

EAB Group Oyj

Financials
Finland

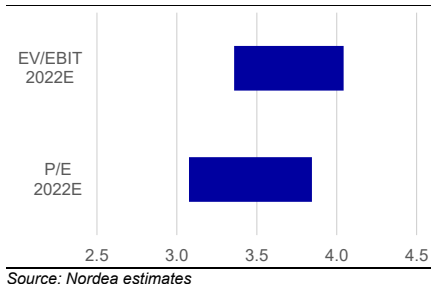
KEY DATA

Stock country	Finland
Bloomberg	EAB FH
Reuters	EABG.HE
Share price (close)	EUR 3.04
Free Float	35%
Market cap. (bn)	EUR 0.04/EUR 0.04
Website	www.eabgroup.fi
Next report date	05 Aug 2022

PERFORMANCE



VALUATION APPROACH



ESTIMATE CHANGES

Year	2022E	2023E	2024E
Sales	2%	2%	3%
EBIT (adj)	7%	2%	2%

Source: Nordea estimates

Nordea Markets - Analysts

Joni Sandvall
AnalystSvante Krokfors
Director

Expecting a positive 2022

EAB reported H2 comparable operating income of EUR 11.7m, 7% above our estimate. The cost/income ratio was in line with our forecast and H2 EBIT was 20% above our estimate. Performance was driven by continuous fees, as carry came in slightly below our estimate. EAB expects the 2022 net profit margin to be clearly positive, which we view as achievable given the positive growth momentum in alternative investments (AI). We believe the toughest fee pressure has faded and EAB should be able to continue increasing its continuous income via less volatile AI funds. We derive a multiples-based fair value range of EUR 3.2-3.9 (3.1-3.8) per share.

H2 was a solid quarter

For H2, EAB reported comparable operating income of EUR 11.5m and EBIT of EUR 1.7m, clearly beating our estimates. Continuous operating income increased to EUR 9.1m (from EUR 7.0 in H2 2020) and accounted for 79% of comparable operating income. The important AI funds income beat our estimate by 9%, while carry was EUR 0.1m (i.e. 14%) below our estimate. The dividend proposal of EUR 0.11 was well above our EUR 0.08 estimate. AuM increased to EUR 3,938m from EUR 3,799m at the end of H1 and EUR 3,419m a year ago, in line with our expectations. The toughest fee pressure seems to have faded, supported by an increasing share of AI-related operating income.

We raise 2022E-24E EBIT by 2-7%

EAB expects the 2022 net profit margin to be clearly positive; we model a 14.4% net profit margin after 9.5% in 2021. We raise our operating income estimates by 2-3% for 2022-24, while we lift EBIT by 2-7%. We believe the company can scale down its investments, which should become visible as depreciation. We remain slightly cautious about the possible carry potential, which could boost the earnings development in 2022-23.

Fair value range of EUR 3.2-3.9 – scale benefits needed

We base our fair value range on a combination of two peer valuation methods – P/E and EV/EBIT. Based on the average of these valuations, we derive a fair value range of EUR 3.2-3.9 (3.1-3.8) per share. We expect progress in the new AI funds to act as a trigger for the share, but the company must succeed with the ramp-up of its funds to reach our estimates. We also note that the UCITS fund business is cyclical by nature, exposing EAB Group to capital market fluctuations.

SUMMARY TABLE - KEY FIGURES

EURm	2018	2019	2020	2021E	2022E	2023E	2023E
Net sales	19.4	18.1	18.5	22.2	24.4	27.8	29.4
EBIT (adj)	1.8	-1.4	0.6	2.9	4.7	6.7	7.8
EBIT (adj) margin	9.3%	-7.7%	3.3%	13.1%	19.4%	24.2%	26.5%
EPS (adj), EUR	0.09	-0.11	0.02	0.16	0.26	0.37	0.43
EPS (adj) growth	-445.3%	-230.8%	-116.4%	746.2%	61.3%	45.1%	16.6%
DPS, EUR	0.00	0.00	0.05	0.11	0.15	0.20	0.25
EV/Sales	3.2	2.5	2.7	2.0	1.7	1.3	1.0
EV/EBIT (adj)	34.9	-32.5	79.8	15.4	8.7	5.4	3.9
P/E (adj)	32.0	-24.3	167.2	19.2	11.9	8.2	7.0
P/BV	1.8	2.0	2.3	2.0	1.9	1.6	1.5
Dividend yield (ord)	3.6%	0.0%	1.6%	3.6%	4.9%	6.6%	8.2%
FCF Yield bef acq & disp	-7.6%	1.6%	6.0%	6.9%	7.4%	11.2%	15.1%
Net debt	5.9	6.9	5.9	2.4	0.9	-1.2	-3.6
Net debt/EBITDA	1.4	5.3	1.8	0.4	0.1	-0.1	-0.4

Source: Company data and Nordea estimates

H2 results and estimate revisions

A solid H2 driven by higher continuous operating income

EAB reported H2 comparable operating income of EUR 11.5m, 7% above our estimate. Adjusted EBIT of EUR 1.7m beat our estimate by 20% due to higher income. H2 costs increased by EUR 1m y/y, driven by a EUR 1.4m increase in personnel expenses. The cost/income ratio was 86.5% in H2 (versus 88.8% in H2 2020), in line with our estimate.

AuM increased to EUR 3,938m (Nordea: EUR 3,919m) from EUR 3,799m at the end of H1 and EUR 3,419m a year ago.

Fees from AI funds increased by 36% y/y. Performance fees amounted to EUR 0.6m (versus EUR 1.4m year ago). Continuous operating income increased 30% y/y to EUR 9.1m in H2 (versus EUR 8.7m in H1 and EUR 7.0m in H2 2020) and accounted for 76% of the group's operating income in 2021 (versus 71% in 2020).

The company expects the net profit margin to be clearly positive in 2022, assuming the market environment remains favourable.

H2 DEVIATION VS OUR ESTIMATES (EURm; EPS AND DPS IN EUR)

EURm	Actual	NDA est.	Deviation		Actual		Actual	
	H2 21	H2 21E	vs. actual		H1 21	h/h	H2 20	y/y
Comparable operating income	11.5	10.8	0.8	7%	10.5	10%	8.9	29%
Adj. EBIT	1.7	1.4	0.3	20%	1.1	49%	1.4	20%
Adj. EBIT margin	14.8%	13.2%	1.6pp		10.9%	3.9pp	16.0%	-1.2pp
Net profit	1.3	1.0	0.3	31%	0.8	59%	1.0	30%
EPS	0.09	0.07		26%	0.06	52%	0.07	29%
Fees from UCITS-funds	4.0	3.6		11%	3.5	14%	3.1	29%
Fees from alternative funds	3.0	2.8		9%	2.5	20%	2.2	36%
Performance-based fees	0.6	0.7		-14%	0.3	100%	1.4	-57%
Other segments	3.9	3.7		5%	4.2	-7%	2.2	77%
DPS	0.11	0.08		38%			0.05	120%

Source: Company data and Nordea estimates

We take a slightly more positive view on costs

We raise the top line by 2% for 2022E-24E, mainly owing to higher-than-expected AI funds fees. We also raise our cost assumptions slightly, resulting in 2-7% EBIT increases and 3-9% net profit increases. Due to increased payout assumptions, our DPS estimates increase by 11-25% for 2022-24.

ESTIMATE REVISIONS

EURm	New estimates			Old estimates			Difference		
	2022E	2023E	2024E	2022E	2023E	2024E	2022E	2023E	2024E
Operating income	24.4	27.8	29.4	23.8	27.1	28.7	2%	2%	3%
Adj. EBIT	4.7	6.7	7.8	4.4	6.6	7.6	7%	2%	2%
Adj. EBIT margin	19.4%	24.2%	26.5%	18.5%	24.4%	26.6%	0.9pp	-0.2pp	-0.1pp
Net profit	3.5	5.1	6.0	3.2	5.0	5.8	9%	3%	3%
Adj. EPS (EUR)	0.26	0.37	0.43	0.23	0.36	0.42	9%	3%	3%
DPS (EUR)	0.15	0.20	0.25	0.12	0.18	0.22	25%	11%	14%
Gross sales by segment									
Fees from UCITS funds	7.5	7.9	7.9	7.5	7.8	7.8	1%	1%	1%
Fees from alternative funds	7.2	9.0	10.1	7.0	8.8	9.8	3%	3%	3%
Performance-based fees	1.5	2.3	2.4	1.5	2.3	2.4	2%	2%	2%
Other segments	8.3	8.7	9.2	8.1	8.5	9.0	2%	2%	2%

Source: Nordea estimates

Valuation and risks

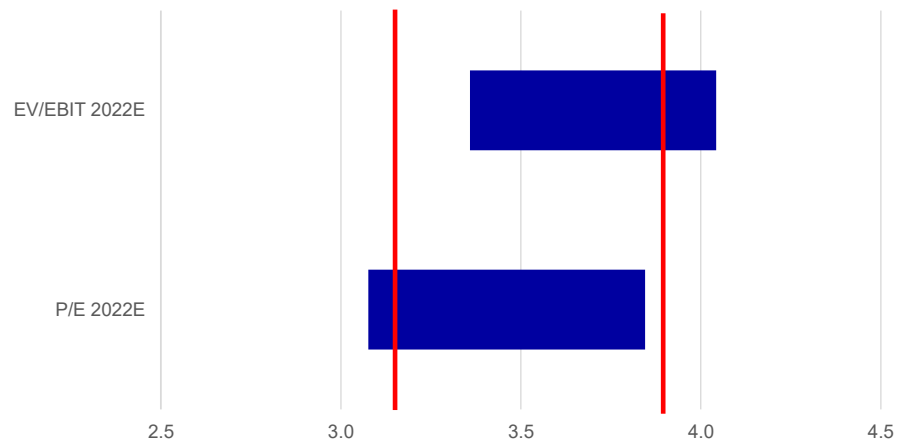
We derive a fair value range of EUR 3.2-3.9 (3.1-3.8) by equally weighting P/E and EV/EBIT multiples.

Fair value range of EUR 3.2-3.9

Based on our revenue growth and operating profit margin expectations, we estimate a fair value range of EUR 3.2-3.9 (3.1-3.8) per share using the average of two different valuation approaches (P/E and EV/EBIT). This valuation range is represented by the red lines in the chart below.

Based on 2022E EBIT of EUR 4.7m and an accepted valuation multiple range of 10-12x (midpoint: 11x), we derive our EV/EBIT multiple-based fair value range of EUR 3.4-4.0. Similarly, we use our 2022 EPS estimate of EUR 0.26 and an accepted multiple range of 12-15x (midpoint: 13.5x) to derive our P/E-based fair value range of EUR 3.2-3.9.

FAIR VALUE RANGE



Source: Nordea estimates

Main risks

We believe the largest risks for EAB Group's operations are macroeconomic and market-related, as an economic slowdown could hamper the performance of funds and thus affect fees negatively. The internal risks are related to the company's ability to convince customers to invest in its own funds in the long term. Sales could suffer if the performance of EAB Group's funds fails to meet investor expectations. Success or failure in single fundraising projects could have a significant impact on the company's EBIT and valuation.

Reported numbers and forecasts

INCOME STATEMENT, SEMI-ANNUAL

EURm	H1 18	H2 18	H1 19	H2 19	H1 20	H2 20	H1 21	H2 21	H1 22E	H2 22E
Net revenue	9.6	9.8	9.2	8.9	8.7	10.0	10.5	11.7	11.6	12.8
Revenue growth	22%	9%	-5%	-9%	-6%	12%	22%	16%	10%	11%
Fee based costs	-1.6	-2.5	-2.0	-1.8	-2.6	-2.3	-2.5	-2.0	-2.2	-2.3
Personnel costs	-3.7	-3.9	-4.2	-3.8	-3.5	-3.3	-4.0	-4.7	-4.4	-4.9
Other administrative costs	-1.7	-1.9	-1.9	-2.2	-1.6	-1.6	-1.4	-1.6	-1.7	-1.8
D&A	-1.0	-1.3	-1.3	-1.4	-1.4	-1.3	-1.3	-1.3	-1.1	-0.8
Other costs	-0.6	0.1	-0.4	-0.3	-0.3	-0.4	-0.3	-0.5	-0.3	-0.4
Credit losses	0.0	0.0	-0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Associates	0.05	0.2	0.0	-0.1	-0.1	0.4	0.0	0.1	0.1	0.1
EBIT	1.4	0.4	-0.8	-0.5	-0.8	1.4	1.1	1.7	2.0	2.7
EBIT margin %	15%	4%	-9%	-6%	-9%	14%	10%	15%	17%	21%
Interest income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest expenses	-0.1	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net financials	-0.1	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.1	-0.2
Income taxes	-0.1	0.0	0.1	0.1	0.2	-0.2	-0.2	-0.3	-0.4	-0.5
Net income	1.2	0.2	-0.8	-0.6	-0.8	1.1	0.8	1.3	1.5	2.0
Minorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net income to equityholders	0.0	0.0	-0.8	-0.7	-0.8	1.1	0.8	1.3	1.5	2.0
EPS (EUR)	0.09	0.00	-0.06	-0.04	-0.06	0.08	0.06	0.09	0.11	0.15

Source: Company data and Nordea estimates

INCOME STATEMENT, ANNUAL

EURm	2017	2018	2019	2020	2021	2022E	2023E	2024E
Net revenue	15.8	19.4	18.1	18.5	22.2	24.4	27.8	29.4
Revenue growth	16%	23%	-7%	2%	20%	10%	14%	6%
of which total organic	4%	8%	-7%	2%	20%	10%	14%	6%
Fee based costs	-6.2	-4.1	-3.8	-4.9	-4.5	-4.5	-4.7	-4.7
Personnel costs	-6.9	-7.6	-8.0	-6.8	-8.6	-9.3	-10.0	-10.6
Other administrative costs	-4.7	-3.6	-4.1	-3.2	-3.0	-3.5	-4.0	-4.1
D&A	-1.9	-2.3	-2.7	-2.7	-2.5	-1.9	-1.7	-1.6
Other costs	-0.6	-0.5	-0.7	-0.7	-0.8	-0.7	-0.6	-0.6
Credit losses	0.0	0.0	-0.3	0.0	0.0	0.0	0.0	0.0
Associates	0.0	0.2	-0.1	0.3	0.2	0.2	0.0	0.0
EBIT	-2.6	1.8	-1.4	0.6	2.9	4.7	6.7	7.8
EBIT margin %	-16%	9%	-8%	3.3%	13.1%	19.4%	24.2%	26.5%
Interest income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest expenses	-0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Net financials	-0.1	-0.3	-0.4	-0.4	-0.2	-0.3	-0.3	-0.3
Income taxes	0.4	-0.1	0.2	0.0	-0.5	-0.9	-1.3	-1.5
Net income	-2.3	1.4	-1.6	0.3	2.1	3.5	5.1	6.0
Minorities	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	-0.1
Net income to equityholders	-2.3	1.4	-1.6	0.3	2.1	3.5	5.1	5.9
EPS (EUR)	-0.20	0.09	-0.11	0.02	0.16	0.26	0.37	0.43

Source: Company data and Nordea estimates

BALANCE SHEET

EURm	2017	2018	2019	2020	2021	2022E	2023E	2024E
Intangible assets	14.5	13.4	13.8	10.5	9.8	10.2	10.6	11.1
of which R&D	1.9	2.3	0.0	0.0	0.0	0.0	0.0	0.0
of which other intangibles	3.6	2.0	4.7	1.4	0.7	1.1	1.5	2.0
of which goodwill	9.0	9.1	9.1	9.1	9.1	9.1	9.1	9.1
Tangible assets	1.9	3.2	2.9	5.1	5.1	5.0	5.2	5.4
of which machinery plant	1.9	0.6	0.1	0.0	0.0	0.0	0.0	0.0
of which property	0.0	2.6	0.2	2.7	2.5	2.4	2.6	2.8
of which land	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest bearing assets	0.0	0.0	0.0	1.0	1.4	1.4	1.4	1.4
Deferred tax assets	2.9	2.8	2.8	3.1	2.5	2.5	2.5	2.5
Other non-interest bearing assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total non-current assets	30.0	33.9	31.7	24.2	24.0	24.3	24.9	25.6
Accounts receivable	0.0	0.0	0.0	8.1	7.0	7.7	8.8	9.3
Other current assets	1.2	1.3	3.0	0.0	0.0	0.0	0.0	0.0
Cash and bank	2.0	1.1	0.5	0.6	2.4	3.9	6.0	8.4
Assets held for sale	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total assets	33.2	36.3	35.2	33.9	34.2	36.8	40.5	44.0
Shareholder equity	21.8	22.0	19.2	19.1	20.5	22.5	25.6	28.8
of which preferred stock	0.0	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	0.0
Minority interest	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Total Equity	21.9	22.1	19.3	19.2	20.6	22.6	25.7	28.9
Deferred tax	0.3	0.3	0.2	0.3	0.2	0.2	0.2	0.2
Long term interest bearing debt	4.2	7.0	7.4	5.5	4.6	4.6	4.6	4.6
Non-current liabilities	0.0	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	0.0
Other long-term provisions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other long-term liabilities	3.8	3.9	4.7	3.7	3.8	3.8	3.8	3.8
Convertible debt	0.0	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	0.0
Hybrid debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total non-current liabilities	8.3	11.2	12.3	9.5	8.6	8.6	8.6	8.6
Short-term provisions	0.0	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	0.0
Other current liabilities	3.0	3.1	3.7	4.1	4.3	4.7	5.4	5.7
Short term interest bearing debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total current liabilities	3.0	3.1	3.7	5.1	5.1	5.5	6.2	6.5
Liabilities for assets held for sale	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total liabilities and equity	33.2	36.4	35.3	33.8	34.3	36.8	40.5	44.0

Source: Company data and Nordea estimates

CASH FLOW STATEMENT

EURm	2017	2018	2019	2020	2021	2022E	2023E	2024E
EBITDA adjusted for associates	-0.7	3.9	1.4	3.3	5.4	6.6	8.4	9.4
Paid taxes	0.0	0.0	0.2	0.0	-0.5	-0.9	-1.3	-1.5
Net financials	0.0	0.0	-0.4	-0.3	-0.2	-0.3	-0.3	-0.3
Change in Provisions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Change in other LT non-IB assets/liabilities	-4.7	-3.0	3.1	5.1	0.4	0.0	0.0	0.0
Dividends / cash injections to/from associates	0.0	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	0.0
Hybrid debt interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other adjustments to reconcile to cash flow	4.4	2.7	-3.3	-4.4	-0.2	0.0	0.0	0.0
Funds from operations (FFO)	-1.0	3.6	1.0	3.7	4.9	5.4	6.8	7.6
Change in NWC	1.2	-3.7	1.5	0.0	0.7	-0.3	-0.4	-0.2
Cash flow from operations (CFO)	0.2	-0.1	2.5	3.7	5.6	5.2	6.4	7.4
Capital Expenditure	1.6	-4.2	-1.9	-1.1	-1.7	-1.4	-1.4	-1.5
Free Cash Flow before A&D	1.8	-4.3	0.6	2.6	3.9	3.8	5.0	5.9
Proceeds from sale of assets	0.0	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	0.0
Free cash flow	1.8	-4.3	0.6	2.6	3.9	3.8	5.0	5.9
Funds distributed to shareholders	-0.7	-0.7	-1.3	0.0	-0.7	-1.5	-2.1	-2.8

Source: Company data and Nordea estimates

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