

+5% yield despite tough market

Rent income and Profits excluding value changes met our forecast. EFTEN showed great resilience to the 2023 real estate downturn and interest rate shock, which enabled attractive dividends. We believe the market will gradually improve in 2024 and raise our dividend forecast and Fair value.

Great resilience

2023 was a recessionary year combined with floating interest rates going from roughly zero to almost 4%. Despite this, EFTEN kept its occupancy rate above 97%, increased its like-for-like Rental income by 4%, and kept its Interest Coverage Ratio at a comfortable 3.3x.

The proof is in the Dividend

The ultimate proof of EFTEN's resilience is the ability to propose a 2023 dividend of EUR 1.00/shr. (yield 5.2%) which is covered by the Free Cash Flow. The proposed dividend exceeds the minimum level (80% of Free Cash Flow) stated in dividend policy, which we see as a sign that management have a more positive outlook in 2024 vs. 2023.

Fair value raised

In our Initiation report (Aug 2023), we applied a Base case P/BV of 1.0x due to the uncertainty regarding property valuations and interest rates. We no longer see this uncertainty and therefore apply a Base case P/BV 1.1x indicating a Fair value of EUR 22.79/shr., implying an upside around 17%.

Key figures (MEUR)

	2022	2023	2024E	2025E	2026E
Rental income	13.5	30.6	32.3	33.5	34.3
Rental inc. growth	10.9%	126.9%	5.5%	3.7%	2.3%
EBITDA	11.8	26.2	27.7	28.7	29.3
EBITDA margin	87.6%	85.5%	85.7%	85.6%	85.5%
EBIT	11.8	26.1	27.5	28.5	29.1
EBIT margin	87.3%	85.2%	85.2%	85.1%	85.1%
EV/Sales	11.6	11.4	10.4	9.9	9.5
EV/EBITDA	13.3	13.3	12.1	11.6	11.1
EV/EBIT	13.3	13.4	12.2	11.6	11.2
P/E adj.	8.8	204.5	12.9	12.0	11.4
P/BV	1.0	0.9	0.9	0.9	0.9
EPS adj.	2.25	0.09	1.51	1.62	1.70
EPS growth adj.	-19.32%	-95.89%	1528.57%	7.40%	5.35%
Div. per share	1.15	1.00	1.00	1.05	1.12
Dividend yield	5.84%	5.15%	5.15%	5.40%	5.77%

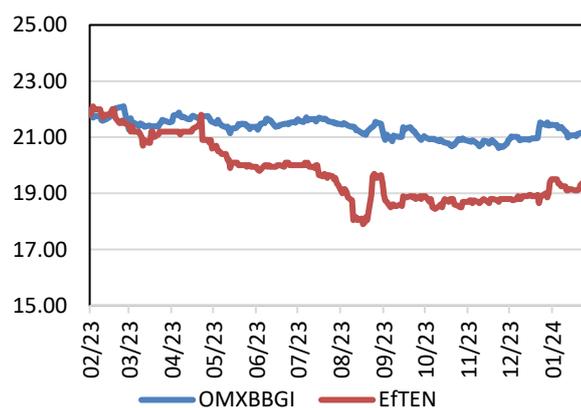
Source: Company data, Enlight Research estimates

Fair value range (EUR)

Bull (P/BV 1.2x)	24.86
Base (P/BV 1.1x)	22.79
Bear (P/BV 1.0x)	20.72

Key Data

Price (EUR)	19.40
Ticker	EFT1T
Country	Estonia
Listed	Tallinn
Market Cap (EURm)	210
Net debt (EURm)	130
Shares (m)	10.8
Free float	80%



Price range

52-week high	22.10
52-week low	17.90

Analyst

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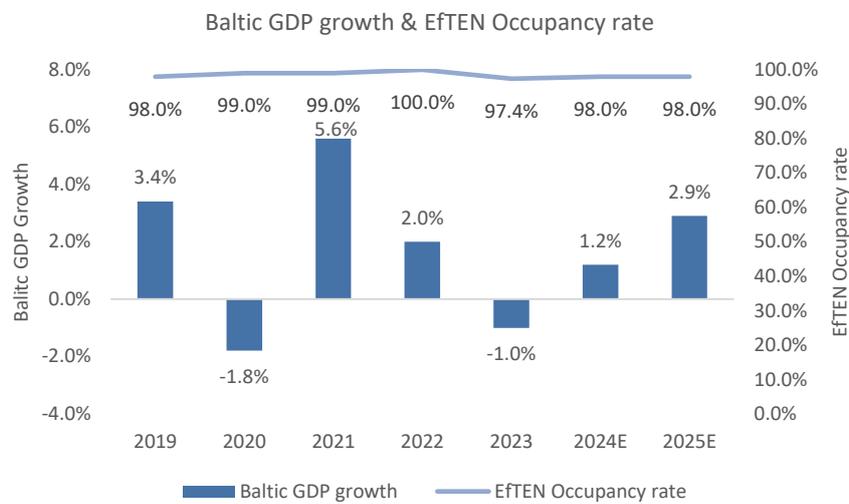
Coverage frequency

2x per year

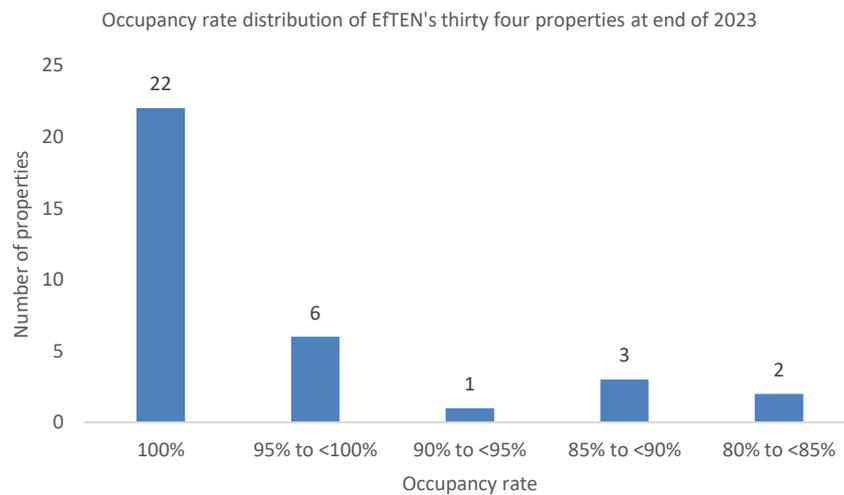
Key takeaways

Recession proof real estate

Resilient Occupancy Rate. Despite the pandemic (2020-22) and the interest rate shock (2023), EfTEN's Occupancy rate has been stable at 97-100%. We believe this is quite impressive given that during the years 2020-22, many stores and offices were shut and in 2023, the 3-month Euribor roughly doubled from 2% to 4%. The Baltic GDP fluctuated between negative 2% to plus 6% during these years. At the end of 2023, 28 out of 34 properties (excluding two properties under development) had an occupancy rate between 95-100% (22 had 100%), and only 2 had an occupancy rate below 85% (none below 80%). We forecast a 0.6 percentage point increase in the Occupancy rate this year to 98.0% as we believe the economy will slowly start to recover.

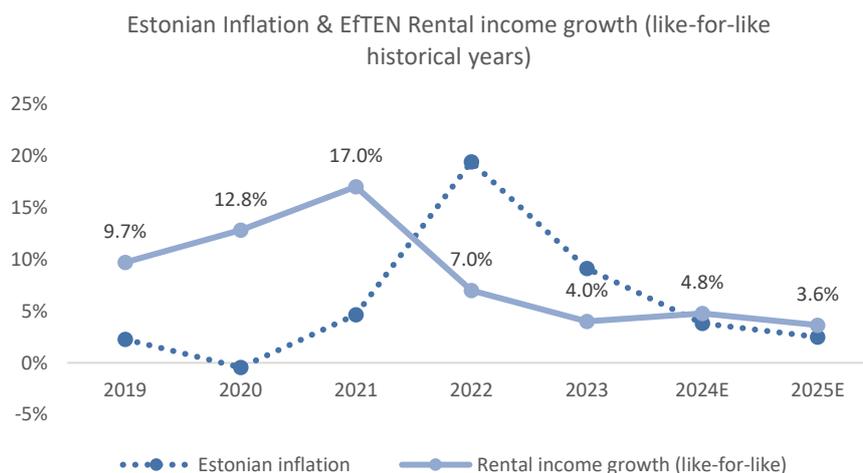


Source: Company report

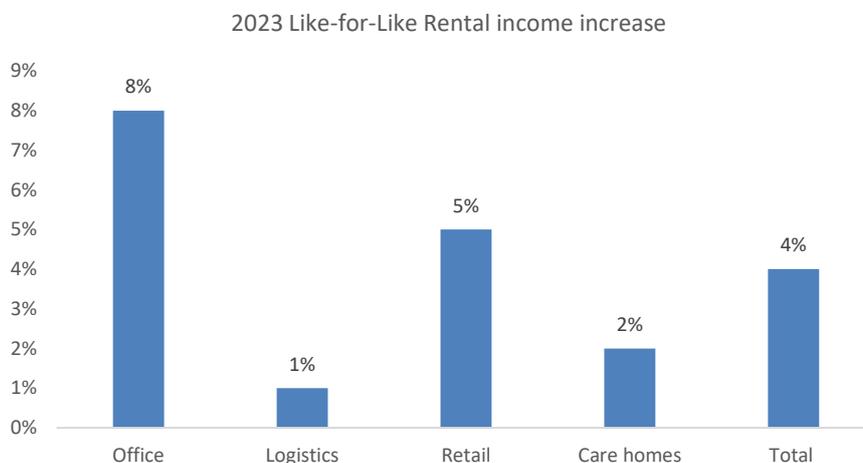


Source: Company report

Resilient Rental Income. Throughout the pandemic (2020-22) and the interest rate shock (2023), EFTEN’s Rental income has increased 4-17% annually on a like-for-like basis. In the recessionary 2023, EFTEN managed to implement rent increases in all segments (office, logistics, retail, care homes). We regard the consistent rent increases as further evidence of EFTEN’s high quality tenant base that is less sensitive to rent increases. Some examples of the largest tenants are Kesko Senukai Estonia AS (one of the largest home improvement suppliers in Latvia and Estonia), Prisma Peremarket AS (Finnish food retailer established as one of the largest food retailers in Estonia), Rimi Lietuva (Swedish food retailer established as one of the largest food retailers in Lithuania), Atea (Norwegian IT consultant established as one of the largest IT service providers in the Baltics), Selver AS (Estonian food retailer established as one of the largest food retailers in Estonia), and DSV (Danish logistics company established as one of the largest logistics companies in the Baltics). This year, we forecast the Rental income to increase by 4.8%, followed by a 3.6% annual increase in 2025, and 2.2% increase in 2026 (excluding future acquisitions). About half of the estimated Rental income growth is comes from new Care home capacity. The EFTEN ERMi (Tartu) Care home is expected to be finished this summer and start to produce rental income in Q4/24. The total investment is EUR 6.2m and the expected yield is 8.1% indicating an annual rent income of EUR 0.5m (we forecast a gradual increase to full capacity between Q4/24 to Q3/25). The EFTEN Valkla Care home rental income is projected to increase by EUR 0.26m on an annual basis starting from Q4/24.

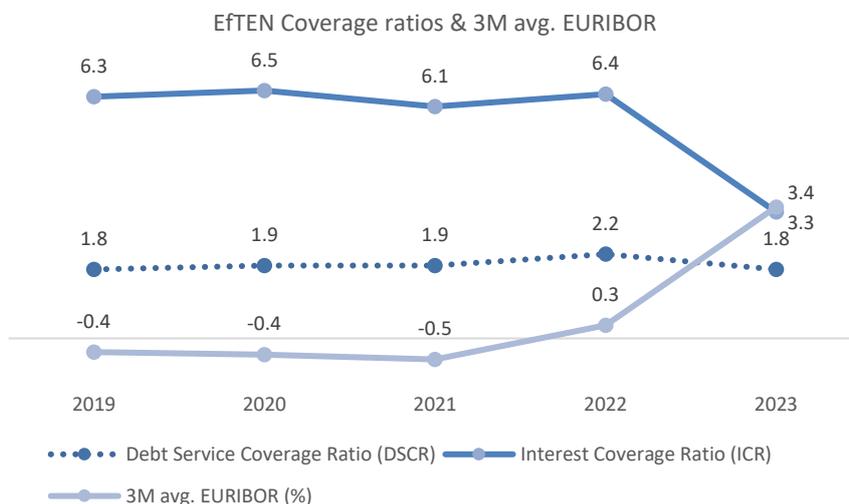


Source: Company reports (historic rental income growth), Enlight Research (estimated rental income growth), Estonian Statistics Center (Estonian inflation).

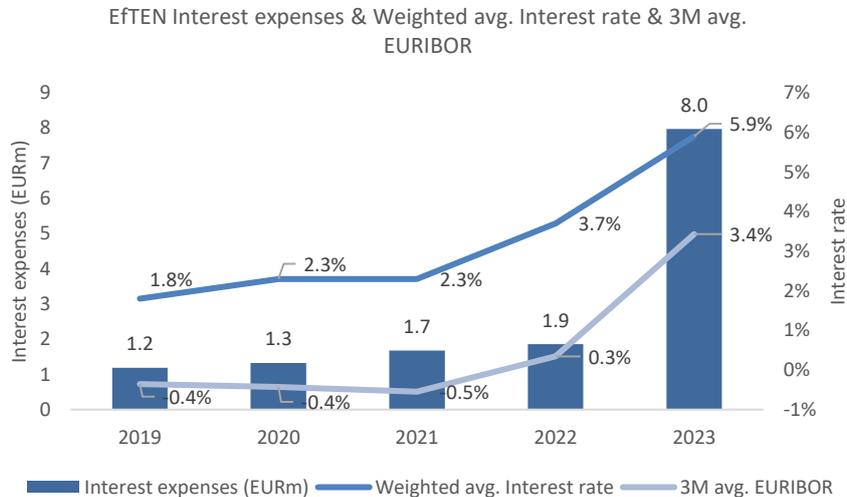


Source: Company report

Resilient Interest Expense Coverage. The high tolerance to higher interest expenses is visible in the Debt Service Coverage Ratio (DSCR) and the Interest Coverage Ratio (ICR). At the end of 2023, the DSCR stood at a 1.8x, which is comfortably above the lenders’ usual preferred minimum of 1.25x while the end of year 2023 ICR was 3.3x, which is also comfortably above the lenders’ usual minimum of 1.5x.



Source: Company report (coverage ratios), ECB (3M EURIBOR)
 DSCR (EBITDA/(interest expenses + scheduled loan payments))
 ICR (EBITDA/Interest expenses)



Source: Company report (Weighted average interest rate including swap contracts, Interest expenses), ECB (3M EURIBOR).

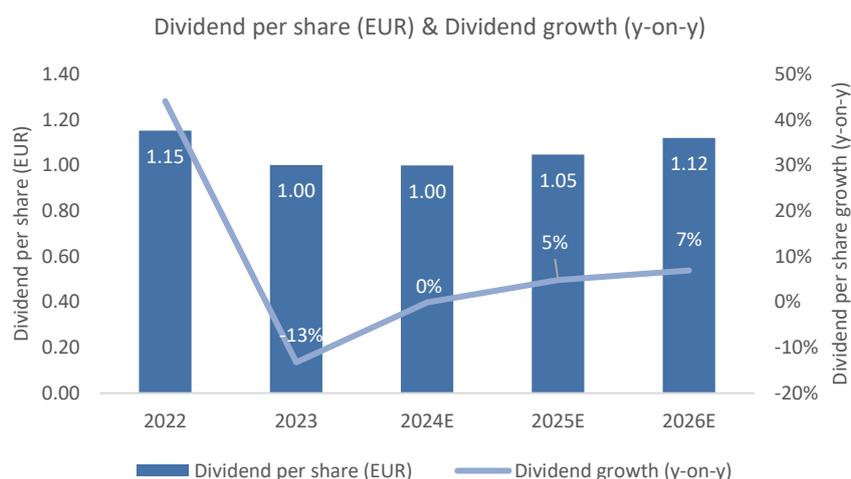
Attractive dividend yield despite market turmoil

The recession and interest rate resilience enables an attractive dividend yield, despite the current real estate slump. EfTEN’s dividend policy is to pay out at least 80% of the annual free cash flow after debt repayments and interest expenses. The management has already announced the intention to propose a 2023 dividend per share of EUR 1.00 equal to a yield of 5.2%. This exceeds the dividend policy minimum of EUR 0.83 per share (80% annual free cash flow) which we believe shows that the management

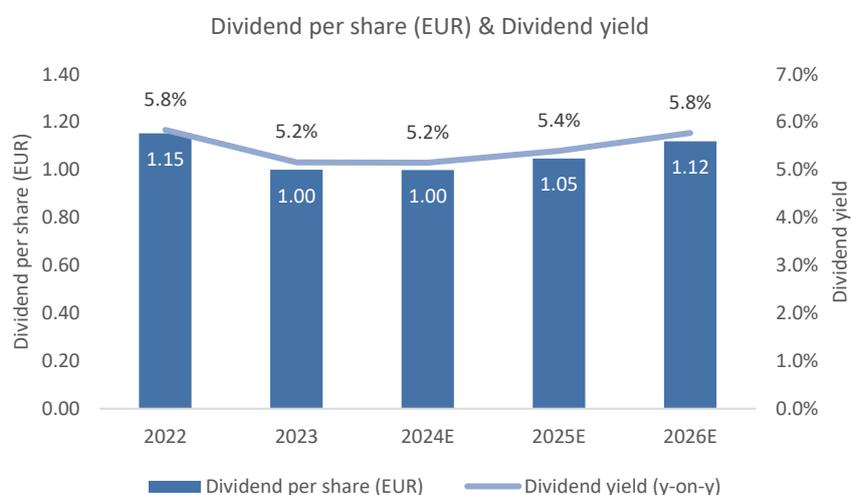
feels confident about 2024. We forecast unchanged dividend in 2024 (1.00/shr.) and an increase in 2025 (1.05/shr.), and 2026 (1.12/shr.). In our view, EFTEN has a chance to establish itself as one of the most attractive dividend stocks in the Baltics.

Dividend yield calculation (EURm)	2022	2023	2024E	2025E	2026E
Adj. Free cash flow for Dividend calculation	6.2	11.3	13.0	14.5	15.6
80% of free cash flow	4.9	9.1	10.4	11.6	12.5
Gross dividend adj.	0.0	1.1	0.8	0.8	0.0
Dividend tax expense	-0.3	-1.2	-1.4	-1.5	-1.6
Potential net dividend according to policy	4.6	8.9	9.9	10.9	10.8
Potential incremental cash flow	1.0	2.2	1.2	0.6	1.6
Income tax on incremental cash flow	-0.2	-0.3	-0.2	-0.1	-0.3
Potential net dividend w/ incremental cash flow	5.4	10.8	10.8	11.3	12.1
Potential net dividend w/ incremental cash flow & merged fund	12.5	10.8	10.8	11.3	12.1
Shares end of period (m)	10.8	10.8	10.8	10.8	10.8
Potential net dividend per share	1.15	1.00	1.00	1.05	1.12
Share price (EUR)	19.75	19.40	19.40	19.40	19.40
Dividend yield	5.8%	5.2%	5.2%	5.4%	5.8%

Source: EFTEN (historic), Enlight Research (estimates)



Source: EFTEN (Historic), Enlight Research (Estimates)



Source: EFTEN (Historic), Enlight Research (Estimates)
Based on share price EUR 19.40

Valuation

P/BV motivated share price

We believe a reasonable long-term P/BV multiple for EfTEN is 1.1x. In our Initiation report (Aug 2023), we applied a conservative Base case P/BV of 1.0x due to the uncertainty in the Baltic real estate market and the reported book values. Following the 3.9% or EUR 13.9m downward adjustment in EfTEN's property portfolio in 2023, the portfolio yield is 7.8%, which we believe is conservative considering EastNine and Baltic Horizon last reported yields of 6.4%, and 5.0%, respectively. We see upside potential in EfTEN's property portfolio in the forecast period 2024-26 as interest rates are expected to decrease. Consequently, we apply a Base case P/BV of 1.1x (prev. 1.0x) to our 2024 estimated Book value per share of EUR 20.72 to get our Fair value of EUR 22.79 (prev. 21.84). The only difference in our Bear and Bull case Fair values is that we apply a P/BV of 1.0x (prev. 0.9x) and 1.2x (prev. 1.1x), respectively.

EfTEN Fair value scenarios	Bear	Base	Bull
Book value per share 2024E (EUR)	20.72	20.72	20.72
Fair P/BV multiple	1.0	1.1	1.2
Fair value per share (EUR)	20.72	22.79	24.86
Share price (EUR)	19.40	19.40	19.40
Upside/Downside	7%	17%	28%

Source: Enlight Research (Estimates)

Peer comparison

We believe EfTEN's premium P/BV multiple is well backed by its superior occupancy rate (97.4% vs. 93.1% for EastNine and 77.0% for BHG), conservative valuation yield (7.8% vs. 6.4% for EastNine, and 5.0% for BHG), and superior dividend yield (5.2% vs. 2.8% for EastNine and most likely zero for BHG). We do not regard Baltic Horizon Group's (BHG) P/BV of 0.3x as attractive, mainly due to its low occupancy rate, and future challenges with regards to re-financing (although the recently announced EUR 26m loan from Siauliu Bankas takes some pressure off). In our view, EfTEN has established itself as the benchmark listed Baltic real estate company, which motivates a premium.

Peer comparison	EFT	EAST	BHG
Occupancy rate	97.4%	93.1%	77.0%
Rent increase (like-for-like)	4.0%	9.0%	4.9%
Property value change	-3.9%	-5.7%	-23.0%
Applied property valuation yield	7.8%	6.4%	5.0%
Change in applied Property valuation yield (%-points)	0.2	0.2	0.2*
LTV	42%	27%	56%
Book value per share (EUR)	20.21	18.00	0.99
Share price, latest (EUR)	19.30	14.62	0.33
P/BV	0.95	0.81	0.34
Proposed Dividend (listing currency)	1.00	4.64	n.a.
Share price (listing currency)	19.40	164.80	0.325
Dividend yield	5.2%	2.8%	n.a.
Based on report	2023	2023	9M/23

Source: Company reports

*Yield change on like-for-like properties

Estimate deviations

The Q4/23 Rental income of EUR 7.6m was 3.0% or EUR 0.2m above our estimate due to retail premises which came in 8.0% above forecast (deviations were minor in absolute euro terms). Turnover rents are generally received at the end of the year. The Q4/Rental income growth of 124% y-on-y was mainly due to the merger with EFTEN Kinnisvarafond AS. On a full-year 2023 basis, the reported like-for-like Rental income growth was 4% out of total growth of 127%. The Q4/23 Income from property mgmt. (profit before property value changes) was 8.6% or EUR 0.4m below estimate (EUR 3.8m vs. est. 4.1m) as Operating expenses were EUR 0.7m higher than expected. The Q4/23 Pre-tax profit was EUR 8.1m below our forecast mainly due to a downward adjustment in property fair value of EUR 7.8m (we expected zero). Excluding the property value adjustment, the Q4/23 Net profit was EUR 1.9m vs. our forecast of EUR 3.3m. The deviation came from Operating expenses and Taxes that were EUR 0.7m and EUR 1.1m higher than estimated.

Deviation by Segment	Estimate	Outcome	Diff	Diff %
Segment Sales	Q4/23	Q4/23	EURm	or %-pts
Office premises	1.9	1.9	0.0	-2.4%
National institutions	0.2	0.2	0.0	-0.5%
Retail premises	3.0	3.2	0.2	8.0%
Logistics premises	2.3	2.3	0.0	1.6%
Care home premises	0.2	0.2	0.0	0.0%
Total rental income	7.6	7.8	0.2	3.0%
Growth y-on-y (%)	117.5%	124.2%	0.1	5.6%

Deviation for Group	Estimate	Outcome	Diff	Diff %
Income statement	Q4/23	Q4/23	EURm	or %-pts
Rental income	7.6	7.8	0.2	3.0%
Other operating income	0.1	0.3	0.2	185.3%
Total income	7.7	8.1	0.4	5.3%
Operating costs	-0.5	-0.5	-0.1	12.3%
Net operating income (NOI)	7.2	7.6	0.4	4.9%
Sales, General & Admin. Expenses	-0.9	-1.2	-0.2	25.1%
Other operating expenses	0.0	0.0	0.0	nm
Other operating income	0.0	0.0	0.0	nm
Interest income	-0.1	0.1	0.2	-189.7%
Interest expense	-2.1	-2.3	-0.1	7.0%
Other financial income/expense	0.0	-0.5	-0.5	-1996.0%
<i>Total operating expenses</i>	<i>-3.1</i>	<i>-3.8</i>	<i>-0.7</i>	<i>22.6%</i>
Income from property mgmt.	4.1	3.8	-0.4	-8.6%
Value changes Properties	0.0	-7.8	-7.8	nm
<i>Total value changes</i>	<i>0.0</i>	<i>-7.8</i>	<i>-7.8</i>	<i>nm</i>
Pre-tax profit	4.1	-4.0	-8.1	-197.0%
Current tax	0.2	-0.1	-0.3	-140.4%
Deferred tax	-1.0	-1.8	-0.8	79.3%
Minorities/Other	0.0	0.0	0.0	nm
Net profit	3.3	-5.9	-9.2	-278.5%
EPS - basic	0.7	-0.5	-1.28	-175.0%
EPS - diluted	0.7	-0.5	-1.28	-175.0%
Net profit excl. value changes	3.3	1.9	-1.42	-43.0%
EPS - basic excl. value changes	0.3	0.2	-0.13	-43.0%
EPS - diluted excl. value changes	0.3	0.2	-0.13	-43.0%

Growth	Q4/23	Q4/23	Diff	Diff %
			EURm	or %-pts
Rental income - y-on-y	108.0%	119.1%	na	10.2%
Total income - y-on-y	98.9%	108.5%	na	9.8%

Margins	Q4/23	Q4/23	Diff	Diff %
			EURm	or %-pts
Net operating margin (NOI)	94.1%	93.8%	na	-0.4%
Property mgmt. margin	53.5%	46.4%	na	-13.2%
Pre-tax profit margin	53.5%	-49.3%	na	-192.2%
Net profit margin	42.8%	-72.6%	na	-269.5%

Source: Company report (outcome), Enlight Research (estimates)

Estimate changes

We raise our 2024, and 2025 Rental income estimates slightly by 0.7% and 2.4%, respectively, while our earnings estimates (EBITDA, EBIT, Pre-tax profit) is raised by around 0.5% for 2024 and around 2.1% for 2025. Our 2024 and 2025 EPS estimates are lowered by around 4% because of higher estimated dividends (and hence higher dividend distribution tax). The most material change is done to our dividend forecast. We raise 2024 estimated dividend per share from EUR 0.77 to EUR 1.00, while the 2025 dividend per share is raised from EUR 0.87 to EUR 1.05. We initiate our 2026 dividend forecast at EUR 1.12 per share.

Estimate changes			
Rental income (EURm)	2024E	2025E	2026E
Old estimate	32.1	32.7	na
New estimate	32.3	33.5	34.3
Change (EURm)	0.2	0.8	na
Change	0.7%	2.4%	na
EBITDA (EURm)	2024E	2025E	2026E
Old estimate	27.5	28.1	na
New estimate	27.7	28.7	29.3
Change (EURm)	0.1	0.6	na
Change	0.5%	2.1%	na
EBIT (EURm)	2024E	2025E	2026E
Old estimate	27.4	27.9	na
New estimate	27.5	28.5	29.1
Change (EURm)	0.1	0.6	na
Change	0.5%	2.1%	na
Pre-tax profit (EURm)	2024E	2025E	2026E
Old estimate	19.6	20.6	na
New estimate	19.6	21.1	22.2
Change (EURm)	0.1	0.4	na
Change	0.3%	2.2%	na
EPS (EUR)	2024E	2025E	2026E
Old estimate	1.57	1.68	na
New estimate	1.51	1.62	1.70
Change (EUR)	-0.07	-0.06	na
Change	-4.3%	-3.6%	na
Dividend (EUR)	2024E	2025E	2026E
Old estimate	0.77	0.87	na
New estimate	1.00	1.05	1.12
Change (EUR)	0.23	0.18	na
Change	29.7%	21.0%	na

Source: Enlight Research

Forecast

EFTEN Forecast								
Key ratios	Q1/24E	Q2/24E	Q3/24E	Q4/24E	2023	2024E	2025E	2026E
Net leasable area (m2 thous.)	349	352	351	353	339	353	360	367
Growth y-on-y	4.0%	4.0%	4.0%	4.0%	129.8%	4.0%	2.0%	2.0%
Occupancy rate	98%	98%	98%	98%	97%	98%	98%	98%
Leased Net area (m2 thous.)	342	345	344	346	330	346	352	359
Growth y-on-y	2.9%	4.0%	4.0%	4.6%	123.9%	4.6%	2.0%	2.0%
Rent per m2 Net area (EUR)	23.06	23.57	23.08	24.11	92.69	93.48	95.06	95.29
Growth y-on-y	2.3%	1.2%	1.1%	1.7%	1.4%	0.8%	1.7%	0.2%

Income statement (EURm)	Q1/24E	Q2/24E	Q3/24E	Q4/24E	2023	2024E	2025E	2026E
Rental income	7.9	8.1	7.9	8.3	30.6	32.3	33.5	34.3
Other operating income	0.3	0.3	0.3	0.3	1.2	1.0	1.1	1.1
Total income	8.2	8.4	8.2	8.6	31.8	33.3	34.6	35.3
Operating costs	-0.4	-0.4	-0.4	-0.5	-1.6	-1.7	-1.8	-1.8
Net operating income (NOI)	7.7	8.0	7.8	8.1	30.2	31.6	32.8	33.5
Sales, General & Admin. Expenses	-1.0	-1.0	-1.0	-1.1	-4.1	-4.1	-4.3	-4.4
Other operating expenses	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other operating income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest income	0.0	0.0	0.0	0.0	0.2	0.0	0.0	0.0
Interest expense	-8.3	-2.3	-2.0	4.7	-8.0	-7.9	-7.4	-6.9
Other financial income/expense	0.0	0.0	0.0	0.0	-0.5	0.0	0.0	0.0
<i>Total operating expenses</i>	<i>-9.3</i>	<i>-3.3</i>	<i>-3.0</i>	<i>3.6</i>	<i>-12.4</i>	<i>-12.0</i>	<i>-11.7</i>	<i>-11.3</i>
Income from property mgmt.	-1.5	4.6	4.8	11.7	17.8	19.6	21.1	22.2
Value changes, Properties	0.0	0.0	0.0	0.0	-13.9	0.0	0.0	0.0
Value changes, Fin. Inst.	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other value changes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total value changes	0.0	0.0	0.0	0.0	-13.9	0.0	0.0	0.0
Pre-tax profit	-1.5	4.6	4.8	11.7	3.9	19.6	21.1	22.2
Current tax	-0.1	-0.2	-0.2	-0.2	-0.5	-0.6	-0.6	-0.7
Deferred tax	-0.6	-0.7	-0.7	-0.7	-2.3	-2.7	-2.9	-3.1
Minorities/Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit	-2.3	3.8	3.9	10.9	1.0	16.3	17.5	18.4

Growth	Q1/24E	Q2/24E	Q3/24E	Q4/24E	2023	2024E	2025E	2026E
Rental income - q-on-q	0.8%	2.9%	-2.2%	4.9%	na	na	na	na
Rental income - y-on-y	4.7%	5.3%	3.0%	6.1%	126.9%	5.5%	3.7%	2.2%
Total income - q-on-q	0.6%	2.9%	-2.2%	4.8%	na	na	na	na
Total income - y-on-y	4.7%	4.9%	2.5%	7.0%	122.5%	4.8%	3.6%	2.2%

Margins	Q1/24E	Q2/24E	Q3/24E	Q4/24E	2023	2024E	2025E	2026E
Net operating margin (NOI)	95.0%	95.0%	95.0%	94.6%	94.9%	94.9%	94.9%	94.9%
Property mgmt. margin	-18.9%	55.3%	58.3%	136.6%	55.9%	58.9%	61.0%	62.9%
Pre-tax profit margin	-18.9%	55.3%	58.3%	136.6%	12.1%	58.9%	61.0%	62.9%
Net profit margin	-28.2%	45.3%	48.0%	126.2%	3.1%	48.9%	50.6%	52.2%

Source: Company (historical), Enlight Research (estimates)

Risk factors

Below are the risk factors we find the most relevant given the current environment. For additional risk factors, we recommend reading the company reports and listing documents.

Interest rate risk

Interest expenses has a great impact on the feasibility of cash flow assets. The sharp increase in the Euribor rates have pressured real estate valuations. A further increase in the interest rate could hurt the fund’s net income and pressure the valuation of its property portfolio.

Liquidity risk

A high interest rate environment can affect the liquidity of real estate, as transaction volumes usually decline. In Baltic markets, commercial real estate liquidity is lower than in e.g., Scandinavia and Western Europe

Operational risk (occupancy change)

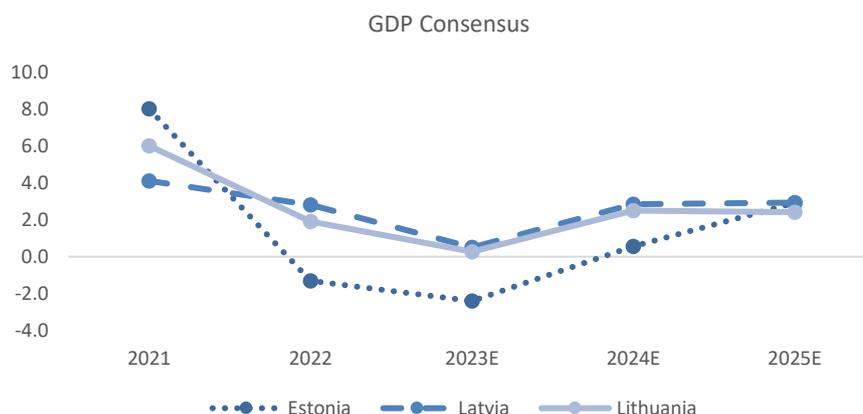
A significant downturn in the economy could lead to declining occupancy levels. This means less rental revenue for the fund. A lower occupancy rate could also lead to a breach of bank covenants.

New work habits

The work from home trend might hurt the occupancy rate as it could lower the demand for office space.

GDP growth

Decreased Baltic States GDP growth can result in lower tenants' income and reduce their ability to pay currently set rent levels.



Source: SEB, Bank of Lithuania, IMF, Swedbank

Properties development

Property development entails risk of delays and higher costs. These risks can result in delayed rental income and longer property payback time.

Tax risk

EfTEN owns real estate assets in Estonia, Latvia, and Lithuania where each country has its own tax system. Higher taxes on income or real estate property could potentially decrease profits.

Income Statement	2022	2023	2024E	2025E	2026E
Rental income	13.5	30.6	32.3	33.5	34.3
Total operating costs	-1.7	-4.5	-4.6	-4.8	-5.0
EBITDA	11.8	26.2	27.7	28.7	29.3
Depreciation & Amort.	0.0	-0.1	-0.2	-0.2	-0.2
One-off EBIT items	0.0	0.0	0.0	0.0	0.0
EBIT	11.8	26.1	27.5	28.5	29.1
Financial net	1.4	-22.2	-7.9	-7.4	-6.9
Pre-tax profit	13.2	3.9	19.6	21.1	22.2
Taxes	-1.8	-2.9	-3.3	-3.6	-3.8
Minority interest	0.0	0.0	0.0	0.0	0.0
Other items	0.0	0.0	0.0	0.0	0.0
Net profit	11.4	1.0	16.3	17.5	18.4
Balance Sheet	2022	2023	2024E	2025E	2026E
Cash and cash equivalent	11	18	19	20	20
Receivables	2	2	2	3	3
Inventories	0	0	0	0	0
Other current assets	0	0	0	0	0
Current assets	13	21	22	23	23
Tangible assets	169	358	360	362	363
Goodwill & intangible assets	0	0	0	0	0
Lease & Investment properties	0	0	0	0	0
Investments	0	0	0	0	0
Associated companies	0	2	2	2	2
Other non-current assets	0	0	0	0	0
Total fixed assets	169	360	362	364	366
Total Assets	182	381	384	387	389
Non-interest bearing	0	0	0	0	0
current liabilities					
Short-term debt	22	17	17	16	16
Other current liabilities	1	3	3	3	3
Total current liabilities	24	20	20	20	19
Long-term debt	46	131	129	125	121
Convertibles & Lease liab.	0	0	0	0	0
Deferred tax liabilities	7	9	9	9	9
Provisions	0	0	0	0	0
Other long-term liabilities	1	2	2	2	2
Total long-term liab.	54	142	140	136	132
Total Liabilities	78	162	160	156	151
Minority interest (BS)	0	0	0	0	0
Shareholders' equity	104	219	224	231	238
Total liabilities and equity	182	381	384	387	389
DCF valuation	Cash flow, mEUR				
WACC (%)	7.67 %	NPV FCF (2023-2025)		56	
Assumptions 2023-2029 (%)		NPV FCF (2026-2032)		91	
Sales CAGR	3.47 %	NPV FCF (2033-)		229	
Avg. EBIT margin	85.36 %	Non-operating assets		18	
Fair value per share (EUR)	22.79	Interest-bearing debt		-148	
Share price (EUR)	19.40	Fair value estimate		247	

Free Cash Flow	2022	2023	2024E	2025E	2026E
Operating profit	11.8	26.1	27.5	28.5	29.1
Depreciation & Amort.	0.0	0.1	0.2	0.2	0.2
Working capital chg.	0.0	0.0	-0.1	-0.1	-0.1
Other Operating CF items	-0.8	-0.4	-4.7	-4.8	-5.0
Operating Cash Flow	11.0	25.8	22.9	23.7	24.3
Net investments	-3.6	-6.1	-2.0	-2.0	-2.0
Other items	0.0	8.4	0.0	0.0	0.0
Free Cash Flow	7.4	28.1	20.9	21.7	22.3

Capital structure	2022	2023	2024E	2025E	2026E
Equity ratio	57.3%	57.4%	58.4%	59.7%	61.2%
Debt / Equity ratio	65.2%	67.6%	64.8%	61.2%	57.4%
Gearing %	54.3%	59.3%	56.3%	52.6%	48.9%
Net debt/EBITDA	4.8	5.0	4.6	4.2	4.0

Profitability	2022	2023	2024E	2025E	2026E
ROE	11.3%	0.6%	7.4%	7.7%	7.9%
FCF yield	3.7%	21.1%	9.9%	10.4%	10.6%
EBITDA margin	87.6%	85.5%	85.7%	85.6%	85.5%
EBIT margin	87.3%	85.2%	85.2%	85.1%	85.1%
PTP margin	97.9%	12.6%	60.8%	62.9%	64.8%
Net margin	84.6%	3.3%	50.4%	52.2%	53.8%

Valuation	2022	2023	2024E	2025E	2026E
P/E	8.8	204.5	12.9	12.0	11.4
P/E, adjusted	8.8	204.5	12.9	12.0	11.4
P/Sales	7.4	6.7	6.5	6.3	6.1
EV/Sales	11.6	11.4	10.4	9.9	9.5
EV/EBITDA	13.3	13.3	12.1	11.6	11.1
EV/EBIT	13.3	13.4	12.2	11.6	11.2
P/BV	1.0	0.9	0.9	0.9	0.9
P/BV tangible	1.0	0.9	0.9	0.9	0.9

Per share ratios	2022	2023	2024E	2025E	2026E
EPS	2.25	0.09	1.51	1.62	1.70
EPS, adjusted	2.25	0.09	1.51	1.62	1.70
Operating CF/share	2.10	2.32	2.11	2.19	2.24
Free Cash Flow/share	0.68	2.59	2.54	2.64	2.69
BV/share	20.55	20.21	20.72	21.34	21.99
Tangible BV/share	20.55	20.21	20.72	21.34	21.99
Div. per share	1.15	1.00	1.00	1.05	1.12
Div. payout ratio	51.3%	1,082.0%	66.4%	64.8%	65.8%
Dividend yield	5.8%	5.2%	5.2%	5.4%	5.8%

Shareholders	Capital	Votes
LHV Pension Fund	24.928	11.88 %
REF Aktsiad OÜ	22.334	10.64 %
Altiuse KVI OÜ	21.200	10.10 %
Järve Kaubanduskeskus OÜ	14.504	6.91 %
Ivard OU	8.396	4.00 %

Key people	
CEO	Kristjan Tamla
CFO	Marilyn Hein
IR	Kristjan Tamla
Chairman	Viljar Arakas

P/E $\frac{\text{Price per share}}{\text{Earnings per share}}$	EPS $\frac{\text{Profit before extraordinary items and taxes – income taxes + minority interest}}{\text{Number of shares}}$
P/Sales $\frac{\text{Market cap}}{\text{Sales}}$	DPS Dividend for financial period per share
P/BV $\frac{\text{Price per share}}{\text{Shareholders' equity + taxed provisions per share}}$	CEPS $\frac{\text{Gross cash flow from operations}}{\text{Number of shares}}$
P/CF $\frac{\text{Price per share}}{\text{Operating cash flow per share}}$	EV/Share $\frac{\text{Enterprise value}}{\text{Number of shares}}$
EV (Enterprise value) Market cap + Net debt + Minority interest at market value – share of associated companies at market value	Sales/Share $\frac{\text{Sales}}{\text{Number of shares}}$
Net debt Interest-bearing debt – financial assets	EBITDA/Share $\frac{\text{Earnings before interest, tax, depreciation and amortization}}{\text{Number of shares}}$
EV/Sales $\frac{\text{Enterprise value}}{\text{Sales}}$	EBIT/Share $\frac{\text{Operating profit}}{\text{Number of shares}}$
EV/EBITDA $\frac{\text{Enterprise value}}{\text{Earnings before interest, tax, depreciation and amortization}}$	EAFI/Share $\frac{\text{Pre-tax profit}}{\text{Number of shares}}$
EV/EBIT $\frac{\text{Enterprise value}}{\text{Operating profit}}$	Capital employed/Share $\frac{\text{Total assets – non-interest-bearing debt}}{\text{Number of shares}}$
Div yield, % $\frac{\text{Dividend per share}}{\text{Price per share}}$	Total assets Balance sheet total
Payout ratio, % $\frac{\text{Total dividends}}{\text{Earnings before extraordinary items and taxes – income taxes + minority interest}}$	Interest coverage (x) $\frac{\text{Operating profit}}{\text{Financial items}}$
Net cash/Share $\frac{\text{Financial assets – interest-bearing debt}}{\text{Number of shares}}$	Asset turnover (x) $\frac{\text{Turnover}}{\text{Balance sheet total (average)}}$
ROA, % $\frac{\text{Operating profit + financial income + extraordinary items}}{\text{Balance sheet total – interest-free short-term debt – long-term advances received and accounts payable (average)}}$	Debt/Equity, % $\frac{\text{Interest-bearing debt}}{\text{Shareholders' equity + minority interest + taxed provisions}}$
ROCE, % $\frac{\text{Profit before extraordinary items + interest expenses + other financial costs}}{\text{Balance sheet total – non-interest-bearing debt (average)}}$	Equity ratio, % $\frac{\text{Shareholders' equity + minority interest + taxed provisions}}{\text{Total assets – interest-free loans}}$
ROE, % $\frac{\text{Profit before extraordinary items – income taxes}}{\text{Shareholders' equity + minority interest + taxed provisions (average)}}$	CAGR, % Cumulative annual growth rate = Average growth rate per year

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