

Cargo throughput stabilizes

Cargo volumes in Tallinna Sadam's (TSM) ports stabilized earlier than we expected and were unchanged in the quarter, following nine consecutive quarterly declines (eight of them double-digit). The important Ferry tender was won and a possible SPO was announced. We increase the Base case Fair value on raised estimates.

Ferry services contract secured

TSM won the government tender to provide ferry services between Estonia's mainland and the two largest islands until Q3/33, which alleviates the risk for lost profits (currently hold this contract). The segment's share of Group EBIT was almost 40% in 2023 with much lower historical volatility compared to other segments i.e., the won tender ensures stable contribution to Group profits until 2033.

Government planning an SPO

The Estonian government has announced plans to reduce its stake from the current 67% to 51% through an SPO, expectedly in H2/25 or 2026. The sale is conditional upon successful investment projects and higher profitability, which lowers the risk for downward pressure on the share price. The exact timing is still to be determined.

Base Case FV raised to EUR 1.45

Due to somewhat higher expected profitability over the explicit forecast period, we increase our Base case Fair value to EUR 1.45/shr. (prev. EUR 1.41), indicating an upside ~30%, complemented by a 6.5% dividend yield

Key figures (MEUR)

	2022	2023	2024E	2025E	2026E
Net sales	121.7	116.6	118.9	123.1	127.0
Net sales growth	10.6%	-4.2%	1.9%	3.6%	3.2%
EBITDA	56.1	50.0	53.5	55.6	57.5
EBITDA margin	46.1%	42.9%	45.0%	45.2%	45.3%
EBIT	30.8	24.6	28.7	30.0	31.5
EBIT margin	25.3%	21.1%	24.2%	24.4%	24.8%
EV/Sales	4.2	3.8	3.7	3.6	3.5
EV/EBITDA	9.2	8.8	8.2	8.0	7.8
EV/EBIT	16.8	17.8	15.3	14.8	14.2
P/E adj.	14.6	18.7	15.2	14.3	13.3
P/BV	1.0	0.8	0.8	0.8	0.8
EPS adj.	0.10	0.06	0.07	0.08	0.08
EPS growth adj.	-0.08%	-37.94%	21.33%	6.85%	7.29%
Div. per share	0.07	0.07	0.07	0.07	0.07
Dividend yield	5.13%	6.46%	6.49%	6.49%	6.49%

Source: Company data, Enlight Research estimates

Fair value range (EUR)

Bull (term. EBIT marg. 35%)	1.73
Base (term. EBIT marg. 30%)	1.45
Bear (term. EBIT marg. 25%)	1.16

Key Data

Price (EUR)	1.11
Ticker	TSM1T
Country	Estonia
Listed	Tallinn

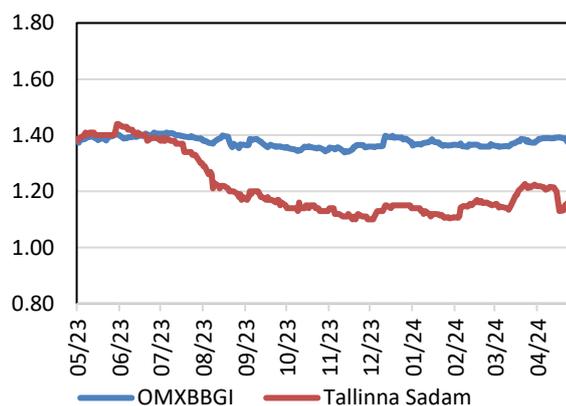
Market Cap (EURm) 294

Net debt (EURm)* 148

Shares (m) 263.0

Free float 33 %

*Estimated year-end Net debt



Price range

52-week high	1.44
52-week low	1.10

Analyst

ResearchTeam@enlightresearch.net

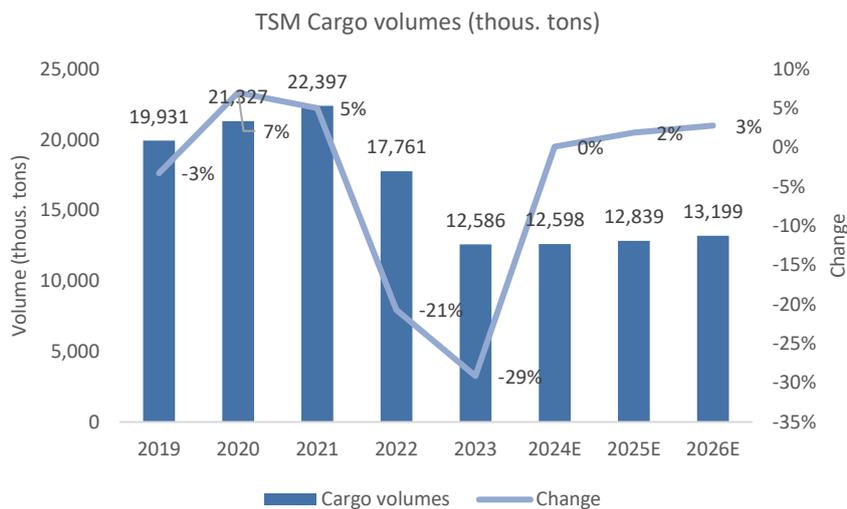
Coverage frequency

4x per year

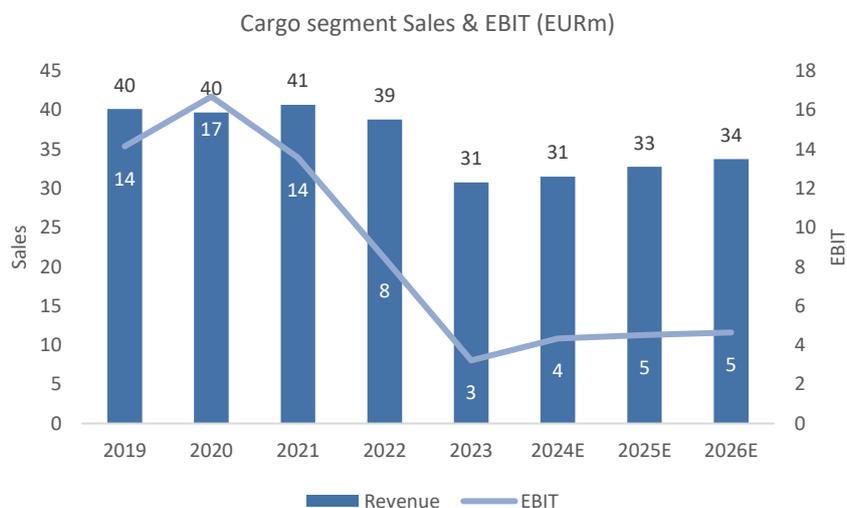
Key takeaways

Cargo volumes stabilize

In our previous report (dated April 3, 2024) we wrote that we expected cargo volumes to stabilize in H2/24 – there were signs that this occurred already in Q1/24, despite liquefied petroleum gas dropping to zero due to additional sanctions imposed on Russia. Therefore, the Q1/24 unchanged y-on-y cargo volume accompanied by a 2.8% increase in vessel calls came as a positive surprise. The battered liquid bulk category (-34.7% y-on-y) has become so small in the overall cargo mix that its impact going forward will be rather limited (was 10% of Q1/24 volumes vs. 43% in 2021). Ro-ro has replaced liquid bulk as the dominant cargo category with a 55% share in Q1/24, which we believe is positive given its historical resilience with increased volumes in eight of the last nine years. For the full-year 2024, we forecast unchanged Cargo volumes followed by a 1.9% growth in 2025, and 2.8% growth in 2026. Our 2024 Cargo Harbours Sales and EBIT are expected to increase 2.4% to EUR 31.5m and 34.8% to EUR 4.3m (13.8% margin vs. 10.5% in 2023), respectively.



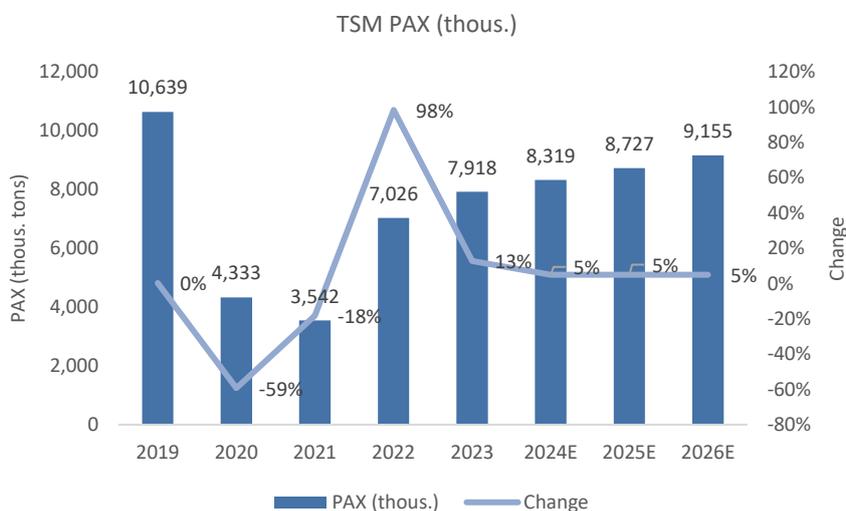
Source: Company reports (historical), Enlight Research (estimates)



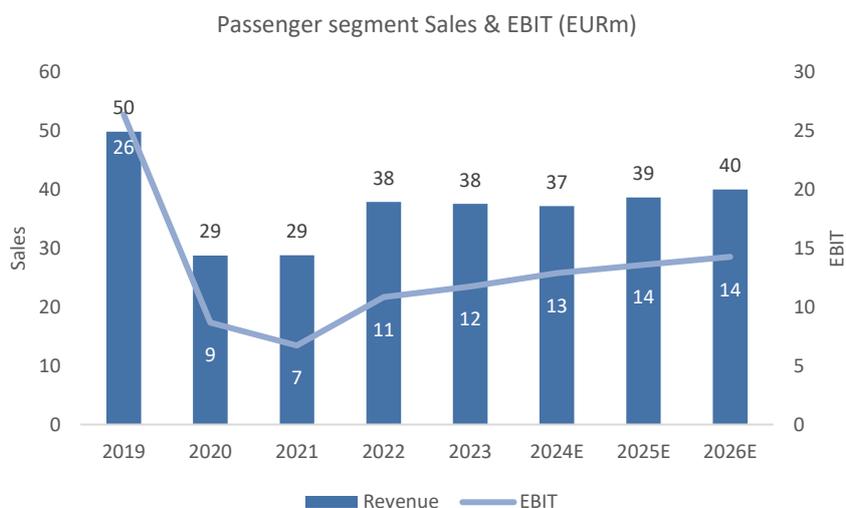
Source: Company reports (historical), Enlight Research (estimates)

Passenger recovery proceed as expected

The number of passengers grew by 4.9% y-on-y in Q1/24 – roughly in line with our expectations. The number of PAX vessel calls dropped by 7.1% or 99 y-on-y to 1,298, mainly due to dry docking of one ship operated by Eckero Line. The Q1/24 PAX fees increased 5.0% to EUR 2.2m (in line with pax growth). However, the Passenger Harbour segment Q1/24 sales declined 6.0% as the Vessel calls declined. Despite the lower Sales, the Q1/24 Passenger Harbour EBIT increased 24% y-on-y to EUR 1.5m (margin improved to 19.8% from 15.0% in Q1/23). We find it encouraging that the profit can increase despite lower vessel calls. For the full-year 2024, we forecast Passenger Harbour Sales to decrease 1% to EUR 37.2m while the EBIT is expected to increase 9.6% to EUR 12.9m (margin improvement to 34.6% from 31.3% in 2023). In 2025, and 2026, we forecast the Passenger segment to grow in terms of Revenues as well (3-4%), based on an expected 1-2% increase in vessel calls.



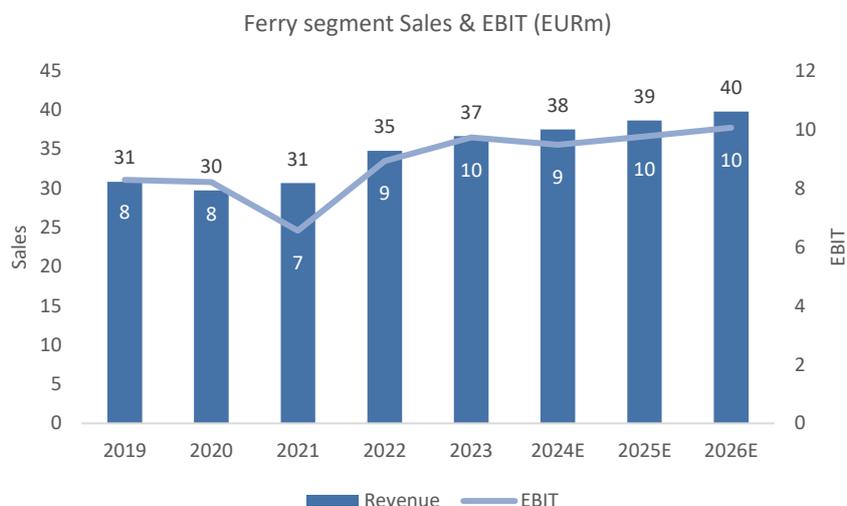
Source: Company reports (historical), Enlight Research (estimates)



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

Government contract secured, Botnica will remain busy

Tallinna Sadam secured a 7-year contract with the Estonian government to provide ferry services between Estonia's mainland and its two largest islands until 2033, effectively prolonging its current contract that expire in Q3/26. We believe the conditions are comparable to the current agreement. The exclusive nature of the contract along with its inflation indexation has been crucial to offset the Cargo decline. Since 2019, the Ferry segment EBIT has been steady at EUR 7-9m. We do not change our forecasts due to the won tender as we assumed it would happen. However, the positive outcome significantly improves risk/reward in the share, in our opinion. As other segments are on the recovery path, we project the share of Ferry segment Sales and EBIT as a percentage of the Group total to stabilize at around 31-32% in 2024-2026. We are encouraged to see the Ferry segment continue as a stabilizing force for Tallinna Sadam's financial performance. Other important developments in Q1 which will also contribute to Tallinna Sadam's financial performance stability are charter agreements to rent out Tallinna Sadam's multifunctional icebreaker Botnica. The company signed a 5-year contract extension (for 2024-2028) with Baffinland Iron Mines, which contains annual call options to charter the ship for at least 60 days per year from September to December. Botnica's schedule during the summer period is also set to be busy, as Tallinna Sadam signed an agreement with BP Exploration Operating Company Ltd for chartering the icebreaker from May to July 2024 with the option to extend the term until 5 August (which adds up to a total of up to 94 days). Based on our estimates, depending on the clients' decisions with regard to the duration of charters, it would be realistic to expect annual revenue upwards of EUR 7m from the two contracts.



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

State looking to sell down

In its Q1/24 results presentation on 10 May 2024, Tallinna Sadam announced that the main shareholder, the Estonian Ministry of Climate, is planning a secondary public offering (SPO), that could reduce its current stake from 67% to 51%. A reduction to 51% corresponds to a sale of 42.2m shares equal to 16.03% of the capital. At the current share price of EUR 1.12, the transaction value would be EUR 47m. In our view, placing EUR 47m of Tallinna Sadam shares would be tough in today's market. However, the State's timeline is expectedly H2 next year or even 2026 when and if the profitability has been restored (driven by an economic recovery and successful

new investment projects e.g. windfarm quay, LNG terminal services, real estate development).

SPO	Pre-SPO	SPO	Post-SPO
Shares (m)	176.3	42.2	134.1
Percent	67.03%	16.03%	51.00%
Current share price (EUR)	1.11	1.11	1.11
Total value (EURm)	195	47	149

Source: Estonian Depository (pre-SPO), Enlight Research (SPO, Post-SPO)

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 Ferry contracts), which results in less revenue volatility
- Tallinna Sadam's fixed revenue monopoly State contracts for domestic ferry and icebreaker services provide resilience in economic downturns
- Tallinna Sadam has better revenue diversification (short-term & long-term pax, cargo, domestic ferry, icebreaker)

We believe above differences justify a Tallinna Sadam premium vs. the Seaport peers, which is also the case (Tallinna Sadam EV/EBITDA 2024E multiple is 8.2x vs. 7.8x for the Seaport peers equal to a 6% premium). In our view, Tallinna Sadam deserves to be traded more towards the airport peers who trade at a 18% premium to Tallinna Sadam (9.7x vs. 8.2x) based on the 2024E EV/EBITDA. Worth noting is that Tallinna Sadam's forecast dividend yield of around 6.6% in the forecast period of 2024-26 is superior to both the Airport and the Seaport peers.

Seaport peers

Company	Ticker	Ccy	Price (last)	Mcap (m) (last)	EV (m) (last)	EV/EBITDA 2023	EV/EBITDA 2024E	EV/EBITDA 2025E	EV/EBITDA 2026E	Div. yield 2023	Div. yield 2024E	Div. yield 2025E	Div. yield 2026E
Global Ports Holding PLC	GPH	USD	2.63	201	859	11.8	8.3	6.3	6.0	na	na	na	na
Hamburger Hafen und Logistik AG	HHFA	EUR	16.99	1,278	2,337	8.1	7.2	6.0	na	0.0%	1.8%	3.8%	na
Luka Koper	LKPG	EUR	34.50	483	512	5.6	na	na	na	5.8%	0.0%	0.0%	0.0%
Average				654	1,236	8.5	7.8	6.1	6.0	2.9%	0.9%	1.9%	0.0%

Airport peers

Company	Ticker	Ccy	Price (last)	Mcap (m) (last)	EV (m) (last)	EV/EBITDA 2023	EV/EBITDA 2024E	EV/EBITDA 2025E	EV/EBITDA 2026E	Div. yield 2023	Div. yield 2024E	Div. yield 2025E	Div. yield 2026E
Aena	AENA	EUR	177.90	26,685	32,225	10.7	9.7	9.3	8.9	0.0%	5.2%	5.5%	5.8%
Aéroports de Paris SA	ADP	EUR	127.30	12,598	20,838	10.7	10.4	9.5	9.1	3.0%	2.6%	3.2%	3.5%
Fraport AG	FRA	EUR	51.18	4,729	12,889	10.7	9.6	8.8	8.3	0.0%	0.0%	2.4%	3.7%
Flughafen Wien AG	FLU	EUR	49.20	4,127	3,765	9.6	9.0	8.3	8.0	2.7%	3.0%	3.4%	3.7%
Flughafen Zurich	FHZN	CHF	190.30	5,842	7,232	10.7	9.9	9.3	9.0	0.0%	2.9%	3.0%	3.3%
Average				10,796	15,390	10.5	9.7	9.0	8.7	1.1%	2.8%	3.5%	4.0%
Tallinna Sadam	TSM	EUR	1.11	291	439	8.8	8.2	8.0	7.7	6.5%	6.6%	6.6%	6.6%

Source: MarketScreener (consensus), Enlight Research (Tallinna Sadam), Prices from 22 May 2024

DCF valuation

We increase our Base case DCF Fair value per share to EUR 1.45 (prev. 1.41), implying an upside of around 31%. Our Bear and Bull case indicate a share price of EUR 1.16 (prev. 1.11), and EUR 1.73 (prev. 1.70), 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	7.7%	7.7%	7.7%
Terminal sales growth	2.5%	2.5%	2.5%
Terminal EBIT margin	25.0%	30.0%	35.0%
Fair Value per share	1.16	1.45	1.73
Upside/Downside (last price)	5%	31%	56%

Source: Enlight Research, based on a share price of EUR 1.12

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
Equity beta	1.10	0.10	0.60	0.70	0.80	0.90	1.00	1.10	1.20	1.30	1.40	1.50	1.60
<i>Fair value (DCF)</i>	1.45		1.99	1.86	1.74	1.63	1.53	1.45	1.37	1.29	1.22	1.16	1.10
Target debt ratio (D/D+E)	48.0 %	3.0 %	33%	36%	39%	42%	45%	48%	51%	54%	57%	60%	63%
<i>Fair value (DCF)</i>	1.45		1.14	1.19	1.25	1.31	1.37	1.45	1.52	1.61	1.70	1.80	1.91
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>	1.45		1.84	1.75	1.66	1.59	1.51	1.45	1.38	1.33	1.27	1.22	1.17

Source: Enlight Research

Estimate deviations

The Q1/24 Group Net sales was 4.8% or EUR 1.4m below forecast, while EBITDA was 18.0% or EUR 2.0m above our expectations, as considerably lower operating expenses resulted in higher margins. The Pre-tax and Net profit were both EUR 2.1m above the estimate (70% above forecast).

Group deviation table

Income statement	Q1/24	Q1/24	Deviation	
	Estimate	Outcome	EURm	%
Net sales	29.352	27.931	-1.4	-4.8%
Other income	0.350	0.358	0.0	2.3%
Total revenue	29.702	28.289	-1.4	-4.8%
Operating expenses	-12.525	-9.212	3.3	-26.5%
Personnel expenses	-5.870	-5.908	0.0	0.6%
Other expenses	-0.147	-0.132	0.0	-10.1%
Non-recurring income/expenses		0.000	0.0	nm
<i>Total OpEx excluding depreciation</i>	<i>-18.542</i>	<i>-15.252</i>	<i>3.3</i>	<i>-17.7%</i>
EBITDA	11.160	13.037	1.9	16.8%
Depreciation and amortisation	-6.300	-6.036	0.3	-4.2%
EBIT	4.860	7.001	2.1	44.1%
Interest income		0.267	0.3	nm
Interest expenses		-2.090	-2.1	nm
Other financial items (assoc.)	0.100	0.015	-0.1	-85.0%
<i>Financial net</i>	<i>-1.800</i>	<i>-1.823</i>	<i>0.0</i>	<i>1.3%</i>
Pre-tax profit	3.060	5.193	2.1	69.7%
Tax		0.000	0.0	nm
Other		0.000	0.0	nm
Net profit	3.060	5.193	2.1	69.7%

Sales growth	Q1/24	Q1/24	Deviation	
	Estimate	Outcome	EURm	%-pts
Sales growth y-on-y	3.3%	-1.7%	nm	-5.0

Margins	Q1/24	Q1/24	Deviation	
	Estimate	Outcome	EURm	%-pts
EBITDA margin	38.0%	46.7%	na	8.7
EBIT margin	16.6%	25.1%	na	8.5
PTP margin	10.4%	18.6%	na	8.2
Net profit margin	10.4%	18.6%	na	8.2

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

Estimate changes

We lower our Sales estimates by around 2% for 2024 and 1% for 2025 and 2026, while our EBITDA is raised by 1-3% for the period. Our EBIT and Net profit estimates are raised by around 5% and 7%, respectively for the forecast period 2024-26. We leave our Dividend forecast unchanged at EUR 0.07 per share per annum in 2024-26.

Estimate changes			
Sales (EURm)	2024E	2025E	2026E
Old estimate	121.0	124.4	128.1
New estimate	118.9	123.1	127.0
Change	-2.1	-1.2	-1.1
Change (pct)	-1.8%	-1.0%	-0.8%
EBITDA (EURm)	2024E	2025E	2026E
Old estimate	52.8	54.3	59.25%
New estimate	53.5	55.6	57.5
Change	0.7	1.4	1.6
Change (pct)	1.3%	2.5%	2.9%
EBIT (EURm)	2024E	2025E	2026E
Old estimate	27.5	28.7	29.89.8%
New estimate	28.7	30.0	31.5
Change	1.3	1.3	1.6
Change (pct)	4.6%	4.7%	5.3%
Net profit (EURm)	2024E	2025E	2026E
Old estimate	18.0	19.2	20.37.3%
New estimate	19.3	20.6	22.1
Change	1.2	1.4	1.7
Change (pct)	6.8%	7.4%	8.3%
Dividend (EUR)	2024E	2025E	2026E
Old estimate	0.07	0.07	7.3%
New estimate	0.07	0.07	0.07
Change	0.00	0.00	0.0
Change (pct)	0.0%	0.0%	0.0%

Source: Enlight Research

Quarterly and Full-year Forecast

Sales forecast by segment

(EURm)	Q1/23	Q2/23	Q3/23	Q4/23	Q1/24	Q2/24E	Q3/24E	Q4/24E	2023	2024E	2025E	2026E
Passenger harbours	8.0	10.0	10.7	8.8	7.5	9.9	10.7	9.0	37.5	37.2	38.6	40.0
Growth y-on-y	33%	-7%	-17%	8%	-6%	-1%	-1%	3%	-1%	-1%	4%	4%
Cargo harbours	7.9	7.7	7.2	8.0	7.8	7.9	7.4	8.4	30.8	31.5	32.7	33.7
Growth y-on-y	-18%	-22%	-23%	-19%	-2%	3%	3%	6%	-21%	2%	4%	3%
Ferry	8.4	9.4	10.4	8.5	8.6	9.6	10.7	8.6	36.6	37.5	38.6	39.8
Growth y-on-y	13%	6%	2%	2%	2%	3%	3%	2%	5%	2%	3%	3%
Other	4.0	1.7	3.1	2.8	4.1	1.9	3.4	3.4	11.7	12.7	13.1	13.5
Growth y-on-y	10%	80%	-17%	49%	1%	8%	9%	19%	14%	9%	3%	3%
Total	28.4	28.8	31.4	28.0	27.9	29.4	32.2	29.4	116.6	118.9	123.1	127.0
Growth y-on-y	6.1%	-5.2%	-13.5%	-0.8%	-1.7%	2.0%	2.3%	5.0%	-4.2%	1.9%	3.6%	3.2%

EBIT forecast by segment

(EURm)	Q1/23	Q2/23	Q3/23	Q4/23	Q1/24	Q2/24E	Q3/24E	Q4/24E	2023	2024E	2025E	2026E
Passenger harbours	1.2	3.9	4.3	2.4	1.5	4.0	4.3	3.1	11.7	12.9	13.6	14.3
Margin	15%	38%	40%	27%	20%	40%	41%	34%	31.3%	34.6%	35.1%	35.6%
Cargo harbours	1.2	1.1	0.5	0.3	1.6	0.9	1.0	0.8	3.2	4.3	4.5	4.6
Margin	16%	15%	7%	4%	21%	12%	13%	9%	10.5%	13.8%	13.8%	13.8%
Ferry	2.4	2.7	3.1	1.5	2.0	2.8	3.2	1.5	9.7	9.5	9.8	10.1
Margin	28%	29%	30%	18%	23%	29%	30%	17%	26.5%	25.3%	25.3%	25.3%
Other	2.0	-2.0	-0.5	0.4	1.9	-0.6	0.3	0.4	-0.1	2.0	2.1	2.5
Margin	49%	-113%	-15%	15%	46%	-30%	10%	12%	-0.5%	15.9%	16.4%	18.7%
Total	6.8	5.8	7.4	4.6	7.0	7.2	8.8	5.7	24.6	28.7	30.0	31.5
Margin	23.9%	20.0%	23.7%	16.5%	25.1%	24.4%	27.5%	19.5%	21.1%	24.2%	24.4%	24.8%

Group forecast

(EURm)	Q1/23	Q2/23	Q3/23	Q4/23	Q1/24	Q2/24E	Q3/24E	Q4/24E	2023	2024E	2025E	2026E
Net sales	28.4	28.8	31.4	28.0	27.9	29.4	32.2	29.4	116.6	118.9	123.1	127.0
Other income	0.3	0.5	0.4	1.0	0.4	0.4	0.4	0.4	2.2	1.5	1.5	1.5
Total revenue	28.7	29.3	31.8	29.0	28.3	29.7	32.5	29.9	118.9	120.4	124.6	128.5
Expenses	-14.9	-17.4	-18.2	-18.3	-15.3	-16.2	-17.4	-18.0	-68.8	-66.9	-69.0	-71.0
EBITDA	13.8	11.9	13.6	10.7	13.0	13.5	15.1	11.9	50.0	53.5	55.6	57.5
Depr. & Amort.	-7.0	-6.2	-6.1	-6.0	-6.0	-6.3	-6.3	-6.1	-25.4	-24.8	-25.6	-26.1
EBIT	6.8	5.8	7.4	4.6	7.0	7.2	8.8	5.7	24.6	28.7	30.0	31.5
Financial net	-1.1	-1.4	-1.5	-1.8	-1.8	-1.7	-1.6	-1.6	-5.8	-6.7	-6.8	-6.7
Pre-tax profit	5.7	4.3	6.0	2.9	5.2	5.5	7.5	4.2	18.9	22.4	23.6	25.1
Tax	0	-3.0	0	0.0	0.0	-3.1	0.0	0.0	-3.0	-3.1	-3.1	-3.1
Net profit	5.7	1.4	6.0	2.9	5.2	2.4	7.5	4.2	15.9	19.3	20.6	22.1

Sales growth

	Q1/23	Q2/23	Q3/23	Q4/23	Q1/24	Q2/24E	Q3/24E	Q4/24E	2023	2024E	2025E	2026E
sequential	0.6%	1.3%	9.2%	-10.8%	-0.4%	5.1%	9.5%	-8.5%	na	na	na	na
y-on-y	6.1%	-5.2%	-13.5%	-0.8%	-1.7%	2.0%	2.3%	5.0%	-4.2%	1.9%	3.6%	3.2%

Margins

	Q1/23	Q2/23	Q3/23	Q4/23	Q1/24	Q2/24E	Q3/24E	Q4/24E	2023	2024E	2025E	2026E
EBITDA margin	48.7%	41.5%	43.2%	38.0%	46.7%	45.9%	47.0%	40.3%	42.9%	45.0%	45.2%	45.3%
EBIT margin	23.9%	20.0%	23.7%	16.5%	25.1%	24.4%	27.5%	19.5%	21.1%	24.2%	24.4%	24.8%
PTP margin	20.1%	15.1%	19.0%	10.2%	18.6%	18.8%	23.3%	14.3%	16.2%	18.8%	19.2%	19.8%
Net profit margin	20.1%	4.7%	19.0%	10.2%	18.6%	8.1%	23.3%	14.3%	13.6%	16.2%	16.7%	17.4%

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

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

There is a great deal of uncertainty related to Western sanctions imposed on Russia and Belarus. We assume that the sanctions will last throughout our forecast period 2024-2026 (and most likely longer) which makes a sudden recovery of cargo throughput highly unlikely.

Economic downturn

The current economic downturn has a negative effect on the cargo volumes. A prolonged or an even deeper economic downturn could affect the cargo traffic significantly.

Cruise ship recovery

The cruise ship traffic to Tallinn Port is largely dependent on St. Petersburg being part of the route. As long as the Russia – Ukraine war is ongoing, it is very unlikely that St. Petersburg will be part of the Cruise ship route.

Vessel calls resilience

A prolonged multi-year sustained drop in passenger numbers might eventually lead to a significant drop in vessel calls. This has already taken place as Tallink has elected to charter out a large part of their fleet.

Real estate development

The uncertainty related to Tallinna Sadam's real estate development must be regarded as fairly high, as the detailed planning process may take longer than expected. Our real estate development timeline is based on the Planning Act procedure in Estonia. There is a risk that City of Tallinn municipality will need a longer period of time than stated in the Planning Act procedure. Furthermore, given the long-time frame, it is very hard to foresee the state of the real estate market when the development phase finally begins. Given the sheer size of Tallinna Sadam's property, oversaturation of Tallinn's real estate market is a real possibility unless the development is done in a gradual manner.

Income Statement	2022	2023	2024E	2025E	2026E
Net sales	121.7	116.6	118.9	123.1	127.0
Total operating costs	-65.6	-66.6	-65.4	-67.5	-69.5
EBITDA	56.1	50.0	53.5	55.6	57.5
Depreciation & Amort.	-25.3	-25.4	-24.8	-25.6	-26.1
One-off EBIT items	0.0	0.0	0.0	0.0	0.0
EBIT	30.8	24.6	28.7	30.0	31.5
Financial net	-1.0	-5.8	-6.3	-6.4	-6.3
Pre-tax profit	29.8	18.9	22.4	23.6	25.1
Taxes	-4.2	-3.0	-3.1	-3.1	-3.1
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	15.9	19.3	20.6	22.1
Balance Sheet	2022	2023	2024E	2025E	2026E
Cash and cash equivalent	44	30	32	33	34
Receivables	7	12	11	8	8
Inventories	1	1	1	1	1
Other current assets	0	0	0	0	0
Current assets	53	42	43	42	43
Tangible assets	564	559	570	579	584
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	0	0	0	0	0
Total fixed assets	569	564	574	583	588
Total Assets	621	606	617	625	631
Non-interest bearing current liabilities	10	11	14	15	15
Short-term debt	16	14	15	15	15
Other current liabilities	10	8	8	8	8
Total current liabilities	35	34	37	38	39
Long-term debt	171	158	165	171	173
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	36	36	36	36
Total long-term liab.	205	195	203	208	211
Total Liabilities	240	229	240	246	249
Minority interest (BS)	0	0	0	0	0
Shareholders' equity	381	378	378	379	382
Total liabilities and equity	621	606	617	625	631
DCF valuation	Cash flow, mEUR				
WACC (%)	7.67 %	NPV FCF (2023-2025)		54	
Assumptions 2023-2029 (%)		NPV FCF (2026-2032)		197	
Sales CAGR	3.62 %	NPV FCF (2033-)		291	
Avg. EBIT margin	25.37 %	Non-operating assets		11	
Fair value per share (EUR)	1.45	Interest-bearing debt		-171	
Share price (EUR)	1.12	Fair value estimate		382	

Free Cash Flow	2022	2023	2024E	2025E	2026E
Operating profit	30.8	24.6	28.7	30.0	31.5
Depreciation & Amort.	25.3	25.4	24.8	25.6	26.1
Working capital chg.	13.3	-4.3	4.3	3.2	0.2
Other Operating CF items	-4.5	-4.0	-4.1	-4.0	-3.9
Operating Cash Flow	65.0	41.7	53.7	54.9	53.8
Net investments	-13.8	-20.5	-35.0	-35.0	-31.0
Other items	0.5	4.0	0.0	0.0	0.0
Free Cash Flow	51.7	25.2	18.7	19.9	22.8
Capital structure	2022	2023	2024E	2025E	2026E
Equity ratio	61.3%	62.3%	61.2%	60.6%	60.5%
Debt / Equity ratio	49.2%	45.4%	47.6%	49.0%	49.4%
Gearing %	37.5%	37.5%	39.1%	40.2%	40.4%
Net debt/EBITDA	2.5	2.8	2.8	2.7	2.7
Profitability	2022	2023	2024E	2025E	2026E
ROE	6.7%	4.2%	5.1%	5.4%	5.8%
FCF yield	13.8%	8.5%	6.4%	6.8%	7.8%
EBITDA margin	46.1%	42.9%	45.0%	45.2%	45.3%
EBIT margin	25.3%	21.1%	24.2%	24.4%	24.8%
PTP margin	24.5%	16.2%	18.8%	19.2%	19.8%
Net margin	21.0%	13.6%	16.2%	16.7%	17.4%
Valuation	2022	2023	2024E	2025E	2026E
P/E	14.6	18.7	15.2	14.3	13.3
P/E, adjusted	14.6	18.7	15.2	14.3	13.3
P/Sales	3.1	2.5	2.5	2.4	2.3
EV/Sales	4.2	3.8	3.7	3.6	3.5
EV/EBITDA	9.2	8.8	8.2	8.0	7.8
EV/EBIT	16.8	17.8	15.3	14.8	14.2
P/BV	1.0	0.8	0.8	0.8	0.8
P/BV tangible	1.0	0.8	0.8	0.8	0.8
Per share ratios	2022	2023	2024E	2025E	2026E
EPS	0.10	0.06	0.07	0.08	0.08
EPS, adjusted	0.10	0.06	0.07	0.08	0.08
Operating CF/share	0.25	0.16	0.20	0.21	0.20
Free Cash Flow/share	0.20	0.10	0.07	0.08	0.09
BV/share	1.45	1.44	1.44	1.44	1.45
Tangible BV/share	1.44	1.43	1.43	1.43	1.44
Div. per share	0.07	0.07	0.07	0.07	0.07
Div. payout ratio	75.0%	120.9%	99.6%	93.3%	87.0%
Dividend yield	5.1%	6.5%	6.5%	6.5%	6.5%
Shareholders	Capital		Votes		
Estonian State	196.738		67.03 %		
EBRD	10.435		3.56 %		
SEB Pensionifond 55+	7.236		2.47 %		
LHV Pension fund L	5.241		1.79 %		
Interactive Brokers Clients	1.956		0.67 %		
SEB Banka AS	1.749		0.60 %		
SEB Pensionifond 18+	1.613		0.55 %		
AB SEB Bankas	1.522		0.52 %		
Swedbanki Pension 1970-79	1.445		0.49 %		
Key people					
CEO	Valdo Kalm				
CFO	Andrus Ait				
IR	tba				
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

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