

Waiting for the calls

Sales and profits were below estimates as the vessel calls declined despite a healthy pax growth. We do not expect a quick recovery in the vessel call growth rate. We lower our forecast and Base case Fair value. The dividend yield should cushion the downside.

Below estimates

Q2/23 Sales was 4.7% below forecast, while EBIT was 31% below. The Passenger harbours segment was the main reason for the negative EBIT deviation (Q2 EBIT of EUR 3.9m vs. est. EUR 5.2m), as the number of vessel calls declined.

Number of vessel calls in focus

Even though the Q2/23 pax increased by 13% y-on-y, the number of vessel calls declined by 8% y-on-y (vs. a 4% growth in Q1/23). This resulted in an 8% y-on-y decline in Q2/23 vessel call revenue which was unexpected. Tallink having ships on charter and a slower than expected cruise market were the main reasons for the low vessel calls. We forecast a 15% y-on-y decline in vessel calls this year, and then roughly unchanged number of calls in 2024-25.

Dividends protect the downside

We lower our Net profit forecast by 15% this year and 7-9% in coming two years. Our Base case DCF Fair value is lowered to EUR 1.52 per share (prev. 1.70). We expect EUR 0.06/shr. in dividends this year equal to a yield of 4.8%, which should protect the downside. We believe 2023 is a bottom year and expect a small recovery in 2024-25.

Key figures (MEUR)

	2021	2022	2023E	2024E	2025E
Net sales	110.1	121.7	117.9	120.8	123.8
Net sales growth	2.5%	10.6%	-3.2%	2.5%	2.5%
EBITDA	54.5	56.1	53.2	55.2	56.9
EBITDA margin	49.5%	46.1%	45.1%	45.7%	46.0%
EBIT	29.8	30.8	27.6	28.8	30.2
EBIT margin	27.0%	25.3%	23.4%	23.8%	24.4%
EV/Sales	6.0	4.2	4.2	4.1	4.0
EV/EBITDA	12.0	9.2	9.3	9.0	8.6
EV/EBIT	22.1	16.8	18.0	17.2	16.3
P/E adj.	19.1	14.6	17.9	16.2	15.4
P/BV	1.3	1.0	0.9	0.9	0.9
EPS adj.	0.10	0.10	0.07	0.08	0.08
EPS growth adj.	-10.19%	-0.08%	-25.31%	10.52%	4.82%
Div. per share	0.10	0.07	0.06	0.06	0.07
Dividend yield	5.22%	4.92%	4.75%	4.94%	5.18%

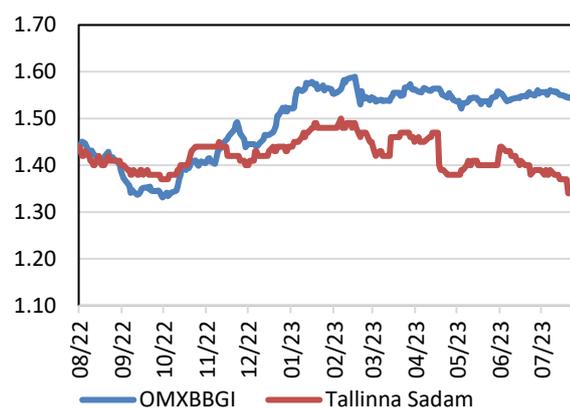
Source: Company data, Enlight Research estimates

Fair value range (EUR)

Bull (term. EBIT marg. 35%)	1.83
Base (term. EBIT marg. 30%)	1.52
Bear (term. EBIT marg. 25%)	1.21

Key Data

Price (EUR)	1.30
Ticker	TSM1T
Country	Estonia
Listed	Tallinn
Market Cap (EURm)	342
Net debt (EURm)	146
Shares (m)	263.0
Free float	33%



Price range

52-week high	1.50
52-week low	1.30

Analyst

ResearchTeam@enlightresearch.net

Coverage frequency

4x per year

Key takeaways

Passenger harbour segment below estimates

The Q2/23 EBIT of EUR 5.8m was 31% or EUR 2.5m below our estimate of EUR 8.3m. The Passenger harbour segment was the main reason for the deviation (Q2/23 EBIT was EUR 3.9m which was 26% or EUR 1.3m below our forecast of EUR 5.2m). The Other segment Q2/23 EBIT loss of EUR 2.0m was EUR 1.1m worse than our estimated loss of EUR 0.8m. The Cargo harbours and Ferry segments EBIT were both in-line with forecast. The negative deviation for the Other segment was due to one-off maintenance costs i.e. the EBIT for the Other segment should improve in H2/23 (we forecast H2/23 Other segment EBIT of EUR 2.3m vs. break-even in H1/23). The negative deviation for the Passenger harbour segment was due to lower than expected vessel calls. We do not see an immediate improvement in the number of vessel calls (see next Key takeaway) and lower our Group 2023-25 EBIT estimates by 11-15%. For 2023, our Net profit is lowered more than our EBIT (15% decrease vs. 11% decrease in EBIT) due to increased financial expenses (Q2/23 interest expenses was EUR 0.5m higher than estimated). For 2024 and 2025, the downward adjustment in the Net profit (7-9%) is less compared to the downward adjustment in EBIT (14-15%) due to lower estimated income tax, which is a result of lower forecast dividends (see dividend Key takeaway below).

Estimate vs. Outcome EBIT by Segment (EURm)	Q2/23	Q2/23	Deviation	
	Estimate	Outcome	EURm	%
Passenger harbours	5.185	3.851	-1.3	-25.7%
Cargo harbours	1.269	1.149	-0.1	-9.4%
Ferry	2.669	2.727	0.1	2.2%
Other	-0.821	-1.969	-1.1	139.9%
Group EBIT	8.302	5.758	-2.5	-30.6%

EBIT margin by Segment	Q2/23	Q2/23	Deviation	
	Estimate	Outcome	EURm	%-pts
Passenger harbours	42.0%	38.5%	na	-3.5
Cargo harbours	16.0%	15.0%	na	-1.0
Ferry	30.0%	29.1%	na	-0.9
Other	-80.0%	-112.7%	na	-32.7
Group EBIT margin	27.5%	20.0%	na	-7.5

Source: Enlight Research (estimate), Company (Outcome)

Estimate changes

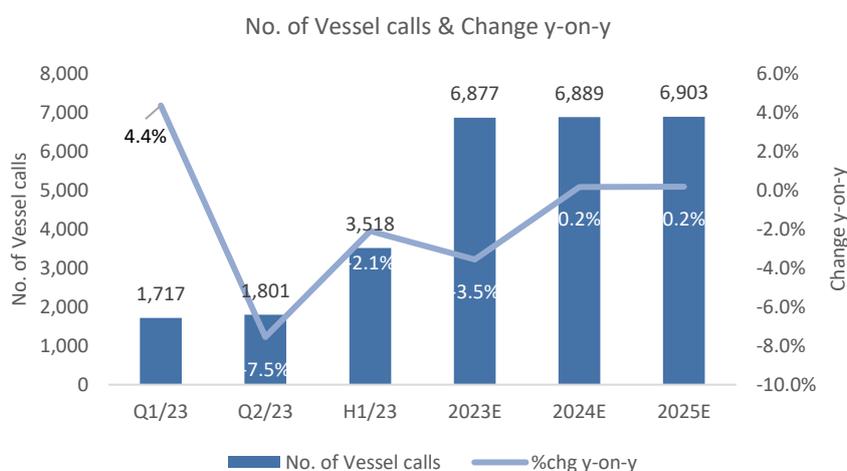
EBIT (EURm)	2023E	2024E	2025E
Old estimate	31.1	33.5	35.3
New estimate	27.6	28.8	30.2
Change	-3.5	-4.7	-5.2
Change (pct)	-11.4%	-14.1%	-14.6%

Net profit (EURm)	2023E	2024E	2025E
Old estimate	22.5	22.8	24.4
New estimate	19.1	21.1	22.1
Change	-3.4	-1.7	-2.3
Change (pct)	-15.0%	-7.3%	-9.2%

Enlight Research

Vessel calls stabilizing

The H1/23 Passenger fees were healthy with a growth of 25% y-on-y to EUR 5.2m. However, the larger revenue stream – Vessel dues (vessel calls revenues) – declined by 12.2% y-on-y to EUR 16.0m in H1/23. We believe the vessel dues decline is due to Tallink having several vessels on charter and the cruise calls not recovering due to the Russia – Ukraine war. At the Q2 webinar, management mentioned that St. Petersburg was the main attraction for the typical cruise passenger and as this is no longer a destination, the number of cruise calls has declined (Tallinn was part of the St. Petersburg cruise package). In H1/23, the number of cruise vessel calls declined by 35% y-on-y to 44 from 68. For 2023, we expect vessel dues to decline by 15% to EUR 31.6m. As we do not expect Tallink to change its charter strategy or the Russia-Ukraine war to end soon, we do not factor in a recovery in the Vessel dues in the forecast period 2023-25, but rather a stabilization at 2023 years estimated level.

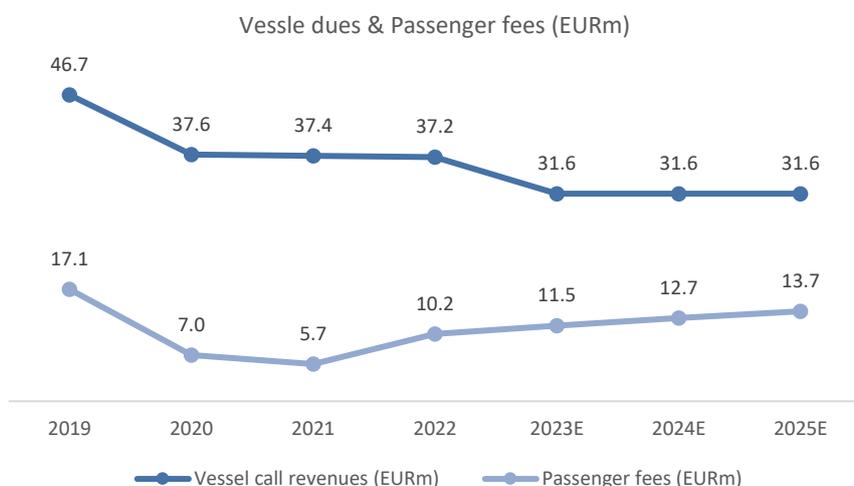


Source: Company (historic), Enlight Research (estimates)

Vessel dues & Passenger fees

	Q1/23	Q2/23	H1/23	2023E
Vessel call revenues (EURm)	7.5	8.5	16.0	31.6
%chg y-on-y	-8.3%	-7.8%	-12.2%	-15.0%
Passenger fees (EURm)	2.1	3.1	5.2	11.5
%chg y-on-y	47.3%	13.2%	24.6%	12.5%

Source: Company (historic), Enlight Research (estimates)



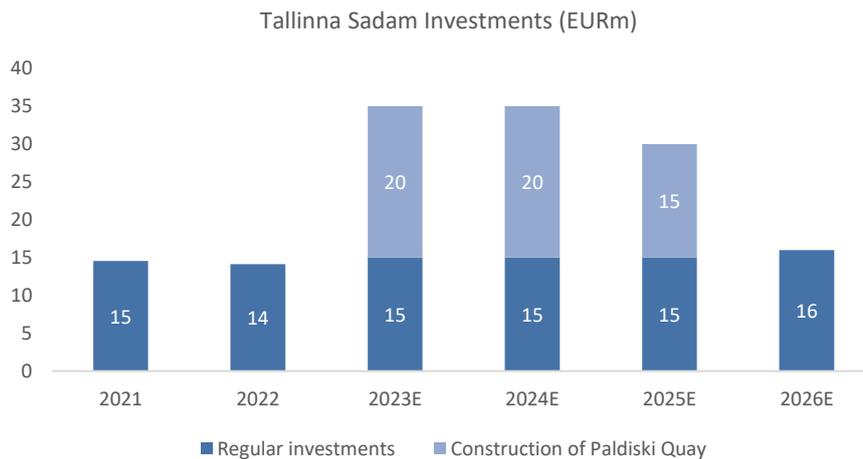
Source: Company (historic), Enlight Research (estimates)

Dividends still there

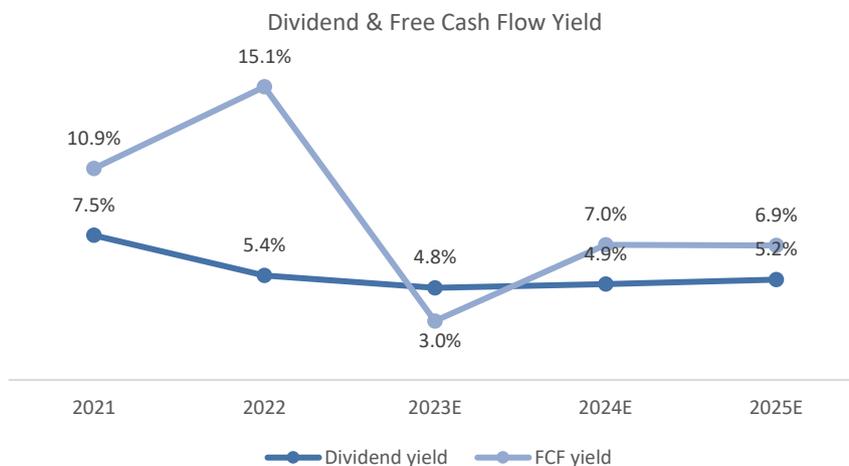
Despite our downward estimate adjustments, there is still room for dividends in our view, and the estimated dividend yield around 5% in the forecast period 2023-25 should give some downside protection to the share price. This year, our estimated dividend per share is higher than our estimated Free cash flow per share (EUR 0.06 vs. FCF per share EUR 0.04), but in 2024-25, our dividend per share is well covered by the Free cash flow per share (see table below). Worth noting is that our Free cash flow forecast in 2023-25 is affected by higher than normal investments due to the construction of the new quay in the Paldiski harbour (we expect normalized investment level of EUR 15-16m to resume in 2026). Our 2023 estimated dividend payout ratio is 85% which is higher than the dividend policy 70% minimum (in 2024 and 2025, the estimated dividend payout ratio is 80%).

Dividend forecast	2021	2022	2023E	2024E	2025E
EPS (EUR)	0.10	0.10	0.07	0.08	0.08
FCF per share (EUR)	0.14	0.20	0.04	0.09	0.09
FCF yield	10.9%	15.1%	3.0%	7.0%	6.9%
Dividend per share (EUR)	0.10	0.07	0.06	0.06	0.07
Dividend payout ratio	100%	72%	85%	80%	80%
Dividend yield	7.5%	5.4%	4.8%	4.9%	5.2%
Share price (EUR)	1.30	1.30	1.30	1.30	1.30

Source: Company (historic), Enlight Research (estimates)



Source: Company (historic), Enlight Research (estimates)



Source: Company (historic), Enlight Research (estimates)

Valuation

Peer valuation

We have not found a listed port similar to Tallinna Sadam. The main differences to other seaports are:

- Tallinna Sadam owns the land directly and not through concessions i.e., no concession renewal risk
- Tallinna Sadam is a pure landlord port without cargo handling or shipping operations (except for monopoly State contracts), which results in less revenue volatility
- Tallinna Sadam's fixed revenue monopoly State contracts for domestic ferry and icebreaker winter-time services provide resilience to economic downturns
- Tallinna Sadam has better revenue diversification (short-term & long-term pax, cargo, domestic ferry, icebreaker)

We believe above differences justify a substantial premium vs. the Seaport peers, which is also the case (Tallinna Sadam EV/EBITDA 2023E multiple is 9.2x vs. 6.6x for the Seaport peers). In our view, Tallinna Sadam deserves to be traded more towards the airport peers who trade at a 17% premium to Tallinna Sadam (10.7x vs. 9.2x) based on 2023E EV/EBITDA. Worth noting is that Tallinna Sadam's forecast dividend yield of around 5% in the forecast period 2023-25 is superior to most of the Airport peers and in-line with the Seaport peers.

Peer tables

Seaport peers

Company	Ticker	Ccy	Price (last)	Mcap (m) (last)	EV (m) (last)	EV/EBITDA 2022	EV/EBITDA 2023E	EV/EBITDA 2024E	EV/EBITDA 2025E	Div. yield 2022	Div. yield 2023E	Div. yield 2024E	Div. yield 2025E
Global Ports Holding PLC	GPH	USD	3.16	199	700	nm	9.6	7.2	6.9	na	na	na	na
Hamburger Hafen und Logistik AG	HHFA	EUR	10.51	791	1,702	4.3	5.2	4.6	4.2	6.9%	4.9%	6.2%	7.4%
Luka Koper	LKPG	EUR	34.00	476	508	4.4	5.1	4.8	4.6	3.5%	3.5%	3.6%	3.7%
Average				488	970	4.4	6.6	5.5	5.2	5.2%	4.2%	4.9%	5.5%

Airport peers

Company	Ticker	Ccy	Price (last)	Mcap (m) (last)	EV (m) (last)	EV/EBITDA 2022	EV/EBITDA 2023E	EV/EBITDA 2024E	EV/EBITDA 2025E	Div. yield 2022	Div. yield 2023E	Div. yield 2024E	Div. yield 2025E
Aena	AENA	EUR	139.00	20,850	27,371	13.3	10.1	9.3	8.8	3.4%	5.3%	5.9%	6.3%
Aeroports de Paris SA	ADP	EUR	118.60	11,700	19,271	11.3	10.2	9.3	8.7	2.6%	2.8%	3.1%	3.7%
Fraport AG	FRA	EUR	49.72	4,593	12,710	12.3	11.0	9.5	8.8	0.0%	0.0%	0.4%	2.5%
Flughafen Wien AG	FLU	EUR	47.50	3,984	4,261	14.4	11.6	10.4	9.6	1.6%	2.5%	2.9%	3.3%
Flughafen Zurich	FHZN	CHF	175.60	5,391	6,882	12.4	10.7	9.7	8.9	0.0%	2.5%	3.0%	2.9%
Average				9,304	14,099	12.8	10.7	9.6		1.5%	2.6%	3.0%	3.7%

Tallinna Sadam	TSM	EUR	1.30	342	488	8.7	9.2	8.8	7.7	5.4%	4.8%	4.9%	5.2%
----------------	-----	-----	------	-----	-----	-----	-----	-----	-----	------	------	------	------

Source: MarketScreener (consensus), Enlight Research (Tallinna Sadam), Prices from 23 August 2023

DCF valuation

Our Base case DCF Fair value is lowered to EUR 1.52 (prev. 1.70), implying an upside of around 17%. Lower terminal EBIT margin assumption to 30% from 32% as well as lower estimates are the main reasons for the lower Fair value. Our Bear and Bull case indicate a share price of EUR 1.21 (prev. 1.42), and EUR 1.83 (prev. 1.98), respectively. The only difference between our scenarios is the terminal EBIT margin that is 30% in our Base case and +/- 5 percentage points in our Bull/Bear cases. See below table for main assumptions and DCF sensitivity to different parameters.

DCF Valuation Scenarios	Bear	Base	Bull
WACC	7.4%	7.4%	7.4%
Terminal sales growth	2.5%	2.5%	2.5%
Terminal EBIT margin	25.0%	30.0%	35.0%
Fair Value per share	1.21	1.52	1.83
Upside/Downside (last price)	-7%	17%	41%

Source: Enlight Research, based on a share price of EUR 1.30

DCF valuation sensitivity analysis

Sensitivity parameters	Current	Step	Test values & Results											
			0.10	0.60	0.70	0.80	0.90	1.00	1.10	1.20	1.30	1.40	1.50	1.60
Equity beta	1.10													
<i>Fair value (DCF)</i>	1.52		2.11	1.97	1.84	1.72	1.62	1.52	1.43	1.35	1.28	1.21	1.15	
Target debt ratio (D/D+E)	50.0 %	3.0 %	35%	38%	41%	44%	47%	50%	53%	56%	59%	62%	65%	
<i>Fair value (DCF)</i>	1.52		1.16	1.22	1.29	1.36	1.44	1.52	1.61	1.71	1.83	1.95	2.09	
Riskfree interest rate	3.5 %	0.35%	1.8 %	2.1 %	2.5 %	2.8 %	3.2 %	3.5 %	3.9 %	4.2 %	4.6 %	4.9 %	5.3 %	
<i>Fair value (DCF)</i>	1.52		1.93	1.83	1.74	1.66	1.59	1.52	1.46	1.40	1.34	1.28	1.23	

Source: Enlight Research

Estimate deviations

Sales deviations by Segment

Q2/23 Sales for the Passenger harbours segment came in at EUR 10.0m, which was 18.9% or EUR 2.3m below our forecast, as the vessel call growth surprised negatively. The Cargo harbours segment was roughly in-line with forecast as we had factored in the Russian sanctions. The Ferry segment Q2/23 Sales was 5.3% or EUR 0.5m higher than estimated, while the Other segment was 70% or EUR 0.7m higher than forecast.

Sales deviation by Segment

Sales by Segment (EURm)	Q2/23		Deviation	
	Estimate	Outcome	EURm	%
Passenger harbours	12.346	10.013	-2.3	-18.9%
Cargo harbours	7.929	7.657	-0.3	-3.4%
Ferry	8.897	9.366	0.5	5.3%
Other	1.026	1.747	0.7	70.3%
Group sales	30.199	28.783	-1.4	-4.7%

Sales growth	Q2/23		Deviation	
	Estimate	Outcome	EURm	%-pts
Passenger harbours	15.0%	-6.7%	nm	-21.7
Cargo harbours	-19.5%	-22.3%	nm	-2.8
Ferry	1.0%	6.3%	nm	5.3
Other	6.0%	80.5%	nm	74.5
Group sales growth	-0.5%	-5.2%	nm	-4.7

Source: Company reports (outcome), Enlight Research (estimate)

EBIT deviation by Segment

The Passenger harbours segment Q2/23 EBIT was 25.7% or EUR 1.3m below our estimate. The Other segment Q2/23 EBIT was 140% or EUR 1.1m below forecast. The Cargo and Ferry segments were both in-line with estimates in euro terms.

EBIT by Segment (EURm)	Q2/23		Deviation	
	Estimate	Outcome	EURm	%
Passenger harbours	5.185	3.851	-1.3	-25.7%
Cargo harbours	1.269	1.149	-0.1	-9.4%
Ferry	2.669	2.727	0.1	2.2%
Other	-0.821	-1.969	-1.1	-139.9%
Group EBIT	8.302	5.758	-2.5	-30.6%

EBIT margin by Segment	Q2/23		Deviation	
	Estimate	Outcome	EURm	%-pts
Passenger harbours	42.0%	38.5%	na	-3.5
Cargo harbours	16.0%	15.0%	na	-1.0
Ferry	30.0%	29.1%	na	-0.9
Other	-80.0%	-112.7%	na	-32.7
Group EBIT margin	27.5%	20.0%	na	-7.5

Source: Company reports (outcome), Enlight Research (estimate)

Group deviation

The Q2/23 Group Net sales was 4.7% or EUR 1.4m below forecast, while the EBITDA was 17.8% or EUR 2.6m below estimate as the Operating expenses were EUR 1.4m higher than forecast. The Q2/23 Pre-tax profit was 39% or EUR 2.8m below estimate as the financial expenses were higher than expected. The Q2/23 Net profit was 62% or EUR 2.3m below forecast.

Group deviation table

Income statement	Q2/23	Q2/23	Deviation	
	Estimate	Outcome	EURm	%
Net sales	30.199	28.783	-1.4	-4.7%
Other income	0.341	0.520	0.2	52.5%
Total revenue	30.540	29.303	-1.2	-4.0%
Operating expenses	-10.111	-10.922	-0.8	8.0%
Personnel expenses	-5.738	-6.355	-0.6	10.8%
Other expenses	-0.151	-0.079	0.1	-47.7%
Non-recurring income/expenses	0.000	0.000	0.0	nm
<i>Total OpEx excluding depreciation</i>	<i>-15.999</i>	<i>-17.356</i>	<i>-1.4</i>	<i>8.5%</i>
EBITDA	14.540	11.947	-2.6	-17.8%
Depreciation and amortization	-6.238	-6.189	0.0	-0.8%
EBIT	8.302	5.758	-2.5	-30.6%
Interest income	0.000	0.329	0.3	nm
Interest expenses	-1.300	-1.837	-0.5	41.3%
Other financial items	0.100	0.098	0.0	-2.0%
<i>Financial net</i>	<i>-1.200</i>	<i>-1.410</i>	<i>-0.2</i>	<i>17.5%</i>
Pre-tax profit	7.102	4.348	-2.8	-38.8%
Tax	-3.482	-2.985	0.5	-14.3%
Other	0.000	0.000	0.0	nm
Net profit	3.620	1.363	-2.3	-62.4%

Sales growth	Q2/23	Q2/23	Deviation	
	Estimate	Outcome	EURm	%-pts
Sales growth y-on-y	-0.5%	-5.2%	nm	-4.7

Margins	Q2/23	Q2/23	Deviation	
	Estimate	Outcome	EURm	%-pts
EBITDA margin	48.1%	41.5%	na	-6.6
EBIT margin	27.5%	20.0%	na	-7.5
PTP margin	23.5%	15.1%	na	-8.4
Net profit margin	12.0%	4.7%	na	-7.3

Source: Company reports (outcome), Enlight Research (estimate)

Estimate changes

We lower our Sales estimates by 3.9% this year, 7.2% in 2024 and by 8.1% in 2025. The EBITDA is lowered by 6-8% in the forecast period 2023-25. The EBIT is lowered by 11-15% in the forecast period due to higher financial expenses. The Net profit for 2023 is lowered by 15.0%, while the decrease is 7-9% in 2024-25 due to lower estimated dividend tax. The 2023, and 2024 dividend per share is lowered by EUR 0.01 to EUR 0.06, while it is unchanged in 2025 at EUR 0.07. The pay-out ratio is 85% this year and 80% in 2024, and 2025 (dividend policy is to pay a minimum of 70%).

Estimate changes			
Sales (EURm)	2023E	2024E	2025E
Old estimate	122.7	130.2	134.8
New estimate	117.9	120.8	123.8
Change	-4.8	-9.4	-11.0
Change (pct)	-3.9%	-7.2%	-8.1%
EBITDA (EURm)	2023E	2024E	2024E
Old estimate	56.8	59.9	62.1
New estimate	53.2	55.2	56.9
Change	-3.7	-4.7	-5.2
Change (pct)	-6.4%	-7.9%	-8.3%
EBIT (EURm)	2023E	2024E	2025E
Old estimate	31.1	33.5	35.3
New estimate	27.6	28.8	30.2
Change	-3.5	-4.7	-5.2
Change (pct)	-11.4%	-14.1%	-14.6%
Net profit (EURm)	2023E	2024E	2025E
Old estimate	22.5	22.8	24.4
New estimate	19.1	21.1	22.1
Change	-3.4	-1.7	-2.3
Change (pct)	-15.0%	-7.3%	-9.2%
Dividend (EUR)	2023E	2024E	2025E
Old estimate	0.07	0.07	0.07
New estimate	0.06	0.06	0.07
Change	-0.01	-0.01	0.00
Change (pct)	-14.3%	-14.3%	0.0%

Source: Enlight Research (estimate)

Quarterly and Full-year Forecast

Sales forecast by segment

(EURm)	Q1/22	Q2/22	Q3/22	Q4/22	Q1/23	Q2/23	Q3/23E	Q4/23E	2022	2023E	2024E	2025E
Passenger harbours	6.0	10.7	13.0	8.1	8.0	10.0	12.3	8.0	37.9	38.4	39.5	40.7
Growth y-on-y	21%	88%	34%	-4%	33%	-7%	-5%	-2%	31%	1%	3%	3%
Cargo harbours	9.7	9.9	9.4	9.9	7.9	7.7	7.7	7.7	38.8	31.0	31.9	32.9
Growth y-on-y	1%	0%	-14%	-5%	-18%	-22%	-18%	-22%	-5%	-20%	3%	3%
Ferry	7.4	8.8	10.2	8.3	8.4	9.4	10.7	8.7	34.8	37.2	37.9	38.7
Growth y-on-y	9%	13%	18%	12%	13%	6%	5%	4%	13%	7%	2%	2%
Other	3.7	1.0	3.8	1.9	4.0	1.7	3.8	1.7	10.3	11.3	11.4	11.6
Growth y-on-y	2%	4%	22%	-16%	10%	80%	2%	-10%	4%	10%	1%	1%
Total	26.8	30.4	36.3	28.2	28.4	28.8	34.6	26.1	121.7	117.9	120.8	123.8
Growth y-on-y	7.1%	25.2%	12.6%	-1.0%	6.1%	-5.2%	-4.8%	-7.6%	10.6%	-3.1%	2.5%	2.5%

EBIT forecast by segment

(EURm)	Q1/22	Q2/22	Q3/22	Q4/22	Q1/23	Q2/23	Q3/23E	Q4/23E	2022	2023E	2024E	2025E
Passenger harbours	0.6	4.5	5.6	0.2	1.2	3.9	4.8	0.3	10.9	10.2	10.7	11.2
Margin	10%	42%	43%	3%	15%	38%	39%	4%	28.7%	26.5%	27.0%	27.5%
Cargo harbours	3.1	3.0	1.5	0.9	1.2	1.1	1.2	1.2	8.4	4.7	5.1	5.6
Margin	32%	31%	16%	9%	16%	15%	15%	15%	21.7%	15.2%	16.0%	17.0%
Ferry	1.8	2.5	3.0	1.6	2.4	2.7	3.3	2.0	8.9	10.4	10.6	10.8
Margin	24%	28%	30%	20%	28%	29%	31%	23%	25.7%	28.0%	28.0%	28.0%
Other	1.8	-0.8	1.8	-0.1	2.0	-2.0	1.5	0.7	2.6	2.3	2.4	2.5
Margin	48%	-88%	47%	-6%	49%	-113%	40%	43%	25.0%	20.0%	21.0%	22.0%
Total	7.2	9.1	11.8	2.6	6.8	5.8	10.8	4.2	30.8	27.6	28.8	30.2
Margin	27.0%	30.0%	32.6%	9.3%	23.9%	20.0%	31.3%	16.0%	25.3%	23.4%	23.8%	24.4%

Group forecast

(EURm)	Q1/22	Q2/22	Q3/22	Q4/22	Q1/23	Q2/23	Q3/23E	Q4/23E	2022	2023E	2024E	2025E
Net sales	26.8	30.4	36.3	28.2	28.4	28.8	34.6	26.1	121.7	117.9	120.8	123.8
Other income	0.3	0.4	0.4	0.3	0.3	0.5	0.5	0.0	1.4	1.4	1.4	1.4
Total revenue	27.1	30.8	36.7	28.5	28.7	29.3	35.1	26.1	123.1	119.3	122.2	125.2
Expenses	-13.6	-15.5	-18.7	-19.3	-14.9	-17.4	-18.1	-15.7	-67.0	-66.1	-67.0	-68.3
EBITDA	13.5	15.3	18.0	9.2	13.8	11.9	17.0	10.4	56.1	53.2	55.2	56.9
Depr. & Amort.	-6.3	-6.2	-6.2	-6.6	-7.0	-6.2	-6.2	-6.2	-25.3	-25.6	-26.4	-26.8
EBIT	7.2	9.1	11.8	2.6	6.8	5.8	10.8	4.2	30.8	27.6	28.8	30.2
Financial net	0.0	0.1	-0.1	-0.9	-1.1	-1.4	-1.5	-1.5	-1.0	-5.5	-5.4	-5.3
Pre-tax profit	7.2	9.2	11.7	1.7	5.7	4.3	9.4	2.7	29.8	22.1	23.4	24.8
Tax	0	-4.1	0	-0.1	0	-3.0	0	0.0	-4.2	-3.0	-2.3	-2.7
Net profit	7.2	5.1	11.7	1.6	5.7	1.4	9.4	2.7	25.6	19.1	21.1	22.1

Sales growth

	Q1/22	Q2/22	Q3/22	Q4/22	Q1/23	Q2/23	Q3/23E	Q4/23E	2022	2023E	2024E	2025E
sequential	-6.2%	13.4%	19.6%	-22.2%	0.6%	1.3%	20.1%	-24.5%	na	na	na	na
y-on-y	7.1%	25.2%	12.6%	-1.0%	6.1%	-5.2%	-4.8%	-7.6%	10.6%	-3.1%	2.5%	2.5%

Margins

	Q1/22	Q2/22	Q3/22	Q4/22	Q1/23	Q2/23	Q3/23E	Q4/23E	2022	2023E	2024E	2025E
EBITDA margin	50.4%	50.5%	49.6%	32.7%	48.7%	41.5%	49.2%	39.8%	46.1%	45.1%	45.7%	46.0%
EBIT margin	27.0%	30.0%	32.6%	9.3%	23.9%	20.0%	31.3%	16.0%	25.3%	23.4%	23.8%	24.4%
PTP margin	26.9%	30.2%	32.2%	6.1%	20.1%	15.1%	27.1%	10.3%	24.5%	18.7%	19.4%	20.0%
Net profit margin	26.9%	16.7%	32.2%	5.8%	20.1%	4.7%	27.1%	10.3%	21.0%	16.2%	17.5%	17.9%

Source: Company reports (historical), Enlight Research (estimates)

Risk factors

Below is a list of risk factors that we believe are important to highlight given the current environment. It should not be regarded as a complete list of risk factors. Additional risk factors can be found in the listing prospectus.

Sanctions on Russian oil and gas

We do not know how long the expected sanctions on Russian oil and gas will last. We are conservative and forecast the sanctions to last throughout our forecast period 2023-25, which has a significant negative effect on Cargo sales and earnings.

Travel restrictions

All our scenarios assume that travel restrictions will not be re-instated, especially on the most important route, Tallinn-Helsinki. If this assumption is wrong, then our forecast is most likely too optimistic.

Vessel calls resilience

A prolonged multi-year sustained drop in passenger numbers might eventually lead to a significant drop in vessel calls.

Real estate development

The uncertainty with regards to Tallinna Sadam's real estate development must be regarded as high i.e., there is no guarantee that detailed plans will be approved. Nor is there a guarantee that the real estate development will be successful. Furthermore, given the long-time frame, it is impossible to predict the state of the real estate market when the development is done. Our real estate development timeline is based on the Planning Act procedure in Estonia. There is a risk that City of Tallinn departments needs longer time than stated in the Planning Act procedure. Tallinna Sadam has no control of or responsibility if the City of Tallinn follow the legislation.

Severe recession

Our forecast assumes that there will be a mild recession in 2023. If it turns out to be a severe recession, then our forecast is most likely too optimistic.

Income Statement	2021	2022	2023E	2024E	2025E
Net sales	110.1	121.7	117.9	120.8	123.8
Total operating costs	-55.5	-65.6	-64.7	-65.6	-66.9
EBITDA	54.5	56.1	53.2	55.2	56.9
Depreciation & Amort.	-24.8	-25.3	-25.6	-26.4	-26.8
One-off EBIT items	0.0	0.0	0.0	0.0	0.0
EBIT	29.8	30.8	27.6	28.8	30.2
Financial net	-0.9	-1.0	-5.5	-5.4	-5.3
Pre-tax profit	28.9	29.8	22.1	23.4	24.8
Taxes	-3.3	-4.2	-3.0	-2.3	-2.7
Minority interest	0.0	0.0	0.0	0.0	0.0
Other items	0.0	0.0	0.0	0.0	0.0
Net profit	25.6	25.6	19.1	21.1	22.1
Balance Sheet	2021	2022	2023E	2024E	2025E
Cash and cash equivalent	35	44	33	33	33
Receivables	14	7	11	10	10
Inventories	0	1	1	1	1
Other current assets	0	0	0	0	0
Current assets	49	53	45	43	44
Tangible assets	576	564	574	582	586
Goodwill & intangible assets	2	2	2	2	2
Lease & Investment properties	0	0	0	0	0
Investments	2	2	2	2	2
Associated companies	0	0	0	0	0
Other non-current assets	1	0	0	0	0
Total fixed assets	580	569	578	587	590
Total Assets	630	621	623	630	634
Non-interest bearing current liabilities	10	10	10	15	15
Short-term debt	16	16	16	16	16
Other current liabilities	2	10	10	10	10
Total current liabilities	28	35	35	40	40
Long-term debt	187	171	173	170	169
Convertibles & Lease liab.	0	0	0	0	0
Deferred tax liabilities	0	0	0	0	0
Provisions	0	0	0	0	0
Other long-term liabilities	31	31	31	31	31
Total long-term liab.	220	205	206	203	202
Total Liabilities	249	240	241	243	242
Minority interest (BS)	0	0	0	0	0
Shareholders' equity	381	381	382	387	392
Total liabilities and equity	630	621	623	630	634
DCF valuation	Cash flow, mEUR				
WACC (%)	7.39 %	NPV FCF (2023-2025)		52	
Assumptions 2023-2029 (%)		NPV FCF (2026-2032)		206	
Sales CAGR	3.08 %	NPV FCF (2033-)		303	
Avg. EBIT margin	26.94 %	Non-operating assets		26	
Fair value per share (EUR)	1.52	Interest-bearing debt		-187	
Share price (EUR)	1.30	Fair value estimate		400	

Free Cash Flow	2021	2022	2023E	2024E	2025E
Operating profit	29.8	30.8	27.6	28.8	30.2
Depreciation & Amort.	24.8	25.3	25.6	26.4	26.8
Working capital chg.	-3.3	13.3	-4.0	6.5	0.1
Other Operating CF items	-3.4	-4.5	-3.8	-2.8	-3.3
Operating Cash Flow	47.7	65.0	45.4	58.8	53.7
Net investments	-14.2	-13.8	-35.0	-35.0	-30.0
Other items	3.7	0.5	0.0	0.0	0.0
Free Cash Flow	37.3	51.7	10.4	23.8	23.7
Capital structure	2021	2022	2023E	2024E	2025E
Equity ratio	60.5%	61.3%	61.3%	61.4%	61.8%
Debt / Equity ratio	53.4%	49.2%	49.4%	48.0%	47.0%
Gearing %	44.2%	37.5%	40.8%	39.6%	38.5%
Net debt/EBITDA	3.1	2.5	2.9	2.8	2.6

Profitability	2021	2022	2023E	2024E	2025E
ROE	6.8%	6.7%	5.0%	5.5%	5.7%
FCF yield	7.6%	13.8%	3.0%	7.0%	6.9%
EBITDA margin	49.5%	46.1%	45.1%	45.7%	46.0%
EBIT margin	27.0%	25.3%	23.4%	23.8%	24.4%
PTP margin	26.3%	24.5%	18.8%	19.4%	20.1%
Net margin	23.3%	21.0%	16.2%	17.5%	17.9%

Valuation	2021	2022	2023E	2024E	2025E
P/E	19.1	14.6	17.9	16.2	15.4
P/E, adjusted	19.1	14.6	17.9	16.2	15.4
P/Sales	4.4	3.1	2.9	2.8	2.8
EV/Sales	6.0	4.2	4.2	4.1	4.0
EV/EBITDA	12.0	9.2	9.3	9.0	8.6
EV/EBIT	22.1	16.8	18.0	17.2	16.3
P/BV	1.3	1.0	0.9	0.9	0.9
P/BV tangible	1.3	1.0	0.9	0.9	0.9

Per share ratios	2021	2022	2023E	2024E	2025E
EPS	0.10	0.10	0.07	0.08	0.08
EPS, adjusted	0.10	0.10	0.07	0.08	0.08
Operating CF/share	0.18	0.25	0.17	0.22	0.20
Free Cash Flow/share	0.14	0.20	0.04	0.09	0.09
BV/share	1.45	1.45	1.45	1.47	1.49
Tangible BV/share	1.44	1.44	1.44	1.46	1.48
Div. per share	0.10	0.07	0.06	0.06	0.07
Div. payout ratio	99.6%	71.9%	85.0%	80.0%	80.0%
Dividend yield	5.2%	4.9%	4.8%	4.9%	5.2%

Shareholders	Capital	Votes
Estonian State	229.176	67.03 %
EBRD	13.545	3.96 %
SEB Progressiivne PF	6.838	2.00 %
State Street Bank and Trust On.	6.838	2.00 %
LHV Pension fund L	6.838	2.00 %

Key people	
CEO	Valdo Kalm
CFO	Andrus Ait
IR	Marju Zirel
Chairman	Riho Unt

P/E $\frac{\text{Price per share}}{\text{Earnings per share}}$	EPS $\frac{\text{Profit before extraordinary items and taxes – income taxes + minority interest}}{\text{Number of shares}}$
P/Sales $\frac{\text{Market cap}}{\text{Sales}}$	DPS Dividend for financial period per share
P/BV $\frac{\text{Price per share}}{\text{Shareholders' equity + taxed provisions per share}}$	CEPS $\frac{\text{Gross cash flow from operations}}{\text{Number of shares}}$
P/CF $\frac{\text{Price per share}}{\text{Operating cash flow per share}}$	EV/Share $\frac{\text{Enterprise value}}{\text{Number of shares}}$
EV (Enterprise value) Market cap + Net debt + Minority interest at market value – share of associated companies at market value	Sales/Share $\frac{\text{Sales}}{\text{Number of shares}}$
Net debt Interest-bearing debt – financial assets	EBITDA/Share $\frac{\text{Earnings before interest, tax, depreciation and amortization}}{\text{Number of shares}}$
EV/Sales $\frac{\text{Enterprise value}}{\text{Sales}}$	EBIT/Share $\frac{\text{Operating profit}}{\text{Number of shares}}$
EV/EBITDA $\frac{\text{Enterprise value}}{\text{Earnings before interest, tax, depreciation and amortization}}$	EAFI/Share $\frac{\text{Pre-tax profit}}{\text{Number of shares}}$
EV/EBIT $\frac{\text{Enterprise value}}{\text{Operating profit}}$	Capital employed/Share $\frac{\text{Total assets – non-interest-bearing debt}}{\text{Number of shares}}$
Div yield, % $\frac{\text{Dividend per share}}{\text{Price per share}}$	Total assets Balance sheet total
Payout ratio, % $\frac{\text{Total dividends}}{\text{Earnings before extraordinary items and taxes – income taxes + minority interest}}$	Interest coverage (x) $\frac{\text{Operating profit}}{\text{Financial items}}$
Net cash/Share $\frac{\text{Financial assets – interest-bearing debt}}{\text{Number of shares}}$	Asset turnover (x) $\frac{\text{Turnover}}{\text{Balance sheet total (average)}}$
ROA, % $\frac{\text{Operating profit + financial income + extraordinary items}}{\text{Balance sheet total – interest-free short-term debt – long-term advances received and accounts payable (average)}}$	Debt/Equity, % $\frac{\text{Interest-bearing debt}}{\text{Shareholders' equity + minority interest + taxed provisions}}$
ROCE, % $\frac{\text{Profit before extraordinary items + interest expenses + other financial costs}}{\text{Balance sheet total – non-interest-bearing debt (average)}}$	Equity ratio, % $\frac{\text{Shareholders' equity + minority interest + taxed provisions}}{\text{Total assets – interest-free loans}}$
ROE, % $\frac{\text{Profit before extraordinary items – income taxes}}{\text{Shareholders' equity + minority interest + taxed provisions (average)}}$	CAGR, % Cumulative annual growth rate = Average growth rate per year

Disclaimer

Enlight Research OÜ's main valuation methods are discounted cash flow valuation and peer valuation with common multiples such as Price to Earnings, Enterprise Value to EBITDA, dividend yield etc. Aforementioned methods are used to estimate a company's fair value according to the following three scenarios: Bull (positive), Base (main scenario), and Bear (negative).

This report is commissioned by the company covered in this report which means Enlight Research OÜ receives compensation to write research on the company. The compensation is pre-determined and does not depend on the content in the report. This report is not to be considered investment research under MiFID regulations. Enlight Research OÜ does not issue investment recommendations or advice.

This report is for informational purposes only i.e. it should not be considered as an offer to sell or buy. Investors are encouraged to make their own research and not rely solely on this report when making their investment decisions. The decision to invest or not to invest is fully the responsibility of the investor i.e. Enlight Research OÜ takes no responsibility nor gives any guarantees with regards to investment decisions made by investors. Investing in equities entails risk e.g. the price of an equity decreases. Past performance is not a guarantee for future performance.

This report is based on information and sources that Enlight Research OÜ deemed to be reliable. However, Enlight Research OÜ cannot guarantee the accuracy or completeness of the information. All forward-looking statements and financial forecasts entail uncertainty and are subject to change without notice. Enlight Research OÜ accept no liability for any loss or damage resulting from the use of this report.

The analyst(s) writing this report own shares in the company in this report: Yes

The analyst(s) responsible for this report are not allowed to trade in any financial instruments of the company in this report until after the analyst report has been published, or if other conflict of interest exist e.g., advisory related.

Investors should assume that Enlight Research OÜ is seeking, or is performing, or have performed advisory services or other revenue generating services for the company in this report. An analyst's compensation is never directly related to advisory projects. An analyst working on advisory projects will be taken over the "Chinese wall" as soon as relevant regulations and/or guidelines require this.

The document may not be copied, reproduced, distributed, or published to physical or legal entities that are citizens of or domiciled in any country where relevant laws and/or regulations prohibit this.

This report may not be copied, reproduced, distributed, or published other than for personal reasons without written permission by Enlight Research OÜ. To apply for permission, send an email to below address:

ResearchTeam@enlightresearch.net

© Copyright 2019 Enlight Research OÜ



Follow on Twitter

@ResearchEnlight

Contact information

ResearchTeam@EnlightResearch.net