

## +5% yield throughout the recession

**EFTEN looks to be going through the recession with a +5% yield which is proof of its high quality properties and tenant base. The Hortes sales proceeds can be used for new investments, while re-financings and lower interest rates support dividends.**

### Hortes cash underpins new investments

In August, the sale of one of the two Hortes properties was announced. The sales price was close to the last reported book value (EUR 5.1m) i.e., the income statement effect is minor. The cash flow effect is around EUR 2m positive given the loan balance of EUR 2.7m. The proceeds can be used for new investments in a favorable buyer's market.

### Re-financing & lower rates support dividends

The monthly reports indicate 10% lower dividends in 2024. However, we expect re-financing to enable unchanged dividend (EUR 1.00/shr.) vs. last year. We estimate lower Euribor rates to decrease EFTEN's interest expenses by EUR 2.2m in 2025, and an additional EUR 0.6m in 2026, which is one of the main factors behind our forecast dividend yield increase to 5.6% in 2025 and 6.0% in 2026.

### Benchmark for Baltic real estate

Given that we are in an economic downturn, we believe EFTEN's occupancy rate of 97.1%, Net rental yield of 8.2%, and LTV of 42% establishes it as the benchmark of Baltic real estate. We believe a P/BV of 1.1x is fair (currently 0.9x), indicating a share price of EUR 22.51 (upside around 22%).

### Key figures (MEUR)

	2022	2023	2024E	2025E	2026E
Rental income	13.5	30.6	30.9	32.1	32.6
Rental inc. growth	10.9%	126.9%	1.1%	3.7%	1.7%
EBITDA	11.8	26.2	26.6	27.7	28.3
EBITDA margin	87.6%	85.5%	85.8%	86.3%	86.7%
EBIT	11.8	26.1	26.5	27.6	28.2
EBIT margin	87.3%	85.2%	85.6%	86.1%	86.5%
EV/Sales	11.6	11.4	10.5	10.0	9.7
EV/EBITDA	13.3	13.3	12.3	11.6	11.2
EV/EBIT	13.3	13.4	12.3	11.6	11.2
P/E adj.	8.8	204.5	14.9	11.4	10.7
P/BV	1.0	0.9	0.9	0.9	0.9
EPS adj.	2.25	0.09	1.25	1.63	1.73
EPS growth adj.	-19.32%	-95.89%	1249.82%	30.97%	5.77%
Div. per share	1.15	1.00	1.00	1.05	1.12
Dividend yield	5.84%	5.29%	5.37%	5.64%	6.02%

Source: Company data, Enlight Research estimates

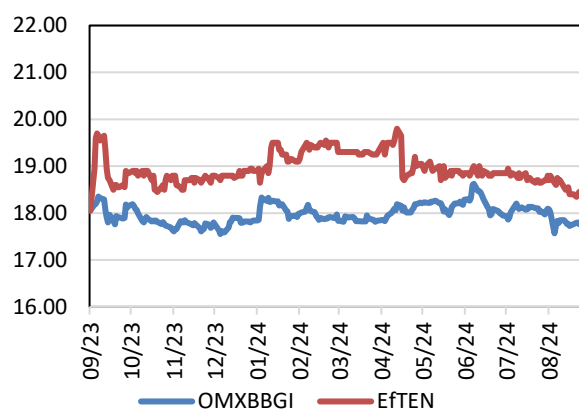
### Fair value range (EUR)

Bull (P/BV 1.2x)	24.55
Base (P/BV 1.1x)	22.51
Bear (P/BV 1.0x)	20.46

### Key Data

Price (EUR)	18.55
Ticker	EFT1T
Country	Estonia
Listed	Tallinn
Market Cap (EURm)	201
Net debt (EURm)*	124
Shares (m)	10.8
Free float	80%

\*Estimated end of 2024



### Price range

52-week high	19.80
52-week low	18.05

### Analyst

ResearchTeam@enlightresearch.net

### Coverage frequency

2x per year

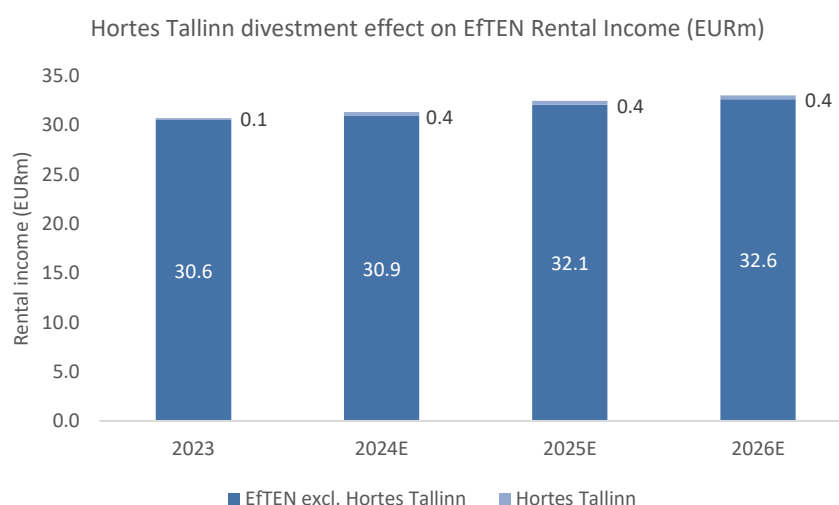
## Key takeaways

### Hortes Tallinn divestment frees up cash for new investments

On 9 July 2024, EftEN informed that the two lease agreements with the gardening retailer, Hortes, is terminated. The reported Q2/24 Fair value of these properties was EUR 8.7m equal to 2.3% of the Total reported Fair value of EUR 369.9m, while the share of Total rental income is 2.5% (EUR 765K per annum or EUR 191K per quarter). On 15 August 2024, EftEN announced the sale of one of the Hortes properties (Tallinn) at a price close to book value (EUR 5.1m) i.e., the effect on the Income statement is minor while the cash flow effect is around EUR 2m positive, given the last reported loan balance of EUR 2.7m. We lower the estimated 2024 rental income by EUR 111K and the interest expenses by EUR 44K (assumes property is out of the books on 16 September 2024). The annualized effect on the property value and rental income is less than 1.3%. We keep the other Hortes (Laagri) property in our forecast, but it cannot be excluded that it might be sold as well. In any case, the effect on the rental income and property portfolio is minimal. We expect the proceeds from the sale to be used for new investments, which should be favorable given that it is a buyer's market.

Acquisition vs. Fair value (EURm)	Acquired	Q2 Fair value	FV - Acquired	Loan outs.	LTV	IR	Interest exp.	CF effect	CF effect/shr.
Hortes, Laagri	3.1	3.6	0.4	1.2	34%	5.88%	0.072	2.4	0.22
Hortes, Tallinn (sold)	5.5	5.1	-0.4	2.7	54%	5.56%	0.152	2.4	0.22
<b>Total</b>	<b>8.6</b>	<b>8.7</b>	<b>0.1</b>	<b>3.9</b>	<b>46%</b>		<b>0.223</b>	<b>4.7</b>	<b>0.4</b>
Total Property Fair value		369.9							
Hortes share of Total Property Fair value		2.3%							
2023 Group Rental income		30.6							
Hortes share of Rental income		2.5%							
Hortes annual Rental income		0.765							

Source: Company report (Acquisition value, Fair value, Share of rental income)

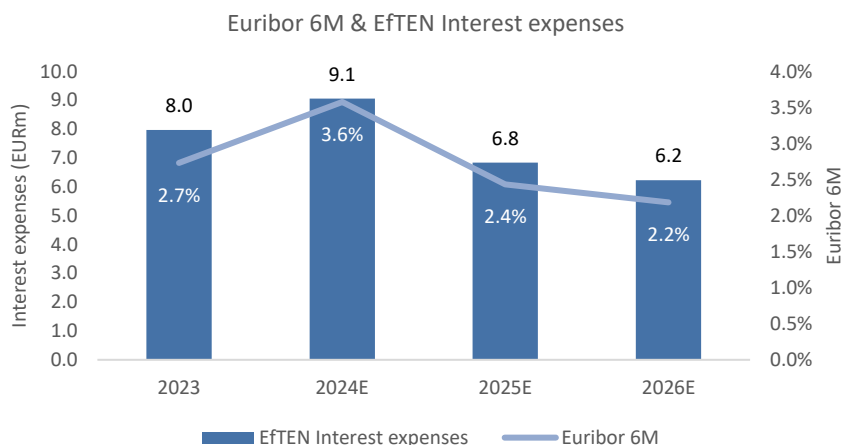


Source: Company report (historic), Enlight Research (estimates)

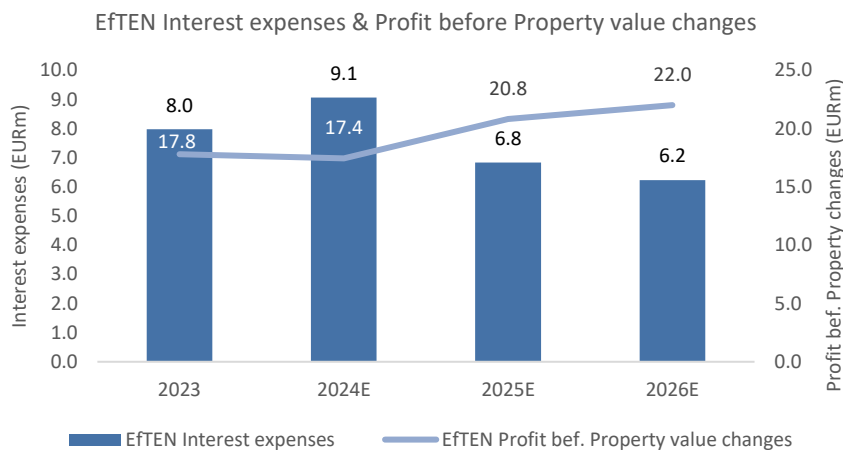
**Re-financing and lower interest rates underpin dividends**

Based on the dividend policy to payout 80% of the free cash flow and the published monthly reports (Jan-July), the 2024 dividend should be around 10% lower than the 2023 dividend (EUR 0.90/shr. vs. 2023 dividend of EUR 1.00/shr.). However, we factor in a EUR 2.9m positive effect from loan re-financing which will enable unchanged dividends i.e., we forecast EUR 1.00/shr. this year. Worth noting is that in 2023, the positive effect from loan re-financing was EUR 1.9m.

In 2025, and 2026, we believe lower Euribor rates will contribute to increasing dividends. According to the Chatham forward Euribor curve, the 6M Euribor is set to decline from 3.6% this year to 2.4% in 2025 and 2.2% in 2026. Consequently, we estimate EfTEN’s interest expenses to decline by EUR 2.2m next year to EUR 6.8m from EUR 9.1m this year. A further 6M Euribor reduction to 2.2% is indicated in 2026 leading us to forecast Interest expenses of EUR 6.2m vs. EUR 6.8m in 2025. Our Profit before Property value changes is expected to improve EUR 3.3m next year to EUR 20.8m from EUR 17.4m this year (roughly flat vs. 2023). An additional EUR 1.2m in Profits before value changes is expected in 2026 for profit of EUR 22.0m. To summarize, the lower interest rates seen in H2/24 should have a significant positive effect on EfTEN’s profits starting next year (most of EfTEN’s loans are tied to the 1M and 3M Euribor).



Source: euribor-rates.eu (6M Euribor), Company report (Interest expenses)



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

## 6M Euribor 2024 year-to-date



Source: euribor-rates.eu

**Attractive dividend yield throughout the downturn**

In our view, the recession and interest rate resilient properties enables an attractive dividend yield despite the current real estate slump, proven by the 2022 and 2023 dividend yield of 5.8%, and 5.3%, respectively (based on year-end closing prices). EFTEN's dividend policy is to pay out at least 80% of the annual free cash flow after debt repayments and interest expenses. In addition, positive cash flow effects from loan re-financing can be used for dividends (see Potential incremental cash flow and Income tax on incremental cash flow in table below). We reiterate our dividend forecast, which means an unchanged dividend in 2024 vs. 2023 at EUR 1.00/shr. and an increase in 2025 (1.05/shr.), and 2026 (1.12/shr.). Our dividend yield is estimated to increase from 5.4% this year to 6.0% in 2026.

Dividend yield calculation (EURm)	2022	2023	2024E	2025E	2026E
<b>Adj. Free cash flow for Dividend calculation</b>	<b>6.2</b>	<b>11.3</b>	<b>12.6</b>	<b>14.0</b>	<b>15.1</b>
80% of free cash flow	4.9	9.1	10.0	11.2	12.1
Gross dividend adj.	0.0	1.1	0.8	0.8	0.8
Dividend tax expense	-0.3	-1.2	-1.3	-1.5	-1.6
<b>Potential net dividend according to policy</b>	<b>4.6</b>	<b>8.9</b>	<b>9.5</b>	<b>10.5</b>	<b>11.3</b>
Potential incremental cash flow	1.0	2.2	1.6	1.0	1.0
Income tax on incremental cash flow	-0.2	-0.3	-0.3	-0.2	-0.2
<b>Potential net dividend w/ incremental cash flow</b>	<b>5.4</b>	<b>10.8</b>	<b>10.8</b>	<b>11.3</b>	<b>12.1</b>
<b>Potential net dividend w/ incremental cash flow &amp; merged fund</b>	<b>12.5</b>	<b>10.8</b>	<b>10.8</b>	<b>11.3</b>	<b>12.1</b>
Shares end of period (m)	10.8	10.8	10.8	10.8	10.8
<b>Potential net dividend per share</b>	<b>1.15</b>	<b>1.00</b>	<b>1.00</b>	<b>1.05</b>	<b>1.12</b>
Share price (EUR)	19.75	18.90	18.55	18.55	18.55
Dividend yield	5.8%	5.3%	5.4%	5.6%	6.0%

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

## Valuation

### P/BV motivated share price

We believe a reasonable long-term P/BV multiple for EfTEN is 1.1x. Following the 4.3% or EUR 15.4m downward adjustment in EfTEN's property portfolio since the beginning of 2023, the annualized Net rental income yield is 8.18% (H1/24 net rental income annualized divided by end of H1/24 reported property value), which we believe is conservative considering EastNine and Baltic Horizon corresponding yields of 5.23%, and 4.99%, respectively. Consequently, we see upside potential in EfTEN's property portfolio in the forecast period 2024-26 as short-term Euribor rates are expected to decrease. Applying our Base case P/BV of 1.1x to our 2024 estimated Book value per share of EUR 20.46 indicates a Fair value of EUR 22.51 per share (prev. 22.79). The only difference in our Bear (EUR 20.46/shr.) and Bull (EUR 24.55/shr.) case Fair values is that we apply a P/BV of 1.0x and 1.2x, respectively.

<b>EfTEN Fair value scenarios</b>	<b>Bear</b>	<b>Base</b>	<b>Bull</b>
Book value per share 2024E (EUR)	20.46	20.46	20.46
Fair P/BV multiple	1.0	1.1	1.2
Fair value per share (EUR)	20.46	22.51	24.55
Share price (EUR)	18.55	18.55	18.55
Upside/Downside	10%	21%	32%

Source: Enlight Research (Estimates)

### Peer comparison

We believe EfTEN's premium P/BV multiple vs. EastNine and BalticHorizon is well backed by its superior occupancy rate (97.1% vs. 93.6% for EastNine and 79.1% for BHG), conservative Net rental income yield (8.2% vs. 5.2% for EastNine, and 5.0% for BHG), and superior 2024 estimated dividend yield (5.4% vs. 2.9%\* for EastNine and most likely zero for BHG). We do not regard Baltic Horizon Group's (BHG) P/BV of 0.31x as attractive, mainly due to its low occupancy rate, future challenges with regards to re-financing (although the announced EUR 26m loan from Siauliu Bankas takes some pressure off), and aggressive valuation yield. In our view, EfTEN has established itself as the benchmark listed Baltic real estate company, which motivates a premium.

<b>Peer comparison based on H1/24</b>	<b>EFT</b>	<b>EAST</b>	<b>BHG</b>
Occupancy rate, last reported	97.1%	93.6%	79.1%
Investment property value, last reported (EURm)	361	652	240
Net rental income, annualized (EURm)	30	34	12
Net rental income yield (annualized)	8.18%	5.23%	4.99%
LTV, last reported	42%	38%	61%
Book value per share, last reported (EUR)	19.79	4.43	0.81
Share price, latest (EUR)	18.55	3.88	0.25
P/BV	0.94	0.88	0.31

Source: Company reports

\*MarketScreener consensus

## Estimate deviations

The Q2/24 Rental income was 3.3% or EUR 0.3m below our estimate due to office (EUR 0.1m below) and retail premises (EUR 0.2m below). Deviations were minor in absolute euro terms. The Q2/24 Income from property mgmt. (profit before property value changes) was 13.6% or EUR 0.7m below estimate (EUR 4.2m vs. est. 4.9m) as Operating expenses were EUR 0.4m higher than expected. The Q2/24 Pre-tax profit was EUR 2.1m below our forecast mainly due to a downward adjustment in property fair value of EUR 1.5m (we expected zero). The Q2/24 EPS was 39% or EUR 0.14 below our forecast (EUR 0.23 vs. est. 0.37). Excluding the property value adjustment, the Q4/24 EPS was just EUR 0.01 short of our estimated EUR 0.37.

Deviation by Segment	Estimate	Outcome	Diff	Diff %
Segment Sales	Q2/24	Q2/24	EURm	or %-pts
Office premises	2.0	1.9	-0.1	-4.6%
National institutions	0.2	0.2	0.0	0.4%
Retail premises	3.2	3.1	-0.2	-5.0%
Logistics premises	2.4	2.4	0.0	0.7%
Care home premises	0.1	0.1	0.0	-22.3%
Other assets & Rental income	0.1	0.1	na	na
<b>Total rental income</b>	<b>8.0</b>	<b>7.7</b>	<b>-0.3</b>	<b>-3.3%</b>
Growth y-on-y (%)	2.6%	-0.8%	0.0	-131.4%

Deviation for Group	Estimate	Outcome	Diff	Diff %
Income statement	Q2/24	Q2/24	EURm	or %-pts
<b>Rental income</b>	<b>8.0</b>	<b>7.7</b>	<b>-0.3</b>	<b>-3.3%</b>
Other operating income	0.3	0.3	-0.1	-23.6%
<b>Total income</b>	<b>8.3</b>	<b>8.0</b>	<b>-0.3</b>	<b>-4.1%</b>
Cost of services sold	-0.4	-0.3	0.1	-17.8%
<b>Net operating income (NOI)</b>	<b>7.9</b>	<b>7.6</b>	<b>-0.3</b>	<b>-3.4%</b>
Sales, General & Admin. Expenses	-1.0	-1.1	0.0	2.8%
Other operating expenses	0.0	0.0	0.0	nm
Other operating income	0.0	0.0	0.0	nm
Interest income	0.0	0.1	0.1	0.0%
Interest expense	-2.0	-2.2	-0.2	11.9%
Other financial income/expense	0.0	-0.2	-0.2	0.0%
<i>Total operating expenses</i>	<i>-3.0</i>	<i>-3.4</i>	<i>-0.4</i>	<i>13.2%</i>
<b>Income from property mgmt.</b>	<b>4.9</b>	<b>4.2</b>	<b>-0.7</b>	<b>-13.6%</b>
Value changes Properties	0.0	-1.5	-1.5	nm
Value changes Fin. Instruments	0.0	0.0	0.0	nm
Other value changes	0.0	0.0	0.0	nm
<i>Total value changes</i>	<i>0.0</i>	<i>-1.5</i>	<i>-1.5</i>	<i>nm</i>
<b>Pre-tax profit</b>	<b>4.9</b>	<b>2.8</b>	<b>-2.1</b>	<b>-43.3%</b>
Current tax	-0.3	-0.3	0.0	3.4%
Deferred tax	-0.6	-0.1	0.6	-91.1%
Minorities/Other	0.0	0.0	0.0	nm
<b>Net profit</b>	<b>4.0</b>	<b>2.4</b>	<b>-1.6</b>	<b>-39.1%</b>
EPS - basic	0.37	0.23	-0.14	-39.1%
EPS - diluted	0.37	0.23	-0.14	-39.1%
Net profit excl. value changes	4.0	3.9	-0.11	-2.8%
EPS - basic excl. value changes	0.37	0.36	-0.01	-2.8%
EPS - diluted excl. value changes	0.37	0.36	-0.01	-2.8%

Growth	Q2/24	Q2/24	Diff	Diff %
			EURm	or %-pts
Rental income - y-on-y	3.6%	-0.7%	na	-118.4%
Total income - y-on-y	3.1%	-0.4%	na	-113.1%

Margins	Q2/24	Q2/24	Diff	Diff %
			EURm	or %-pts
Net operating margin (NOI)	95.0%	95.7%	na	0.8%
Property mgmt. margin	58.9%	53.1%	na	-9.9%
Pre-tax profit margin	58.9%	34.8%	na	-40.9%
Net profit margin	48.3%	30.7%	na	-36.5%

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

## Estimate changes

We lower our 2024 Rental income by 3.4%, while our 2025-26 Rental income is lowered by around 2%. Our earnings estimates before property value changes (EBITDA, EBIT) are lowered by around 4% for this year and around 2% in 2025-26. Our 2024 Pre-tax Profit is lowered by 19.6%, mainly due to property value changes, while our 2025-26 Pre-tax Profit is roughly unchanged. Our dividend forecast for 2024-26 is unchanged.

<b>Estimate changes</b>			
<b>Rental income (EURm)</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
Old estimate	32.0	32.7	33.3
New estimate	30.9	32.1	32.6
Change (EURm)	-1.1	-0.6	-0.7
Change	-3.4%	-1.8%	-2.1%
<b>EBITDA (EURm)</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
Old estimate	27.8	28.4	29.0
New estimate	26.6	27.7	28.3
Change (EURm)	-1.3	-0.7	-0.7
Change	-4.5%	-2.5%	-2.4%
<b>EBIT (EURm)</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
Old estimate	27.7	28.2	28.8
New estimate	26.5	27.6	28.2
Change (EURm)	-1.2	-0.6	-0.6
Change	-4.2%	-2.1%	-2.1%
<b>Pre-tax profit (EURm)</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
Old estimate	19.9	20.8	21.9
New estimate	16.0	20.8	22.0
Change (EURm)	-3.9	0.0	0.1
Change	-19.6%	-0.1%	0.4%
<b>EPS (EUR)</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
Old estimate	1.54	1.60	1.68
New estimate	1.25	1.63	1.73
Change (EUR)	-0.29	0.04	0.05
Change	-18.8%	2.3%	2.8%
<b>Dividend (EUR)</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
Old estimate	1.00	1.05	1.12
New estimate	1.00	1.05	1.12
Change (EUR)	0.00	0.00	0.00
Change	0.0%	0.0%	0.0%

Source: Enlight Research

## Forecast

EFTEN Forecast								
Key ratios	Q1/24	Q2/24	Q3/24E	Q4/24E	2023	2024E	2025E	2026E
Net leasable area (m2 thous.)	339	339	339	341	339	341	348	354
Growth y-on-y	0.8%	0.2%	0.5%	0.5%	129.8%	0.5%	2.0%	2.0%
Occupancy rate	97%	97%	95%	96%	97%	96%	97%	98%
Leased Net area (m2 thous.)	329	329	324	325	330	325	337	347
Growth y-on-y	-1.1%	-0.7%	-2.2%	-1.5%	123.9%	-1.5%	3.6%	3.1%
Rent per m2 Net area (EUR)	23.21	23.42	23.32	24.75	92.69	95.11	95.18	93.97
Growth y-on-y	3.0%	0.6%	0.8%	4.4%	1.4%	2.6%	0.1%	-1.3%
Income statement (EURm)	Q1/24	Q2/24	Q3/24E	Q4/24E	2023	2024E	2025E	2026E
Rental income	7.6	7.7	7.6	8.1	30.6	30.9	32.1	32.6
Other operating income	0.3	0.3	0.3	0.3	1.2	1.2	1.3	1.4
<b>Total income</b>	<b>8.0</b>	<b>8.0</b>	<b>7.9</b>	<b>8.4</b>	<b>31.8</b>	<b>32.2</b>	<b>33.4</b>	<b>34.0</b>
Cost of services sold	-0.4	-0.3	-0.3	-0.4	-1.6	-1.5	-1.5	-1.5
<b>Net operating income (NOI)</b>	<b>7.5</b>	<b>7.6</b>	<b>7.5</b>	<b>8.0</b>	<b>30.2</b>	<b>30.7</b>	<b>31.9</b>	<b>32.5</b>
Sales, General & Admin. Expenses	-1.1	-1.1	-1.0	-1.2	-4.1	-4.3	-4.4	-4.5
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	0.1	0.0	0.2	0.2	0.2
Interest income	0.1	0.1	0.0	-0.2	0.2	0.0	0.0	0.0
Interest expense	-2.2	-2.2	-2.3	-2.3	-8.0	-9.1	-6.8	-6.2
Other financial income/expense	-0.1	-0.2	0.0	0.3	-0.5	0.0	0.0	0.0
<i>Total operating expenses</i>	<i>-3.3</i>	<i>-3.4</i>	<i>-3.2</i>	<i>-3.3</i>	<i>-12.4</i>	<i>-13.2</i>	<i>-11.1</i>	<i>-10.5</i>
<b>Income from property mgmt.</b>	<b>4.3</b>	<b>4.2</b>	<b>4.3</b>	<b>4.7</b>	<b>17.8</b>	<b>17.4</b>	<b>20.8</b>	<b>22.0</b>
Value changes, Properties	0.0	-1.5	0.0	0.0	-13.9	-1.5	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	-1.5	0.0	0.0	-13.9	-1.5	0.0	0.0
<b>Pre-tax profit</b>	<b>4.3</b>	<b>2.8</b>	<b>4.3</b>	<b>4.7</b>	<b>3.9</b>	<b>16.0</b>	<b>20.8</b>	<b>22.0</b>
Current tax	0.0	-0.3	-0.1	0.0	-0.5	-0.4	-0.6	-0.6
Deferred tax	-0.4	-0.1	-0.7	-0.9	-2.3	-2.0	-2.6	-2.7
Minorities/Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net profit</b>	<b>3.8</b>	<b>2.4</b>	<b>3.5</b>	<b>3.8</b>	<b>1.0</b>	<b>13.5</b>	<b>17.7</b>	<b>18.7</b>
Growth	Q1/24	Q2/24	Q3/24E	Q4/24E	2023	2024E	2025E	2026E
Rental income - q-on-q	-1.2%	0.9%	-2.0%	6.7%	na	na	na	na
Rental income - y-on-y	2.2%	-0.1%	-2.6%	4.9%	126.9%	1.1%	3.7%	1.7%
Total income - q-on-q	-0.5%	-0.1%	-1.3%	7.0%	na	na	na	na
Total income - y-on-y	2.0%	0.2%	-2.4%	6.5%	122.5%	1.1%	3.8%	2.0%
Margins	Q1/24	Q2/24	Q3/24E	Q4/24E	2023	2024E	2025E	2026E
Net operating margin (NOI)	94.7%	95.7%	95.7%	95.1%	94.9%	95.3%	95.5%	95.5%
Property mgmt. margin	53.5%	53.1%	54.6%	55.5%	55.9%	54.2%	62.3%	64.6%
Pre-tax profit margin	53.5%	34.8%	54.6%	55.5%	12.1%	49.7%	62.3%	64.6%
Net profit margin	47.8%	30.7%	44.2%	45.0%	3.1%	42.0%	53.0%	54.9%

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)

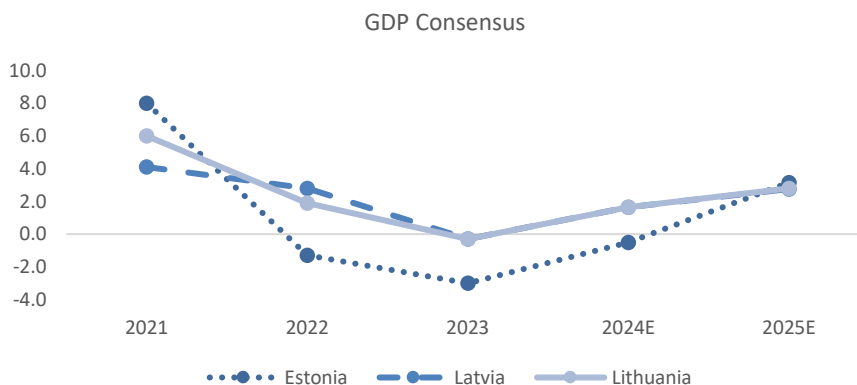
A significant downturn in the economy could lead to declining occupancy levels. This means less rental revenue for the fund. A lower occupancy rate could also lead to a breach of bank covenants.

### 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 could potentially decrease profits.

Income Statement	2022	2023	2024E	2025E	2026E
Rental income	13.5	30.6	30.9	32.1	32.6
Total operating costs	-1.7	-4.5	-4.4	-4.4	-4.4
<b>EBITDA</b>	<b>11.8</b>	<b>26.2</b>	<b>26.6</b>	<b>27.7</b>	<b>28.3</b>
Depreciation & Amort.	0.0	-0.1	-0.1	-0.1	-0.1
One-off EBIT items	0.0	0.0	0.0	0.0	0.0
<b>EBIT</b>	<b>11.8</b>	<b>26.1</b>	<b>26.5</b>	<b>27.6</b>	<b>28.2</b>
Financial net	1.4	-22.2	-10.5	-6.8	-6.2
<b>Pre-tax profit</b>	<b>13.2</b>	<b>3.9</b>	<b>16.0</b>	<b>20.8</b>	<b>22.0</b>
Taxes	-1.8	-2.9	-2.5	-3.1	-3.3
Minority interest	0.0	0.0	0.0	0.0	0.0
Other items	0.0	0.0	0.0	0.0	0.0
<b>Net profit</b>	<b>11.4</b>	<b>1.0</b>	<b>13.5</b>	<b>17.7</b>	<b>18.7</b>

Balance Sheet	2022	2023	2024E	2025E	2026E
Cash and cash equivalent	11	18	18	19	19
Receivables	2	2	2	2	3
Inventories	0	0	0	0	0
Other current assets	0	0	0	0	0
<b>Current assets</b>	<b>13</b>	<b>21</b>	<b>21</b>	<b>22</b>	<b>22</b>
Tangible assets	169	358	355	357	359
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
<b>Total fixed assets</b>	<b>169</b>	<b>360</b>	<b>357</b>	<b>359</b>	<b>361</b>
<b>Total Assets</b>	<b>182</b>	<b>381</b>	<b>378</b>	<b>381</b>	<b>383</b>
Non-interest bearing current liabilities	0	0	0	0	0
Short-term debt	22	17	16	16	15
Other current liabilities	1	3	3	3	3
<b>Total current liabilities</b>	<b>24</b>	<b>20</b>	<b>20</b>	<b>19</b>	<b>19</b>
Long-term debt	46	131	126	122	118
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
<b>Total long-term liab.</b>	<b>54</b>	<b>142</b>	<b>137</b>	<b>133</b>	<b>129</b>
<b>Total Liabilities</b>	<b>78</b>	<b>162</b>	<b>157</b>	<b>152</b>	<b>147</b>
Minority interest (BS)	0	0	0	0	0
Shareholders' equity	104	219	221	228	236
<b>Total liabilities and equity</b>	<b>182</b>	<b>381</b>	<b>378</b>	<b>381</b>	<b>383</b>

DCF valuation	Cash flow, mEUR		
WACC (%)	7.27 %	NPV FCF (2023-2025)	63
Assumptions 2023-2029 (%)		NPV FCF (2026-2032)	100
Sales CAGR	2.57 %	NPV FCF (2033-)	222
Avg. EBIT margin	85.76 %	Non-operating assets	6
Fair value per share (EUR)	22.51	Interest-bearing debt	-148
Share price (EUR)	18.55	Fair value estimate	244

Free Cash Flow	2022	2023	2024E	2025E	2026E
Operating profit	11.8	26.1	26.5	27.6	28.2
Depreciation & Amort.	0.0	0.1	0.1	0.1	0.1
Working capital chg.	-0.4	1.1	0.0	-0.1	0.0
Other Operating CF items	-0.8	-2.2	-3.8	-4.1	-4.2
<b>Operating Cash Flow</b>	<b>10.7</b>	<b>25.1</b>	<b>22.8</b>	<b>23.5</b>	<b>24.0</b>
Net investments	-7.0	-189.3	3.1	-2.0	-2.0
Other items	0.0	207.3	0.0	0.0	0.0
<b>Free Cash Flow</b>	<b>3.7</b>	<b>43.0</b>	<b>25.9</b>	<b>21.5</b>	<b>22.0</b>

Capital structure	2022	2023	2024E	2025E	2026E
Equity ratio	57.3%	57.4%	58.6%	60.0%	61.5%
Debt / Equity ratio	65.2%	67.6%	64.2%	60.4%	56.4%
Gearing %	54.3%	59.3%	55.9%	52.1%	48.2%
Net debt/EBITDA	4.8	5.0	4.7	4.3	4.0

Profitability	2022	2023	2024E	2025E	2026E
ROE	11.3%	0.6%	6.1%	7.9%	8.1%
FCF yield	3.7%	21.1%	12.9%	10.7%	11.0%
EBITDA margin	87.6%	85.5%	85.8%	86.3%	86.7%
EBIT margin	87.3%	85.2%	85.6%	86.1%	86.5%
PTP margin	97.9%	12.6%	51.6%	64.8%	67.4%
Net margin	84.6%	3.3%	43.6%	55.1%	57.3%

Valuation	2022	2023	2024E	2025E	2026E
P/E	8.8	204.5	14.9	11.4	10.7
P/E, adjusted	8.8	204.5	14.9	11.4	10.7
P/Sales	7.4	6.7	6.5	6.3	6.1
EV/Sales	11.6	11.4	10.5	10.0	9.7
EV/EBITDA	13.3	13.3	12.3	11.6	11.2
EV/EBIT	13.3	13.4	12.3	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	1.25	1.63	1.73
EPS, adjusted	2.25	0.09	1.25	1.63	1.73
Operating CF/share	2.10	2.32	2.10	2.17	2.22
Free Cash Flow/share	0.73	3.98	2.39	1.98	2.03
BV/share	20.55	20.21	20.46	21.10	21.78
Tangible BV/share	20.55	20.21	20.46	21.10	21.78
Div. per share	1.15	1.00	1.00	1.05	1.12
Div. payout ratio	51.3%	1,082.0%	79.9%	64.1%	64.7%
Dividend yield	5.8%	5.3%	5.4%	5.6%	6.0%

Shareholders	Capital	Votes
LHV Pension Fund	23.836	11.88 %
REF Aktsiad OÜ	21.363	10.64 %
OÜ HOIUKONTO	21.243	10.58 %
Altiusse KVI OÜ	20.272	10.10 %
Vello Kunman	11.726	5.84 %
Ivard OÜ	8.035	4.00 %

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

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

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Enlight Research OÜ's main valuation methods are discounted cash flow valuation and peer valuation with common multiples such as Price to Earnings, Enterprise Value to EBITDA, dividend yield etc. Aforementioned methods are used to estimate a company's fair value according to the following three scenarios: Bull (positive), Base (main scenario), and Bear (negative).

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[ResearchTeam@EnlightResearch.net](mailto:ResearchTeam@EnlightResearch.net)