

## EAB Group Oyj

Financials  
Finland

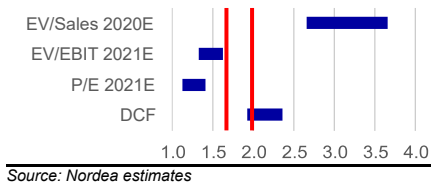
## KEY DATA

Stock country	Finland
Bloomberg	EAB FH
Reuters	EABG.HE
Share price (close)	EUR 1.99
Free Float	35%
Market cap. (bn)	EUR 0.03/EUR 0.03
Website	www.eabgroup.fi
Next report date	28 Aug 2020

## PERFORMANCE



## VALUATION APPROACH



## ESTIMATE CHANGES

Year	2020E	2021E	2022E
Sales	-10 %	-5 %	-3 %
EBIT (adj)	-56 %	-29 %	-28 %

Source: Nordea estimates

## 2020 turnaround threatened by market crash

EAB Group announced that it has withdrawn its 2020 guidance due to decreased visibility towards its earnings. We estimate that especially earnings from UCITS funds and the performance-based fees could suffer due to market turmoil. EAB is aiming to protect its cash flow with EUR 1.3m savings, consisting of temporary layoffs and postponements of IT development projects. Previously, we expected EAB to reach EBIT of EUR 1.8m due to growth in the profitable Alternative Investments segment. We still expect 2020 EBIT to be positive, at EUR 0.8m. We set our fair value range at EUR 1.6-2.0 based on the median of four valuation methods.

## Guidance withdrawn, EUR 1.3m savings programme sought

EAB is reacting to the deteriorating stock market with an additional cost reduction programme of EUR 1.3m consisting of EUR 0.7m in personnel cuts and EUR 0.6m of postponements of IT development projects. At the same time, the company is withdrawing its guidance for positive net results for 2020. EAB Group's revenue took a hit during the Q4 2018 market turbulence, which depressed 2019 results. The EUR 1m cost savings programme and the new real estate fund launched in 2019 were supposed to turn the company profitable in 2020, which now seems uncertain in the current turbulence.

## We still expect slightly positive results for 2020

We lower our 2020 revenue estimates by 10%, or EUR 2m, to reflect market turmoil that reduces the revenue from UCITS funds. Moreover, we expect lower performance-based fees and wealth management commission. We keep our revenue estimates for Alternative Investments unchanged. We plug in cost savings of EUR 1m for 2020, resulting in a EUR 1m drop in 2020E EBIT. For those interested in the financial position of the company, EAB Group has an EUR 8.4m credit facility with a five-year maturity, of which EUR 1m was undrawn at the end of 2019. We note that if the company's cash flow turns clearly negative during 2020, it might need to reach out for additional financing options.

## We set our fair value range at EUR 1.6-2.0 per share

We base our fair value range on a combination of four valuation methods, including a DCF-based valuation and peer valuation using P/E, EV/EBIT, and EV/sales multiples. Based on the median of these valuation methods, we derive a fair value range of EUR 1.6-2.0 (2.2-2.6) per share for EAB Group.

## Nordea Markets - Analysts

Pauli Lohi  
AnalystSvante Krokfors  
Analyst

## SUMMARY TABLE - KEY FIGURES

EURm	2016	2017	2018	2019	2020E	2021E	2022E
Net sales	13.6	15.8	19.4	18.1	17.7	20.3	21.6
EBIT (adj)	0.1	-0.1	1.8	-1.4	0.8	2.1	2.5
EBIT (adj) margin	0.5%	-0.6%	9.3%	-7.7%	4.6%	10.3%	11.5%
EPS (adj), EUR	0.00	-0.03	0.09	-0.11	0.02	0.10	0.12
EPS (adj) growth	-99.7%	n.a	-445.3%	-230.8%	-120.8%	310.7%	22.7%
DPS, EUR	0.08	0.07	0.00	0.00	0.01	0.05	0.06
EV/Sales	2.6	3.6	3.2	2.5	1.9	1.6	1.3
EV/EBIT (adj)	480.1	-566.3	34.9	-32.5	42.3	15.1	11.7
P/E (adj)	n.a.	-166.9	32.0	-24.3	84.0	20.5	16.7
P/BV	3.1	3.1	1.8	2.0	1.5	1.4	1.3
Dividend yield (ord)	2.4%	1.7%	3.6%	0.0%	0.6%	2.4%	3.0%
FCF Yield bef acq & disp	-10.1%	3.3%	-7.6%	1.6%	3.0%	8.4%	9.5%
Net debt	1	2	6	7	7	5	3
Net debt/EBITDA	1.4	-3.1	1.4	5.3	1.9	1.0	0.5

Source: Company data and Nordea estimates

# Analysis

## ESTIMATE REVISIONS

EURm	New estimates			Old estimates			Difference		
	2020E	2021E	2022E	2020E	2021E	2022E	2020E	2021E	2022E
<b>Comparable sales</b>	<b>17.7</b>	<b>20.3</b>	<b>21.6</b>	<b>19.7</b>	<b>21.3</b>	<b>22.4</b>	<b>-10 %</b>	<b>-5 %</b>	<b>-3 %</b>
<b>Adj. EBIT</b>	<b>0.8</b>	<b>2.1</b>	<b>2.5</b>	<b>1.8</b>	<b>2.9</b>	<b>3.4</b>	<b>-56 %</b>	<b>-29 %</b>	<b>-28 %</b>
Adj. EBIT margin	4.6%	10.3%	11.5%	9.3%	13.8%	15.3%	-4.7pp	-3.5pp	-3.8pp
<b>Adj. EPS</b>	<b>0.02</b>	<b>0.10</b>	<b>0.12</b>	<b>0.08</b>	<b>0.15</b>	<b>0.17</b>	<b>-71 %</b>	<b>-33 %</b>	<b>-31 %</b>
<b>Gross sales by segment</b>									
Fees from UCITS-funds	5.5	5.8	6.1	6.6	6.6	6.6	-17 %	-13 %	-8 %
Fees from alternative funds	5.4	6.4	7.0	5.4	6.4	7.0	0 %	0 %	0 %
Performance-based fees	0.4	1.8	1.9	0.9	1.8	1.9	-56 %	0 %	0 %
Other segments	6.6	6.5	6.8	7.0	6.7	7.0	-6 %	-3 %	-3 %

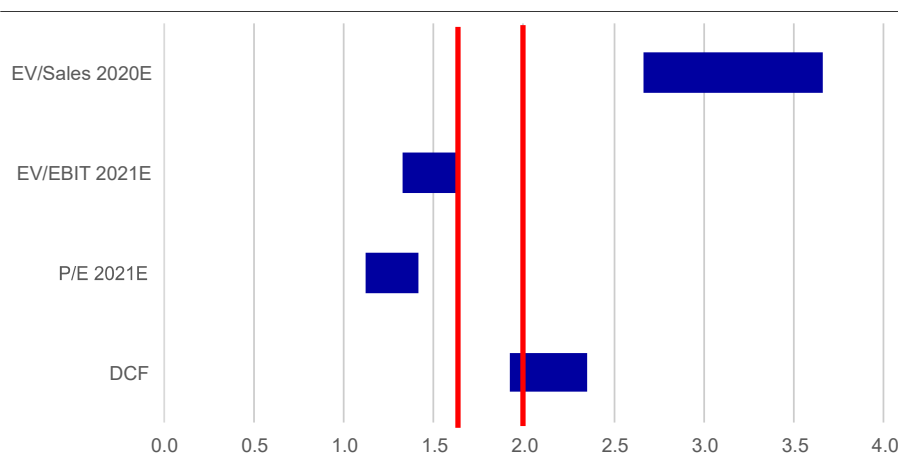
Source: Nordea estimates

## OUR ESTIMATES VS CONSENSUS

EURm	Nordea estimates			Consensus estimates			Difference %		
	2020E	2021E	2022E	2020E	2021E	2022E	2020E	2021E	2022E
<b>Sales</b>	<b>17.7</b>	<b>20.3</b>	<b>21.6</b>	<b>20.5</b>	<b>21.5</b>	<b>23.0</b>	<b>-14 %</b>	<b>-6 %</b>	<b>-6 %</b>
<b>Adj. EBIT</b>	<b>0.8</b>	<b>2.1</b>	<b>2.5</b>	<b>2.5</b>	<b>3.0</b>	<b>3.5</b>	<b>-68 %</b>	<b>-30 %</b>	<b>-29 %</b>
Adj. EBIT margin	4.6%	10.3%	11.5%	12.2%	14.0%	15.2%	-7.6pp	-3.6pp	-3.8pp
<b>Adj. EPS</b>	<b>0.02</b>	<b>0.10</b>	<b>0.12</b>	<b>0.11</b>	<b>0.17</b>	<b>0.20</b>	<b>-78 %</b>	<b>-41 %</b>	<b>-38 %</b>

Source: Nordea estimates and Reuters consensus

## FAIR VALUE RANGE AT EUR 1.6-2.0 PER SHARE



Source: Company data and Nordea estimates

## Risks related to financial market turmoil

Prolonged turmoil in capital markets could also negatively affect EAB Group's operating cash flow and the availability of financing. At the end of 2019, EAB Group had an EUR 8m credit facility with a maturity of five years. EUR 1m of the facility was undrawn at the time. We do not see refinancing risk in the near term given the long maturity of the loan. Moreover, the loan covenants are not tied to the company's cash flow. However, prolonged stock market turmoil could impact on EAB Group's cash flow, which could result in additional financing needs. The capital markets are currently in a situation where even large companies may struggle to obtain financing and the terms may be unfavourable for the shareholders. We currently expect EAB Group to be able to protect its cash flow with the new savings measures during 2020 and thus to cope over the slowdown without additional financing.

# Reported numbers and forecasts

## INCOME STATEMENT - ANNUAL ESTIMATES

EURm	2015	2016	2017	2018	2019	2020E	2021E	2022E
Net revenue	12.1	13.6	15.8	19.4	18.1	17.7	20.3	21.6
Revenue growth	22 %	12 %	16 %	23 %	-7 %	-2 %	15 %	7 %
of which total organic	22 %	7 %	4 %	8 %	-7 %	-2 %	15 %	7 %
Fee based costs	-6.1	-7.7	-6.2	-4.1	-3.8	-3.4	-3.5	-3.7
Personnel costs	-4.0	-4.6	-6.9	-7.6	-8.0	-6.7	-7.3	-7.8
Other administrative costs	-2.2	-2.4	-4.7	-3.6	-4.1	-3.6	-4.1	-4.4
D&A	-0.5	-0.6	-1.9	-2.3	-2.7	-2.7	-2.8	-2.8
Other costs	-1.0	-1.1	-0.6	-0.5	-0.7	-0.5	-0.5	-0.5
Credit losses	0.0	0.0	0.0	0.0	-0.3	0.0	0.0	0.0
Associates	0.0	0.0	0.0	0.2	-0.1	0.0	0.0	0.0
<b>EBIT</b>	<b>0.5</b>	<b>0.1</b>	<b>-2.6</b>	<b>1.8</b>	<b>-1.4</b>	<b>0.8</b>	<b>2.1</b>	<b>2.5</b>
EBIT margin %	4 %	1 %	-16 %	9 %	-8 %	4.6%	10.3%	11.5%
Interest income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest expenses	0.0	0.0	-0.1	0.1	0.0	0.0	0.0	0.0
Net financials	0.0	0.0	-0.1	-0.3	-0.4	-0.4	-0.4	-0.4
Income taxes	0.6	-0.1	0.4	-0.1	0.2	-0.1	-0.3	-0.4
Net income	1.8	0.6	-2.3	1.4	-1.6	0.3	1.4	1.7
Minorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net income to equityholders	1.8	0.6	-2.3	1.4	-1.6	0.3	1.3	1.6
<b>EPS</b>	<b>0.09</b>	<b>0.00</b>	<b>-0.20</b>	<b>0.09</b>	<b>-0.11</b>	<b>0.02</b>	<b>0.10</b>	<b>0.12</b>

Source: Company data and Nordea estimates

## INCOME STATEMENT - INTERIM ESTIMATES

EURm	H1 17	H2 17	H1 18	H2 18	H1 19	H2 19	H1 20E	H2 20E
Net revenue	7.5	8.5	9.6	9.8	9.2	8.9	8.4	9.6
Revenue growth	-14 %	16 %	22 %	9 %	-5 %	-9 %	-10 %	6 %
Fee based costs	-3.4	-2.1	-1.6	-2.5	-2.0	-1.8	-1.7	-1.7
Personnel costs	-3.1	-2.7	-3.7	-3.9	-4.2	-3.8	-3.6	-3.1
Other administrative costs	-1.3	-1.9	-1.7	-1.9	-1.9	-2.2	-1.8	-1.8
D&A	-0.5	-0.8	-1.0	-1.3	-1.3	-1.4	-1.4	-1.3
Other costs	-0.7	-0.7	-0.6	0.1	-0.4	-0.3	-0.3	-0.2
Credit losses	0.0	0.0	0.0	0.0	-0.3	0.0	0.0	0.0
Associates	0	0.0	0.05	0.2	0.0	-0.1	0.0	0.0
<b>EBIT</b>	<b>0.2</b>	<b>-0.4</b>	<b>1.4</b>	<b>0.4</b>	<b>-0.8</b>	<b>-0.5</b>	<b>-0.4</b>	<b>1.2</b>
EBIT margin %	3 %	-5 %	15 %	4 %	-9 %	-6 %	-5 %	13 %
Interest income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest expenses	0.0	-0.1	-0.1	0.2	0.0	0.0	0.0	0.0
Net financials	0.0	-0.1	-0.1	-0.2	-0.2	-0.2	-0.2	-0.2
Income taxes	-0.1	1.6	-0.1	0.0	0.1	0.1	0.1	-0.2
Net income	0.1	1.2	1.2	0.2	-0.8	-0.6	-0.5	0.9
Minorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net income to equityholders	0.1	0.0	0.0	0.0	-0.8	-0.7	-0.5	0.9
<b>EPS</b>	<b>0.01</b>	<b>0.10</b>	<b>0.09</b>	<b>0.00</b>	<b>-0.06</b>	<b>-0.04</b>	<b>-0.04</b>	<b>0.06</b>

Source: Company data and Nordea estimates

**BALANCE SHEET**

EURm	2016	2017	2018	2019	2020E	2021E	2022E
Intangible assets	6.5	14.5	13.4	13.8	13.8	13.8	13.8
of which R&D	1.7	1.9	2.3	2.3	2.3	2.3	2.3
of which other intangibles	0.3	3.6	2.0	2.4	2.4	2.4	2.4
of which goodwill	4.5	9.0	9.1	9.1	9.1	9.1	9.1
Tangible assets	2.3	1.9	3.2	2.9	3.2	3.4	3.7
of which machinery plant	2.3	1.9	0.6	0.3	0.6	0.8	1.1
of which property	0.0	0.0	2.6	2.6	2.6	2.6	2.6
of which land	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest bearing assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Deferred tax assets	1.0	2.9	2.8	2.8	2.0	1.0	0.0
Other non-interest bearing assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total non-current assets</b>	<b>19.2</b>	<b>30.0</b>	<b>33.9</b>	<b>31.7</b>	<b>31.2</b>	<b>30.4</b>	<b>29.7</b>
Accounts receivable	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other current assets	0.3	1.2	1.3	3.0	2.9	3.4	3.6
Cash and bank	0.8	2.0	1.1	0.5	0.6	2.7	4.5
Assets held for sale	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total assets</b>	<b>20.3</b>	<b>33.2</b>	<b>36.3</b>	<b>35.2</b>	<b>34.7</b>	<b>36.5</b>	<b>37.8</b>
Shareholders equity	12.3	21.8	22.0	19.2	18.8	20.0	21.0
of which preferred stock	0.0	0.0	0.0	0.0	0.0	0.0	0.0
of which Equity part of hybrid debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Minority interest	0.3	0.1	0.1	0.1	0.1	0.1	0.1
<b>Total Equity</b>	<b>12.6</b>	<b>21.9</b>	<b>22.1</b>	<b>19.3</b>	<b>18.9</b>	<b>20.1</b>	<b>21.1</b>
Deferred tax	0.0	0.3	0.3	0.3	0.3	0.3	0.3
Long term interest bearing debt	1.8	4.2	7.0	7.4	7.4	7.4	7.4
Non-current liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Pension provisions	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other long-term provisions	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other long-term liabilities	4.9	3.8	3.9	4.0	4.0	4.0	4.0
Convertible debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Shareholder debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Hybrid debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total non-current liabilities</b>	<b>6.7</b>	<b>8.3</b>	<b>11.2</b>	<b>11.7</b>	<b>11.7</b>	<b>11.7</b>	<b>11.7</b>
Short-term provisions	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Accounts payable	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other current liabilities	1.1	3.0	3.1	4.2	4.1	4.7	5.0
Short term interest bearing debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total current liabilities</b>	<b>1.1</b>	<b>3.0</b>	<b>3.1</b>	<b>4.2</b>	<b>4.1</b>	<b>4.7</b>	<b>5.0</b>
Liabilities for assets held for sale	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total liabilities and equity</b>	<b>20.4</b>	<b>33.2</b>	<b>36.4</b>	<b>35.2</b>	<b>34.7</b>	<b>36.5</b>	<b>37.8</b>

Source: Company data and Nordea estimates

**CASH FLOW STATEMENT**

EURm	2016	2017	2018	2019	2020E	2021E	2022E
<b>EBITDA adjusted for associates</b>	<b>0.7</b>	<b>-0.7</b>	<b>3.9</b>	<b>1.4</b>	<b>3.5</b>	<b>4.8</b>	<b>5.3</b>
Paid taxes	0.0	0.0	0.0	0.2	-0.1	-0.3	-0.4
Net financials	0.0	0.0	0.0	-0.4	-0.4	-0.4	-0.4
Change in Provisions	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Change in other LT non-IB assets/liabilities	1.5	-4.7	-3.0	2.4	0.8	1.0	1.0
Dividends / cash injections to/from associates	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividends paid to minorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Hybrid debt interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other adjustments to reconcile to cash flow	-1.6	4.4	2.7	-2.6	0.0	0.0	0.0
Funds from operations (FFO)	0.6	-1.0	3.6	1.0	3.9	5.1	5.4
Change in NWC	-1.6	1.2	-3.7	1.5	0.0	0.2	0.1
Cash flow from operations (CFO)	-1.0	0.2	-0.1	2.5	3.8	5.3	5.5
Capital Expenditure	-2.4	1.6	-4.2	-1.9	-3.0	-3.0	-3.1
Free Cash Flow before A&D	-3.4	1.8	-4.3	0.6	0.8	2.2	2.5
Proceeds from sale of assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Acquisitions	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Free cash flow</b>	<b>-3.4</b>	<b>1.8</b>	<b>-4.3</b>	<b>0.6</b>	<b>0.8</b>	<b>2.2</b>	<b>2.5</b>
Funds distributed to shareholders	-0.7	-0.7	-0.7	-1.3	-0.7	-0.2	-0.7

Source: Company data and Nordea estimates

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