Admicom

Extensive report

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Atte Riikola
+358 44 593 4500
atte.riikola@inderes.fi

Inderes corporate customer

This report is a summary translation of the report "Arvonluontia rakennusalaa digitalisoimalla" published on 3/17/2023 at 7:45 am

Value creation by digitizing the construction industry

We reiterate our Buy recommendation and EUR 52.0 target price for Admicom. The company has already had a very strong decade of profitable growth in Finland and the updated strategy seeks the next growth leap by digitizing the European construction industry. The valuation of the share already looks moderate with our estimates that are clearly more cautious than the company's objectives considering Admicom's interesting investment profile and there is potential for clearly better performance in the long term. The biggest question mark in terms of objectives is still the success of internationalization, but there is also plenty of growth opportunities left in Finland.

Comprehensive SaaS software provider for construction industry SMEs

The Adminet ERP system designed especially for SMEs and complementing accounting services are at the heart of Admicom's solution offering. The core idea of a solution offered as a scalable SaaS software is the advance automation and a comprehensive solution that considers the special characteristics of the construction industry. The acquisitions made by the company in recent years (Tocoman, Aitio Finland, Hillava, Planman and Kotopro) have expanded the offering, e.g., into cost accounting, project management and documentation. At the same time, an expanded customer base (2022: >3,000, +50%) offers a lot of additional and cross-selling potential in coming years.

Interesting investment profile and a high market potential

Admicom's investment profile combines strong growth, excellent profitability and cash flow with good business model continuity, scalability and predictability. The company's revenue has increased by an average of 32% in 2015-2022 and the EBITA margin was 43% last year. With its tight industry focus, wide software offering, advanced automation and scalability, Admicom has clear competitive advantages. Its current target market in Finland (323 MEUR) already offers a lot of growth potential, both organically and through acquisitions, and the market potential can be multiplied with international expansion. The degree of digitalization in construction is well below other industries and, in coming decades, the digitalization of the industry will offer huge growth opportunities for companies working in this area.

Increased growth investments should be reflected in accelerated growth from 2025 onwards

We consider Admicom's specialization in construction industry software sensible, as a clear industry focus creates synergies in terms of customer experience, product development and sales and marketing. Investments in these areas will depress the company's profitability in the coming years, but if successful, it will allow for accelerated growth and gradually improving profitability in the medium term. In terms of growth, with our estimates that are more cautions than Admicom's targets we expect 5-6% revenue growth in the next few years and revenue growth to accelerate to 10% in 2025-2026. We expect the EBITA margin (2023e: 37 %) to improve to 41% by 2026. This would mean that adjusted EPS would fall by 10% this year and an average earnings growth of some 12% in 2024-2026.

Valuation is attractive considering long-term growth potential

With our estimates, Admicom's 2023-2024 adjusted EV/EBIT ratios are 17x and 15x, which are at the bottom of the neutral multiple range (15x-20x) we estimate for the company. However, the valuation multiples quickly fall to an attractive level (2025-2026e EV/EBIT 13x-11x) if Admicom's growth rate starts to pick up again, at least in line with our forecasts. At the growth rate targeted by the company, the valuation would be clearly lower, reflecting the hidden long-term potential. We also believe that a fragmented target market offers good opportunities for value-creating M&A transactions, which will support long-term expected return.

Recommendation

Buy
(previous Buy)

EUR 52.00
(previous EUR 52.00)

Share price:
42.35

Key figures

	2022	2023e	2024e	2025e
Revenue	31.6	33.3	35.4	39.0
growth-%	27%	5%	6%	10%
EBIT adj.	13.7	12.4	13.6	15.3
EBIT-% adj.	43.4 %	37.3 %	38.3 %	39.1 %
Net Income	8.0	6.9	7.8	9.1
EPS (adj.)	2.19	1.98	2.15	2.42

P/E (adj.)	21.3	21.4	19.7	17.5
P/B	7.9	7.1	6.7	6.2
Dividend yield-%	2.8 %	2.8 %	3.1 %	3.2 %
EV/EBIT (adj.)	16.7	16.6	14.8	12.8
EV/EBITDA	16.3	16.4	14.6	12.7
EV/S	7.3	6.2	5.7	5.0

Source: Inderes

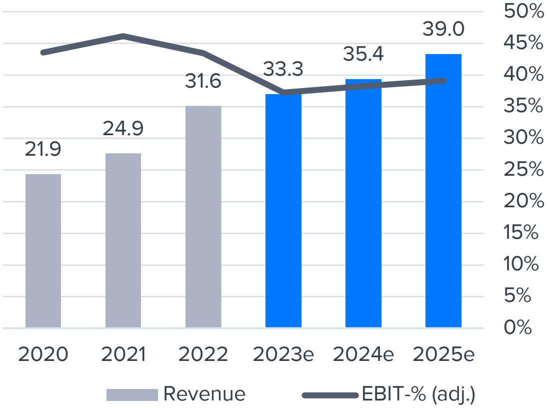
Guidance (Unchanged)

Comparable recurring revenue in 2023 will grow organically by 8-15% (2022: 28.0 MEUR) and EBITA will be 35-40% of revenue.

Share price

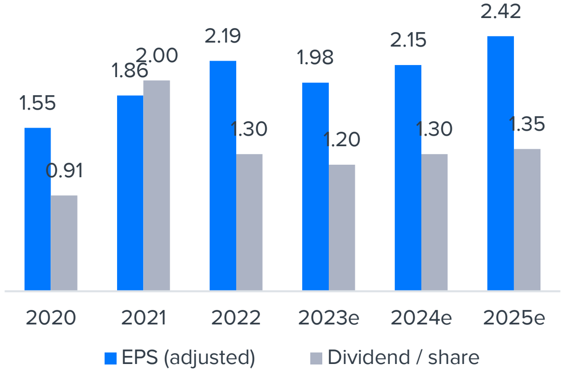
Source: Millistream Market Data AB

Revenue and EBIT %



Source: Inderes

EPS and dividend



Source: Inderes

Value drivers

- Strong and clear competitive advantages
- Scalable business model based on recurring invoicing
- Strong customer retention (business critical system for customers)
- Excellent track record in growth and profitability
- Accelerating earnings growth through successful acquisitions

Risk factors

- Weakening construction industry casts a shadow on organic growth outlook
- Increased growth investments and their success
- Risks related to acquisitions
- Success in internationalization is important for long-term growth
- Tightening competitive situation

Valuation	2023e	2024e	2025e
Share price	42.4	42.4	42.4
Number of shares, millions	4.99	4.99	4.99
Market cap	211	211	211
EV	205	201	195
P/E (adj.)	21.4	19.7	17.5
P/E	30.5	27.2	23.2
P/FCF	21.1	19.1	17.4
P/B	7.1	6.7	6.2
P/S	6.3	6.0	5.4
EV/Sales	6.2	5.7	5.0
EV/EBITDA	16.4	14.6	12.7
EV/EBIT (adj.)	16.6	14.8	12.8
Payout ratio (%)	86.4 %	83.5 %	73.8 %
Dividend yield-%	2.8 %	3.1 %	3.2 %

Source: Inderes

Contents

Admicom in brief

Admicom is a Finnish a comprehensive construction software provider operating with a SaaS model.

2004
Year of establishment

2018
IPO

31.6 MEUR **(+27% vs. 2021)**
Revenue 2022

+32%
Average revenue growth 2015-2022

14.1 MEUR **(44.6% of revenue)**
EBITDA 2022

241
Personnel at the end of 2022

90%
Share of recurring monthly invoicing of revenue 2022

-2010

No significant revenue

- Product development and commercial piloting
- Focus on development of SaaS software and advanced automation

2010-2012

+61%
Revenue growth/year

- Increasing sales and marketing efforts
- Focus on SMEs in technical building services

2013-2016

+36 %
Revenue growth/year

- Scaling the business
- Expansion to include SMEs in the construction industry

2017-2020

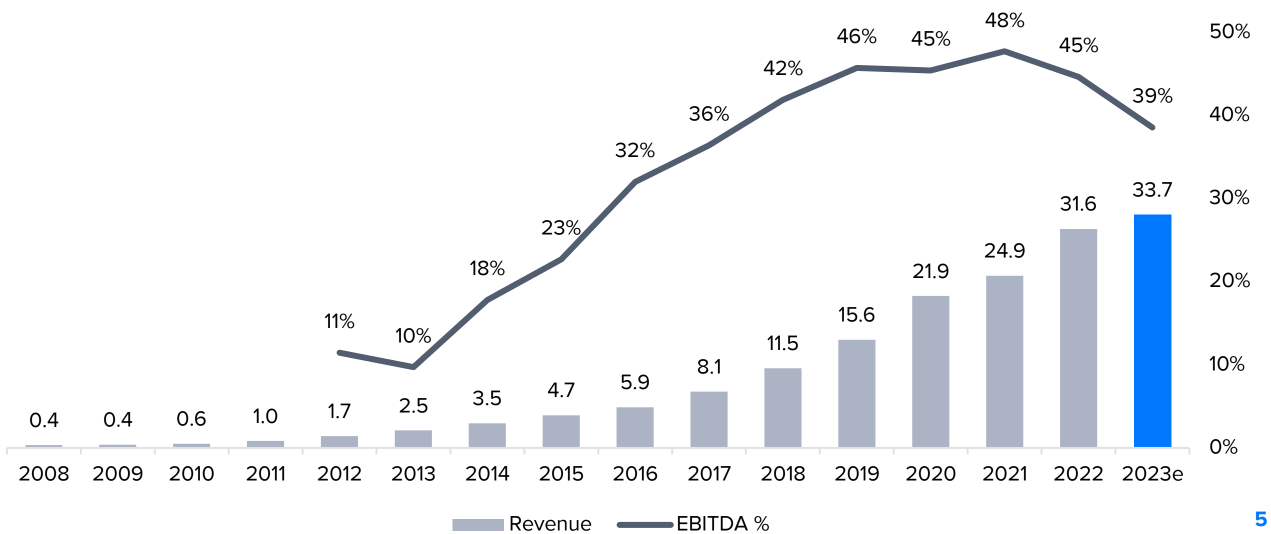
+39%
Revenue growth/year

- IPO 2/2018
- Expansion to include industrial SMEs
- Adminet Lite for small technical building services and construction companies
- 3/2020 Tocoman acquisition

2021-2023

+13%
Revenue growth/year

- Organic growth slows down with internal changes and the weakening economic outlook
- Strategic acquisitions (Lakeus, Aitio Finland, Hillava, Planman, Kotopro) to strengthen competitive advantages and growth
- New strategy focuses on being a comprehensive construction software provider



Source: Admicom / Inderes

Company description and business model 1/5

Admicom's background and history

Admicom is a comprehensive construction software provider operating with a SaaS model. The original development team of the company's Adminet ERP system built a successful earlier generation ERP software (Liinos) that was sold to Visma in 2002. In 2004, the team started building a new generation solution that was right away planned as a scalable cloud service. This was a crucial strategic choice because the popularity of cloud software has since increased clearly. Admicom's success factors also include strong industry expertise and advanced automation.

Admicom's R&D phase lasted for as much as 6 years with a team of about 10 people. The company did not rush into commercializing the product, but patiently developed it to a sufficiently mature stage that enables strong scalability with the help of a few customers. In 2010, the company's focus shifted to commercialization, which begun with a solution aimed at the specific needs of SMEs in technical building services. Admicom quickly started to win market shares from previous generation software and solutions based on various software. In 2013, Admicom expanded from technical building services to construction and in 2017 to industrial solutions.

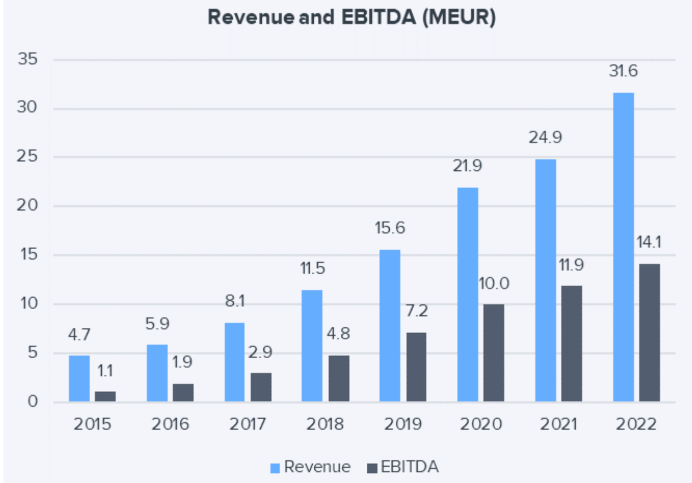
Since the 2018 listing, Admicom has continued growing rapidly and the company has already reached a strong market position in its core target group. The company's acquisitions (Tocoman, Aitio Finland, Hillava, Planman and Kotopro) in recent years that have focused on the construction industry have also expanded the company's product offering and offer good additional and cross-selling opportunities in coming years. With the strategy renewed in 2023, Admicom focuses especially on being an construction software provider. Options for divesting the company's industrial business (2022: 7% of revenue) are currently being explored.

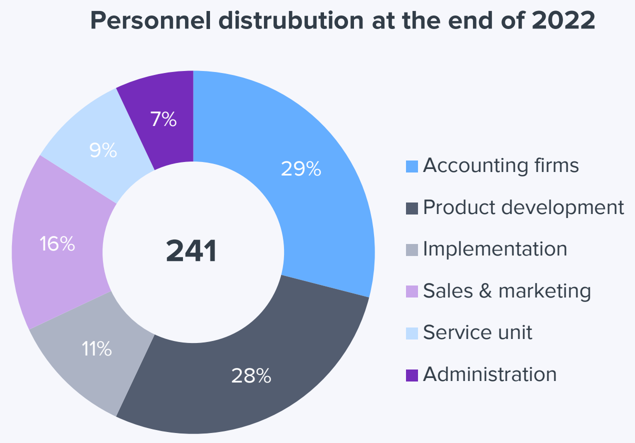
Admicom today

Admicom has been very successful in commercializing its software, which is evidenced by average annual revenue growth of 32% in 2015-2022. At the same time, Admicom has reached a high level of scaling, which has led to profitability reaching excellent levels. In 2022, Admicom's revenue grew by 27% to EUR 31.6 million and the EBIT margin was 44.6%.

Admicom's core target group is SMEs in technical building services and construction industries (revenue 1-5 MEUR). A clear need for comprehensive ERP solutions has emerged in this target group and the software does not require advanced customization. Thus, the target group can be offered scalable, modular, standardized and automated software solutions.

Admicom's personnel has increased strongly in recent years and it employed 241 people at the end of 2022. With new customer acquisition and especially acquisitions, the company's number of customers (>3,000, +50%) also increased strongly last year.





Source: Inderes

Company description and business model 2/5

Product offering and business idea

The cloud-based ERP system Adminet is Admicom's core product. The basic idea of Adminet is based on 1) SaaS software that enables scalability, up-to-dateness and location independence, 2) advanced automation of routine work, 3) a modular turnkey solution, and 4) real-time business data and reporting.

As a cloud service, Adminet enables faster and more cost-effective deployment and maintenance than conventional software solutions, continuous updates and location independence. Adminet's features are very comprehensive and it offers a turnkey solution including all ERP applications without the need to integrate several systems and transfer data from one system to another. According to Admicom, it can also replace up to dozens of separate systems for the customer.

The system is also based on completely paperless administration, accounting and reporting. These characteristics bring significant efficiency to SMEs. This way the need for office workers who run administration can even be completely removed and the administrative workload of the management decreases significantly. According to Admicom, the efficiency increase generated by the software has been several man-years for many customers.

Adminet's advantage is also the continuous and real-time visibility into the company's operations, which improves management and operational efficiency and speeds up compliance with regulatory requirements. Thanks to the system's automated calculation operational accounting and accounting records are consistently matched, increasing transparency and reducing errors.

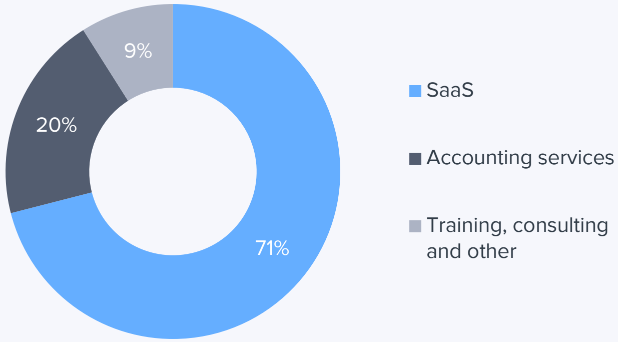
Functionalities included in Adminet include, e.g., offer calculation, production management, project management, cost control, reporting, product information management, accounting, invoicing, project accounting, document management and payroll. The software also includes ready-made integration to bank connections, notifications to authorities, e-invoice operators and interfaces containing construction product price data. A lighter version Adminet Lite is also available for micro companies.

In recent years, with acquisitions, Admicom has started to expand from a pure ERP provider to a broader software company. With the Tocoman acquisition (2020), the company's offering expanded in the areas of cost accounting, data modeling and scheduling. In 2022, Tocoman's solution was strengthened with the acquisition of PlanMan, a company specializing in schedule management.

Hillava, acquired at the end of 2021, is a SaaS-based task management software for mobile maintenance and installation work. The solution is a lighter option than Adminet for ERP needs of small businesses, which is sufficient for some companies.

Kotopro, acquired in June 2022, is a strongly growing browser-based documentation and information management software. The software can be used for extensive documentation or reporting, certificates and other important findings straight at the site, which creates efficiency and enable real-time visibility into projects. Kotopro's ARR revenue at the end of 2022 was EUR 2.4 million (growth +20%).

Revenue distribution 2022



Revenue types

SaaS
Income from recurring software services

Accounting services
Accounting services that support the core product, mainly based on recurring invoicing

Training and consulting services
Implementation consulting and training that supports product sales

Other
Hardware deliveries and installations, pass-thru invoiced data traffic

Source: Inderes

Description of Admicom's software solutions

Adminet

- All systems needed by SMEs in one package
- Automation reduces manual work and offers real-time tracking information
- Operational and accounting reporting (partial revenue recognition) are continuously matched by automation
- Enables completely paperless administration

TOCOMAN

- Management of volume and cost accounting, data modeling, schedules and costs in the construction industry
- Controlling the design of a construction project, overview of the progress of the project, and change management
- Integration into financial management systems, reporting and handling of regulatory obligations

KOTOPRO

- Kotopro software can be used for extensive documentation or reporting, certificates and other important findings directly from the work site
- Creates business efficiency and enables real-time visibility into projects
- Ease-of use and getting started with the solution has been the focus in investments

HILLAVA

- ERP especially designed for task management of mobile maintenance and installation work
- Can be integrated with external systems such as financial management software

Source: Inderes, Admicom

Company description and business model 3/5

Services related to the solution

Admicom is a pure product company, but the solution involves certain essential and value-added services. For example, the company provides software implementation projects and training as a service, because successful implementation is a key priority in achieving the benefits of the software. The share of training and consulting services in revenue was around 9% in 2022. Standard customer support is provided as part of the monthly software SaaS payments.

Admicom also offers its customers accounting service (2022: 20% of revenue. The role of the accounting services is to support software product development, especially in process automation and software sales, when the customer wants a turnkey service solution. When accounting work is performed under the same roof, Admicom's product development has constant visibility into what working stages should be automated in the process next. Thus, own accounting services offer a kind of development laboratory.

The customer can use Admicom's software themselves utilizing their own accounting firm or use Admicom's accounting firm. Admicom cannot compete directly in accounting services but offer the Adminet software as part of the whole as a tool for the accounting firm and corporate customer. However, the ability to offer both software and accounting services together is a competitive advantage for the company. About a third of Admicom's SaaS customers use the company's accounting services. We believe that about half of new customers also take the accounting services into use.

In July 2021, Admicom strengthened its accounting services resources by acquiring the business of Lakeus Tilitoimisto Oy, a company from Seinäjoki with 11 employees (revenue 0.64 MEUR, EBITDA 28%). In December 2022, a strategic change was made in terms of Lakeus, which means the company focuses on only serving customers using Adminet. In the short-term this has a slight sowing effect on Admicom's growth, but in the medium term it will increase efficiency in the company's already efficient accounting services (2022: revenue/employee > EUR 90,000).

Target groups

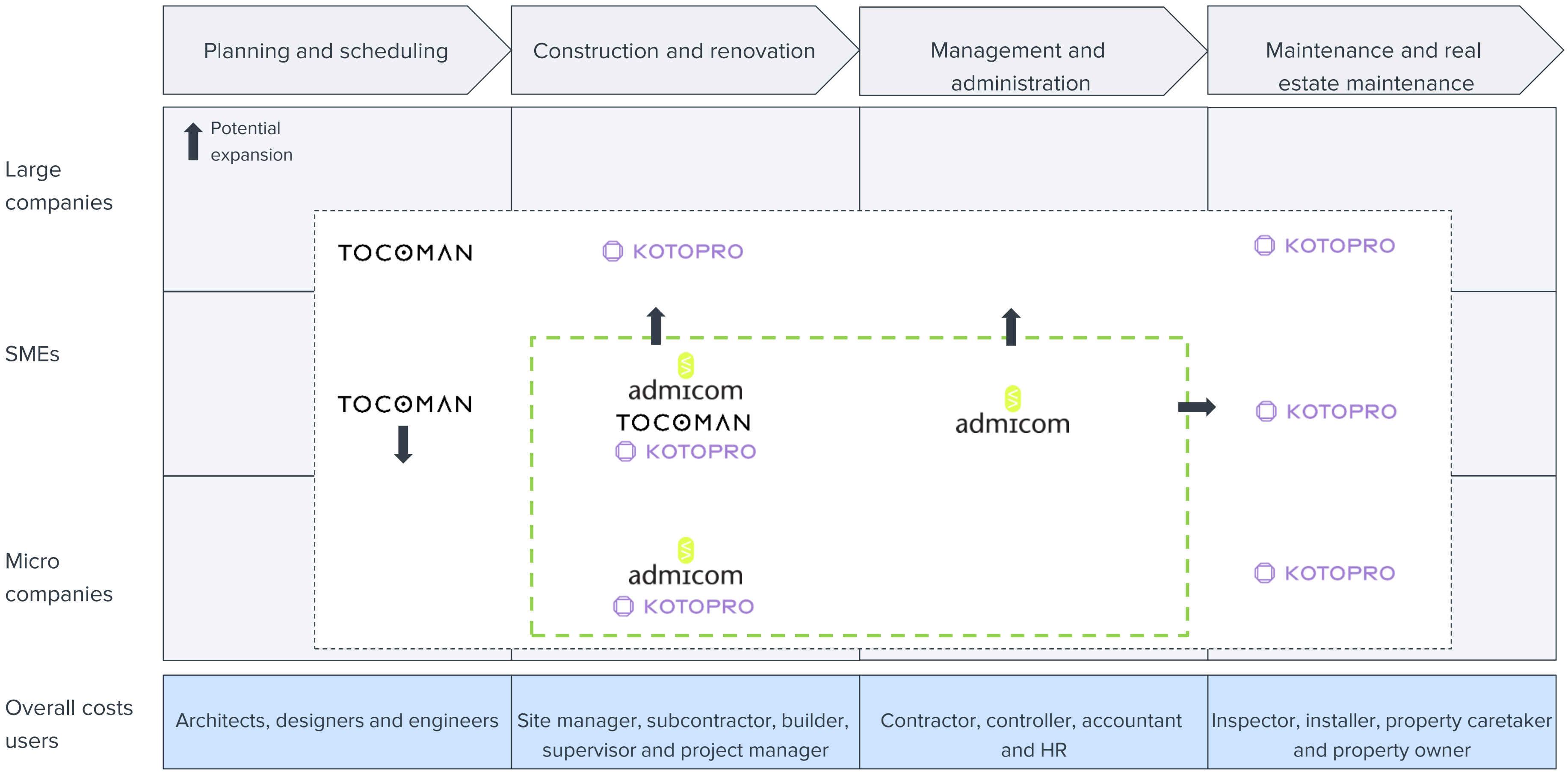
With its services, Admicom focuses on a customer size class and profile, where the product can be standardized and automated as far as possible. In practice, this means companies operating in a revenue class of under EUR 5 million are the core target group. Admicom considers customer-specific customization needs when new features can be replicated extensively to benefit Adminet's customers. However, every customer has their own business focus areas and processes to some extent. Thus, the comprehensiveness and modularity of the software functions is important when trying to achieve a leading market position.

Large companies (revenue over 50 MEUR) have traditionally not been the main focus of Admicom, as they often require extensive software customization and integration. However, the company has some customers in the EUR 25-75 million size class and interest from big companies towards Adminet has increased in recent years. The software solutions of Tocoman and Kotopro are also used in larger companies. Admicom also has a lighter solution (Adminet Lite) for companies with revenue of under EUR 1 million.

In Admicom's updated strategy, the company's focus will be entirely on construction software, so software offering development will be made on the terms of the companies in the industry. For example, in technical building services, the software considers the special features of HVAC, electrical and other building technology sectors. In construction, in turn, the special features of the industry such as project accounting and partial revenue recognition, equipment management, cost calculation and reporting obligation are considered. The mobile solution enables real-time data transfer between the site and the office. The software also includes integrated price lists, where product search is used to find suppliers and up-to-date prices for technical building services and construction products and to place purchase orders.

Admicom has traditionally focused only on the Finnish market in its business as Adminet's strength has been that the package considers the special features of the domestic market. With the new strategy and new software solutions (e.g. Kotopro) internationalization is playing an increasing role in the company's growth objectives. Kotopro already has some international customers. We will discuss the options of Admicom's internationalization in more detail in the strategy section.

Positioning of Admicom's software solutions



Source: Admicom, Inderes

Company description and business model 4/5

Sales organization and process

Adminet is well standardized for its target groups and it is quick to take into use. As a result, the product sales process is relatively short for an ERP system, and sales do not require high-paid experts or extensive consultation. The sales cycle of the product is typically a few months and the purchaser is the CEO and the administration of the target company. Admicom's target groups in Finland are clear and well-defined, which facilitates sales. ERP sales is consultative sales, which is why Admicom mainly carries out sales within its own organization. With Kotopro, the company can also develop product-led-growth, where, e.g., the product can be tested free of charge for a period of time before the actual purchase decision. In 2022, around 16% of the personnel were employed in sales and marketing.

After Adminet sales are completed, Admicom's own project team launches an implementation project for the customer including training and configuration definitions. Admicom charges for the implementation mainly by cost with project values of some thousands of euros. The customer can typically be taken to production within a few months. When the customer is in production, the SaaS payments start to generate revenue. After the transition to production, the customer is still supported by the project team for a few months, and will then be covered by normal customer support.

Product development

Last year, around 28% of the company's employees worked in product development. Adminet is fundamentally mature and the role of product development is currently to automate manual processes, build interfaces with other systems, update software, e.g., in line with government-imposed changes. In addition, product development aims to improve service usability and mobile functionality, as well as develop new applications and solutions. One central focus area is also stronger integration of acquisitions into Adminet.

At the end of 2021, Admicom made a significant investment in product development when it acquired over 20 software developers and experts in the Aitio Finland acquisition. These resources, who previously invoiced externally, have since been gradually transferred to internal projects, which decreases the revenue from Aitio Finland (2021: some 2.0 MEUR; 2022: 1.3 MEUR) gradually toward zero. The technology and integration expertise gained through the arrangement opens new opportunities for Admicom in terms of new product development, future M&A transactions, development of partnerships and expansion of the ecosystem. Admicom now has strong product development resources to take its solutions forward. At the same time, it is important for the company to continuously improve the efficiency of its product development processes.

SaaS income and pricing model

71% (2022) of Admicom's revenue is based on recurring SaaS income. SaaS income is based on contracts valid until further notice that are invoiced monthly. We estimate that the average Adminet customer generates about EUR 1,000-2,000 in SaaS income per month, which is a rather high amount compared to, e.g., only accounting software. The value received by the customer for the cost can be compared to the fact that an average customer saves one man-year in administration work with the software whose annual cost would be manifold.

Admicom does not have long-term contracts, customer churn is limited by the fact that ERP is a business-critical system for the customer. Admicom is strongly connected to the customer's core processes and replacing the system is a laborious project. Thus, customer churn mainly comes through bankruptcies and M&A transactions that are typical for the construction industry. In 2022, the gross customer churn from recurring revenue was 7.7% and net customer churn 2.5%.

Admicom does not use transaction-based pricing for Adminet, but aims for the clearest possible pricing for the customer, based on a single monthly fee. The monthly price is adjusted based on the customer's monthly user volumes and revenue annually. This means that the balancing invoice can be higher for a growing company and lower in a shrinking company based on the customer's annual contract. The package is sold in a customer-oriented way, i.e. a software package is built from the modules for each customer. For Tocoman and Kotopro solutions, the pricing model is linked to the number of users.

Partners

Banking connections

Web invoice connections

Product and price information from material suppliers

Connections to authorities

Web service interfaces

Operations

Product development (around 28%*)

Services & training (around 49%*)

Sales and marketing (around 16%*)

Administration (around 7%*)

* Share of Admicom's employees at the end of 2022

Solutions

Adminet

TOCOMAN

KOTOPRO

HILLAVA

Adminet support and training services

Admicom accounting services

Business idea

Admicom automates site, production and office routines seamlessly, up to financial management.

admicom

- Comprehensive software and service offering to meet the needs of the construction industry
- Cloud-based software (SaaS)
- Automate manual processes
- Real-time visibility into the development of results, projects and cash flows, and quick reporting

Sales channels

New customer acquisition (own sales)

Extensions to an existing customer base

Examples of competitors/industry companies

Pajadata, VISMA, ecom, JYDACOM, lemonsoft, Hantverksdata, SmartCraft, GBuilder

Customer segments

Technical building services

Construction

- Core target group is SMEs with 10-50 employees
- Adminet Lite for businesses with <10 employees
- Also larger customers through Tocoman and Kotopro

Cost structure (2022)

241 employees (2022)

Personnel costs *(39 % of revenue)*

Materials and services *(5%)*

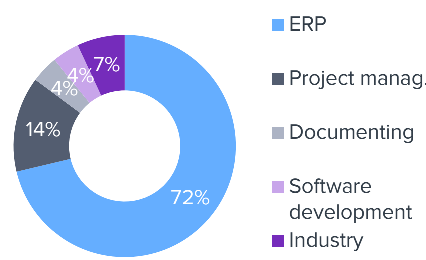
Other operating expenses *(12%)*

Depreciation *(6%)*

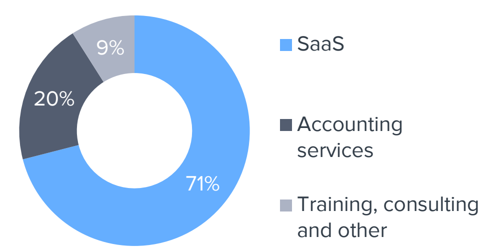
Source: Inderes, Admicom

Income flows (2022)

Revenue by business



Revenue 31.6 MEUR
EBITDA 14.1 MEUR
(2022)



Company description and business model 5/5

Service income

Admicom's service revenues are based on training, project consultancy and accounting services. We estimate that the company's mostly recurring accounting services are very profitable for the company, whereas the company does not aim for high margins with project sales.

Scalability and predictability

From the outset, Admicom's business model has been built with a strong focus on replicability, scalability and continuity. Recurring income accounted for about 91% of the company's revenue last year and profitability has risen to excellent levels in recent years (EBITDA % ~45%). With the new strategy, Admicom consciously sacrifices its profitability when building conditions for long-term growth. The company's acquisitions and increased growth investments have changed the company's cost structure and are especially visible in the earnings of the next few years. Despite this, the company's profitability remains at a very good level (2023e EBITDA%: 38%). Admicom also has a good track record of improving the profitability of its acquisitions. For example, as an independent company, Tocoman generated single-digit EBITDA % but as part of Admicom, its profitability is already close to the Group level.

Scalability drivers

The first factor supporting Admicom's strong business scalability is that Adminet's pricing model is in many respects tied to the size of the customer's business. As the customer's revenue and/or number of employees increases, or when the customer introduces more product features, Adminet's usage fees also increase. The customer's revenue and usage data are derived directly from Admicom's system and balancing invoicing is automated. In the past, balancing invoicing and expanding use by customers have brought a significant increase in Admicom's revenue (about +3 percentage points), as growth in the company's customer industries has been strong and customers' revenue has grown faster than the industry's average. In 2022, the impact of balancing invoicing on growth was 2.5 percentage points. In the long term, we estimate that the impact of balancing invoicing on growth is slightly positive.

In recent years, Admicom's material and services cost item has been very low, around 3-6% of revenue (gross margin of 94-97%), so we do not see any significant scaling potential for the company in this respect. We estimate that most of the costs in the expense item are generated from server costs, external services, transaction fees and equipment sales costs.

Admicom's biggest cost item is personnel costs (2022: 39% of revenue) as is typical for software companies. Admicom's personnel costs (+28%) have on average grown more slowly than revenue (+32%) in 2017-2022. We believe historical scaling of personnel costs is explained by the following factors:

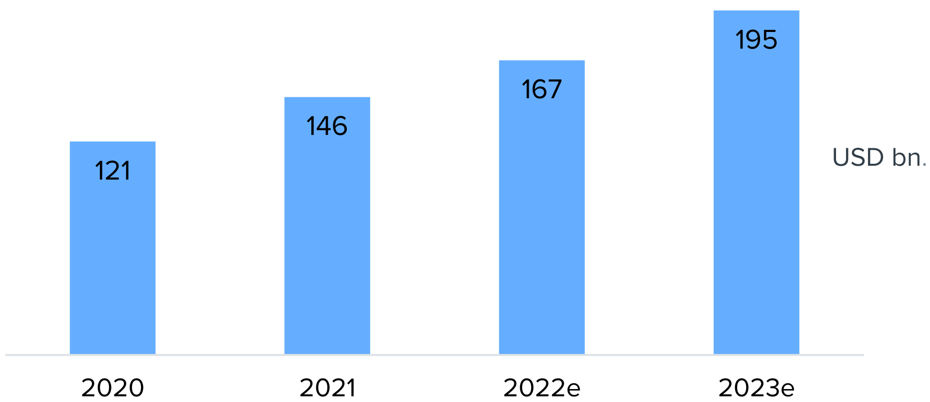
1. As a whole, Admicom's product has been in a rather mature development phase, and there has been no need to strongly increase R&D personnel. However, with recent acquisitions and R&D investments, the situation has changed in this respect.
2. The company's sales process is highly standardized and productized, so onboarding new sellers has been fairly quick and staff availability has been reasonably good
3. Automation has helped continuously improve the efficiency in producing accounting services
4. The company's administrative structure and systems are very effective
5. In history, personnel has been successfully committed to the company through share ownership

In addition, the increase in the number of employees has slightly reduced the previously relatively strong seasonal variation in new sales, as the company has had capacity for customer work and implementation also during holiday seasons. We believe there is potential for scaling personnel costs as revenue continues to grow, which is also indicated by Admicom's historical performance and long-term profitability targets.

In recent years, Admicom's other operating costs have been relatively stable relative to revenue (around 11-13%) and we do not see any significant potential for scaling from current levels. As growth and internationalization investments increase in the next few years, we actually see upside pressure in the cost item. Admicom's personnel and offices are largely located outside the greater Helsinki region, which has explained the historically moderate cost level.

Success drivers of the SaaS model

The global SaaS market has been growing strongly



Difference between SaaS model and conventional (On-Premise[1]) software delivery model

	SaaS	Conventional
Nature of income	Back-loaded, continuous, predictable	Front-loaded, non-recurring, fluctuating
Software delivery	Via web (as cloud service)	Locally[1] installed
Manageable software versions	All clients have same version	Several versions for various customers

Source: Inderes, Gartner, 1 On-Premise refers to a conventional software business model where the software is installed in the customer's own IT environment

Customer

- Fast and more cost-efficient implementation
- Cost generation is stable and predictable
- Solution can be scaled based on needs
- No separate system maintenance and update costs
- Always newest updated software

➢ **Low total costs for owning software (TCO)**

Investor

- High growth potential as software moves to cloud
- Cash flow continuous and predictable
- Scalability enables high profitability
- Profitability and cash flow weak at growth stage compared to profits due to front-loaded costs

➢ **Higher valuation levels**

Software supplier

- Recurring and predictable income and cash flow
- Low purchase threshold and faster sales cycles
- Deeper, longer, and more valuable customer relationships
- More cost-efficient operative model
- Scalable cost structure
- Cost efficient and fast product development and updating cycle

➢ **High value and scalability throughout customer lifespan**

Markets

Still plenty of room for growth in Finland

Admicom's target market in Finland comprises ERP systems for technical building service and construction SMEs, and supporting accounting services, as well as project management and documentation solutions.

Admicom has estimated that the entire market for ERP solutions in Finland is about EUR 220 million, of which around half is related to software and half to services. Admicom's market share of this is currently good 10%. The market size for project management applications (Tocoman) is estimated to be around EUR 48 million, of which Admicom accounts for good 9%. The company has estimated that the market for documentation solutions is around EUR 54 million, where Kotopro's market share is over 4%.

In total, Admicom's target market in Finland is around EUR 323 million, of which the company's market share is 9.3%. Thus, in terms of market size, the company still has significant growth potential in Finland as well.

The size of the target market can be multiplied through internationalization

In its updated strategy, Admicom is also seeking growth abroad, but the countries and implementation are still in the planning phase. In connection with the CMD, the company provided examples of the size classes of potential new target markets. For example, Denmark, Norway, the Czech Republic and Austria are roughly similar in size to Finland. Admicom estimates that the Swedish and Dutch markets are roughly double the size of Finland. The company estimates that the big European economies like Germany, Spain and France, are about 3-10x larger than the Finnish market.

Industry's growth outlook and drivers

We estimate that Admicom's target markets are growing in the long term based on research, the industry and the revenue development of companies in the target market, as well as market drivers.

One of the main growth drivers for the industry is that productivity development in the construction industry has historically been very weak and, at the same time, construction companies are suffering from resource shortages. The degree of digitalization in construction is still well below other industries and, in coming decades, the digitalization of the industry will offer huge growth opportunities for companies working in this area.

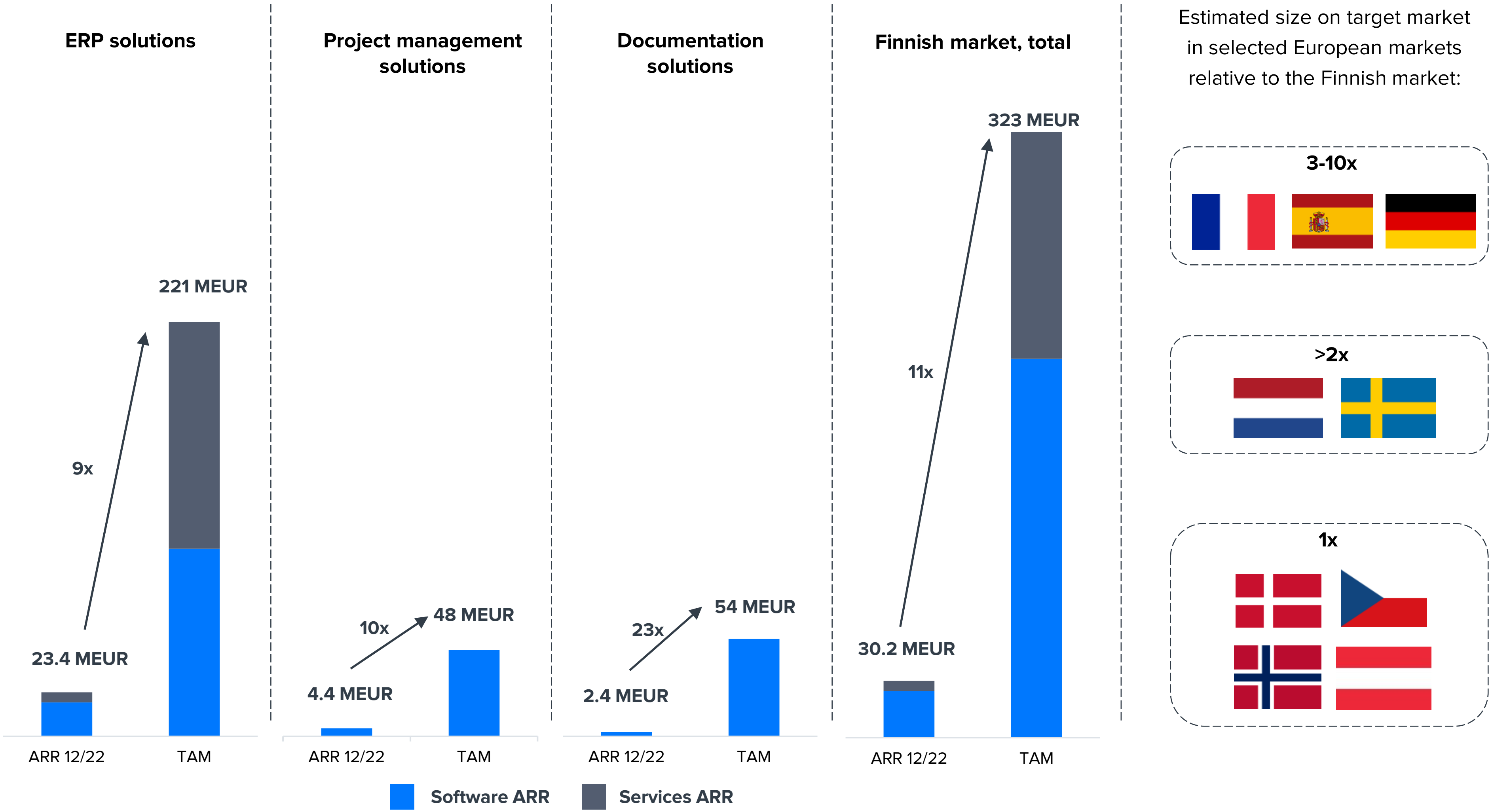
With efficiency needs and digitalization development interest in implementing new software, automation and digital services is growing. A digital survey of the Finnish construction industry carried out in 2020 shows that 31% of enterprises in the sector expect to invest more in the digitalization of their activities and 67% estimate that digitalization investments will remain at least at the current level. 39% of respondents identified business digitalization as a strategic goal. According to Statistics Finland, only 38% of Finnish construction enterprises had an ERP system in use in 2021.

Construction industry companies also continue to use old-generation software and the transition to cloud services is still partly ongoing. However, according to Admicom, the cloud transformation itself is no longer a significant growth driver or differentiating factor as most software suppliers in the industry have moved to a SaaS model. With the increase in the importance of digitalization in general, however, the need for software that improves efficiency is growing strongly in the construction industry.

Cyclicality of the construction industry is a risk

The construction industry is a much more cyclical sector than average. We believe this can have a significant impact on Admicom's target market and thus the company's short-term growth outlook. In 2022, the outlook for the construction industry started to cool down and at least in 2023, construction volumes seem to be decreasing clearly. The turn in construction volumes is also reflected as weaker demand outlook for new sales of ERP software and significantly increases the natural churn of construction companies (bankruptcies, acquisitions). These factors were not yet reflected very forcefully in Admicom's figures in 2022, but this year the outlook for organic growth is quite cautious. However, new sales will not stop completely even in a recession, which means that software and tools that improve the efficiency of company operations also serves as a selling point. The construction industry has many pockets (e.g. infra and renovation), where cyclicality is much more moderate than in greenfield construction.

The size Admicom's target markets

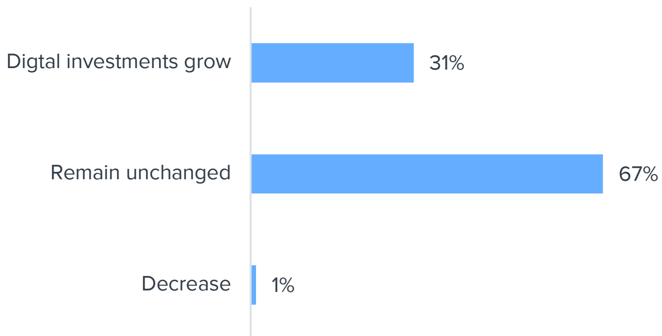


Source: Inderes, Admicom

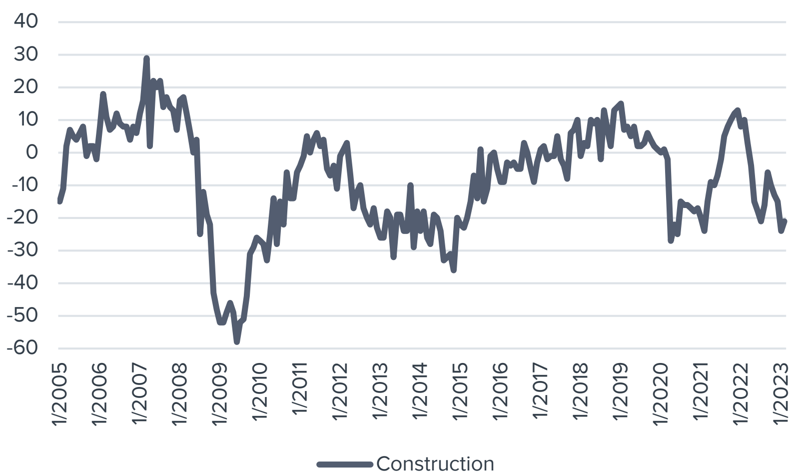
Market outlook and trends

Growth drivers for the market

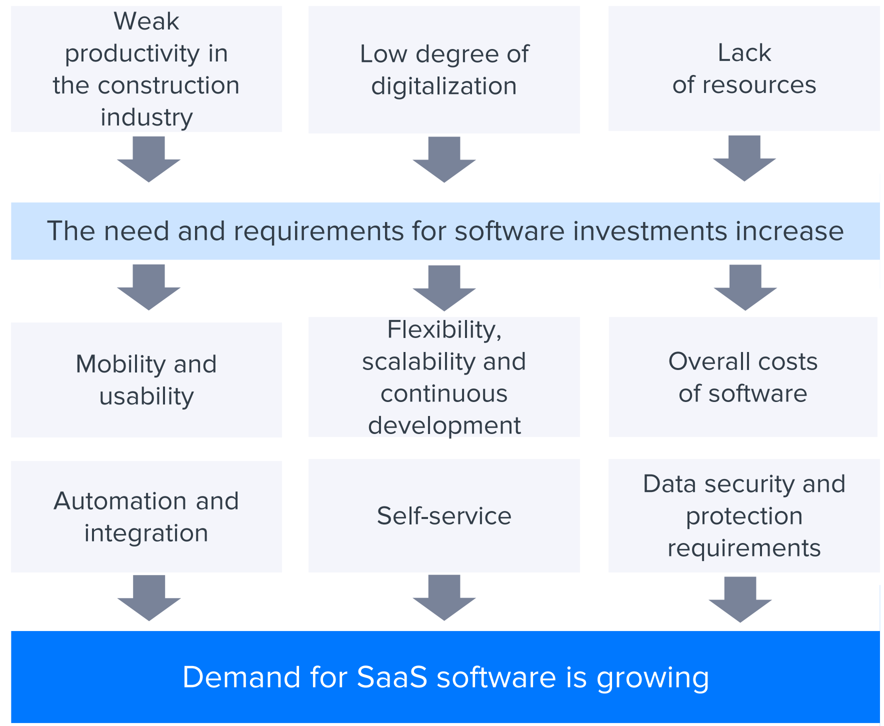
Digital survey of the construction industry (2020)



Construction industry confidence indicator



Market trends



Source: Confederation of Finnish Construction Industries RT, Confederation of Finnish Industries EK, Inderes

Competitive landscape 1/2

Competitive factors in the market

The target groups of the market for ERP software can roughly be divided into three categories, depending on the extent required and hence the size of the customer. The biggest companies often need solutions tailored to their own operating practices, while the smallest micro companies are satisfied with the basic features of generic software (e.g. Office, accounting software). Admicom is positioned in between these where customers have a clear need for a comprehensive system, but the service can be provided as a highly replicable and automated solution (no customer-specific customization).

We estimate that large system deliveries represent the largest segment in the ERP software market. This is, however, essentially an uninteresting market for medium-sized and specialized software companies like Admicom. This is because the segment's customers already typically use ERP systems that are highly customized to customer-specific operating models and processes, as well as other tailor-made solutions.

The largest customer volume from Admicom's and its competitors' point of view is in the middle and small parts of the market, which includes SMEs. In this case, customer needs are often quite extensive and mission-critical, but resources, ability and willingness to invest in business development and systems are limited. In this target group, the need to increase operational efficiency and automate operations is constantly increasing with growth and digitalization, but customers' needs can be met with a well-standardized software offering with a wide range of functionalities.

There is also a need for ERP systems or parts thereof in micro companies, but for companies like Admicom that primarily offer extensive software solutions these are not often the primary target group. It is often essential for this group that ERP-related issues are carried out as simply and cost-effectively as possible. This can be achieved either with standard "off the shelf" generic software, such as spreadsheet software, and utilizing general accounting and administrative services, or with software solutions with significantly reduced functionalities (e.g. Adminet Lite).

Admicom's competitive field

Depending on the customer segment, Admicom's competitive field consists of 1) smallish software companies specialized in the industry, 2) companies providing general-purpose ERP software, and 3) small and medium-sized software companies providing tailor-made solutions for customers.

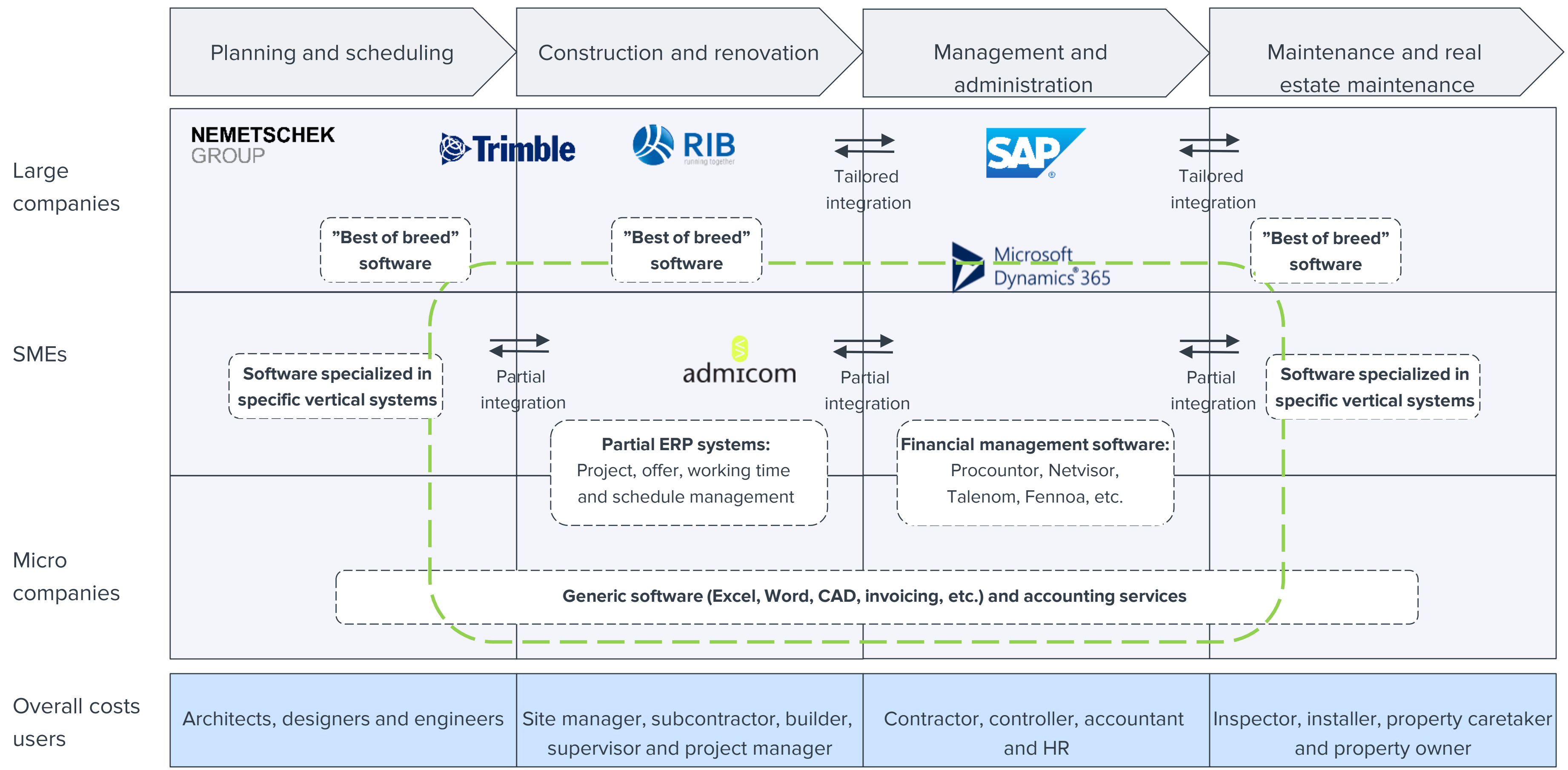
Solutions offered by accounting firms are not direct competitors to the company, as they always need to be accompanied by industry-specific special software. Moreover, companies offering sub-solutions are not strong competitors, as they need to be accompanied by a financial management system. In practice, Admicom's main competitors only include ERP systems with integrated, industry-specific solutions that include partial or full financial management solutions. The biggest competitors in Finland are found in companies that focus on the same target groups as Admicom and offer industry-specific solutions. The main competitors are Pajadata in the HVAC industry, Ecom in electrical engineering and EG Jydacom in construction.

Lemonsoft and Smartcraft are notable competitors in construction industry ERP software. Internationally, a myriad of companies of different sizes offer construction industry software and, overall, the sector is still very fragmented. The low degree of digitalization in the construction industry continues to attract a lot of new competitors and technological development has also, in some respects, lowered the barrier to entry.

Admicom's market position

In Finland, Admicom is the market leader in the technical building services core target group (SMEs), where the company has the longest operating history. With the acquisitions in recent years, Admicom's market position is also strong in other construction areas. Admicom estimates that the company is the leading supplier of comprehensive cloud-based (SaaS) software solutions for the technical building services and construction sectors in the Finnish market. According to Admicom, the products and services of many established competitors are mainly based on conventional software solutions with limited remote access, automation and flexibility. However, merely offering a cloud software no longer acts as much of a selling point but continuous software development and excellent customer experience are becoming increasingly emphasized in competition.

Admicom's competitive field



Competitive landscape 2/2

Admicom's competitive advantages

We estimate Admicom's main competitive advantages are:

- Extensive software solution based on a SaaS model
- High degree of system automation
- Highly integrated sector-specific functionalities
- Strong market position
- Own financial management services

Due to the industry transformation, all previous generation product providers have so far not been able to successfully convert to the SaaS model, which has, especially in the past, created a competitive advantage for a clean-cut SaaS company like Admicom. This is visible, e.g., in the inability of legacy product suppliers to offer remote access, data management, real-time, development and flexibility capabilities similar to SaaS.

According to Admicom, automation in the company's ERP system has been taken far beyond what competitors have. This saves customers considerable time and resources by seamlessly transferring data from one phase to another within one system. In addition, Admicom's systems also has extensive automation of reporting to third parties like construction industry reporting to the tax administration covered by the reporting obligation.

In its product development, Admicom has invested in considering the specific features of technical building services and construction industries and the modular structure, giving it a competitive advantage over companies producing non-industry-specific general-purpose software and special software. According to Admicom, this lowers the threshold for the company's service deployment and creates business benefits for the customer, which most competitors cannot provide.

We believe one of the important competitive factors of Admicom is the strong position it has achieved in Finland. Bringing a new and equally comprehensive software product to the competitive field would require long development. The threshold for international competitors is also high, as the Finnish sector-specific ERP market requires not only a strong product but also a lot of localization and the market is relatively small on a global scale. A strong market position is also important because customers' threshold to change SaaS software is typically high and therefore the first company that manages to create a successful customer relationship often gains a long-lasting market share advantage.

In addition, Admicom's own training, support and accounting services also provide a competitive advantage as they increase the benefits for the customer and commitment of the customer to the service, and provide an important source of product development ideas and automation growth.

Industry consolidation will accelerate in the future

In recent years, M&A transactions in Admicom's target markets have increased, and in addition, Admicom is actively involved in the consolidation of the sector as a buyer. At the Nordic level, we believe that the market has a large number of small and medium-sized software companies focusing on the construction industry, which offers many opportunities for Admicom in terms of international expansion.

Today, Admicom also faces some competition from Nordic operators that have entered the Finnish market through acquisitions. For example, Smartcraft, a company listed on the Norwegian Stock Exchange supplying software solutions for the construction industry has in recent years been active on the acquisition front in Finland and the Nordic countries. In 2020, the company acquired Congrid, in 2021 Homerunbynet and Kvalitetskontroll and in 2022 Elverdi. The company's acquisition targets have typically been in the EUR 0.5-3 million size class measured by revenue and the sales prices have been in line with the EV/S ratio 3x-4x.

Of the large players, Visma, in the size class of around EUR 2 billion, also makes acquisitions at a rapid pace (2022: 42 acquisitions), some of which have at some level been in the same target market as Admicom.

Among domestic operators, Lemonsoft has been active in acquisitions and of the 9 acquisitions made by the company since the end of 2019, several have focused on the construction industry. In June 2021, Administer acquired Emce Solution Partners, whose revenue is around EUR 8 million. In addition, GBuilder, which grew rapidly to a revenue of around EUR 1 million raised EUR 2 MEUR in funding from venture capitalists in March 2021. In October 2021, the Danish software company EG acquired the construction ERP software Jydacom (revenue about EUR 8 million) from TietoEVRY. EG with a venture capitalist background has also made several acquisitions in the Nordic countries since then.

Strategy 1/2

Strategy focuses on the digitalization of the construction industry

Admicom announced its strategy update on November 2, 2022, which focuses on software and value added services in the construction and real estate industry value chain. We consider the strategic direction and specialization reasonable, as a clear industry focus will bring synergies in the long term, from the perspective of customer experience, product development and sales and marketing. Moreover, the limited focus facilitates the implementation of the otherwise very challenging international expansion.

According to Admicom it will build the base for accelerating organic growth, data-driven activities and strong internationalization in the first phase of the strategy period, which lasts 1-2 years. The focus at this stage will in particular be on better serving the large existing customer base, expanding the range of solutions available to customers, and increasing the ease of use, data-drivenness and degree of automation of solutions. In practice, this means investment in product development (stronger integration of product portfolio, new solutions), customer experience, sales and marketing, as well as organizational structures and administration.

In the second phase of the strategy period, Admicom is looking for a much stronger organic growth level through a superior customer experience, synergistic sales, diversified solution offering and international markets. Acquisitions will be an integral part of the company's growth strategy and can support internationalization or expand the company's solution offering to meet the digitalization needs of construction industry customers. In the long term, Admicom's vision is to become the number one partner in the European construction software ecosystem.

Financial objectives

Admicom has set the following financial objectives for its strategy:

- Admicom aims for a recurring revenue level of EUR 100 million (ARR) by 2030, clearly exceeding the "Rule of 40" target and being present in several European markets. At the end of 2022, the recurring revenue was EUR 30.1 million annually and the comparable revenue from recurring income in 2022 was about EUR 28.0 million.
- During the first phase of the strategy for 2023-2024, Admicom aims for organic recurring revenue growth of 8-15% and EBITA margin of 35-40%, due to increased growth investments.
- During the second phase of the strategy, Accelerating Growth, 2025-2030, Admicom aims for more than 15% organic recurring revenue growth and EBITA margin to exceed 40% of revenue.

In terms of growth, the short-term objectives seem realistic, given the deteriorating economic situation in the construction industry and its slowing impact on new sales and the likely increase in customer churn. The targeted over 15% organic growth in recurring income in the second phase starting in 2025 is an ambitious enough target in our view, which is attainable with good strategy implementation. We estimate that towards the end of the decade growth in line with the target will also require successful internationalization where Admicom is still in its initial stages. In its CMD in January, Admicom also stated that the EUR 100 million ARR target would be achievable in Finland alone in the long term.

In terms of profitability, Admicom's objectives appear realistic and the company has also historically generated stronger portability than its targets. Internationalization and the company's growing size class add a certain amount of fixed costs, which would, in our opinion, make it difficult to achieve the historical, very strong profitability levels in future. However, the profitability levels targeted in the strategy are still excellent, and as growth succeeds, the company will create significant shareholder value during this decade with these figures.

Admicom's dividend policy is to distribute more than half of its earnings as dividends to its owners, without the profit distribution endangering the growth targets defined in the strategy nor other financial objectives. In recent years, the company's dividend payout ratio (66-122%) has also largely followed the target level. As Admicom generates strong cash flow and the overall investment need is low, the conditions for dividend distribution remain in place also in the future. However, in the coming years, the level of dividends will depend on the pace of corporate restructuring. With Admicom's track record, we would consider capital allocation into acquisitions in line with the strategy instead of dividend distribution a smart move.

Admicom's strategy

Development of Admicom's product portfolio

History

- An ERP supplier for SMEs focused on the needs of several industries
- Technologically competitive, especially in construction and technical building services
- The software was created for the Finnish market and is in practice not replicable abroad

The present and the near future

- Comprehensive software company specializing in construction in Finland
- A software portfolio that serves a broad range of construction industry needs
- Managing data flows and utilizing them in the business a focus area in future

Long-term objective

- An international data-driven software ecosystem specialized in construction
- A strong position among SMEs, but potentially also solutions for large companies' needs in the product offering

Admicom's two-stage growth strategy

Building a growth base (2023-2024)

- Building a base for future growth in a quieter construction cycle
- Additional and cross-selling of existing software to an expanded customer base
- Increased product development investments for technical integration of the software offering and developing a unified software portfolio
- Integrating the cultures, brands and business models of acquisitions into Admicom
- Standardizing sales and marketing functions
- Launching a new product
- Developing a strategy for internationalization

Accelerating growth (2024-2030)

- Accelerating growth in Finland and enlargement to international markets
- The goal is a superior customer experience
- Agile operating model, but strong processes and practices across all markets
- Growth both organically and inorganically
- Growth will strengthen economies of scale and competitive advantages
- By 2030, a significant share of revenue from outside Finland

Source: Inderes

Financial objectives

	Building a base for growth 2023-2024	Accelerating growth 2025-2030	2030 objective
Organic growth	Comparable organic growth in recurring revenue **8-15% p.a.**	Organic growth of recurring revenue **> 15% p.a.**	Recurring revenue level EUR 100 million
Inorganic growth	Acquisitions will continue to be an integral part of Admicom's growth strategy		Presence on several European markets
Profitability	EBITA margin **35-40%**	EBITA margin **>40%**	Growth % + EBITA % clearly above 40%

Source: Inderes, Admicom

Strategy 2/2

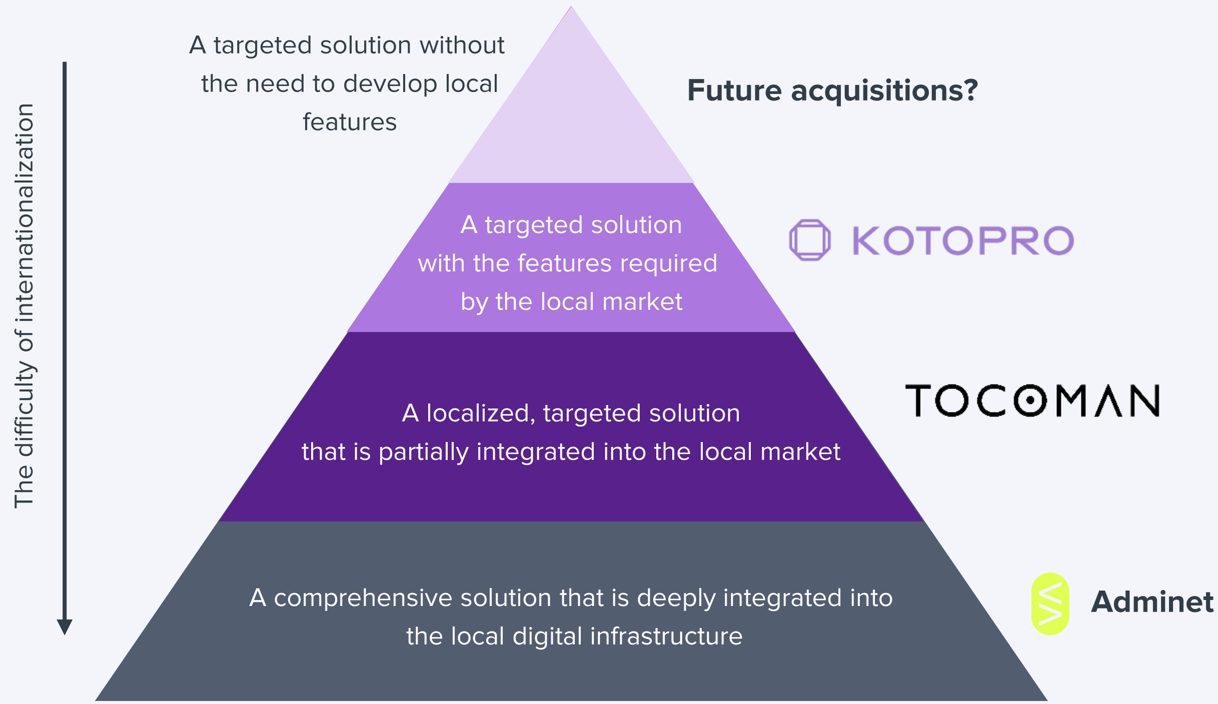
Internationalization still a question mark

Admicom's steps for internationalization are not yet quite clear, but the company is examining and will make strategic choices about these over the next year or so. Both future countries of expansion and the products/solutions to go to market remain open for the time being. Opening of a new market is fastest through an acquisition, in which case you could acquire existing customer relationships, completed products/technology or both. In addition, even bigger transactions (revenue up to +10 MEUR) are possible if the opportunity presents itself. However, acquisitions will not be made only for the sake of growth, but each transaction will have to fit the company's strategic objectives well, as has been the case so far.

Organically, e.g., localization of the entire Adminet to match the operating policies and legislation of any other country would be a huge task. Thus, the conquest of international markets will start through point solutions, which are easier to adapt to the requirements of each country. Of Admicom's existing products, especially the documentation and data management software Kotopro acquired in summer 2022 seems like the solution with most internationalization potential in the next few years. The product already has some international customers.

As far as the individual markets are concerned, we believe that Sweden is the most natural expansion target. In Sweden, e.g., digital infrastructure, automation level, e-invoicing, government connections and operating models are at a good level, as in Finland, which would support expansion.

Internationalization options



Organic growth:

- Product-driven sales
- Direct sales with a 'non-localized' product
- Sales to a particular focused customer group, or through individual international customers
- Establishing a local unit and localizing a software solution

Inorganic growth:

- Expansion to the market with the acquisition of a targeted solution
- Technology-driven M&A transaction
- A larger scale M&A transaction

Source: Inderes, Admicom

Acquisition strategy

Admicom's acquisitions

3/2020 TOCOMAN	• Revenue 3.5 MEUR • 90% SaaS revenue • EV/S 3x
7/2021 Lakeus (business acquisition)	• Revenue 0.6 MEUR • Service revenue • EV/EBITDA 3.8x
12/2021 Aitio	• Revenue 2.0 MEUR • Consulting revenue • EV/S 2.5x
12/2021 HILLAVA	• Revenue 0.7 MEUR • 60% SaaS revenue • EV/S 3.8x
5/2022 Planman	• Revenue 0.8 MEUR • 100% SaaS revenue • EV/S 5.5x, EV/EBITDA 7.3x
6/2022 KOTOPRO	• Revenue 2.1 MEUR • 100% SaaS revenue • EV/S 5.5x

Source: Inderes, Admicom

Objectives of the acquisition strategy

Strengthening expertise and competitive advantages

- Tocoman, Kotopro, Aitio Finland, Lakeus

Strengthening and expanding current market position

- Tocoman, Kotopro, Hillava

Supporting scalable growth

- Tocoman, Kotopro, Planman, Hillava

Ensuring continuity and development of product development

- Planman and Aitio Finland

Enabling internationalization

- Kotopro

Financial position 1/2

Impressive growth history, although organic growth has slowed down in recent years

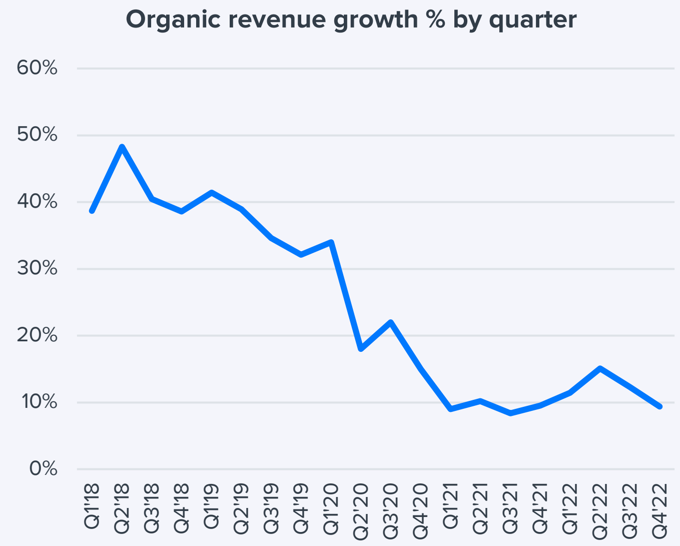
Admicom's revenue has grown strongly after the company moved its product into the commercialization phase in the early 2010s after a long development phase. Revenue has increased from EUR 1.7 million in 2012 to EUR 31.6 million by 2022, and average revenue growth in 2013-2022 has been 34%. Growth has been driven especially by strong growth in SaaS new sales in the technical building services and construction industries, but growth in services has also been strong. In addition, balancing invoicing based on increased customer revenue has been clearly positive. Growth has been mainly organic, although in recent years the organic growth rate (2021-2022: 9-12%) has slowed down from very high historical levels.

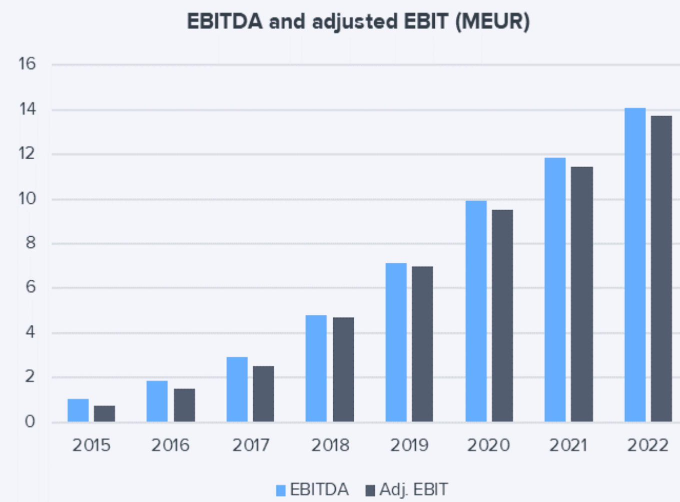
After the outbreak of the COVID pandemic, Admicom's growth story entered a temporary digestive phase. In addition to new sales and increased customer churn caused by COVID, there were significant changes in Admicom's organization. In fall 2020, Admicom moved to an industry-led organization model. Admicom carried out change negotiations related to the organizational reform, the COVID situation and pruning of overlaps after the Tocoman acquisition that resulted in 9 people being made redundant. This increased staff attrition and, e.g., long-term sales and product development personnel left the company. Antti Seppä, the CEO who had managed Admicom for 5 years, also announced in January 2021 that he would be moving to new challenges. In June 2021, Petri Aho, Admicom's CFO became the interim CEO and he led the company through several acquisitions. Petri Kairinen, who moved from the cybersecurity service company Nixu to Admicom, became the CEO in June 2022. All in all, Admicom has gone through a massive renewal in recent years and new personnel has joined the company both through recruitment and acquisitions. While the weakening economic outlook slows down organic growth prospects in the short term, we estimate that Admicom is now ready to accelerate growth in terms of its organization.

Earnings growth has been very strong

Admicom's performance and profitability have been on a strong growth path in 2012-2022 thanks to scalability. The company's adjusted EBIT increased from EUR 0.2 million to EUR 13.7 million during this period. In 2019-2022, Admicom's EBITDA has been a whopping 45-48%. This is particularly strong because, unlike many other technology companies, Admicom's EBITDA almost entirely reflects the cash flow generated by the business.

As a result of the new strategy, Admicom's profitability will deliberately decrease in the next few years as the company invests in building the base for future growth. After the most significant growth investments, we expect that profitability will gradually start to improve again in line with the company's objectives. However, as profitability is already at a very good level, revenue growth is the main driver of earnings growth in the long term.





Source: Inderes

Financial position 2/2

Cost structure

Admicom sells and produces its services through its own personnel, so the company's materials and services cost item has been relatively low in recent years, around 3-6% of revenue.

A majority of Admicom's cost structure consists of personnel costs, as is typical for a software and service company. In 2022, personnel costs amounted to EUR 12.2 million or some 39% of revenue. At the end of 2022, the company employed 241 people (2021: 209). Personnel costs have, as a rule, grown more slowly than revenue in the past few years, but in 2022 personnel costs showed a clear jump (+35%) as costs increased due to acquisitions.

Other operating expenses are Admicom's second largest cost item, which in recent years have been about 11-13% of revenue. These expenses are largely linked to the increase in the number of employees and revenue. In the short term, we expect the share of other costs to increase as a result of the growth investments of the new strategy, after which they have slight scaling potential in the long term.

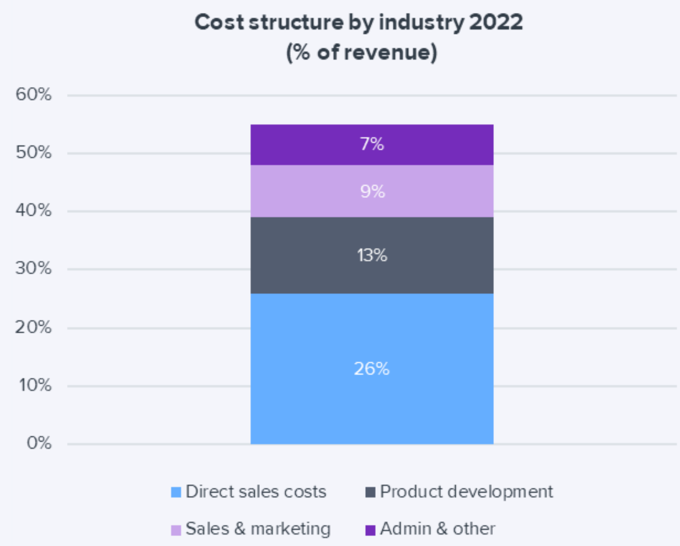
Admicom's depreciation in FAS accounting (2022: -3.3 MEUR) consist mainly of goodwill amortization from acquisitions made in recent years (2022: -2.9 MEUR). Otherwise, the company's depreciation level is very low. Admicom has not capitalized product development costs (excluding small development costs recorded in the balance sheet in Kotopro's acquisition cost) in recent years and goodwill amortization is not cash-flow-based. As a result, Admicom's EBITDA and the EBIT adjusted for goodwill amortization are good indicators of the cash flow generated by its business operations. In 2018-2022, operational cash flow before financial expenses and taxes has accounted for about 94-109% of EBITDA.

Balance sheet and financial position

Despite the acquisitions made and the fairly abundant dividend distribution in recent years, Admicom's balance sheet remains strong. The equity ratio at the end of 2022 was 60% and gearing -8%.

The balance sheet structure is also very simple. The balance sheet total at the end of 2022 was EUR 49.6 million. The assets of the balance sheet consisted mainly of goodwill arising from acquisitions (30.6 MEUR), cash and cash equivalents (15.5 MEUR) and receivables (3.0 MEUR). On the liabilities side, Admicom's equity was EUR 29.4 million and a bank loan of EUR 13.1 million was withdrawn for the Kotopro acquisition. Non-interest-bearing liabilities consisting mainly of accrued expenses and deferred income amounted to EUR 7.0 million.

We estimate that Admicom has good preconditions of organic growth and carrying out acquisitions supported by a strong balance sheet. We believe that thanks to the strong cash-flow profile a good option could also be to utilize debt capital to finance acquisitions. If the company were to take on liabilities at 3x net debt/EBITDA, the company could take on good EUR 40 million in debt to its balance sheet.



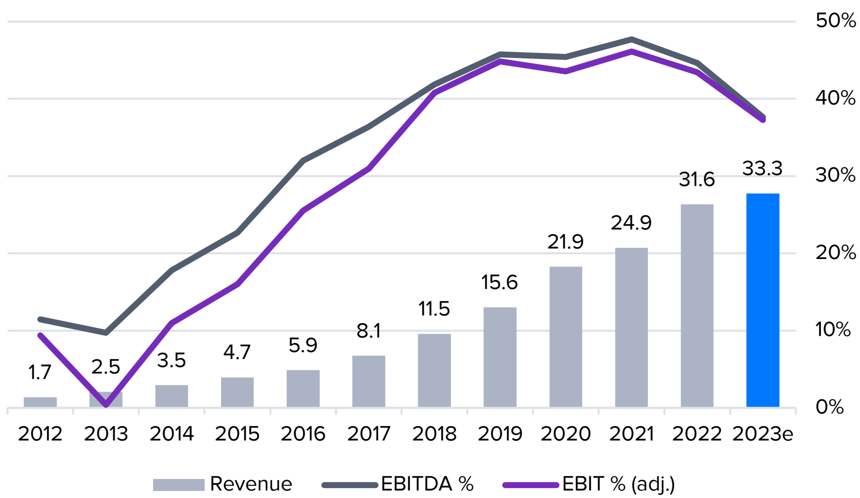
Admicom's SaaS indicators

- Recurring revenue (APR) 12/2022: **30.1 MEUR**
- Gross margin of recurring revenue 2022: **86%**
- Gross churn of recurring revenue 2022: **7.7%**
- Net churn of recurring revenue 2022: **2.5%**
- LTV/CAC 2022: **~45x***
- Repayment period of customer acquisition (CAC) 2022: **~9kk***

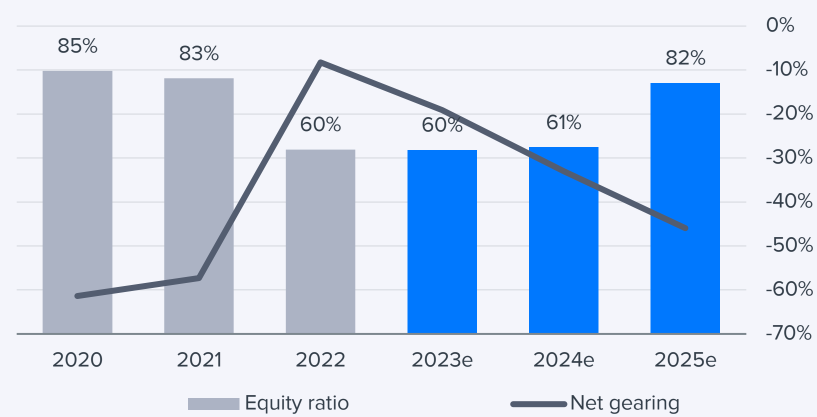
Source: Inderes, Admicom, *calculated for the Adminet business

Financial position

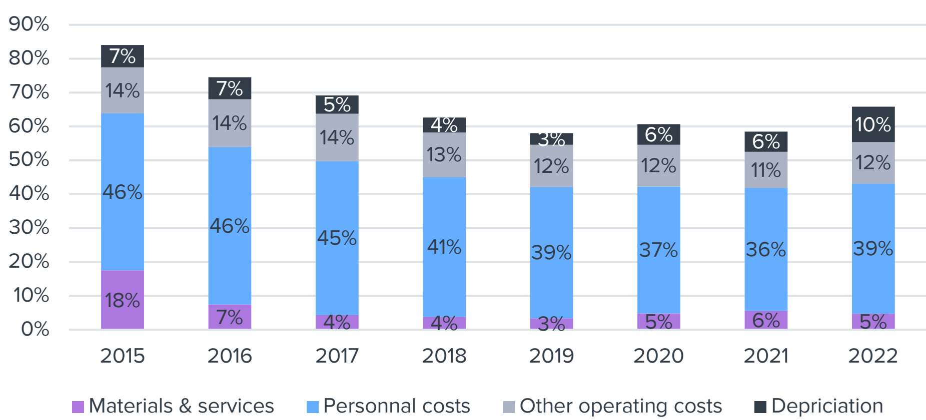
Revenue and profitability



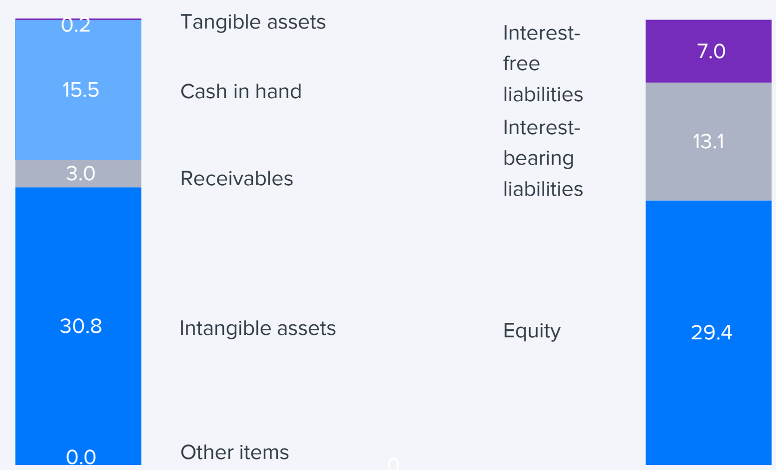
Development of balance sheet key figures



Cost structure % of revenue



Balance sheet 2022



Source: Inderes

Estimates 1/2

Basis for the estimate model

We assess the development of Admicom's revenue mainly through three revenue items:

- SaaS services
- Accounting services
- Training and consulting services

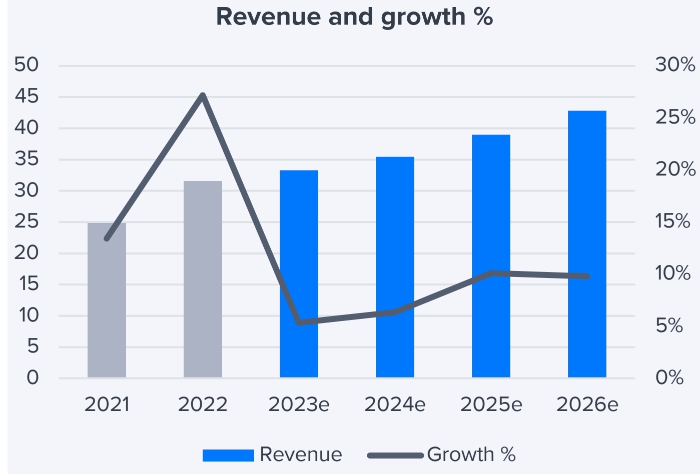
The most important both in terms of Admicom's value creation and business model is sales development of SaaS services because without a software service agreement the company does not sell accounting, training or consulting services either.

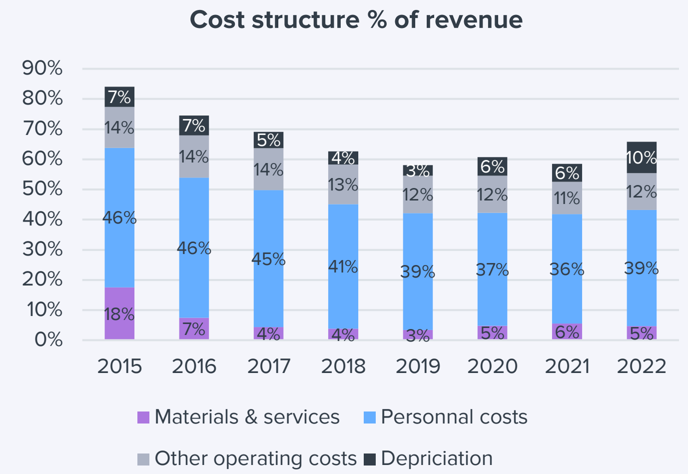
Our estimates are based solely on organic growth and acquisitions that have already been made, because modeling future transactions without information on their size or purchase price is not meaningful. However, acquisitions are likely to be made also in the future, which is worth bearing in mind when looking at estimates. In terms of organic growth, we expect revenue in the medium term to come mainly from the current target markets, and the role of international growth will only become emphasized in the longer term. In connection with this report, we have only fine-tuned our estimates concerning the tax rate, and otherwise our estimates remain unchanged.

In practice, Admicom's profitability is determined by the sales margin and level of fixed costs (OPEX %). In our model, we estimate that Admicom will be able to maintain the sales margin at around 95% with the current business model. Otherwise, operating costs will increase in the short term as the company invests in strengthening its growth base and enabling international growth in its strategy. In a slightly longer term, we expect that profitability will gradually start strengthening as growth improves, of which the company already has strong historical track record. We believe that Admicom's current profitability targets include possible smaller acquisitions, but in the case of a larger and clearly less profitable M&A transaction, the profitability targets would naturally have to be reviewed.

In general, the visibility of Admicom's revenue and profitability development is relatively good in the short and medium term, as over 90% of revenue is based on recurring SaaS service income and associated accounting services. In the next few years, we expect organic growth to slow down from the levels of recent years, as the economic environment makes new sales more difficult, reduces software use among certain customers and increases customer churn through bankruptcies. As the uncertain economic situation eases, organic growth is largely driven by successful recruitment, improved sales efficiency and taking over new markets.

Long-term estimates are weakened by the visibility into the success of Admicom's sales investments and the development of its competitive position. Visibility is also to some extent weakened by the large economic fluctuations typical for the construction industry. The economic cooling seen after the COVID pandemic and the war in Ukraine have slowed down Admicom's organic growth rate in 2020-2022.





Estimates 2/2

Estimates for 2023

Admicom's guidance is that comparable recurring revenue in 2023 will grow organically by 8-15% and EBITA will be 35-40% of revenue. Comparable recurring revenue (2022: 28.0 MEUR) includes recurring software revenue and revenue from recurring accounting services. The switch to include "comparable recurring revenue" in the guidance is linked to the likely separation of the industrial business this year, which will, muddle up reported figures after the divestment. The changes made to Lakeus and the decline in Aitio Finland's revenue also include reasons due to which it is more important to follow recurring revenue in the future. This year, Admicom's focus is particularly on exploiting additional and cross-selling opportunities through a strengthened software offering, as the deteriorating economic environment creates uncertainty in new sales and customer churn. In addition, strategic growth investments, growing product development investments and structural changes in business operations weaken profitability.

We expect that Admicom's revenue will grow by 5% this year and the EBITA margin (adjusted EBIT) will fall to 37.3% (2022: 43.4%). The Kotopro and Planman acquisitions will still boost inorganic growth in H1. At the same time, the transfer of Aitio Finland's development resources to internal projects slows down growth. Aitio's revenue in 2022 was about EUR 1.3 million and this year we expect about EUR 0.5 million. The "divestments" of the Lakeus accounting firm's customers also slow down the growth rate for the current year slightly (about 1.5 percentage points). We also expect a slight decrease in customers' balancing invoicing, which typically takes place in Q2, compared to the previous year.

2024-2026

For 2024, we estimate a cautious 6% growth reflecting the effects of the uncertain new sales outlook this year. We expect that the EBITA margin will improve slightly to 38%.

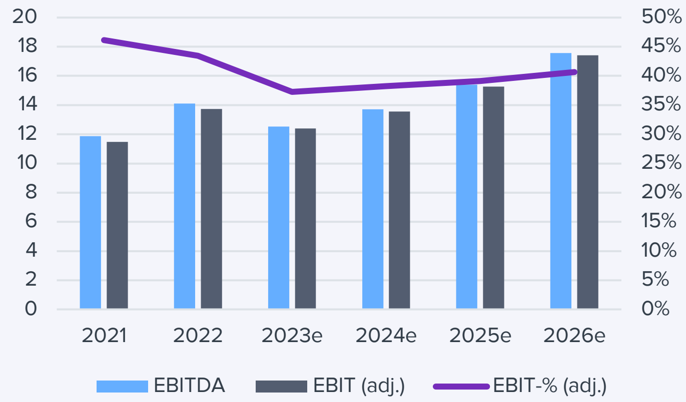
In 2025-2026, we expect the market situation to again be better and Admicom's growth investments to be visible in the company's accelerating growth and gradually improving profitability. At that time, we estimate an annual growth rate of about 10% and a 39-41% EBITA margin.

As a whole, we expect Admicom's adjusted EPS to decrease by about 10% in 2023 and then to increase by about 12% per year in 2024-2026. We estimate that the company will distribute dividends at a payout ratio of around 50-69% of the adjusted result.

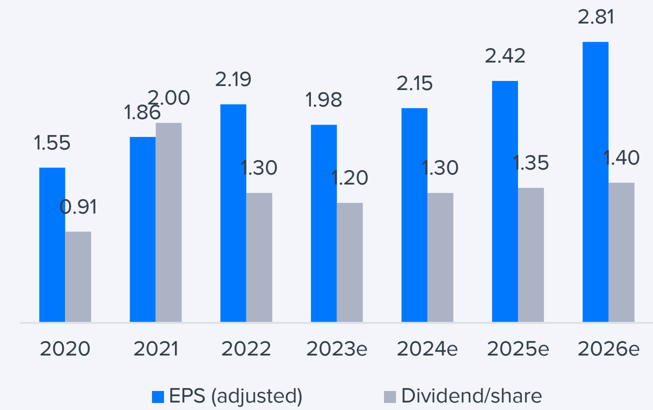
Long term estimates

After 2026, revenue growth gradually slows down in our estimate model to around 9-7% in 2027-2031 and then to 5% in 2032-2033. Our terminal growth assumption is 2.5% from 2034 onwards. Our growth estimates are clearly below the company's target level, so there is clear upside in them if the strategy is implemented successfully. We expect profitability to continue on a gradual upward path and the EBITA margin to be around 43% at the end of the decade, but to decrease to around 40% from 2030 onwards. In the terminal assumption, we have set the EBIT margin to 38%.

EBITDA and EBIT (adj.)



EPS and dividend



Long-term growth and profitability

Revenue growth CAGR 2027-2033 = +7%
Terminal revenue growth (2034-) = 2.5%
Adjusted EBIT growth: CAGR 2027-2033 = +7%
EBITDA / EBIT % 2034 = 39% / 38 %

Source: Inderes

Estimates

Income statement	2021	Q1'22	Q2'22	Q3'22	Q4'22	2022	Q1'23e	Q2'23e	Q3'23e	Q4'23e	2023e	2024e	2025e	2026e
Revenue	**24.9**	**7.3**	**8.2**	**8.0**	**8.0**	**31.6**	**8.1**	**8.6**	**8.2**	**8.4**	**33.3**	**35.4**	**39.0**	**42.8**
EBITDA	**11.9**	**3.3**	**4.1**	**3.8**	**2.9**	**14.1**	**3.0**	**3.4**	**3.3**	**2.9**	**12.5**	**13.7**	**15.4**	**17.6**
Depreciation	-1.5	-0.6	-0.7	-0.9	-1.2	-3.3	-0.8	-0.8	-0.8	-0.8	-3.1	-3.1	-3.1	-3.1
EBIT (excl. NRI)	**11.5**	**3.2**	**3.9**	**3.7**	**2.9**	**13.7**	**2.9**	**3.4**	**3.3**	**2.8**	**12.4**	**13.6**	**15.3**	**17.4**
EBIT	**10.4**	**2.7**	**3.4**	**2.9**	**1.8**	**10.8**	**2.2**	**2.6**	**2.5**	**2.1**	**9.5**	**10.6**	**12.3**	**14.5**
Net financial items	0.0	0.0	-0.1	-0.1	0.0	-0.2	0.0	0.0	-0.1	-0.1	-0.3	-0.4	-0.4	-0.1
PTP	**10.3**	**2.7**	**3.3**	**2.8**	**1.8**	**10.6**	**2.1**	**2.6**	**2.4**	**2.0**	**9.2**	**10.2**	**11.9**	**14.4**
Taxes	-2.3	-0.7	-0.8	-0.7	-0.5	-2.6	-0.5	-0.6	-0.6	-0.5	-2.2	-2.5	-2.8	-3.3
Minority interest	0.0	0.0	0.0	0.0	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net earnings	**8.1**	**2.1**	**2.5**	**2.1**	**1.2**	**8.0**	**1.6**	**1.9**	**1.8**	**1.5**	**6.9**	**7.8**	**9.1**	**11.1**
EPS (adj.)	**1.86**	**0.51**	**0.62**	**0.58**	**0.47**	**2.19**	**0.47**	**0.54**	**0.52**	**0.45**	**1.98**	**2.15**	**2.42**	**2.81**
EPS (rep.)	**1.63**	**0.41**	**0.51**	**0.43**	**0.25**	**1.60**	**0.32**	**0.39**	**0.37**	**0.30**	**1.39**	**1.56**	**1.83**	**2.22**

Key figures	2021	Q1'22	Q2'22	Q3'22	Q4'22	2022	Q1'23e	Q2'23e	Q3'23e	Q4'23e	2023e	2024e	2025e	2026e
Revenue growth-%	13.4 %	24.3 %	26.9 %	30.4 %	27.0 %	27.2 %	10.6 %	4.8 %	2.5 %	4.0 %	5.3 %	6.4 %	10.1 %	9.8 %
Adjusted EBIT growth-%	20.2 %	25.4 %	25.0 %	17.0 %	11.2 %	19.7 %	-9.2 %	-14.6 %	-11.1 %	-1.7 %	-9.7 %	9.2 %	12.6 %	14.1 %
EBITDA-%	47.7 %	45.0 %	49.5 %	47.3 %	36.7 %	44.6 %	36.4 %	39.4 %	40.2 %	34.5 %	37.6 %	38.7 %	39.5 %	41.0 %
Adjusted EBIT-%	46.1 %	43.9 %	47.9 %	45.9 %	36.1 %	43.4 %	36.0 %	39.0 %	39.8 %	34.1 %	37.3 %	38.3 %	39.1 %	40.7 %
Net earnings-%	32.4 %	28.1 %	30.9 %	26.6 %	15.4 %	25.2 %	19.9 %	22.6 %	22.4 %	18.2 %	20.8 %	21.9 %	23.4 %	25.8 %

Estimate revisions	2023e	2023e	Change	2024e	2024e	Change	2025e	2025e	Change
MEUR / EUR	**Old**	**New**	**%**	**Old**	**New**	**%**	**Old**	**New**	**%**
Revenue	33.3	33.3	0%	35.4	35.4	0%	39.0	39.0	0%
EBITDA	12.5	12.5	0%	13.7	13.7	0%	15.4	15.4	0%
EBIT (exc. NRIs)	12.4	12.4	0%	13.6	13.6	0%	15.3	15.3	0%
EBIT	9.5	9.5	0%	10.6	10.6	0%	12.3	12.3	0%
PTP	9.2	9.2	0%	10.2	10.2	0%	11.9	11.9	0%
EPS (excl. NRIs)	2.04	1.98	-3%	2.22	2.15	-3%	2.50	2.42	-3%
DPS	1.20	1.20	0%	1.30	1.30	0%	1.35	1.35	0%

Source: Inderes

Investment profile

1. **Lots of growth potential, both organically and through acquisitions**

2. **Scalable business model based on recurring invoicing**

3. **Highly competitive software solution thanks to specialization and advanced automation**

4. **Strong balance sheet and excellent cash flow provide leeway for acquisitions**

5. **Share valuation is sensitive to changes in growth expectations and in the valuation levels of the industry***

Potential

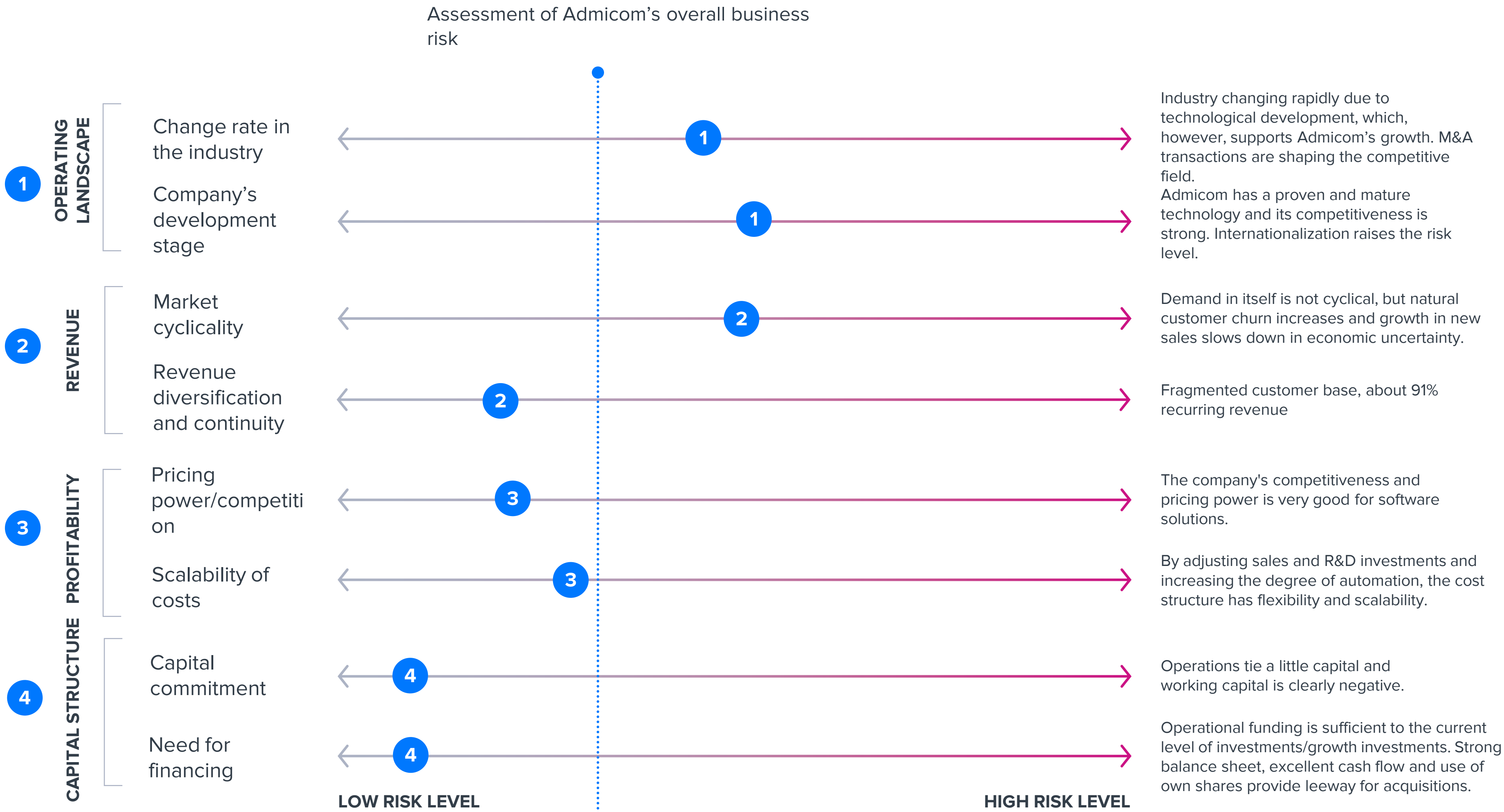
- Solidifying an already strong market position in Finland
- Exploiting additional and cross-selling opportunities
- Increased integration and degree of automation in a wider software offering
- Value creation through M&A transactions
- Expansion into new operating countries
- Low level of digitalization in the construction industry offers many growth opportunities

Risks

- Weakening economic environment creates uncertainty for the organic growth outlook
- Increased growth investments and their success
- Acquisitions and their integration
- Success in internationalization is important for long-term growth
- Tightening competitive situation
- Technology, data security and key personnel risks

Source: Inderes *In this respect, risks have largely materialized in recent years

Risk profile of the business model



Source: Inderes

Valuation 1/4

The share's valuation level has returned from the moon to the earth in the past few years

In recent years, Admicom's share has decreased significantly, as the acceptable valuation levels for growth shares have been under pressure due to a strong rise in interest rates. At the same time, the share has been on a downward trend for a longer time from its peak levels in late 2020 as the company's organic growth level has slowed down clearly from its historical levels and the previously extremely high valuation multiples have returned to the earth. The weakened financial outlook over the past year has also been reflected in lower earnings estimates and depressed the share. At the same time, Admicom has continued its profitable growth (although slower than initial expectations) and made sensible M&A transactions, and the value creation through earnings growth has also rationalized the valuation of the share. For example, with a forward-looking EV/EBITDA ratio, Admicom's valuation is currently at almost an all-time low.

Admicom deserves relatively high multiples

There are many factors in Admicom's business model and investment profile that support a relatively high valuation for the share. Historically, Admicom has a very strong track record of growth and creating shareholder value. With the economies of scale of the business, the company's profitability has risen to an excellent level and the business generates abundant cash flow. In addition, Admicom's long-term growth outlook remains strong and the overall risk profile is moderate. Admicom's business is over 90% recurring, its solutions are business-critical for the customer, and the company has very strong competitive advantages in its own specialization areas. In addition, Admicom's growth does not tie capital, so the company can allocate the cash flow generated by its business to acquisitions and pay relatively large dividends if it so wishes.

With our estimates, Admicom's 2023-2024 adjusted EV/EBIT ratios are 17x and 15x. We believe that, depending on Admicom's earnings growth outlook, the neutral multiple range in the medium term is around 15x-20x. Admicom's valuation quickly falls to a very attractive level (2025-2026e EV/EBIT 13x-11x) if the company's strategic growth investments are successful in the next few years, which should accelerate the company's earnings growth in the long term. With its recent acquisitions and increased growth investments, Admicom has sown many new growth seeds that will only be properly reaped several years down the line. Thus, as the strategy progresses, the company has the opportunity to maintain strong earnings growth for a long time, which we believe offers an attractive long-term value creation potential with the current valuation of the share. We believe, the key risks also relate to acquisitions and future stronger internationalization investments, in addition to the cyclical risks in the construction industry.

Investment view

We reiterate our Buy recommendation and EUR 52 target price for Admicom. For 2023-2024, our target price corresponds to EV/EBIT ratios of around 20x-18x The DCF calculation and scenarios assessing the long-term expected return also indicate that Admicom's valuation is attractive.

Valuation	2023e	2024e	2025e
Share price	42.4	42.4	42.4
Number of shares, millions	4.99	4.99	4.99
Market cap	211	211	211
EV	205	201	195
P/E (adj.)	21.4	19.7	17.5
P/E	30.5	27.2	23.2
P/FCF	21.1	19.1	17.4
P/B	7.1	6.7	6.2
P/S	6.3	6.0	5.4
EV/Sales	6.2	5.7	5.0
EV/EBITDA	16.4	14.6	12.7
EV/EBIT (adj.)	16.6	14.8	12.8
Payout ratio (%)	86.4 %	83.5 %	73.8 %
Dividend yield-%	2.8 %	3.1 %	3.2 %

Source: Inderes

Admicom's forward-looking EV/EBITDA ratio

Source: Inderes, Bloomberg

Valuation 2/4

Peer group valuation

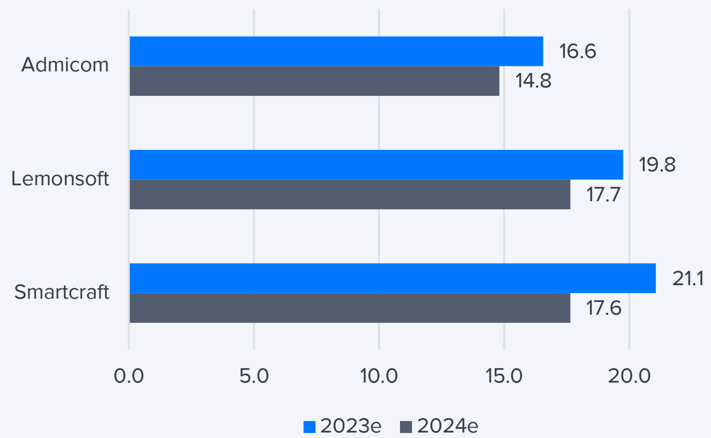
We compare Admicom's relative valuation to a peer group consisting of Nordic software companies. We especially compare the company's valuation to its closest SaaS peers, Lemonsoft and Smartcraft, which are also the company's competitors in construction industry software. In addition, the companies size, growth and profitability profiles are quite similar to Admicom.

Measured by EV/EBIT ratios, relative to its closest peers, Admicom is priced at a discount for the next few years both to the reasonably valued Lemonsoft (20x-18x) and Smartcraft (21x-18x). Thus, we feel Admicom's relative valuation based on earnings multiples seems moderate.

Measured by EV/S, Admicom (6.2x-5.7x) is priced with a slight premium to Lemonsoft (5.8x-5.2x) and a discount to Smartcraft (6.9x-6.0x). Interpreting EV/S ratios is challenging because Admicom's profitability profile is higher than for the peers while in the short-term the growth rate seems to be slower. In addition, 2024 is more comparable as acquisitions affect the companies' growth figures for the current year. In Admicom's strategy the growth rate should also accelerate in the medium term so the growth figures for the next few years do not in our opinion provide a correct picture of the company's growth profile.

Peer group valuation relative to arvostus to the combination of growth and profitability *

EV/EBIT of Admicom and its closest peers



Revenue growth %	2023e	2024e
Admicom	**5%**	**6%**
Lemonsoft	14%	8%
Smartcraft	18%	15%

EBIT-%	2023e	2024e
Admicom	**37%**	**38%**
Lemonsoft	29%	29%
Smartcraft	33%	34%

Rule of 40	2023e	2024e
Admicom	**43%**	**45%**
Lemonsoft	43%	38%
Smartcraft	51%	49%

Source: Inderes, Refinitiv , NB! Fortnox has been removed from the graph due to an exceptionally high EV/S ratio and combination of growth and profitability.

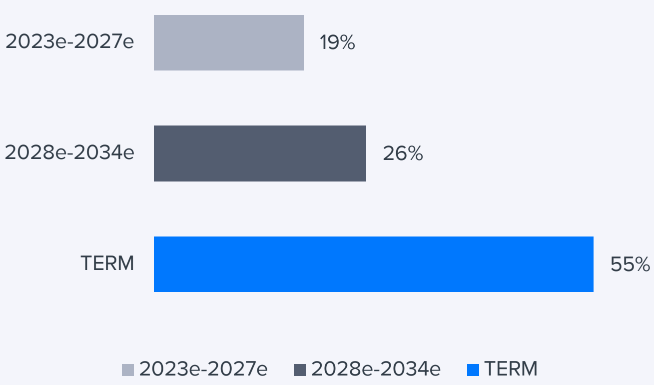
Valuation 3/4

DCF calculation

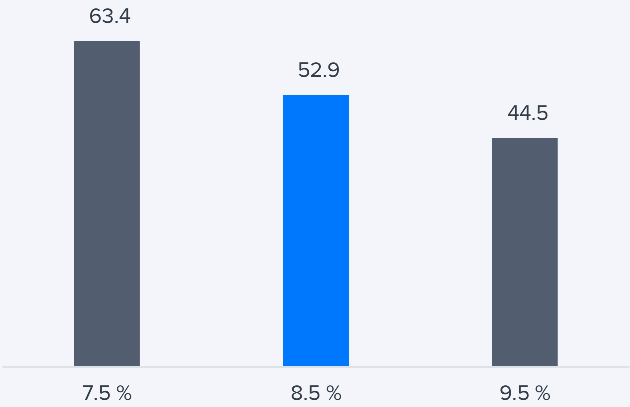
Our DCF calculation gives Admicom's share a value of around EUR 53 with our cautious assumptions compared to the company's targets. We have set the terminal (2034-) growth rate to 2.5% and the EBIT margin to 38%. The weight of the terminal period in the DCF calculation is 55%, which is a fairly moderate level for a growth company.

In the calculation, we have used an 8.5% required return as the average cost of equity (WACC), which based on the assumed debt leverage means an 8.9% return on equity. We feel the required return level is reasonable and well justified by the low risk profile of Admicom's business. The adjacent graph illustrates the sensitivity of the DCF model to changes in the required return.

Cash flow distribution by period



Sensitivity of DCF value with different required returns



Source: Inderes

Valuation 4/4

Scenarios by 2026

We examine the expected returns for Admicom's share in three different scenarios based on different assumptions of the company's growth rate and business scalability looking into 2026.

In the light of our current estimates, we expect Admicom's revenue to grow by an average of about 8% and profitability (adjusted EBIT %) to improve to 41% by 2026. We assume that the company would then be priced at a 18x EV/EBIT ratio. As Admicom's strategy progresses its growth outlook should then have strengthened from the current situation so relatively high valuation multiples are still well justified. With these assumptions, Admicom's EV would be EUR 313 million in 2026. By adding the estimated 2026 net cash to this, as well as the 2023-2026 dividends, the value of the entire stock is some EUR 341 million or EUR 68 per share. This would mean some 13% annual expected earnings with the current share price. We believe this is an attractive level, given our estimates that are far more conservative than the company's objectives, the low risk profile of Admicom's business and the value creation potential from possible future acquisitions. In the sensitivity calculation below, we show how changes in growth rates and acceptable valuation affect the expected return in the neutral scenario.

In a pessimistic scenario, we assume that annual revenue growth will be 4% and profitability is roughly at the current level at 37%. In this scenario the value of the entire stock with the assumed 14x EV/EBIT multiple is EUR 209 million or EUR 42 per share, which would mean annual expected return of some 0%. In our opinion, the pessimistic scenario reflects the moderate growth expectations currently loaded into the share, as even with a relatively soft performance, roughly the current share price level is reached.

In the optimistic scenario, we assume that Admicom's revenue will grow by 12% p.a. and the adjusted EBIT margin rises to 43%. In the light of the stronger growth and profitability profile, we apply a 20x EV/EBIT ratio. With these assumptions the value of the entire stock is EUR 430 million or EUR 93 per share, which would mean annual expected earnings of 23%. This scenario would require excellent success in the next few years in the company's strategy and a significant acceleration in organic growth from the current level. In this scenario, the expected return would also be very good.

Scenarios by 2026	Pessimistic	Current estimates	Optimistic
Revenue	37.0	42.8	50.0
Revenue growth % (CAGR 23-26)	*4%*	*8%*	*12%*
EBIT % (adj.)	37%	41%	43%
EBIT (adj.)	13.7	17.4	21.5
x pricing multiple (EV/EBIT)	14.0	18.0	20.0
= EV 2026e (MEUR)	192	313	430
Net cash + dividends 2023-2026	18	27	33
= Value of share capital (MEUR)	209	341	463
Per share (EUR)	*42*	*68*	*93*
Potential	-1%	61%	119%
Annual expected return	0%	13%	23%

Sensitivity of the annual expected revenue

	Revenue growth %				
EV/EBIT	***3%***	***5%***	***8%***	***10%***	***13%***
12x	-1%	1%	3%	5%	7%
14x	-1%	4%	7%	9%	12%
16x	5%	8%	10%	13%	15%
18x	8%	11%	13%	16%	19%
20x	11%	14%	16%	19%	22%
22x	14%	16%	19%	22%	25%

Peer group valuation

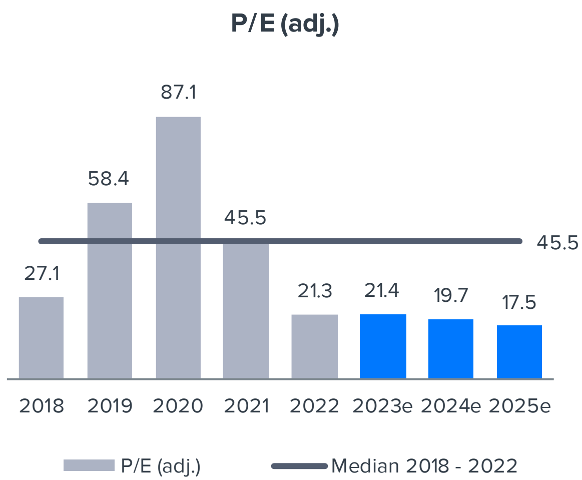
Peer group valuation	Market cap	EV	EV/EBIT		EV/EBITDA		EV/S		Lv:n kasvu-%		EBIT-%	
Company	**MEUR**	**MEUR**	**2023e**	**2024e**	**2023e**	**2024e**	**2023e**	**2024e**	**2023e**	**2024e**	**2023e**	**2024e**
Lemonsoft	158	148	19.8	17.7	18.9	16.5	5.8	5.2	14%	8%	29%	29%
Smartcraft	252	237	21.1	17.6	16.7	14.0	6.9	6.0	18%	15%	33%	34%
Efecte	68	67		45.4		30.7	2.7	2.3	16%	14%	-1%	5%
LeadDesk	61	64	43.7	21.6	15.1	10.5	2.1	1.8	9%	13%	5%	8%
Heeros	28	30	35.5	24.2	11.9	9.8	2.6	2.3	5%	9%	7%	10%
Talenom	365	436	27.0	23.1	11.7	11.0	3.5	2.9	24%	24%	13%	13%
Qt Group	1651	1629	33.5	22.6	31.4	22.2	8.4	6.4	25%	28%	25%	28%
WithSecure	263	210				134.7	1.4	1.3	12%	8%	-15%	-3%
F-Secure	567	531	12.0	10.9	11.3	10.3	4.6	4.3	5%	5%	38%	39%
QPR Software	11	13			92.5	19.1	1.7	1.6	4%	9%	-12%	-5%
Tecnotree	135	123	5.9	4.4	4.7	3.6	1.5	1.3	12%	8%	26%	29%
Fortnox	3386	3380	58.7	43.5	47.3	35.7	23.0	17.9	30%	28%	39%	41%
Carasent	105	47	63.1	19.1	10.9	6.3	2.2	1.9	28%	19%	3%	10%
Lime Technologies	296	313	32.5	28.2	20.4	18.6	6.3	5.6	14%	13%	19%	20%
FormPipe Software	121	122	27.8	17.7	12.6	9.7	2.5	2.3	12%	9%	9%	13%
Vitec Software Group	1652	1734	38.8	31.2	20.3	16.6	7.7	6.5	31%	18%	20%	21%
Sinch	2298	3146	27.3	18.1	9.6	8.4	1.2	1.0	7%	11%	4%	6%
IAR Systems Group	150	143	13.9	11.0	8.9	7.5	3.4	3.1	13%	11%	24%	28%
Upsales Technology	105	99	27.7	21.3	22.2	17.3	6.4	5.0	28%	27%	23%	24%
Procore Technologies	7801	7293					8.6	7.0	26%	23%	-7%	-4%
SignUp Software	163	140	43.6	24.5	32.1	22.1	5.1	4.2	25%	22%	12%	17%
Admicom (Inderes)	**211**	**205**	**16.6**	**14.8**	**16.4**	**14.6**	**6.2**	**5.7**	**5%**	**6%**	**37%**	**38%**
Average			**30.7**	**22.1**	**22.0**	**21.0**	**5.1**	**4.3**	**17%**	**15%**	**14%**	**18%**
Median			**27.8**	**21.3**	**16.7**	**16.5**	**4.0**	**3.6**	**14%**	**13%**	**16%**	**19%**
Diff-% to median			***-40%***	***-30%***	***-2%***	***-11%***	***54%***	***57%***				

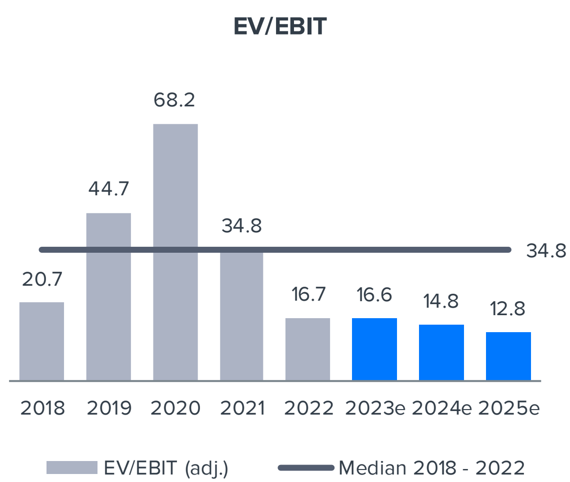
Source: Refinitiv / Inderes. NB: The market cap Inderes uses does not consider own shares held by the company.

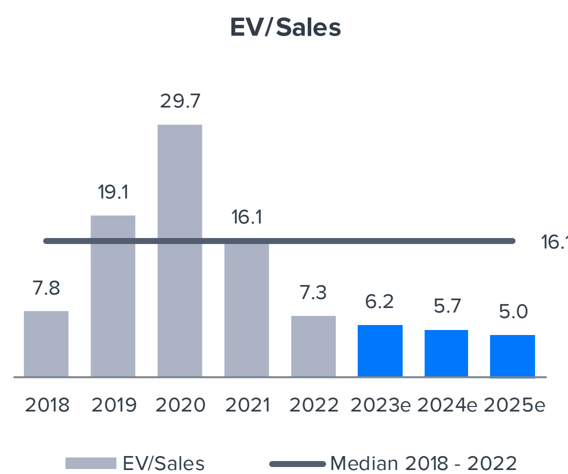
Valuation table

Valuation	2018	2019	2020	2021	2022	2023e	2024e	2025e	2026e
Share price	20.6	64.4	135.0	84.5	46.5	**42.4**	**42.4**	**42.4**	**42.4**
Number of shares, millions	4.58	4.85	4.92	4.93	4.99	**4.99**	**4.99**	**4.99**	**4.99**
Market cap	100	314	665	416	232	**211**	**211**	**211**	**211**
EV	89	298	651	400	229	**205**	**201**	**195**	**188**
P/E (adj.)	27.1	58.4	87.1	45.5	21.3	**21.4**	**19.7**	**17.5**	**15.1**
P/E	29.0	59.0	>100	51.7	29.1	**30.5**	**27.2**	**23.2**	**19.1**
P/FCF	11.0	39.8	neg.	>100	neg.	**21.1**	**19.1**	**17.4**	**14.7**
P/B	8.8	19.3	29.5	13.3	7.9	**7.1**	**6.7**	**6.2**	**5.5**
P/S	8.7	20.1	30.3	16.7	7.3	**6.3**	**6.0**	**5.4**	**4.9**
EV/Sales	7.8	19.1	29.7	16.1	7.3	**6.2**	**5.7**	**5.0**	**4.4**
EV/EBITDA	18.5	41.7	65.4	33.7	16.3	**16.4**	**14.6**	**12.7**	**10.7**
EV/EBIT (adj.)	20.7	44.7	68.2	34.8	16.7	**16.6**	**14.8**	**12.8**	**10.8**
Payout ratio (%)	71.4 %	66.5 %	66.9 %	122.3 %	81.3 %	**86.4 %**	**83.5 %**	**73.8 %**	**63.1 %**
Dividend yield-%	2.3 %	1.1 %	0.7 %	2.4 %	2.8 %	**2.8 %**	**3.1 %**	**3.2 %**	**3.3 %**

Source: Inderes





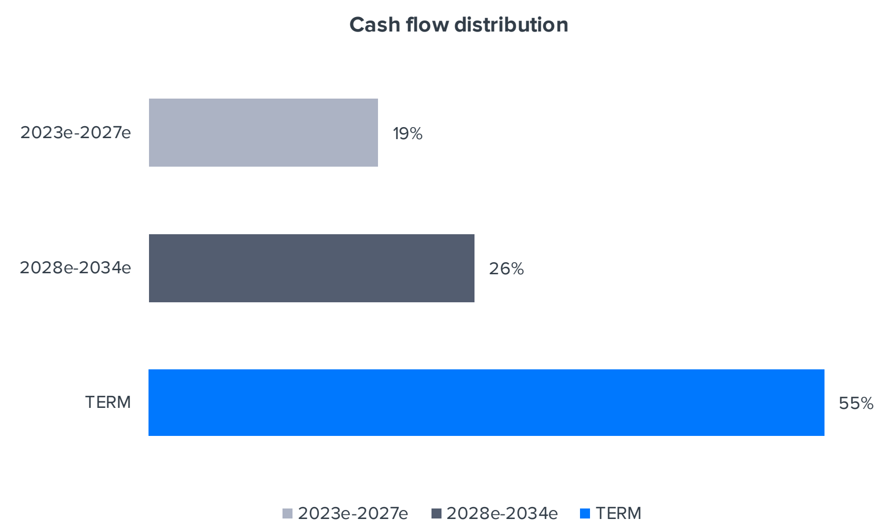


DCF calculation

DCF model	2022	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	2034e	TERM
Revenue growth-%	27.2 %	5.3 %	6.4 %	10.1 %	9.8 %	9.0 %	8.0 %	8.0 %	8.0 %	7.0 %	5.0 %	5.0 %	2.5 %	2.5 %
EBIT-%	34.2 %	28.4 %	30.0 %	31.6 %	33.8 %	35.4 %	36.9 %	37.8 %	38.7 %	38.5 %	38.5 %	38.5 %	38.0 %	38.0 %
EBIT (operating profit)	**10.8**	**9.5**	**10.6**	**12.3**	**14.5**	**16.5**	**18.6**	**20.6**	**22.8**	**24.2**	**25.4**	**26.7**	**27.0**	
+ Depreciation	3.3	3.1	3.1	3.1	3.1	3.1	3.1	3.1	2.0	2.0	2.0	1.1	1.0	
- Paid taxes	-2.6	-2.2	-2.5	-2.8	-3.3	-3.6	-3.9	-4.3	-4.8	-5.1	-5.3	-5.6	-5.4	
- Tax, financial expenses	0.0	-0.1	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
+ Tax, financial income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Change in working capital	-0.2	-0.1	0.0	0.3	0.3	0.3	0.2	0.2	0.3	0.2	0.1	0.1	0.1	
Operating cash flow	**11.3**	**10.2**	**11.2**	**12.8**	**14.5**	**16.2**	**18.0**	**19.6**	**20.2**	**21.3**	**22.2**	**22.3**	**22.7**	
+ Change in other long-term liabilities	0.5	0.0	0.0	-0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-17.3	-0.1	-0.1	-0.1	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.5	
Free operating cash flow	**-5.5**	**10.0**	**11.1**	**12.1**	**14.3**	**16.1**	**17.8**	**19.4**	**20.0**	**21.1**	**22.0**	**22.1**	**22.2**	
+/- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	-5.5	10.0	11.1	12.1	14.3	16.1	17.8	19.4	20.0	21.1	22.0	22.1	22.2	
Discounted FCFF		**9.4**	**9.6**	**9.7**	**10.5**	**10.9**	**11.2**	**11.2**	**10.6**	**10.4**	**9.9**	**9.2**	**8.5**	**147**
Sum of FCFF present value		268	259	249	240	229	218	207	196	185	175	165	156	147
Enterprise value DCF		**268**												
- Interesting bearing debt		-13.1												
+ Cash and cash equivalents		15.5												
-Minorities		0.0												
-Dividend/capital return		-6.5												
Equity value DCF		**264**												
Equity value DCF per share		**53.0**												

Wacc	
Tax-% (WACC)	20.0 %
Target debt ratio (D/(D+E)	7.0 %
Cost of debt	3.0 %
Equity Beta	0.95
Market risk premium	4.75%
Liquidity premium	1.90%
Risk free interest rate	2.5 %
Cost of equity	**8.9 %**
Weighted average cost of capital (WACC)	**8.5 %**

Source: Inderes



Balance sheet

Assets	2021	2022	2023e	2024e	2025e
Non-current assets	**17.1**	**31.0**	**28.1**	**25.1**	**22.2**
Goodwill	0.0	0.0	0.0	0.0	0.0
Intangible assets	16.8	30.8	27.9	25.0	22.1
Tangible assets	0.2	0.2	0.2	0.1	0.1
Associated companies	0.0	0.0	0.0	0.0	0.0
Other investments	0.0	0.0	0.0	0.0	0.0
Other non-current assets	0.0	0.0	0.0	0.0	0.0
Deferred tax assets	0.0	0.0	0.0	0.0	0.0
Current assets	**20.9**	**18.6**	**22.4**	**27.6**	**20.3**
Inventories	0.0	0.0	0.0	0.0	0.0
Other current assets	0.0	0.0	0.0	0.0	0.0
Receivables	2.8	3.0	3.7	4.1	4.5
Cash and equivalents	18.1	15.5	18.7	23.5	15.8
Balance sheet total	**37.9**	**49.6**	**50.5**	**52.7**	**42.5**

Source: Inderes

Liabilities & equity	2021	2022	2023e	2024e	2025e
Equity	**31.5**	**29.5**	**30.0**	**31.8**	**34.4**
Share capital	0.1	0.1	0.1	0.1	0.1
Retained earnings	13.5	14.0	14.4	16.2	18.8
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	0.0	0.0	0.0	0.0	0.0
Other equity	17.8	15.3	15.3	15.3	15.3
Minorities	0.1	0.1	0.1	0.1	0.1
Non-current liabilities	**0.0**	**13.6**	**13.5**	**13.5**	**0.0**
Deferred tax liabilities	0.0	0.0	0.0	0.0	0.0
Provisions	0.0	0.0	0.0	0.0	0.0
Long term debt	0.0	13.1	13.0	13.0	0.0
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	0.0	0.5	0.5	0.5	0.0
Current liabilities	**6.4**	**6.5**	**7.0**	**7.4**	**8.1**
Short term debt	0.0	0.0	0.0	0.0	0.0
Payables	6.4	6.5	7.0	7.4	8.1
Other current liabilities	0.0	0.0	0.0	0.0	0.0
Balance sheet total	**37.9**	**49.6**	**50.5**	**52.7**	**42.5**

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Accumulate The 12-month risk-adjusted expected shareholder return of the share is attractive

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Sell The 12-month risk-adjusted expected shareholder return of the share is very weak

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Recommendation history (>12 mo)

Date	Recommendation	Target price	Share price
02-07-20	Reduce	83.00 €	85.20 €
10-09-20	Reduce	82.00 €	79.00 €
05-10-20	Accumulate	100.00 €	91.40 €
23-11-20	Reduce	120.00 €	126.00 €
18-01-21	Reduce	110.00 €	118.50 €
22-03-21	Accumulate	100.00 €	91.00 €
06-04-21	Reduce	95.00 €	97.00 €
05-07-21	Reduce	95.00 €	92.50 €
04-08-21	Reduce	95.00 €	92.80 €
05-10-21	Reduce	95.00 €	95.40 €
01-12-21	Accumulate	87.00 €	78.50 €
24-01-22	Accumulate	80.00 €	70.90 €
05-04-22	Accumulate	77.00 €	65.20 €
22-06-22	Buy	63.00 €	49.70 €
07-07-22	Buy	65.00 €	53.90 €
05-09-22	Accumulate	65.00 €	58.60 €
04-10-22	Accumulate	55.00 €	47.00 €
16-01-23	Accumulate	52.00 €	46.60 €
31-01-23	Buy	52.00 €	43.10 €
17-03-23	Buy	52.00 €	42.35 €

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Inderes Oyj

Itämerentori 2

FI-00180 Helsinki, Finland

+358 10 219 4690

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