

## A New Era of Dividends

**East West Agro (EWA) is the exclusive Lithuanian distributor of the world renowned tractor brand Massey Ferguson (MF). EWA has established MF as the top tractor brand in Lithuania together with John Deere. After repaying debt, EWA is entering a new era of dividends.**

### Exclusive agreement

EWA has been the exclusive Lithuanian distributor of MF tractors since 2015 (agreement was renewed in 2019). Given the strong track record from establishing MF as one of the leading brands in Lithuania, we believe it is safe to assume EWA will keep the MF distribution agreement.

### From debt to cash

In 2020, an expensive MBO loan was fully repaid with help of a EUR 1.5m bond issue resulting in a lowering of the loan interest rate from ~17% to 12%. In 2021, the bond was redeemed early as the company no longer had a need for a loan. This means EWA's annual interest expenses have been reduced from ~0.6m (about half of EBIT) to zero. At the end of 2021, the company had EUR 3.4m in net cash, which paves the way for attractive dividends.

### Strong dividend outlook

For 2021, we forecast a dividend of EUR 0.50/shr equal to a 4.0% yield. We estimate an additional EUR 0.10/shr in dividends in 2022, and 2023, indicating a yield of 4.9% and 5.7%, respectively. Our Base case motivated share price is EUR 20.00, while our Bear and Bull case share price are EUR 14.51 and EUR 25.49, respectively.

### Key figures (MEUR)

	2020	2021	2022E	2023E	2024E
Net sales	29.4	35.6	39.7	43.6	46.3
Net sales growth	63.8%	20.9%	11.8%	9.8%	6.0%
EBITDA	2.7	3.3	3.6	3.7	3.9
EBITDA margin	9.2%	9.3%	9.1%	8.4%	8.4%
EBIT	1.9	2.6	2.9	3.2	3.4
EBIT margin	6.4%	7.3%	7.4%	7.3%	7.5%
EV/Sales	0.3	0.3	0.2	0.2	0.1
EV/EBITDA	2.9	3.5	2.1	1.9	1.4
EV/EBIT	4.1	4.4	2.5	2.2	1.5
P/E adj.	5.3	6.5	5.1	4.7	4.3
P/BV	1.0	1.8	1.3	1.1	0.9
EPS adj.	1.20	2.05	2.50	2.70	2.93
EPS growth adj.	-236.34%	70.07%	21.96%	7.90%	8.71%
Div. per share	0.35	0.50	0.60	0.70	0.80
Dividend yield	5.47%	3.94%	4.88%	5.69%	6.50%

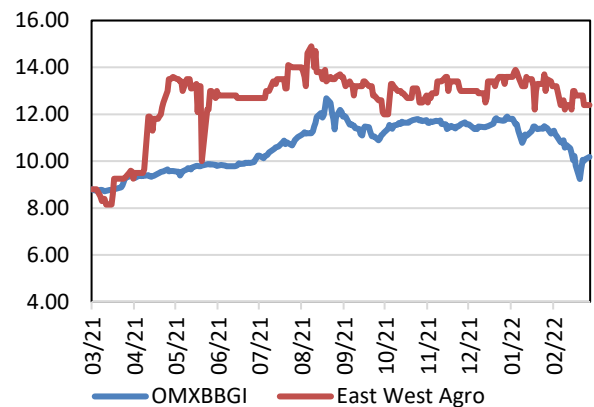
Source: Company data, Enlight Research estimates

### Fair value range (EUR)

Bull (term EBIT marg. 8.5%)	25.49
Base (term EBIT marg. 6.0%)	20.00
Bear (term EBIT marg. 3.5%)	14.51

### Key Data

Price (EUR)	12.30
Ticker	EWA1L
Country	Lithuania
Listed	FN Lithuania
Market Cap (EURm)	12.3
Net debt (EURm)	-2.0
Shares (m)	1.0
Free float	13%



### Price range

52-week high	14.90
52-week low	8.15

### Analyst

ResearchTeam@enlightresearch.net

### Coverage frequency

On Demand

## Company description

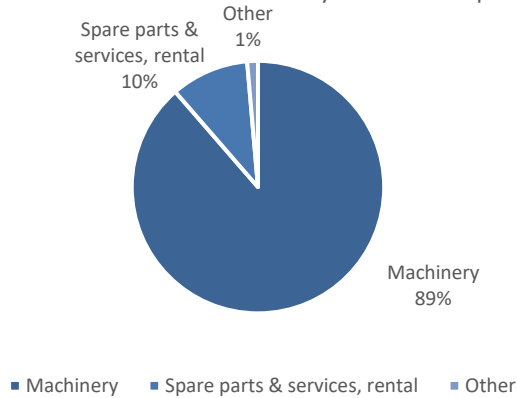
### History

East West Agro (EWA) was established in 2006 – the main activity then was the supply of spare parts for agricultural machinery. In 2008, EWA signed a non-exclusive cooperation agreement with one of the leading agricultural machinery manufacturers in the world, AGCO (manufacturer of Massey Ferguson tractors). In 2015, EWA signed an exclusive distribution agreement for the distribution of Massey Ferguson (MF) tractors in Lithuania (taking over the MF distribution rights from Baltic Agro who also represent the competing brand, CLAAS). The same year, the current management, and main shareholders, Gediminas Kvietkauskas and Danas Sidlauskas, did a management buyout (MBO) with the help of a loan from Practica Venture Capital (bought 51% stake from Kauno Grudai and became 100% owners of EWA). In 2017, EWA was listed on the Nasdaq Baltic First North. Today, EWA is established as the number one or two tractor distributors in Lithuania.

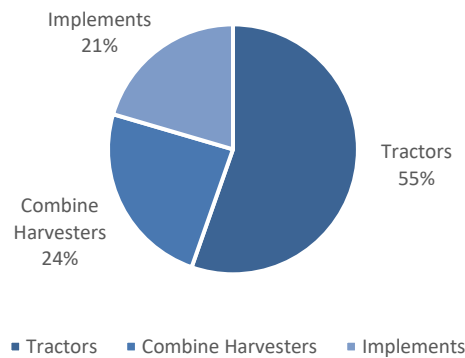
### Products and Services

The main products are MF agricultural tractors and harvesters. Other agri machinery such as e.g., mowers, feed distributors, and loaders as well as grain storage equipment are also part of the product offer. Agri machinery spare parts and service maintenance/repair is a key part of the offer as the revenues are recurring and grows together with the active machine park. Between the years 2016 to 2021, the share of group sales from spare parts & services increased from 5% to 10%. As a result of the trade-in business (buying used machine when selling a new machine), the company offers used machinery for sale and for rent.

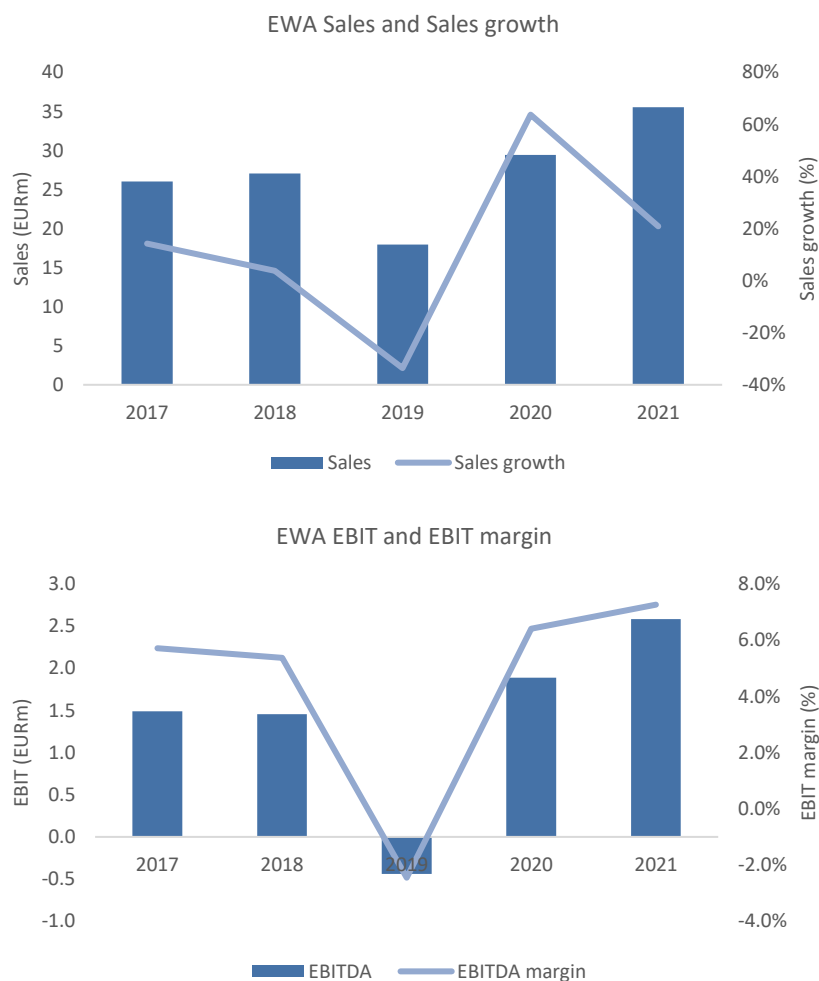
2021 Revenue distribution by Product Group



2021 Machinery distribution revenue by type



Source: Company reports



Source: Enlight Research

### Management Board

The company’s Management Board consist of three people who serve for a 4-year period. The Management Board appoints the General Manager (CEO). Currently, the Management Board consists of the two co-founders and main owners, Danas Sidlauskas (Chairman of the Board), and Gediminas Kvietkauskas (also General Manager of the company). The third member, Linas Strelis, is independent (also on the board of Vilkyskiu Pienine and Umega).

### Shareholders

The co-founders Danas Sidlauskas and Gediminas Kvietkauskas, are the biggest shareholders with almost 40% shareholding each. The third largest shareholder is the Lithuanian Multi Asset Selection Fund (part of Orion). The free float in the company is 13% excluding the Multi Asset Selection Fund holding.

Shareholders	Ownership (%)	No. shares (m)
Danas Sidlauskas	39.8%	0.398
Gediminas Kvietkauskas	39.6%	0.396
Multi Asset Selection Fund	8.0%	0.080
Free float	12.6%	0.126
<b>Total</b>	<b>100.0%</b>	<b>1.000</b>

Source: Nasdaq Baltic on 8 Feb 2022

## Key Investment Factors

### Proven agreement with leading global brand

East West Agro (EWA) has held the exclusive distribution agreement for the tractor brand, Massey Ferguson (MF), in Lithuania since 2015. The MF tractor brand, which belongs to the US agri machinery manufacturer AGCO, is regarded as one of the top five tractor brands in the world together with e.g., John Deere, New Holland, Case, Kubota, and CLAAS. In 2017, EWA won MF’s “Business Achievement Award” for the fastest growth in Europe. In 2019, the Company renewed its MF distribution agreement until at least 2024 ensuring exclusivity in Lithuania. In our view, the fact that EWA has successfully held the MF distribution agreement in Lithuania since 2015, including a renewal in 2019, means there is minimal risk of losing the agreement.

Top global tractor manufacturers and respective brand names (in no order)

Manufacturer	Tractor Brands
	
	
	
	
	

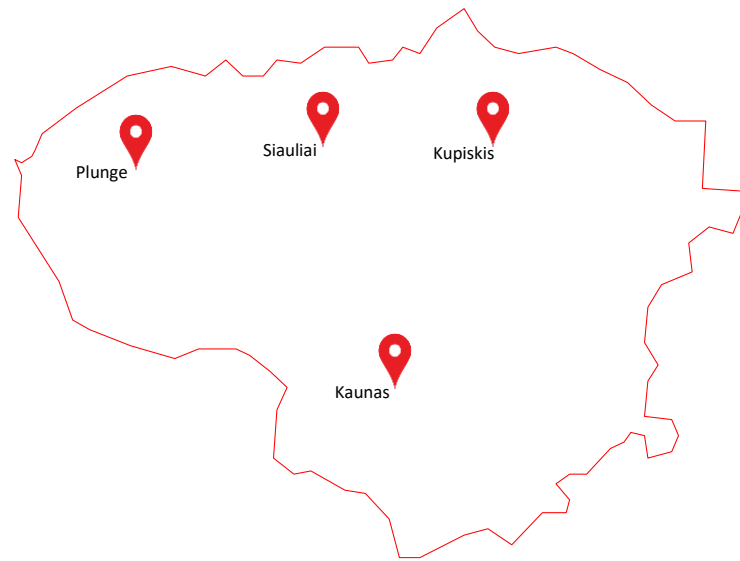
Source: Mordor Intelligence, Company websites

### Small market with big barriers

The Baltic agri machinery market is small compared to other European markets. This means large European distributors are not interested to enter the Baltics, especially given the following barriers to entry:

- Sales & service network. The time and cost of establishing sales/service centers and finding/training service personnel creates a significant barrier to entry. EWA has four sales & service centers in Lithuania effectively covering the most important regions (see map below). In addition, the company has 25-30 service vans that can quickly be dispatched to the client sites. Currently, the number of sales and service personnel are ~15, and ~45, respectively. The service personnel are certified by MF and/or other relevant manufacturers.

East West Agro sales & service centers in Lithuania



Source: Company report

- Client relationships. The agri machinery business is very much local in nature. The established distributors have long and strong relationships with their clients (farmers). The farmers are conservative and do not easily change a trusted distributor nor brand.
- Distribution agreements. As the most reputable tractor brands are represented in Lithuania today (see below table), a new player would likely have to grab a brand from an existing distributor. It is very unusual for a manufacturer to change distributor. Since EWA got the MF distribution agreement in 2015, none of the ten established tractor brands in Lithuania have changed distributor. Changing distributor is also difficult as alternate distributors represent a competing brand.

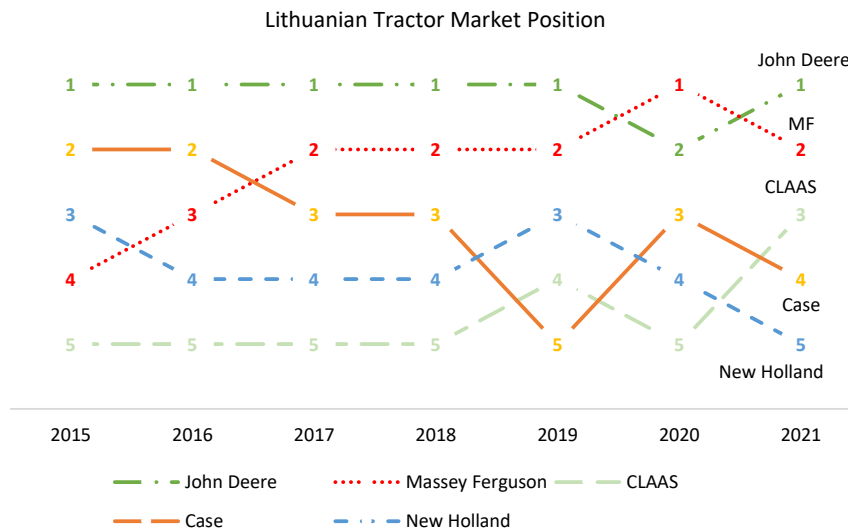
Tractor Brands sold in the Baltic region by Distributor & Country

Brand	LT	LV	EE
Case	Dotnuva Baltic	Dotnuva Baltic	Dotnuva Baltic
CLAAS	Baltic Agro Machinery	Baltic Agro Machinery	Baltic Agro Machinery
Deutz-Fahr	Birzu Zemtekimas	Silla/Laptraps	Agroproff
Fendt	Ivalalte	Valtek	Agriland
JCB	Lytagra	Stokker	Stokker
John Deere	Dojus Agro	Dojus Agro	Wihuri
Kubota	Stokker	Stokker	Stokker
<b>Massey Ferguson</b>	<b>East West Agro</b>	Intrac	Intrac
New Holland	Lytagra	Stokker	Tatoli
Valtra	Rovaltra	Valtek	Taure

Source: Company websites

**Entrenched leadership position**

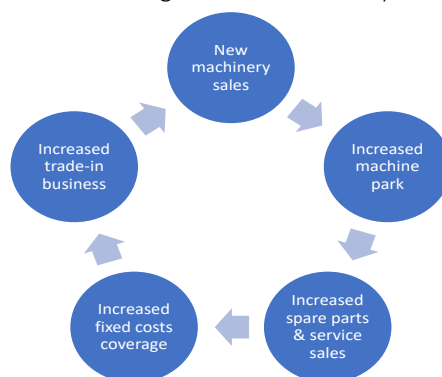
EWA has successfully established MF as the number one or two tractor brand in Lithuania. Since 2017, MF tractors has been the number one or two most sold tractor in Lithuania, challenging the long-term leader, John Deere. In 2020, MF tractors were the most sold tractor in Lithuania overtaking John Deere for the first time ever. This is a significant improvement from the number four position MF tractors held in 2015 when EWA got exclusive distribution rights in Lithuania.



Source: EWA

**Aftermarket sales reaching critical mass**

A key aspect to EWA’s business model is to grow the machine park to the point where the aftermarket (spare parts & service) profits consistently cover the fixed costs. Compared to new machinery sales, aftermarket sales are more stable (recurring in nature). Furthermore, the margins are much higher on aftermarket sales vs. new machine sales. The typical industry gross margin on machinery spare parts is around 60% vs. 7-10% for new machinery sales. The high profitability and low competition in the aftermarket, enables distributors to accept lower margins on new machinery sales. Based on registration statistics, we estimate the number of MF tractors on the Lithuanian market to have tripled between 2015 to 2021 from around one thousand to three thousand. Given EWA’s success within new machinery sales, we foresee the aftermarket contribution to fully cover fixed costs within 2-3 years. This could significantly lower the risk in the company/share. Once the fixed costs are covered by the aftermarket contribution, we believe the operating margin could stabilize around 6% (our assumed terminal EBIT margin in the DCF model).

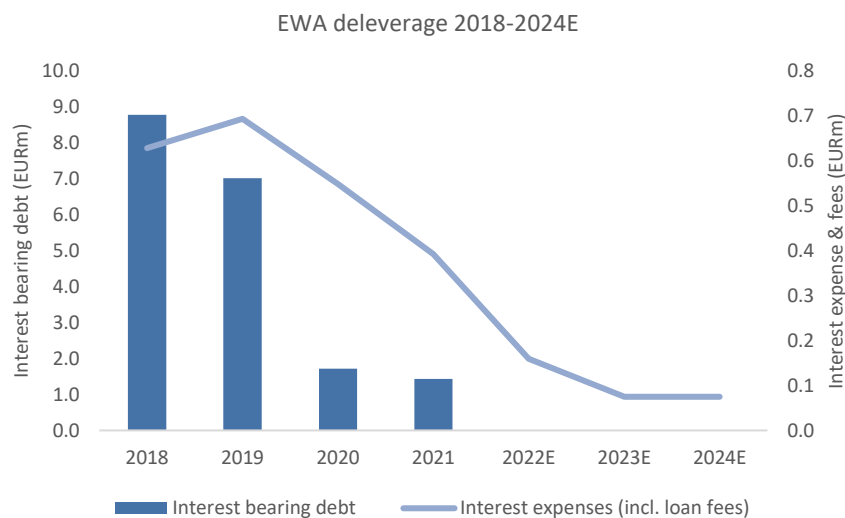


Source: Enlight Research

**Balance sheet from weakness to strength**

To finance the management buyout (MBO) in 2015, the company took a EUR 1.5m loan from Practica Venture Capital fund (VC fund). The interest on the loan was not paid continuously but added to the outstanding loan balance. The interest rate ranged from 14-21% depending on the Debt/EBITDA level. By 2020, the outstanding balance of the VC loan was EUR 2.5m, which assuming the mid-range interest rate of 17%, results in an annual interest expense of EUR 0.425m. This corresponds to 20-30% of the annual Operating profit seen in the last five years i.e., the VC loan ate away a significant part of the operating profit. Together with other loans, the annual interest expense in the last three years has been EUR 0.5-0.7m reducing the EBIT by around 50%. In 2020, the VC loan was paid back in full (including accrued interest) with the help of the issuance of a EUR 1.5m bond. The interest on the bond was 12% i.e., significantly lower than the mid-range VC loan interest rate of 17%, but still quite high. In 2021, the bond was redeemed early resulting in a redemption fee of EUR 0.250m.

We believe the bond redemption signifies a new era for the company – an era with little or no dependence on debt financing (from a high dependence on debt financing). In our forecast period, we assume EUR 1m in debt corresponding to an equity ratio of around 30%, which we regard as optimal for the company. The decreased debt dependence is best illustrated by the interest expenses, which have declined from EUR 0.7m in 2019 to EUR 0.2m in 2021 (excluding a EUR 0.250m one-off early bond redemption fee). In the forecast period 2022-24E, we estimate the annual interest expenses to be below EUR 0.1m, which after interest income, results in a financial net around zero.



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

## Market overview

### Distributors and Brands

There are 20 machinery distributors in the Baltic region whereof 17 are active in the agri industry, 6 in the construction industry, and 3 in the forestry industry. Out of the 17 agri distributors, 10 are active in Lithuania, each selling a different tractor brand (EWA is one of them, selling MF tractors in Lithuania). All major tractor brands (Case, CLAAS, Deutz-Fahr, Fendt, JCB, John Deere, Kubota, Massey Ferguson, New Holland, Valtra) have a distributor in Lithuania today. Consequently, the risk of new entrants into the market is minimal.

#### Distributor by Industry (alphabetic order)

No.	Distributor	Agriculture	Construction	Forestry
1	Agriland	1		
2	Agroproff	1		
3	Avesco		1	
4	Baltem		1	
5	Baltic Agro Machinery	1	1	1
6	Birzu Zemtekimas	1		1
7	Dojus Agro	1		
8	Dotnuva Baltic	1		
9	EastWest	1		
10	Intrac	1	1	1
11	Ivabalte	1		
12	Lytagra	1		
13	Rovaltra	1		
14	Silja / Laptraps	1		
15	Stokker	1	1	
16	Swecon		1	
17	Tatoli	1		
18	Taure	1		
19	Valtek	1		
20	Wihuri	1		
<b>Total</b>		<b>17</b>	<b>6</b>	<b>3</b>

#### Agri distributor by Country & Brand (alphabetic order)

No.	Distributor	LT	LV	EE
1	Agriland	See Ivabalte	See Valtek	Fendt
2	Agroproff	See Birzu Zemtekimas	See Silja/Laptraps	Agroproff
3	Baltic Agro Machinery	CLAAS	CLAAS	CLAAS
4	Birzu Zemtekimas	Deutz-Fahr	See Silja/Laptraps	See Agroproff
5	Dojus Agro	John Deere	John Deere	See Wihuri
6	Dotnuva Baltic	Case	Case	Case
7	EastWest Agro	Massey Ferguson	See Intrac	See Intrac
8	Intrac	See East West Agro	Massey Ferguson	Massey Ferguson
9	Ivabalte	Fendt	See Valtek	See Agriland
10	Lytagra	New Holland, JCB	See Stokker	See Tatoli
11	Rovaltra	Valtra	See Valtek	See Taure
12	Silja/Latrops	See Birzu Zemtekimas	Deutz-Fahr	See Agroproff
13	Stokker	Kubota	New Holland, Kubota, JCB	Kubota, JCB
14	Tatoli	See Lytagra	See Stokker	New Holland
15	Taure	See Rovaltra	See Valtek	Valtra
16	Valtek	See Rovaltra, Ivabalte	Valtra, Fendt	See Taure, Agriland
17	Wihuri	See Dojus Agro	See Dojus Agro	John Deere

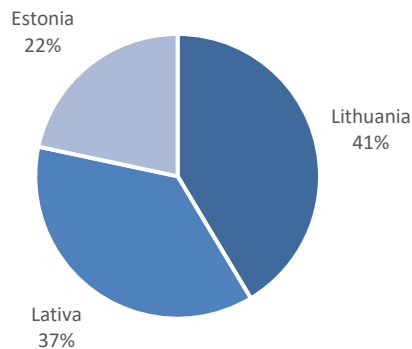
Source: Company websites



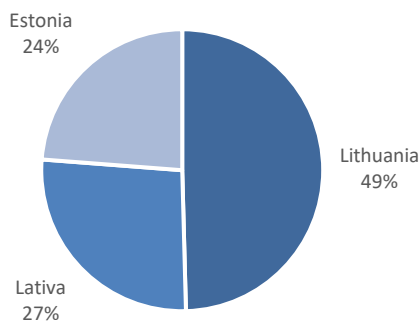
**Market size**

Based on distributors’ 2020 annual reports, we estimate the Baltic heavy machinery (agri, forestry, construction) market to be worth around EUR 1.2bn, with Lithuania being the biggest (41%), followed by Latvia (37%), and Estonia (22%). Agri machinery is by far the biggest segment with an estimated size of EUR 600m equal to half of the total Baltic machinery market. Lithuania is the biggest Baltic agri machinery market with an estimated size of EUR 300m, equal to half of the Baltic agri machinery market, while Estonia and Latvia make up around a quarter each.

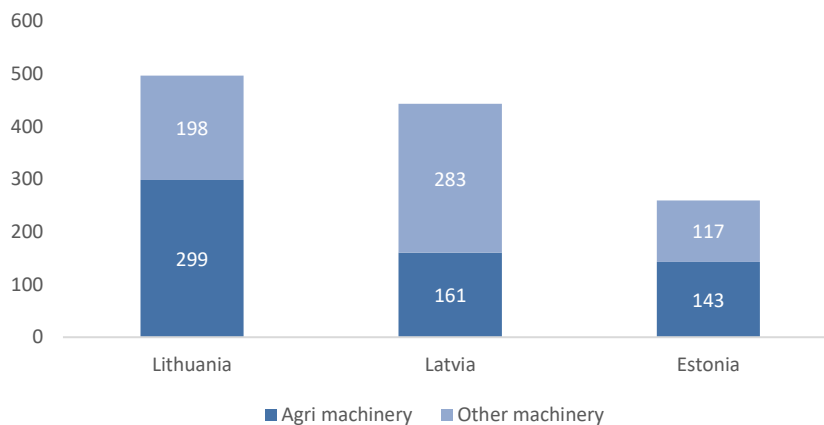
2020 Baltic Machinery Market (agri, construction, forestry) based on Sales



2020 Baltic Agri Machinery Market by Country based on Sales



2020 Baltic machinery market size (EURm)



Source: Agriland, Agroproff, Avesco, Baltem, Baltic Agro Machinery, Birzu Zemetiekimas, Dojus Agro, Dotnuva Baltic, East West Agro, Intrac, Ivabalte, Lytagra, Rovaltra, Silja, Laptraps, Stokker, Swecon Tatoli Taure, Valtek, Wihuri

## Valuation

### Peer valuation

There are no listed pure agri distributors. Therefore, our peer group consist of construction machinery focused distributors as well as one automotive distributor. We believe all the peers have a similar business model to EWA and hence the valuation multiples should be relevant, despite the significantly larger market cap. See below for a short peer description:

**Ferronordic** (listed in Sweden) is mainly a construction machinery and truck distributor. The Company’s main market is Russia, and its main brands are Volvo Construction Equipment and Volvo Trucks. Due to its heavy exposure to Russia, the Ferronordic share price is down around 80% year-to-date. Therefore, we have excluded it in our peer based average calculation. Before the Russia – Ukraine war, Ferronordic was trading at higher multiples than its peers.

**Wajax Corporation** (listed in Canada) is a machinery distributor in Canada to the construction, forestry, and mining industry. Examples of brands distributed are Hitachi, Hyster, and Tigercat.

**Bilia** (listed in Sweden) is a car dealership. Its main market is Sweden, but the company is also active in Norway, Germany, Luxembourg, and Belgium. Examples of brands sold are Volvo, BMW, Toyota, Mercedes, Renault, Lexus, MINI, and Porsche. The company also has two internet based auction sites.

Compared to the peers (Wajax Corp. Bilia), EWA is trading at a discount of over 50% based on 2022E EV/EBITDA. For example, applying the 2022E average peer EV/EBITDA multiple of 4.6x to EWA, implies a share price of EUR 16.73, indicating an upside of around 36%. On a normalized Ferronordic PE multiple, the motivated peer based share price valuation for EWA is 19.73 which is in-line with our Base case DCF share price of EUR 20.00.

#### Machinery & Auto distributors

Company	Ticker	Ccy	Price (last)	Mcap (m) (last)	EV (m) (last)	EV/EBITDA 2020	EV/EBITDA 2021	EV/EBITDA 2022E	EV/EBITDA 2023E	PE 2020	PE 2021	PE 2022E	PE 2023E	Div. yield 2020	Div. yield 2021	Div. yield 2022E	Div. yield 2023E
Ferronordic*	FNM	SEK	68.40	994	1,137	2.3	1.6	1.3	1.2	4.5	2.9	2.1	1.8	11.0%	15.2%	21.8%	26.6%
Wajax Corp.	WJX	CAD	19.00	407	646	5.3	4.2	4.1	4.2	12.7	6.9	6.7	6.5	5.3%	5.3%	5.3%	5.3%
Bilia	BILIA	SEK	129.40	12,494	17,270	8.0	6.4	5.2	na	na	8.7	7.9	8.9	7.3%	5.1%	5.4%	na
<b>Average</b>						<b>5.2</b>	<b>4.1</b>	<b>3.5</b>	<b>2.7</b>	<b>8.6</b>	<b>6.2</b>	<b>5.6</b>	<b>5.7</b>	<b>7.9%</b>	<b>8.5%</b>	<b>10.8%</b>	<b>15.9%</b>
<b>Average excl. Ferronordic</b>						<b>6.6</b>	<b>5.3</b>	<b>4.6</b>	<b>4.2</b>	<b>12.7</b>	<b>7.8</b>	<b>7.3</b>	<b>7.7</b>	<b>6.3%</b>	<b>5.2%</b>	<b>5.3%</b>	<b>5.3%</b>
East West Agro	EWA	EUR	12.30	12	7	2.6	2.1	1.9	1.9	10.2	6.0	4.9	4.6	2.8%	4.1%	4.9%	5.7%

Source: Enlight Research (estimates East West Agro), MarketScreener (consensus), Based on prices on 16 March 2022, \*Ferronordic consensus estimates not updated following the Russia – Ukraine war

### DCF valuation

Our Base case DCF valuation indicate a share price of EUR 20.00, which assumes a WACC of 13.90% and a terminal EBIT margin of 6.0%. Our Bear and Bull case DCF valuations indicate a share price of EUR 14.51, and 25.49, respectively. The only difference in our assumption vs. the Base case is the terminal EBIT margin which is 3.5% for the Bear case and 8.5% for the Bull case (see below tables for DCF assumptions and sensitivity).

DCF Valuation Scenarios	Bear	Base	Bull
WACC	13.9%	13.9%	13.9%
Terminal sales growth	2.5%	2.5%	2.5%
Terminal EBIT margin	3.5%	6.0%	8.5%
Fair Value per share (EUR)	14.51	20.00	25.49
Upside/Downside (last price)	17%	61%	106%
Current price (EUR)	12.40	12.40	12.40

Source: Enlight Research

DCF sensitivity table

Sensitivity parameters	Current	Step	Test values & Results										
<b>Equity beta</b>	1.20	<b>0.10</b>	0.70	0.80	0.90	1.00	1.10	<b>1.20</b>	1.30	1.40	1.50	1.60	1.70
<i>Fair value (DCF)</i>	20.00		22.67	22.07	21.51	20.98	20.48	<b>20.00</b>	19.55	19.12	18.72	18.33	17.97
<b>Target debt ratio (D/D+E)</b>	35.0 %	<b>10.0 %</b>	-15%	-5%	5%	15%	25%	<b>35%</b>	45%	55%	65%	75%	85%
<i>Fair value (DCF)</i>	20.00		13.50	14.37	15.40	16.63	18.13	<b>20.00</b>	22.40	25.59	30.03	36.62	47.42
<b>Risk free interest rate</b>	2.5 %	<b>0.5 %</b>	0.0 %	0.5 %	1.0 %	1.5 %	2.0 %	<b>2.5 %</b>	3.0 %	3.5 %	4.0 %	4.5 %	5.0 %
<i>Fair value (DCF)</i>	20.00		22.84	22.20	21.60	21.03	20.50	<b>20.00</b>	19.53	19.08	18.66	18.25	17.87

Source: Enlight Research, \*(D/D+E)

## Risk factors

Below risks is not a complete list of risks related to East West Agro, but rather a list of risks that we view as the most important to highlight given the current environment and our investment case. For examples of additional risks, we recommend reading the company's listing document and annual reports.

### Russia – Ukraine war

The company has no sales to Russia or Ukraine so the exposure to these countries would be more indirect i.e., war worries might lead farmers to become more careful when making investments.

### Distribution rights

Most of the company's income is provided by machinery sales based on distribution agreements. If a distribution agreement is terminated or a second distributor in the region is added, the company's revenue could decrease significantly.

### Political risk

Unfavourable local government or European Union policies can negatively impact financial support measures for new agricultural machinery. However, the long-term goal to increase the agriculture sector's productivity should be positive for agri machinery support.

### Supply chain risk

Supply chain problems could affect the manufacturers' ability to supply enough machinery to distributors, which could delay revenues or even result in lost revenues.

### Grain prices

Lower grain prices could affect farmers willingness and/or ability to invest into new agri machinery, which in turn would affect EWA's sales negatively. Conversely, higher grain prices could increase farmers willingness and/or ability to invest into new machinery. R

### Crop yield

The crop yield is subject to weather conditions. A low yield could affect farmers willingness and/or ability to invest into new agri machinery, which in turn would affect EWA's sales negatively.

### Interest rate risk

Higher interest rates could make it more expensive to finance the purchase of agri machinery.

Income Statement	2020	2021	2022E	2023E	2024E
Net sales	29	36	40	44	46
Total operating costs	-27	-32	-36	-40	-42
<b>EBITDA</b>	<b>3</b>	<b>3</b>	<b>4</b>	<b>4</b>	<b>4</b>
Depr. & Amort.	-1	-1	-1	-1	0
One-off EBIT items	0	0	0	0	0
<b>EBIT</b>	<b>2</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>
Financial net	0	0	0	0	0
<b>Pre-tax profit</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>3</b>	<b>3</b>
Taxes	0	0	0	0	-1
Minority interest	0	0	0	0	0
Other items	0	0	0	0	0
<b>Net profit</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>3</b>	<b>3</b>

Balance Sheet	2020	2021	2022E	2023E	2024E
Cash and cash equivalent	0	3	3	3	3
Receivables	8	8	8	7	7
Inventories	8	9	8	8	7
Other current assets	1	2	2	2	2
<b>Total current assets</b>	<b>18</b>	<b>22</b>	<b>22</b>	<b>22</b>	<b>24</b>
Tangible assets	2	2	2	2	2
Goodwill & intangible assets	0	0	0	0	0
Lease & Investment properties	0	0	0	0	0
Long-term Investments	0	0	0	0	0
Associated companies	0	0	0	0	0
Other long-term assets	0	0	0	0	0
<b>Total fixed assets</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>
<b>Total Assets</b>	<b>20</b>	<b>25</b>	<b>25</b>	<b>25</b>	<b>27</b>
Accounts payable	6	9	9	7	6
Short-term IB debt	0	1	0	0	0
Other current liabilities	4	6	6	6	6
<b>Total current liabilities</b>	<b>10</b>	<b>16</b>	<b>15</b>	<b>13</b>	<b>12</b>
Long-term IB debt	2	0	0	0	0
Convertibles & Lease liab.	0	0	0	0	0
Deferred tax liab.	0	0	0	0	0
Provisions	0	0	0	0	0
Other long-term liab.	3	0	0	0	0
<b>Total long-term liab.</b>	<b>4</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Liabilities</b>	<b>14</b>	<b>17</b>	<b>16</b>	<b>13</b>	<b>13</b>
Minority interest	0	0	0	0	0
Shareholders' equity	6	8	10	12	14
<b>Total liabilities and equity</b>	<b>20</b>	<b>25</b>	<b>25</b>	<b>25</b>	<b>27</b>

DCF valuation	Cash flow, mEUR		
WACC (%)	13.95 %	NPV FCF (2022-2024)	6
Assumptions 2022-2028 (%)		NPV FCF (2025-2031)	6
Sales CAGR	4.35 %	NPV FCF (2032-)	6
Avg. EBIT margin	6.59 %	Non-operating assets	3
Fair value per share (EUR)	20.00	Interest-bearing debt	-1
Share price (EUR)	12.70	Fair value estimate	20

Free Cash Flow	2020	2021	2022E	2023E	2024E
Operating profit	2	3	3	3	3
Depreciation	1	1	1	1	0
Working capital chg	1	4	1	-2	-1
Other Operating CF items	0	0	0	0	-1
<b>Operating Cash Flow</b>	<b>3</b>	<b>8</b>	<b>4</b>	<b>1</b>	<b>3</b>
Net investments	0	-1	-1	0	-1
Other items	3	-3	0	0	0
<b>Free Cash Flow</b>	<b>6</b>	<b>4</b>	<b>4</b>	<b>1</b>	<b>2</b>

Capital structure	2020	2021	2022E	2023E	2024E
Equity ratio	30.0%	31.0%	38.1%	47.0%	52.4%
Debt / Equity ratio	28.2%	18.9%	0.0%	0.0%	0.0%
Gearing %	21.7%	-26.4%	-54.8%	-49.0%	-53.1%
Net debt/EBITDA	0.5	-0.6	-1.5	-1.6	-1.9

Profitability	2020	2021	2022E	2023E	2024E
ROE	21.8%	29.9%	29.1%	25.4%	22.9%
FCF yield	96.2%	29.9%	29.6%	8.4%	18.6%
EBITDA margin	9.2%	9.3%	9.1%	8.4%	8.4%
EBIT margin	6.4%	7.3%	7.4%	7.3%	7.5%
PTP margin	4.8%	6.9%	7.4%	7.3%	7.5%
Net margin	4.1%	5.8%	6.3%	6.2%	6.3%

Valuation	2020	2021	2022E	2023E	2024E
P/E	5.3	6.5	5.1	4.7	4.3
P/E adjusted	5.3	6.5	5.1	4.7	4.3
P/Sales	0.2	0.4	0.3	0.3	0.3
EV/Sales	0.3	0.3	0.2	0.2	0.1
EV/EBITDA	2.9	3.5	2.1	1.9	1.4
EV/EBIT	4.1	4.4	2.5	2.2	1.5
P/BV	1.0	1.8	1.3	1.1	0.9
P/BV tangible	1.1	1.8	1.3	1.1	0.9

Per share ratios	2020	2021	2022E	2023E	2024E
EPS	1.20	2.05	2.50	2.70	2.93
EPS, adjusted	1.20	2.05	2.50	2.70	2.93
Operating CF/share	3.49	7.59	4.46	1.46	2.87
Free Cash Flow/share	6.16	4.00	3.76	1.06	2.37
BV/share	6.10	7.59	9.59	11.68	13.91
Tangible BV/share	6.10	7.59	9.59	11.68	13.91
Div. per share	0.35	0.50	0.60	0.70	0.80
Div. payout ratio	29.1%	24.4%	24.0%	26.0%	27.3%
Dividend yield	5.5%	3.9%	4.9%	5.7%	6.5%

Shareholders	Capital	Votes
Danas Sidlauskas	5.055	39.80 %
Gediminas Kvietkauskas	5.029	39.60 %
Multi Asset Selection Fund	1.016	8.00 %

Key people	
CEO	Gediminas Kvietkauskas
CFO	
IR	
Chairman	Danas Sidlauskas

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

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