

EAB Group Oyj

Financials
Finland

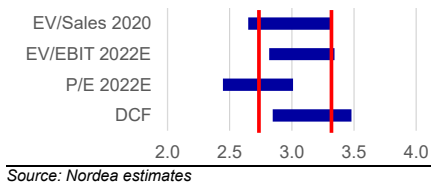
KEY DATA

Stock country	Finland
Bloomberg	EAB FH
Reuters	EABG.HE
Share price (close)	EUR 3.53
Free Float	35%
Market cap. (bn)	EUR 0.05/EUR 0.05
Website	www.eabgroup.fi
Next report date	06 Aug 2021

PERFORMANCE



VALUATION APPROACH (EUR)



ESTIMATE CHANGES

Year	2021E	2022E	2023E
Sales	2%	2%	2%
EBIT (adj)	11%	8%	8%

Source: Nordea estimates

Favourable market supports growth ambitions

EAB Group announced a FY 2021 guidance upgrade yesterday driven by positive sales development in H1. The bullish tone in the financial markets has supported demand for both UCITS funds and Alternative Investment (AI) funds, we believe. The growth in AI business, especially, facilitates the growth in recurring revenue over the long term and improves the earnings quality. The progress of the AI fund pipeline could be a positive trigger in the H1 report but we expect profitability to remain below consensus in the short term (we are 19% below consensus for 2021 EPS). We raise 2021E-22E EBIT by 8-11% and our fair value to EUR 2.7-3.3 per share (2.5-3.0) based on the median of four valuation methods.

Favourable market environment supported H1

EAB Group said yesterday that it now expects its FY 2021 net result to be clearly positive (positive). We believe the new guidance could imply close to a 10% net margin after 1.4% in 2020. The positive shift in the outlook is likely to be driven by favourable market conditions supporting the sales of both old and new products. At the same time, the costs have stayed steady after a cost-efficiency programme that was executed in 2020.

We raise EBIT by 8-11% for 2021E-22E

We increase our EBIT by 8-11% for 2021E-22E owing to the guidance upgrade. We now model a net result margin of 8.3% (7.3%) for 2021 compared to consensus at 9.3%. The growth in recurring revenues, such as fees from UCITS and AI funds, is likely to drive up profitability in 2022.

Fair value range increased to EUR 2.7-3.3 per share

We base our fair value range on a combination of four valuation methods: a DCF, and 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 2.7-3.3 (2.5-3.0) per share. We expect that progress in the new AI funds could act as a trigger for the share. We note that the UCITS fund business is however 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%	12.3%	15.4%	16.5%
EPS (adj), EUR	-0.03	0.09	-0.11	0.02	0.13	0.19	0.22
EPS (adj) growth	n.a	-445.3%	-230.8%	-116.4%	568.5%	49.8%	16.2%
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	27.5	18.3	15.8
P/BV	3.1	1.8	2.0	2.3	2.4	2.2	2.0
Dividend yield (ord)	1.7%	3.6%	0.0%	2.3%	2.9%	3.5%	4.1%
FCF Yield bef acq & disp	3.3%	-7.6%	1.6%	6.0%	6.5%	6.0%	5.5%
Net debt	2.2	5.9	6.9	4.9	2.7	1.0	0.0
Net debt/EBITDA	-3.1	1.4	5.3	1.5	0.5	0.2	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 21E	H2 21E
Net revenue	7.5	8.5	9.6	9.8	9.2	8.9	8.8	10.0	10.2	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	-2.0	-2.0
Personnel costs	-3.1	-2.7	-3.7	-3.9	-4.2	-3.8	-3.5	-3.3	-3.5	-3.6
Other administrative costs	-1.3	-1.9	-1.7	-1.9	-1.9	-2.2	-1.6	-1.6	-1.9	-2.0
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	-0.1	0.1
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%	13%
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	0.7	1.0
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	0.1	0.0	0.0	0.0	-0.8	-0.7	-0.7	1.0	0.7	1.0
EPS (EUR)	0.01	0.10	0.09	0.00	-0.06	-0.04	-0.05	0.07	0.05	0.07

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	-7.1	-8.1	-8.6
Other administrative costs	-2.2	-2.4	-4.7	-3.6	-4.1	-3.2	-3.9	-4.4	-4.7
D&A	-0.5	-0.6	-1.9	-2.3	-2.7	-2.7	-2.7	-2.8	-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%	12.3%	15.4%	16.5%
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	1.7	2.6	3.0
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	1.7	2.6	3.0
EPS (EUR)	0.09	0.00	-0.20	0.09	-0.11	0.02	0.13	0.19	0.22

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	2.8	4.5	5.5
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	34.4	36.5	38.5
Shareholders equity	12.3	21.8	22.0	19.2	19.1	20.1	21.6	23.3
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	20.2	21.7	23.4
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	34.4	36.5	38.5

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	6.6	6.4	5.8
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	6.0	5.8	5.5
Capital Expenditure	-2.4	1.6	-4.2	-1.9	-1.1	-3.0	-3.0	-3.1
Free Cash Flow before A&D	-3.4	1.8	-4.3	0.6	2.6	3.0	2.7	2.4
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	3.0	2.7	2.4
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

28 Jun 2021, 21:11 CET

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