

Dividend raised +90%

The exclusive Lithuanian distributor of Massey Ferguson (MF) tractors, East West Agro (EWA) has posted record performance since our initiation report in March last year. We expect continued strong performance and raise our dividend and Fair value.

Record performance

In 2022, the number of tractors sold increased by 21% to a record level 171 (est. 12% increase to 158). This together with strong aftermarket sales (service & parts) lead to an all-time-high Sales and Net profit of EUR 43m (est. 40m), and EUR 3.4m (est. 2.2m), respectively. We foresee the solid growth to continue and forecast 8% growth in tractors sold this year to 185, and 8.5% sales growth to EUR 46m.

Debt free and Cash flow positive = raised dividend

Following the repayment of the expensive MBO loan in 2020, and the redemption of its 12% bond in 2021, the company is effectively debt free. This together with healthy profit outlook prompts us to raise our dividend forecast for 2022 by 92% to EUR 1.25/shr. (prev. 0.65), equal to a 6.3% net yield (after dividend withholding tax).

Base case Fair value EUR 22.00/shr

The EWA share is up 38% since our initiation report last year, but we see more potential. We raise our sales by ~6% and EPS by 38-52% in 2023-24. Our Base case Fair value per share is increased to EUR 22.00 (20.00), implying an upside of ~30%.

Key figures (MEUR)

	2021	2022	2023E	2024E	2025E
Net sales	35.6	42.7	46.3	49.1	51.6
Net sales growth	20.9%	20.0%	8.5%	6.1%	5.0%
EBITDA	3.3	5.0	5.5	5.5	5.6
EBITDA margin	9.3%	11.6%	11.8%	11.2%	10.9%
EBIT	2.6	3.9	4.1	4.3	4.5
EBIT margin	7.3%	9.2%	8.8%	8.7%	8.7%
EV/Sales	0.3	0.3	0.2	0.2	0.1
EV/EBITDA	3.5	2.8	2.1	1.6	1.1
EV/EBIT	4.4	3.6	2.8	2.0	1.4
P/E adj.	6.5	4.7	4.7	4.6	4.3
P/BV	1.8	1.6	1.3	1.1	1.0
EPS adj.	2.05	3.39	3.50	3.65	3.83
EPS growth adj.	70.07%	65.62%	3.16%	4.17%	5.14%
Div. per share	0.60	1.25	1.30	1.35	1.40
Dividend yield	4.48%	7.53%	7.83%	8.13%	8.43%

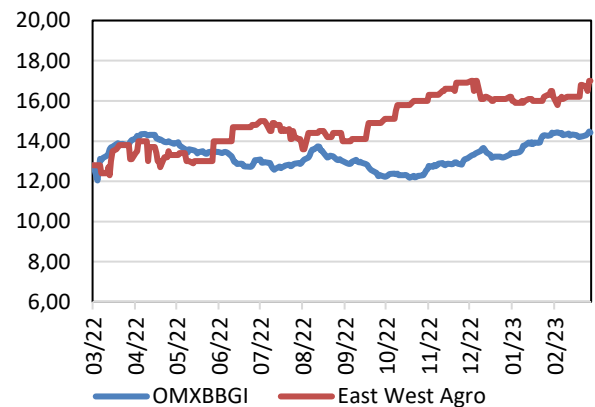
Source: Company data, Enlight Research estimates

Fair value range (EUR)

Bull (term. EBIT marg. 8.5%)	24.03
Base (term. EBIT marg. 6.0%)	22.00
Bear (term. EBIT marg. 3.5%)	19.98

Key Data

Price (EUR)	16.60
Ticker	EWA1L
Country	Lithuania
Listed	FN Lithuania
Market Cap (EURm)	16.60
Net debt (EURm)	-2.1
Shares (m)	1.2
Free float	13%



Price range

52-week high	17.00
52-week low	12.30

Analyst

ResearchTeam@enlightresearch.net

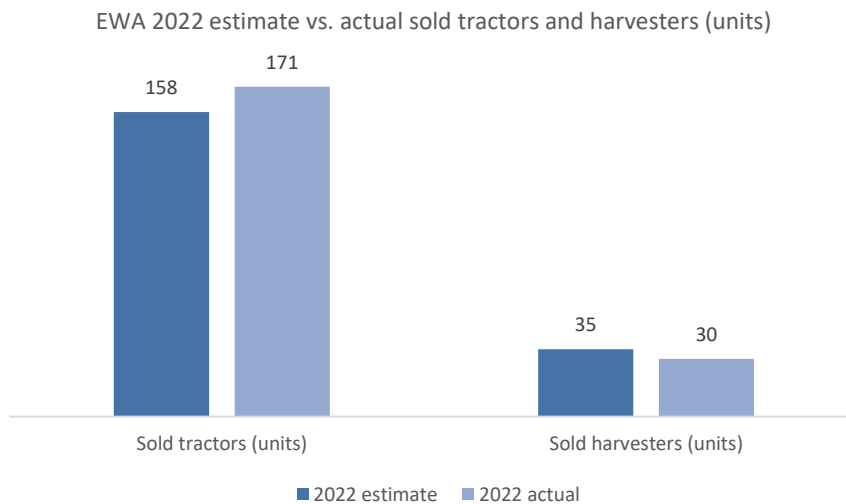
Coverage frequency

On demand

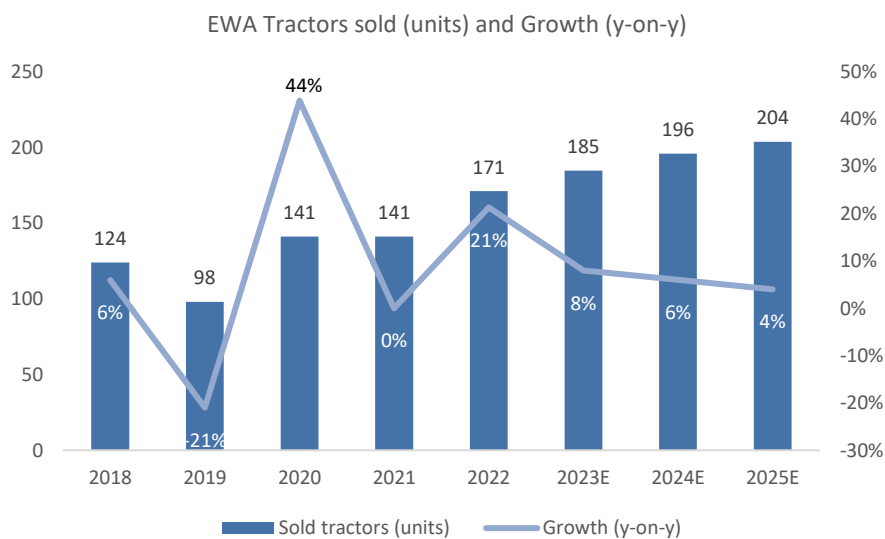
Key takeaways

Tractor sales at record level

The company exceeded our full-year 2022 expectations on the key metric – number of tractors sold (the number of harvesters sold was below forecast but it is a less important product). In 2022, the number of tractors sold increased by 21% y-on-y to 171 vs. our estimated increase of 12% to 158. The number of tractors sold was the highest ever in EWA’s history as was the tractor revenues of EUR 21.8m (51% of total revenues). The strong new tractor sales increase the active machine park, which has a positive long-term effect on the highly profitable aftermarket (service & parts). The typical industry gross margin on machinery spare parts is around 60% vs. 7-10% for new machinery sales. In 2023, we forecast continued solid growth (+8%) in the number of sold tractors albeit not as high as in 2022, driven by continued high grain prices. The strong new machine sales implies that around 60% of fixed costs are covered by stable aftermarket sales (up from around 30% 2-3 years ago). In 2-3 years, we believe around 80-90% of fixed costs could be covered by aftermarket sales, which lowers the risk in the business model.



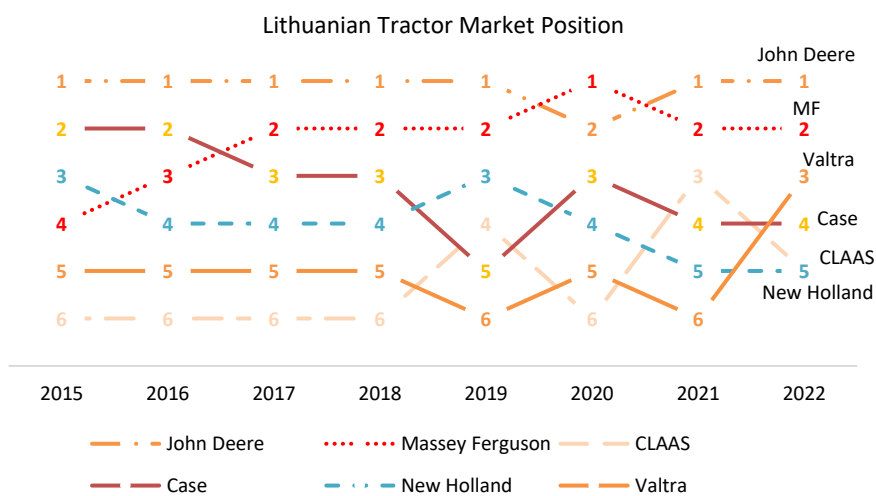
Source: Company reports, Company press release



Source: Company reports, Company press release

Established number two aspiring for top spot

Based on the number of sold tractors, EWA increased its tractor market share to 18.3% in 2022 from 17.5% in 2021. This means EWA and its Massey Ferguson (MF) tractor brand is now well established as the number two player (has been number two or better since 2017) in the Lithuanian market and is challenging John Deere for the number one spot. In our view, Valtra’s strong market position in 2022 (no. 3) was due to them having less supply chain problems compared to others. We do not foresee Valtra to retain the number three position this year. We expect both John Deere (Dojus Agro) and MF (EWA) to keep their respective number one and two position in the forecast period 2023-25. If EWA continues to grow its active machine park, they could be a serious contender for the top spot in the Lithuanian tractor market (farmers usually stick to the same brand when changing tractor).



Source: EWA

Lithuania

Top 5 tractor brands (units sold)

	2015	2016	2017	2018	2019	2020	2021	2022
1 John Deere	146	314	169	191	103	119	178	211
2 Massey Ferguson	40	125	117	124	98	141	141	171
3 CLAAS	16	86	51	49	59	70	127	87
4 Case	127	194	108	101	50	115	101	107
5 New Holland	99	123	106	97	94	82	92	87
6 Valtra	72	95	62	84	49	77	63	143
Other	163	211	105	108	86	94	104	126
Total	663	1148	718	754	539	698	806	932

Lithuania

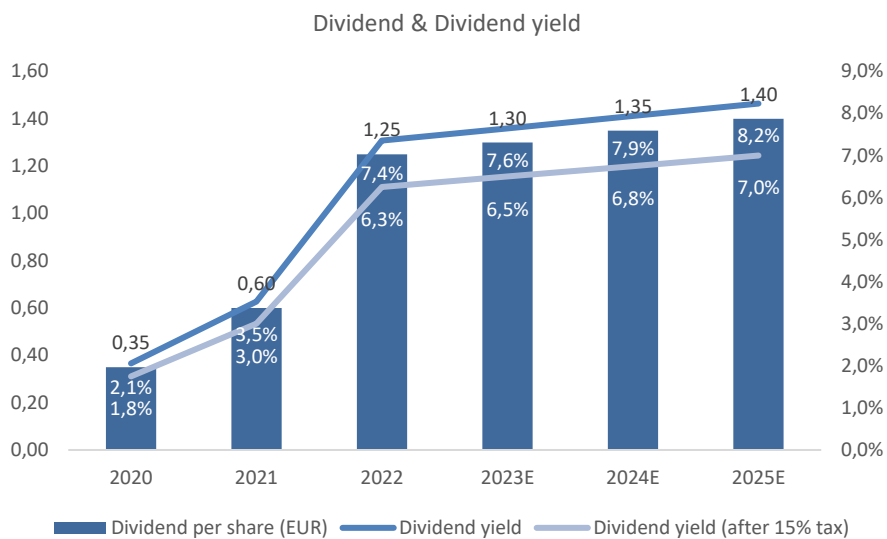
Top 5 tractor brands (mkt. share)

	2015	2016	2017	2018	2019	2020	2021	2022
1 John Deere	22%	27%	24%	25%	19%	17%	22%	23%
2 Massey Ferguson	6%	11%	16%	16%	18%	20%	17%	18%
3 CLAAS	2%	7%	7%	6%	11%	10%	16%	9%
4 Case	19%	17%	15%	13%	9%	16%	13%	11%
5 New Holland	15%	11%	15%	13%	17%	12%	11%	9%
6 Valtra	11%	8%	9%	11%	9%	11%	8%	15%
7 Other	25%	18%	15%	14%	16%	13%	13%	14%
Total	100%	100%	100%	100%	100%	100%	100%	100%

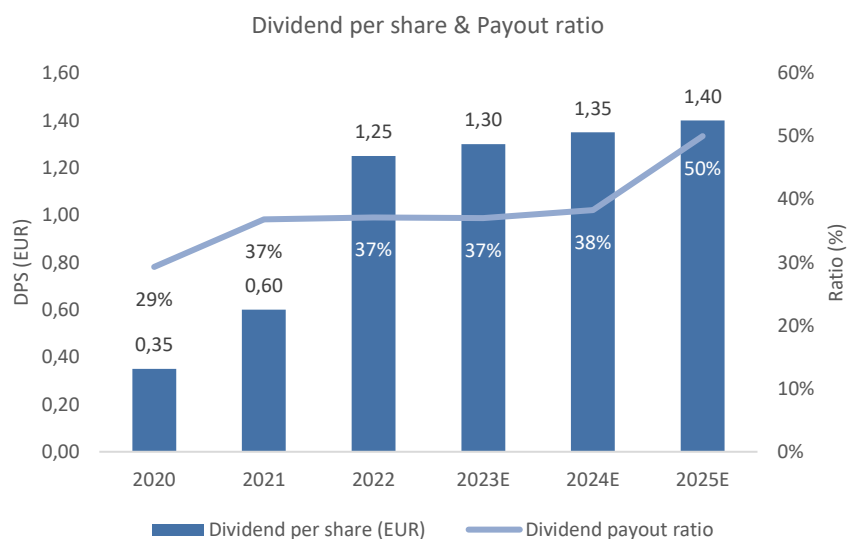
Source: EWA

Strong dividend outlook

After paying back its expensive MBO loan in 2020 (14-21% interest rate), and redeeming its 12% bond in 2021, the company is basically debt free. This in combination with projected healthy cash flows of around 4m per year in the forecast period 2023-25E means the dividend outlook is positive (especially given the limited investment need in the upcoming years). For 2022, we expect a dividend of EUR 1.25 per share equal to a yield of 7.4% (net yield 6.3%), which more than double the 2021 dividend of EUR 0.60. In 2023, we forecast a dividend per share of EUR 1.30 equal to a yield of 7.6% (net yield 6.5%). Our estimated dividend per share is increased by EUR 0.05 in 2024, and 2025, which improves the yield to around 8% (net yield 7%).



Source: Company reports (historical), Enlight Research (forecast)
Based on share price of EUR 17.00



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

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. These peers have a similar business model to EWA and hence the valuation multiples could be relevant, despite significantly larger market caps. See below for a short peer description:

Ferronordic (listed in Sweden) is mainly a construction machinery and truck distributor. The Company's main brands are Volvo Construction Equipment and Volvo Trucks while its main market use to be Russia. In December last year, the Company surprised the market positively by divesting its Russian operations for SEK 1.1bn after debt repayments (share gained 88% from SEK 50 to 94 on the news). Following the divestment of the Russian operations, the company's main market is Germany where it is the authorized dealer for Volvo and Renault Trucks in certain regions of Germany. According to ABG Sundal Collier commissioned research, the company has SEK 66 per share in net cash that could be paid out or used for acquisitions.

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.

Conclusion. Based on 2023E EV/EBITDA, EWA is trading at a discount of around 50% to the peer average (2.7x vs. peer avg. 4.9x). Applying the 2023E average peer EV/EBITDA multiple of 4.9x to EWA, implies a share price of EUR 29.12, indicating an upside of around 70%. Worth noting is that the forecast dividend yield for EWA is around 8% vs. zero for Wajax and around 6% for Bilia. Given Ferronordic's large cash position, the company could make a large extra dividend payout i.e., the dividend forecast could differ substantially from the outcome.

Machinery & Auto distributors									Div.	Div.	Div.
Company	Ticker	Ccy	Price (last)	Mcap (m) (last)	EV (m) (last)	EV/EBITDA 2022	EV/EBITDA 2023E	EV/EBITDA 2024E	yield 2022	yield 2023E	yield 2024E
Ferronordic*	FNM	SEK	93.70	1,362	405	0.8	3.2	2.8	8.0%	0.5%	0.8%
Wajax Corp.	WJX	CAD	23.97	513	761	4.6	4.7	5.2	0.0%	0.0%	0.0%
Bilia	BILIA	SEK	139.40	13,459	18,235	6.5	6.9	6.5	5.7%	5.7%	5.7%
Average						4.0	4.9	4.8	4.6%	2.1%	2.2%
Average excl. Ferronordic						5.6	5.8	5.8	2.9%	2.9%	2.9%

East West Agro	EWA	EUR	17.00	17	15	3.0	2.7	2.7	7.6%	7.9%	8.2%
----------------	-----	-----	-------	----	----	-----	-----	-----	------	------	------

Source: Enlight Research (estimates East West Agro), MarketScreener (Wajax consensus, Bilia), ABG Sundal Collier (Ferronordic), Based on prices on 3 March 2023

*Company has a large cash position after divestment of Russian operations so dividend forecast could differ substantially from the outcome.

DCF valuation

We raise our Base case DCF Fair value per share to EUR 22.00 (prev. 20.00), which assumes a WACC of 18.6% and a terminal EBIT margin of 6.0%. Our Bear and Bull case DCF valuations indicate a share price of EUR 19.98, and 24.03, respectively. The only difference in our Bear/Bull assumptions 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	18.6%	18.6%	18.6%
Terminal sales growth	2.5%	2.5%	2.5%
Terminal EBIT margin	3.5%	6.0%	8.5%
Fair Value per share (EUR)	19.98	22.00	24.03
Upside/Downside (last price)	18%	29%	41%
Current price (EUR)	17.00	17.00	17.00

Source: Enlight Research

DCF sensitivity table

Sensitivity parameters	Current	Step	Test values & Results													
			0.10	0.20	0.30	0.40	0.50	0.60	0.70	0.80	0.90	1.00	1.10	1.20	1.30	1.40
Equity beta	1.20	0.10	0.70	0.80	0.90	1.00	1.10	1.20	1.30	1.40	1.50	1.60	1.70			
<i>Fair value (DCF)</i>	22.00		24.43	23.89	23.38	22.90	22.44	22.00	21.58	21.19	20.81	20.44	20.10			
Debt ratio (D/D+E)	10.0 %	10.0 %	-40%	-30%	-20%	-10%	0%	10%	20%	30%	40%	50%	60%			
<i>Fair value (DCF)</i>	22.00		16.83	17.61	18.50	19.50	20.66	22.00	23.59	25.49	27.83	30.79	34.66			
Risk free interest rate	3.5 %	0.5 %	1.0 %	1.5 %	2.0 %	2.5 %	3.0 %	3.5 %	4.0 %	4.5 %	5.0 %	5.5 %	6.0 %			
<i>Fair value (DCF)</i>	22.00		24.58	24.00	23.46	22.95	22.46	22.00	21.56	21.15	20.75	20.37	20.01			

Source: Enlight Research

Estimate deviations

The 2022 Net sales was in-line with our forecast while the Gross profit was 18% or EUR 1.3m above forecast. The positive deviation expanded to 39% at the EBITDA level and 54% at the EBIT level, while the Net profit was 45% above forecast.

Estimate deviation table Income statement	2022	2022	Deviation	
	Estimate	Outcome	EURm	%
Net sales	42.671	42.688	0.0	0.0%
Cost of sales	-35.630	-34.364	1.3	-3.6%
Gross profit	7.041	8.325	1.3	18.2%
Sales costs	-0.128	-0.111	0.0	-13.2%
General & admin. Costs	-4.480	-4.430	0.1	-1.1%
Other income/expenses	0.118	0.131	0.0	11.5%
<i>Total Operating expenses</i>	<i>-4.491</i>	<i>-4.410</i>	<i>0.1</i>	<i>-1.8%</i>
EBITDA	3.187	4.433	1.2	39.1%
Depreciation and amortisation	0.842	1.039	0.2	23.4%
EBIT	2.550	3.915	1.4	53.5%
Finance income	0.000	0.148	0.1	
Finance costs	0.000	-0.086	-0.1	
<i>Financial net</i>	<i>0.025</i>	<i>0.062</i>	<i>0.0</i>	<i>148.2%</i>
Pre-tax profit	2.575	3.976	1.4	54.4%
Tax	-0.230	-0.583	-0.4	153.2%
Other	0.000	0.000	0.0	
Net profit	2.345	3.394	1.0	44.7%

Sales growth	2022	2022	Deviation	
	Estimate	Outcome	EURm	%
Sales growth y-on-y	20.0%	20.0%	nm	5

Margins	2022	2022	Deviation	
	Estimate	Outcome	EURm	%
EBITDA margin	7.5%	10.4%	na	292
EBIT margin	6.0%	9.2%	na	319
PTP margin	6.0%	9.3%	na	328
Net profit margin	5.5%	7.9%	na	245

Source: Enlight Research, Company reports

Estimate changes

We raise our Sales estimates for 2023 and 2024 by 6.2%, mainly due to a higher tractor unit sales. Our profit estimates are raised significantly (+40-80%) following the strong 2022 report (Net profit 45% above estimates). Our dividend forecast is also raised significantly. We raise our 2022 dividend per share by 92% to EUR 1.25 (prev. 0.65), while our 2023 and 2024 dividend per share is raised by 86%, and 69%, respectively.

Estimate changes

Sales (EURm)	2022	2023E	2024E	2025E
Old estimate	na	43.6	46.3	na
New estimate	42.7	46.3	49.1	50.6
Change	na	2.7	2.9	na
Change (pct)	na	6.2%	6.2%	na

EBITDA (EURm)	2022E	2023E	2024E	2025E
Old estimate	na	3.0	3.3	na
New estimate	5.0	5.5	5.5	5.4
Change	na	2.5	2.2	na
Change (pct)	na	82.3%	66.1%	na

EBIT (EURm)	2022	2023E	2024E	2025E
Old estimate	na	2.5	2.9	na
New estimate	3.9	4.1	4.3	4.3
Change	na	1.6	1.4	na
Change (pct)	na	62.7%	46.8%	na

Pre-tax Profit (EURm)	2022	2023E	2024E	2025E
Old estimate	na	2.5	2.9	na
New estimate	4.0	4.1	4.3	4.3
Change	na	1.6	1.4	na
Change (pct)	na	64.7%	47.9%	na

EPS (EUR)	2022	2023E	2024E	2025E
Old estimate	na	2.30	2.65	na
New estimate	3.39	3.50	3.65	3.66
Change	na	1.20	1.00	na
Change (pct)	na	52.2%	37.6%	na

Dividend (EUR)	2022E	2023E	2024E	2025E
Old estimate	0.65	0.70	0.80	na
New estimate	1.25	1.30	1.35	1.40
Change	0.60	0.60	0.55	na
Change (pct)	92.3%	85.7%	68.8%	na

Source: Enlight Research

Forecast

In terms of units sold, we forecast a market growth of tractors and harvesters of 8% in 2023, and 6% in 2024. Our assumed machine sales growth is in line with the expected market growth. In 2022, EWA's outgrew the tractor market (21% vs. 16% market growth) while it grew slightly less than the harvester market (unchanged vs. 2% market growth). We forecast stable EBIT margins around 9% in the forecast period 2023-25E. Worth noting is that our assumed Base case DCF terminal EBIT margin is 6.0% i.e., lower than the near-term assumed EBIT margin of around 9%.

Lithuanian tractor market (units)								
	H1/22	H2/22	H1/23E	H2/23E	2022	2023E	2024E	2025E
Tractor units	474	460	521	487	934	1,009	1,069	1,112
Tractor units, growth y-on-y	21%	11%	10%	6%	15.7%	8.0%	6.0%	4.0%
MF Tractor units	78	93	86	99	171	185	196	204
MF Tractor units, growth y-on-y	20%	22%	10%	6%	21.3%	8.0%	6.0%	4.0%
MF tractor market share	16.5%	20.2%	16.5%	20.3%	18.3%	18.3%	18.3%	18.3%

Lithuanian combine harvester market (units)								
	H1/22	H2/22	H1/23E	H2/23E	2022	2023E	2024E	2025E
Combine harvester, units	44	137	48	159	181	195	207	220
Combine harvester units, growth y-on-y	-29%	19.1%	10%	16%	2.3%	8.0%	6.0%	6.0%
MF combine harvester units	9	21	10	24	30	32	34	36
MF combine harvester units, growth y-on-y	-40%	40.0%	10%	16%	0.0%	8.0%	6.0%	6.0%
MF combine harvester market share	20.5%	15.3%	20.5%	15.4%	16.6%	16.6%	16.6%	16.6%

Income statement								
	H1/22	H2/22	H1/23E	H2/23E	2022	2023E	2024E	2025E
Sales revenue	19.6	23.1	21.5	24.8	42.7	46.3	49.1	51.6
Cost of sales	-16.5	-17.9	-17.8	-19.7	-34.4	-37.5	-39.8	-41.8
Gross profit	3.1	5.2	3.7	5.1	8.3	8.8	9.3	9.8
Sales costs	0.0	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.2
General & admin. costs	-2.1	-2.3	-2.3	-2.5	-4.4	-4.7	-5.1	-5.3
Other income/expenses	0.0	0.1	0.0	0.1	0.1	0.1	0.1	0.1
<i>Total Operating expenses</i>	<i>-2.1</i>	<i>-2.3</i>	<i>-2.3</i>	<i>-2.4</i>	<i>-4.4</i>	<i>-4.7</i>	<i>-5.1</i>	<i>-5.3</i>
EBIT	1.0	2.9	1.4	2.6	3.9	4.1	4.3	4.5
Financial net	0.0	0.0	0.0	0.0	0.1	0.1	0.0	0.0
Pre-tax profit	1.0	2.9	1.4	2.7	4.0	4.1	4.3	4.5
Income tax	0.0	-0.6	-0.2	-0.4	-0.6	-0.6	-0.6	-0.7
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit	1.0	2.3	1.2	2.3	3.4	3.5	3.6	3.8
Depreciation & amortization	0.3	0.8	0.7	0.7	1.0	1.4	1.2	1.2
EBITDA actual/estimated	1.3	3.7	2.1	3.3	4.4	5.5	5.5	5.6

Sales growth								
	H1/22	H2/22	H1/23E	H2/23E	2022	2023E	2024E	2025E
Sales y-on-y	16.1%	23.5%	9.8%	7.4%	20.0%	8.5%	6.1%	5.0%

Margins								
	H1/22	H2/22	H1/23E	H2/23E	2022	2023E	2024E	2025E
Gross margin	16.1%	22.4%	17.3%	20.5%	19.5%	19.0%	19.0%	19.0%
EBITDA margin	6.5%	15.9%	9.9%	13.5%	10.4%	11.8%	11.2%	10.9%
EBIT margin	5.2%	12.5%	6.6%	10.7%	9.2%	8.8%	8.7%	8.7%
Pre-tax profit margin	5.3%	12.7%	6.7%	10.8%	9.3%	8.9%	8.7%	8.7%
Net profit margin	5.3%	10.2%	5.7%	9.2%	7.9%	7.6%	7.4%	7.4%

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

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.

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	2021	2022	2023E	2024E	2025E
Net sales	35.6	42.7	46.3	49.1	51.6
Total operating costs	-32.3	-37.7	-40.9	-43.6	-46.0
EBITDA	3.3	5.0	5.5	5.5	5.6
Depreciation & Amort.	-0.7	-1.0	-1.4	-1.2	-1.2
One-off EBIT items	0.0	0.0	0.0	0.0	0.0
EBIT	2.6	3.9	4.1	4.3	4.5
Financial net	-0.1	0.1	0.1	0.0	0.0
Pre-tax profit	2.4	4.0	4.1	4.3	4.5
Taxes	-0.4	-0.6	-0.6	-0.6	-0.7
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	2.0	3.4	3.5	3.6	3.8

Balance Sheet	2021	2022	2023E	2024E	2025E
Cash and cash equivalent	3	2	3	3	3
Receivables	8	6	8	8	8
Inventories	9	11	8	8	8
Other current assets	2	2	4	7	8
Total current assets	22	21	23	26	29
Tangible assets	2	3	3	3	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
Total fixed assets	3	3	3	3	3
Total Assets	25	25	26	29	32
Accounts payable	9	10	9	10	10
Short-term IB debt	1	0	0	0	0
Other current liabilities	6	4	4	4	4
Total current liabilities	16	14	13	14	14
Long-term IB debt	0	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.	0	0	0	0	0
Total long-term liab.	1	1	0	0	0
Total Liabilities	17	15	13	14	14
Minority interest	0	0	0	0	0
Shareholders' equity	8	10	12	15	17
Total liabilities and equity	25	25	26	29	32

DCF valuation	Cash flow, mEUR		
WACC (%)	18.86 %	NPV FCF (2022-2024)	9
Assumptions 2022-2028 (%)		NPV FCF (2025-2031)	8
Sales CAGR	3.50 %	NPV FCF (2032-)	3
Avg. EBIT margin	8.37 %	Non-operating assets	2
Fair value per share (EUR)	22.00	Interest-bearing debt	0
Share price (EUR)	16.60	Fair value estimate	22

Free Cash Flow	2021	2022	2023E	2024E	2025E
Operating profit	2.6	3.9	4.1	4.3	4.5
Depreciation & Amort.	0.7	1.0	1.4	1.2	1.2
Working capital chg.	4.4	-1.8	0.3	0.4	-0.3
Other Operating CF items	-0.1	-0.6	-0.6	-0.6	-0.7
Operating Cash Flow	7.6	2.5	5.2	5.2	4.7
Net investments	-1.0	-1.7	-1.0	-1.0	-1.0
Other items	-2.6	0.0	0.0	0.0	0.0
Free Cash Flow	4.0	0.8	4.2	4.2	3.7

Capital structure	2021	2022	2023E	2024E	2025E
Equity ratio	31.0%	41.1%	48.2%	51.5%	54.5%
Debt / Equity ratio	18.9%	3.1%	0.0%	0.0%	0.0%
Gearing %	-26.4%	-20.4%	-40.6%	-53.9%	-59.8%
Net debt/EBITDA	-0.6	-0.4	-0.9	-1.5	-1.8

Profitability	2021	2022	2023E	2024E	2025E
ROE	29.9%	38.2%	30.9%	26.8%	23.9%
FCF yield	29.9%	5.0%	25.2%	25.3%	22.1%
EBITDA margin	9.3%	11.6%	11.8%	11.2%	10.9%
EBIT margin	7.3%	9.2%	8.8%	8.7%	8.7%
PTP margin	6.9%	9.3%	8.9%	8.7%	8.7%
Net margin	5.8%	8.0%	7.6%	7.4%	7.4%

Valuation	2021	2022	2023E	2024E	2025E
P/E	6.5	4.7	4.7	4.6	4.3
P/E adjusted	6.5	4.7	4.7	4.6	4.3
P/Sales	0.4	0.4	0.4	0.3	0.3
EV/Sales	0.3	0.3	0.2	0.2	0.1
EV/EBITDA	3.5	2.8	2.1	1.6	1.1
EV/EBIT	4.4	3.6	2.8	2.0	1.4
P/BV	1.8	1.6	1.3	1.1	1.0
P/BV tangible	1.8	1.6	1.3	1.1	1.0

Per share ratios	2021	2022	2023E	2024E	2025E
EPS	2.05	3.39	3.50	3.65	3.83
EPS, adjusted	2.05	3.39	3.50	3.65	3.83
Operating CF/share	7.59	2.53	5.18	5.20	4.67
Free Cash Flow/share	4.00	0.81	4.18	4.20	3.67
BV/share	7.59	10.20	12.45	14.80	17.29
Tangible BV/share	7.59	10.20	12.45	14.80	17.29
Div. per share	0.60	1.25	1.30	1.35	1.40
Div. payout ratio	29.3%	36.8%	37.1%	37.0%	36.5%
Dividend yield	4.5%	7.5%	7.8%	8.1%	8.4%

Shareholders	Capital	Votes
Danas Sidlauskas	6.640	40.00 %
Gediminas Kvietkauskas	6.585	39.67 %
Multi Asset Selection Fund	1.433	8.63 %

Key people	
CEO	Gediminas Kvietkauskas
CFO	
IR	
Chairman	Danas Sidlauskas

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