

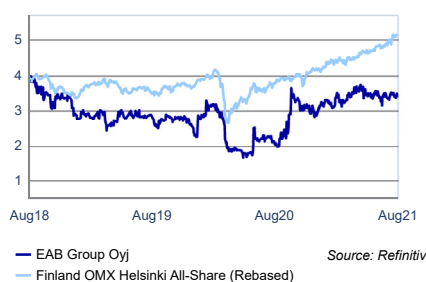
EAB Group Oyj

Financials
Finland

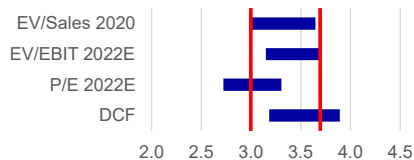
KEY DATA

Stock country	Finland
Bloomberg	EAB FH
Reuters	EABG.HE
Share price (close)	EUR 3.42
Free Float	35%
Market cap. (bn)	EUR 0.05/EUR 0.05
Website	www.eabgroup.fi
Next report date	

PERFORMANCE



VALUATION APPROACH (EUR/SHARE)



ESTIMATE CHANGES

Year	2021E	2022E	2023E
Sales	0%	0%	0%
EBIT (adj)	2%	2%	1%

Source: Nordea estimates

Solid execution driving up profitability

EAB reported solid numbers for H1, with sales slightly above our estimates and profitability clearly positive, in line with our expectation. Growth in the AI business, in particular, facilitates growth in recurring revenue over the long term and improves the earnings quality. The bullish tone in the financial markets has supported demand for both UCITS funds and Alternative Investment (AI) funds, we believe. We raise 2021E-22E EBIT by 2% on improved confidence in the fundraising pipeline amid strong equity market development. We increase our fair value range to EUR 3.0-3.7 per share (2.7-3.3) based on the median of four valuation methods, partly affected by the increased valuations of its peers.

H1 largely in line with expectations, pipeline entails growth

EAB reported solid financial performance for H1, with comparable sales 2% above our forecast and in-line EBIT. The company reiterated its guidance which was upgraded in June owing to the successful sales efforts of new products and favourable market conditions. At the same time, costs have remained stable after the cost-efficiency programme that was executed in 2020. In addition to its traditional UCITS fund business, it has two ongoing AI fundraising projects - one real estate and one renewable energy fund. Alternative funds currently correspond to approximately one third of its operating income and the company targets to increase this ratio to two thirds.

We raise EBIT by 2% for 2021E-22E

We increase our EBIT estimates by 2% for 2021-22 owing to the solid report and favourable market conditions. We now model a net result margin of 8.9% for 2021 compared to consensus at 9.3%. The growth in recurring revenue, such as fees from UCITS and AI funds, is likely to drive up profitability in 2022.

Fair value range hiked to EUR 3.0-3.7 per share

We base our fair value range on a combination of four valuation methods: a DCF, and three peer valuations 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 3.0-3.7 (2.7-3.3) per share. We expect that progress in the new AI funds could act as a trigger for the share. However, we note that the UCITS fund business is cyclical in nature, thus exposing EAB Group to the fluctuations of the capital markets.

Nordea Markets - Analysts

Pauli Lohi
AnalystSvante Krokfors
Director

SUMMARY TABLE - KEY FIGURES

EURm	2017	2018	2019	2020	2021E	2022E	2023E
Net sales	15.8	19.4	18.1	18.5	21.0	23.8	25.4
EBIT (adj)	-0.1	1.8	-1.4	0.6	2.6	3.7	4.2
EBIT (adj) margin	-0.6%	9.3%	-7.7%	3.3%	12.5%	15.6%	16.7%
EPS (adj), EUR	-0.03	0.09	-0.11	0.02	0.13	0.19	0.23
EPS (adj) growth	n.a	-445.3%	-230.8%	-116.4%	615.3%	44.7%	15.8%
DPS, EUR	0.07	0.00	0.00	0.05	0.08	0.10	0.12
EV/Sales	3.6	3.2	2.5	2.6	2.4	2.0	1.7
EV/EBIT (adj)	-566.3	34.9	-32.5	78.2	19.2	12.7	10.5
P/E (adj)	-166.9	32.0	-24.3	167.2	26.2	18.1	15.6
P/BV	3.1	1.8	2.0	2.3	2.4	2.2	2.1
Dividend yield (ord)	1.7%	3.6%	0.0%	2.3%	2.8%	3.4%	4.0%
FCF Yield bef acq & disp	3.3%	-7.6%	1.6%	6.0%	6.6%	6.1%	5.6%
Net debt	2.2	5.9	6.9	4.9	2.5	0.8	-0.3
Net debt/EBITDA	-3.1	1.4	5.3	1.5	0.5	0.1	0.0

Source: Company data and Nordea estimates

Reported numbers and forecasts

INCOME STATEMENT, SEMI-ANNUAL

EURm	H1 17	H2 17	H1 18	H2 18	H1 19	H2 19	H1 20	H2 20	H1 21	H2 21E
Net revenue	7.5	8.5	9.6	9.8	9.2	8.9	8.8	10.0	10.5	11.0
Revenue growth	-14%	16%	22%	9%	-5%	-9%	-6%	11%	16%	10%
Fee based costs	-3.4	-2.1	-1.6	-2.5	-2.0	-1.8	-2.6	-2.3	-2.5	-1.5
Personnel costs	-3.1	-2.7	-3.7	-3.9	-4.2	-3.8	-3.5	-3.3	-4.0	-4.2
Other administrative costs	-1.3	-1.9	-1.7	-1.9	-1.9	-2.2	-1.6	-1.6	-1.4	-1.4
D&A	-0.5	-0.8	-1.0	-1.3	-1.3	-1.4	-1.4	-1.3	-1.3	-1.4
Other costs	-0.7	-0.7	-0.6	0.1	-0.4	-0.3	-0.3	-0.4	-0.3	-0.4
Credit losses	0.0	0.0	0.0	0.0	-0.3	0.0	0.0	0.0	0.0	0.0
Associates	0	0.0	0.05	0.2	0.0	-0.1	-0.1	0.4	0.0	0.0
EBIT	0.2	-0.4	1.4	0.4	-0.8	-0.5	-0.7	1.4	1.1	1.5
EBIT margin %	3%	-5%	15%	4%	-9%	-6%	-8%	14%	11%	14%
Interest income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest expenses	0.0	-0.1	-0.1	0.2	0.0	0.0	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	-0.2	-0.2
Income taxes	-0.1	1.6	-0.1	0.0	0.1	0.1	0.2	-0.2	-0.2	-0.2
Net income	0.1	1.2	1.2	0.2	-0.8	-0.6	-0.7	1.0	0.8	1.1
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	0.1	0.0	0.0	0.0	-0.8	-0.7	-0.7	1.0	0.8	1.1
EPS (EUR)	0.01	0.10	0.09	0.00	-0.06	-0.04	-0.05	0.07	0.06	0.08

Source: Company data and Nordea estimates

INCOME STATEMENT, ANNUAL

EURm	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E
Net revenue	12.1	13.6	15.8	19.4	18.1	18.5	21.0	23.8	25.4
Revenue growth	22%	12%	16%	23%	-7%	2%	13%	13%	7%
of which total organic	22%	7%	4%	8%	-7%	2%	13%	13%	7%
Fee based costs	-6.1	-7.7	-6.2	-4.1	-3.8	-4.9	-4.0	-4.2	-4.4
Personnel costs	-4.0	-4.6	-6.9	-7.6	-8.0	-6.8	-8.2	-9.3	-9.9
Other administrative costs	-2.2	-2.4	-4.7	-3.6	-4.1	-3.2	-2.8	-3.2	-3.4
D&A	-0.5	-0.6	-1.9	-2.3	-2.7	-2.7	-2.7	-2.7	-2.8
Other costs	-1.0	-1.1	-0.6	-0.5	-0.7	-0.7	-0.7	-0.7	-0.7
Credit losses	0.0	0.0	0.0	0.0	-0.3	0.0	0.0	0.0	0.0
Associates	0.0	0.0	0.0	0.2	-0.1	0.3	0.0	0.0	0.0
EBIT	0.5	0.1	-2.6	1.8	-1.4	0.6	2.6	3.7	4.2
EBIT margin %	4%	1%	-16%	9%	-8%	3.3%	12.5%	15.6%	16.7%
Interest income	0.0	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	0.0
Net financials	0.0	0.0	-0.1	-0.3	-0.4	-0.4	-0.4	-0.4	-0.4
Income taxes	0.6	-0.1	0.4	-0.1	0.2	0.0	-0.4	-0.7	-0.8
Net income	1.8	0.6	-2.3	1.4	-1.6	0.3	1.9	2.7	3.1
Minorities	0.0	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	1.9	2.7	3.1
EPS (EUR)	0.09	0.00	-0.20	0.09	-0.11	0.02	0.13	0.19	0.23

Source: Company data and Nordea estimates

BALANCE SHEET

EURm	2016	2017	2018	2019	2020	2021E	2022E	2023E
Intangible assets	6.5	14.5	13.4	13.8	12.9	12.9	12.9	12.9
of which R&D	1.7	1.9	2.3	2.3	2.3	2.3	2.3	2.3
of which other intangibles	0.3	3.6	2.0	2.4	2.5	2.5	2.5	2.5
of which goodwill	4.5	9.0	9.1	9.1	8.1	8.1	8.1	8.1
Tangible assets	2.3	1.9	3.2	2.9	2.7	3.0	3.2	3.5
of which machinery plant	2.3	1.9	0.6	0.3	0.0	0.3	0.5	0.8
of which property	0.0	0.0	2.6	2.6	2.7	2.7	2.7	2.7
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	0.0	0.0	0.0	0.0	0.0
Deferred tax assets	1.0	2.9	2.8	2.8	3.1	1.0	0.0	0.0
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	19.2	30.0	33.9	31.7	24.2	22.4	21.6	21.9
Accounts receivable	0.0	0.0	0.0	0.0	8.1	9.2	10.4	11.1
Other current assets	0.3	1.2	1.3	3.0	0.0	0.0	0.0	0.0
Cash and bank	0.8	2.0	1.1	0.5	0.6	3.0	4.7	5.8
Assets held for sale	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total assets	20.3	33.2	36.3	35.2	32.9	34.5	36.7	38.8
Shareholder equity	12.3	21.8	22.0	19.2	19.1	20.3	21.9	23.6
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	0.3	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Total Equity	12.6	21.9	22.1	19.3	19.2	20.4	22.0	23.7
Deferred tax	0.0	0.3	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	5.5	5.5	5.5	5.5
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	4.9	3.8	3.9	4.0	3.7	3.7	3.7	3.7
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	6.7	8.3	11.2	11.7	9.5	9.5	9.5	9.5
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	4.1	4.6	5.3	5.6
Other current liabilities	1.1	3.0	3.1	4.2	0.0	0.0	0.0	0.0
Short term interest bearing debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total current liabilities	1.1	3.0	3.1	4.2	4.1	4.6	5.3	5.6
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	20.4	33.2	36.4	35.2	32.8	34.5	36.7	38.8

Source: Company data and Nordea estimates

CASH FLOW STATEMENT

EURm	2016	2017	2018	2019	2020	2021E	2022E	2023E
EBITDA adjusted for associates	0.7	-0.7	3.9	1.4	3.3	5.3	6.4	7.0
Paid taxes	0.0	0.0	0.0	0.2	0.0	-0.4	-0.7	-0.8
Net financials	0.0	0.0	0.0	-0.4	-0.3	-0.4	-0.4	-0.4
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	1.5	-4.7	-3.0	2.4	5.8	2.1	1.0	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	-1.6	4.4	2.7	-2.6	-5.1	0.0	0.0	0.0
Funds from operations (FFO)	0.6	-1.0	3.6	1.0	3.7	6.7	6.4	5.9
Change in NWC	-1.6	1.2	-3.7	1.5	0.0	-0.5	-0.6	-0.3
Cash flow from operations (CFO)	-1.0	0.2	-0.1	2.5	3.7	6.1	5.8	5.5
Capital Expenditure	-2.4	1.6	-4.2	-1.9	-1.1	-3.0	-3.0	-3.0
Free Cash Flow before A&D	-3.4	1.8	-4.3	0.6	2.6	3.2	2.8	2.5
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	-3.4	1.8	-4.3	0.6	2.6	3.2	2.8	2.5
Funds distributed to shareholders	-0.7	-0.7	-0.7	-1.3	0.0	-0.7	-1.1	-1.4

Source: Company data and Nordea estimates

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Completion Date

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