedown | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| EBIT | 1.2 | 4.2 | 4.8 | 8.5 | 10.4 | 12.7 | 14.9 | 17.5 |
| <i>EBIT margin (%)</i> | <i>3.7</i> | <i>11.3</i> | <i>11.7</i> | <i>17.5</i> | <i>18.0</i> | <i>18.4</i> | <i>18.7</i> | <i>19.2</i> |
| Reported EBIT | 1.2 | 4.0 | 4.7 | 8.5 | 10.4 | 12.7 | 14.9 | 17.5 |
| <i>EBIT margin (reported) (%)</i> | <i>3.7</i> | <i>10.7</i> | <i>11.3</i> | <i>17.5</i> | <i>18.0</i> | <i>18.4</i> | <i>18.7</i> | <i>19.2</i> |
| Net financials | -1.1 | -0.5 | -0.5 | -0.6 | -0.8 | -0.8 | -0.8 | -0.9 |
| Pre-tax profit | 0.1 | 3.6 | 4.3 | 8.0 | 9.6 | 11.9 | 14.1 | 16.6 |
| Taxes | 0.0 | -0.7 | -0.9 | -1.6 | -2.0 | -2.4 | -2.8 | -3.3 |
| Minority shares | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Net profit | 0.1 | 2.7 | 3.3 | 6.4 | 7.6 | 9.5 | 11.3 | 13.3 |
| Cash NRIs | 0.0 | -0.2 | -0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Non-cash NRIs | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| BALANCE SHEET, EURm | | | | | | | | |
| Assets | | | | | | | | |
| Fixed assets | 11 | 14 | 17 | 21 | 28 | 34 | 40 | 45 |
| Goodwill | 18 | 18 | 18 | 18 | 21 | 21 | 21 | 21 |
| Right of use assets | 0 | 0 | 0 | 8 | 8 | 9 | 9 | 9 |
| Inventory | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Receivables | 4 | 5 | 5 | 5 | 7 | 8 | 9 | 10 |
| Liquid funds | 5 | 4 | 5 | 6 | 8 | 9 | 11 | 12 |
| Total assets | 40 | 42 | 46 | 59 | 71 | 81 | 89 | 98 |
| Liabilities | | | | | | | | |
| Shareholder's equity | 9 | 12 | 14 | 19 | 24 | 28 | 33 | 39 |
| Minority interest | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Convertibles | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Lease liabilities | 0 | 0 | 0 | 8 | 8 | 9 | 9 | 9 |
| Deferred taxes | 0 | 0 | 1 | 1 | 1 | 1 | 1 | 1 |
| Interest bearing debt | 24 | 23 | 23 | 24 | 28 | 31 | 32 | 33 |
| Non-interest bearing current liabilities | 7 | 7 | 8 | 8 | 10 | 12 | 14 | 16 |
| Other interest-free debt | 1 | 1 | 1 | 0 | 0 | 0 | 0 | 0 |
| Total liabilities | 40 | 42 | 46 | 59 | 71 | 81 | 89 | 98 |
| CASH FLOW, EURm | | | | | | | | |
| + EBITDA | 3 | 7 | 10 | 14 | 19 | 22 | 25 | 28 |
| - Net financial items | -1 | -1 | -1 | -1 | -1 | -1 | -1 | -1 |
| - Taxes | -1 | 0 | 0 | -1 | -2 | -2 | -3 | -3 |
| - Increase in Net Working Capital | 0 | 0 | 1 | -1 | 1 | 1 | 1 | 1 |
| +/- Other | 0 | 1 | 1 | 1 | 1 | 0 | 0 | 0 |
| = Cash flow from operations | 2 | 7 | 10 | 12 | 18 | 20 | 22 | 24 |
| - Capex | -3 | -4 | -5 | -9 | -13 | -16 | -15 | -16 |
| - Acquisitions | 0 | 0 | 0 | -1 | -2 | 0 | 0 | 0 |
| + Divestments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| = Free cash flow | -1 | 2 | 5 | 3 | 3 | 4 | 6 | 8 |
| +/- New issues/buybacks | 9 | 0 | 0 | 1 | 1 | 0 | 0 | 0 |
| - Paid dividend | 0 | 0 | -1 | -2 | -4 | -5 | -6 | -8 |
| +/- Other | -3 | -3 | -4 | -1 | 1 | 3 | 1 | 1 |
| Change in cash | 4 | -1 | 1 | 1 | 2 | 1 | 1 | 2 |

| KEY FIGURES | 2016 | 2017 | 2018 | 2019 | 2020E | 2021E | 2022E |
|--|-------|-------|-------|-------|-------|-------|-------|
| M-cap | 49 | 87 | 131 | 237 | 291 | 291 | 291 |
| Net debt (excl. convertibles) | 18 | 18 | 26 | 29 | 30 | 30 | 30 |
| Enterprise value | 67 | 105 | 157 | 266 | 322 | 322 | 321 |
| Sales | 37 | 41 | 49 | 58 | 69 | 80 | 91 |
| EBITDA | 7 | 10 | 14 | 19 | 22 | 25 | 28 |
| EBIT | 4 | 5 | 9 | 10 | 13 | 15 | 17 |
| Pre-tax | 4 | 4 | 8 | 10 | 12 | 14 | 17 |
| Earnings | 3 | 3 | 6 | 8 | 10 | 11 | 13 |
| Equity book value (excl. minorities) | 12 | 14 | 19 | 24 | 28 | 33 | 39 |
| Valuation multiples | | | | | | | |
| EV/sales | 1.8 | 2.5 | 3.2 | 4.6 | 4.7 | 4.0 | 3.5 |
| EV/EBITDA | 9.9 | 11.0 | 11.5 | 14.1 | 14.3 | 13.1 | 11.6 |
| EV/EBITA | 16.1 | 21.6 | 18.4 | 25.5 | 25.3 | 21.5 | 18.4 |
| EV/EBIT | 16.1 | 21.6 | 18.4 | 25.5 | 25.3 | 21.5 | 18.4 |
| EV/OCF | 9.8 | 10.6 | 12.9 | 14.5 | 16.1 | 14.9 | 13.3 |
| EV/FCFF | 46.6 | 38.2 | 41.8 | 44.9 | 51.5 | 35.2 | 28.8 |
| P/FCFE | 21.2 | 16.4 | 39.8 | 73.9 | 80.9 | 45.9 | 35.4 |
| P/E | 16.9 | 23.4 | 20.6 | 31.1 | 30.6 | 25.8 | 21.9 |
| P/B | 4.2 | 6.2 | 7.0 | 10.1 | 10.5 | 8.9 | 7.6 |
| Target EV/EBITDA | 0.0 | 0.0 | 0.0 | 0.0 | 14.1 | 12.9 | 11.4 |
| Target EV/EBIT | 0.0 | 0.0 | 0.0 | 0.0 | 24.9 | 21.2 | 18.0 |
| Target EV/FCF | 0.0 | 0.0 | 0.0 | 0.0 | 87.8 | 49.7 | 38.3 |
| Target P/B | 0.0 | 0.0 | 0.0 | 0.0 | 10.3 | 8.7 | 7.4 |
| Target P/E | 0.0 | 0.0 | 0.0 | 0.0 | 30.0 | 25.3 | 21.5 |
| Per share measures | | | | | | | |
| Number of shares | 6,807 | 6,812 | 6,872 | 6,973 | 6,973 | 6,973 | 6,973 |
| Number of shares (diluted) | 6,807 | 6,812 | 6,872 | 6,973 | 6,973 | 6,973 | 6,973 |
| EPS | 0.43 | 0.50 | 0.93 | 1.09 | 1.36 | 1.62 | 1.91 |
| Operating cash flow per share | 1.00 | 1.45 | 1.78 | 2.63 | 2.87 | 3.09 | 3.46 |
| Free cash flow per share | 0.34 | 0.78 | 0.48 | 0.46 | 0.52 | 0.91 | 1.18 |
| Book value per share | 1.72 | 2.05 | 2.72 | 3.38 | 4.00 | 4.71 | 5.52 |
| Dividend per share | 0.20 | 0.32 | 0.55 | 0.75 | 0.90 | 1.10 | 1.31 |
| Dividend payout ratio, % | 46.9 | 63.9 | 59.4 | 68.7 | 66.0 | 68.0 | 68.7 |
| Dividend yield, % | 2.8 | 2.5 | 2.9 | 1.8 | 2.2 | 2.6 | 3.1 |
| FCF yield, % | 4.7 | 6.1 | 2.5 | 1.4 | 1.2 | 2.2 | 2.8 |
| Efficiency measures | | | | | | | |
| ROE | 27.5 | 26.6 | 39.0 | 36.0 | 37.0 | 37.2 | 37.3 |
| ROCE | 12.5 | 13.7 | 19.7 | 18.8 | 19.9 | 21.2 | 22.7 |
| Financial ratios | | | | | | | |
| Inventories as % of sales | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Receivables as % of sales | 13.0 | 13.2 | 11.2 | 11.3 | 11.3 | 11.3 | 11.3 |
| Non-interest bearing liabilities as % of sales | 19.2 | 20.2 | 15.8 | 17.6 | 17.6 | 17.6 | 17.6 |
| NWC/sales, % | -6.2 | -7.0 | -4.6 | -6.4 | -6.4 | -6.4 | -6.4 |
| Operative CAPEX/sales, % | 11.0 | 11.0 | 17.7 | 22.9 | 23.8 | 19.0 | 17.4 |
| CAPEX/sales (incl. acquisitions), % | 9.9 | 11.0 | 16.7 | 19.3 | 23.8 | 19.0 | 17.4 |
| FCFF/EBITDA | 0.2 | 0.3 | 0.3 | 0.3 | 0.3 | 0.4 | 0.4 |
| Net debt/EBITDA, book-weighted | 2.7 | 1.9 | 1.9 | 1.5 | 1.3 | 1.2 | 1.1 |
| Debt/equity, market-weighted | 0.5 | 0.3 | 0.2 | 0.1 | 0.1 | 0.1 | 0.1 |
| Equity ratio, book-weighted | 27.7 | 30.4 | 31.5 | 33.0 | 34.5 | 36.9 | 39.5 |
| Gearing, % | 155.2 | 126.4 | 138.0 | 121.8 | 108.9 | 92.0 | 77.1 |

COMPANY DESCRIPTION: Talenom operates as an accounting company, with services targeted towards small and mid-size companies. The company offers accounting, bookkeeping, taxation, and legal services, as well as invoicing, financial performance monitoring and management software, and payroll services. Talenom also provides other services aimed at assisting entrepreneurs, such as staffing services.

INVESTMENT CASE: The fragmented bookkeeping market offers ample opportunities for Talenom to continue on its track of profitable growth. The opening of its first offices should also start to contribute to growth once its sales force has been established. Margin upside potential exists but is in our view quite limited and affected by the growth pace, and earnings growth should primarily derive from top-line growth. The recurring nature of Talenom's revenue provides exceptionally good predictability and revenue stability.

| OWNERSHIP STRUCTURE | SHARES | EURm | % |
|---|-----------|---------|-------|
| Tahkola Harri | 1,454,315 | 60.790 | 20.9% |
| Tahkola Markus | 919,304 | 38.427 | 13.2% |
| Ilmarinen Mutual Pension Insurance Company | 787,776 | 32.929 | 11.3% |
| Evli Finnish Small Cap fund | 400,000 | 16.720 | 5.7% |
| Skandinaviska Enskilda Banken (nominee reg.) | 373,742 | 15.622 | 5.4% |
| Skandinaviska Enskilda Banken (nominee reg.) | 368,535 | 15.405 | 5.3% |
| Danske Invest Finnish Institutional Equity fund | 326,252 | 13.637 | 4.7% |
| Föreningen Konstsamfundet r.f | 130,000 | 5.434 | 1.9% |
| Siuruainen Mikko | 115,786 | 4.840 | 1.7% |
| Church Pension Fund | 101,000 | 4.222 | 1.4% |
| Ten largest | 4,976,710 | 208.026 | 71% |
| Residual | 1,995,962 | 83.431 | 29% |
| Total | 6,972,672 | 291.458 | 100% |

| EARNINGS CALENDAR | |
|-------------------|-----------|
| April 27, 2020 | Q1 report |
| August 03, 2020 | Q2 report |
| October 26, 2020 | Q3 report |
| OTHER EVENTS | |
| February 25, 2020 | AGM |

| COMPANY MISCELLANEOUS | |
|-------------------------|------------------------------------|
| CEO: Otto-Pekka Huhtala | Töölönlahdenkatu 2, 00100 Helsinki |
| CFO: Antti Aho | Tel: |
| IR: Miikka Hätälä | |

DEFINITIONS

| | | | |
|-----------------------|--|---------------------------|---|
| P/E | $\frac{\text{Price per share}}{\text{Earnings per share}}$ | EPS | $\frac{\text{Profit before extraord. items and taxes} - \text{income taxes} + \text{minority interest}}{\text{Number of shares}}$ |
| P/BV | $\frac{\text{Price per share}}{\text{Shareholders' equity} + \text{taxed provisions per share}}$ | DPS | Dividend for the financial period per share |
| Market cap | Price per share * Number of shares | OCF (Operating cash flow) | EBITDA – Net financial items – Taxes – Increase in working capital – Cash NRIs ± Other adjustments |
| EV (Enterprise value) | Market cap + net debt + minority interest at market value – share of associated companies at market value | FCF (Free cash flow) | Operating cash flow – operative CAPEX – acquisitions + divestments |
| EV/Sales | $\frac{\text{Enterprise value}}{\text{Sales}}$ | FCF yield, % | $\frac{\text{Free cash flow}}{\text{Market cap}}$ |
| EV/EBITDA | $\frac{\text{Enterprise value}}{\text{Earnings before interest, tax, depreciation and amortization}}$ | Operative CAPEX/sales | $\frac{\text{Capital expenditure} - \text{divestments} - \text{acquisitions}}{\text{Sales}}$ |
| EV/EBIT | $\frac{\text{Enterprise value}}{\text{Operating profit}}$ | Net working capital | Current assets – current liabilities |
| Net debt | Interest bearing debt – financial assets | Capital employed/Share | $\frac{\text{Total assets} - \text{non-interest bearing debt}}{\text{Number of shares}}$ |
| Total assets | Balance sheet total | Gearing | $\frac{\text{Net debt}}{\text{Equity}}$ |
| Div yield, % | $\frac{\text{Dividend per share}}{\text{Price per share}}$ | Debt/Equity, % | $\frac{\text{Interest bearing debt}}{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions}}$ |
| Payout ratio, % | $\frac{\text{Total dividends}}{\text{Earnings before extraordinary items and taxes} - \text{income taxes} + \text{minority interest}}$ | Equity ratio, % | $\frac{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions}}{\text{Total assets} - \text{interest-free loans}}$ |
| ROCE, % | $\frac{\text{Profit before extraordinary items} + \text{interest expenses} + \text{other financial costs}}{\text{Balance sheet total} - \text{non-interest bearing debt (average)}}$ | CAGR, % | Cumulative annual growth rate = Average growth per year |
| ROE, % | $\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes}}{\text{Shareholder's equity} + \text{minority interest} + \text{taxed provisions (average)}}$ | | |

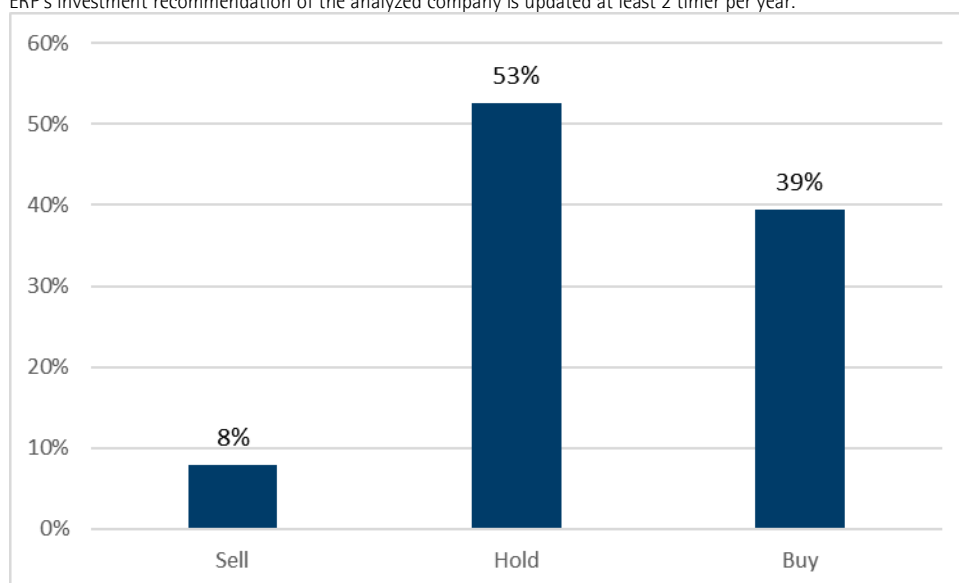
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Investment recommendations are defined as follows:

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

ERP's investment recommendation of the analyzed company is updated at least 2 timer per year.



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.

Name(s) of the analyst(s): Salokivi

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