

Multitude SE

Financial Services - Finland



Buy (old: Buy)

23.08.2024

EUR 12.00 (old: EUR 12.00)

Q2 with improved profitability // FY24 guidance confirmed

Topic: Multitude reported a strong set of Q2 figures with improved bottom line, above our estimates. Further, management confirmed its FY24 EBIT guidance. In detail:

- **Interest income came in at € 64.7m** (16% yoy, 1% qoq), below our estimates of € 67.2m, due to a lower Consumer Banking topline (-1% qoq, 9% yoy, vs eNuW: € 56.6m) overcompensated by the strong growth in the SME banking to € 8.3m (8% qoq, 47% yoy, vs eNuW: € 8.1m) and in the Wholesale Banking to € 2.8m (22% qoq, 183% yoy, vs eNuW: € 2.5m). The net loan book (NAR) grew only slightly to € 594m (1% qoq, 15% yoy, vs eNuW: € 600m), while the debt investments (Wholesale Banking) increased significantly to € 103m (51% qoq, 69% yoy, vs eNuW: € 80m).
- **EBIT jumped to € 16.8m** (45% qoq, 44% yoy), mainly driven by lower impairments that are back on track at only € 23.8m (-16% qoq, 17% yoy, vs eNuW: € 26.9m) or 36.9% of sales, while S&M, personnel and other operating expenses remained stable. As anticipated, interest expenses came in higher at € 11.4m (31% qoq, 115% yoy, eNuW: € 9.4m), caused by 1) the growth of the loan book, 2) the higher avg interest costs that move with a delay of c. 6-18 months (eNuW) to the ECB rate and 3) a € 1.4m bond-related one-off. Still, **EBT of € 5.4m** (80% qoq, -21% yoy), carried by the lower impairments, beat our expectation (eNuW: € 4.8m).

Overall, Multitude delivered a strong Q2 with improved risk management visible in declining impairments and ongoing tight cost control resulting in stable OPEX. While the Consumer Banking is currently the only EBIT contributor, we expect the strong growth of the loan book in the SME and Wholesale Banking to materialize within the next quarters resulting in meaningful EBIT contribution. With that, the **confirmed EBIT guidance of € 67.5m looks achievable**. Nevertheless, we play it safe expecting only € 61.4m EBIT in FY24 as of now, leaving room for upgrades.

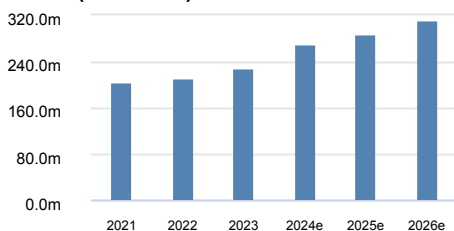
For a growing, highly profitable, resilient and dividend paying company the stock still looks undatable cheap trading at only **4x PE '25**.

BUY with an unchanged PT of **€ 12 PT**, based on our residual income model. Hence, Multitude remains one of our NuWays Alpha picks for FY24.

Y/E 31.12 (EUR m)	2021	2022	2023	2024e	2025e	2026e
Sales	204.2	212.5	230.5	270.1	288.6	312.0
Sales growth	-11.4%	4.1%	8.5%	17.2%	6.8%	46.8%
EBITDA	42.5	48.9	60.5	76.3	84.8	96.1
Net debt (if net cash=0)	-111.6	-104.6	-69.2	-80.8	-97.1	-119.5
FCF	60.2	-45.2	147.0	-1.2	5.0	14.8
Net Debt/EBITDA	0.0	0.0	0.0	0.0	0.0	0.0
EPS pro forma	0.11	0.54	0.76	0.98	1.21	1.53
EBITDA margin	20.8%	23.0%	26.2%	28.3%	29.4%	30.8%
ROCE	3.7%	4.0%	5.3%	6.0%	6.3%	6.9%
EV/sales	0.0	0.0	0.0	0.1	0.0	-0.3
EV/EBITDA	0.0	0.1	0.1	0.3	0.1	-0.9
PER	47.9	9.6	6.9	5.3	4.3	3.4
Adjusted FCF yield	-412.8%	-234.6%	-206.1%	-171.2%	-125.4%	-96.9%

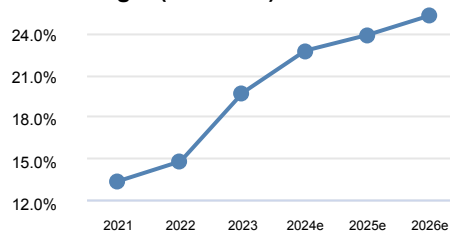
Source: Company data, NuWays, Close price as of 22.08.2024

Sales (2021-26e)



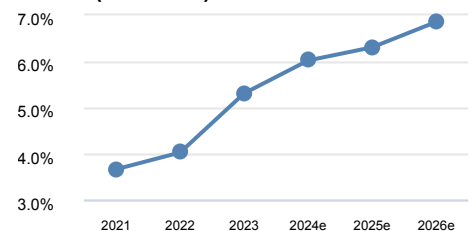
Source: NuWays Research

EBIT margin (2021-26e)



Source: NuWays Research

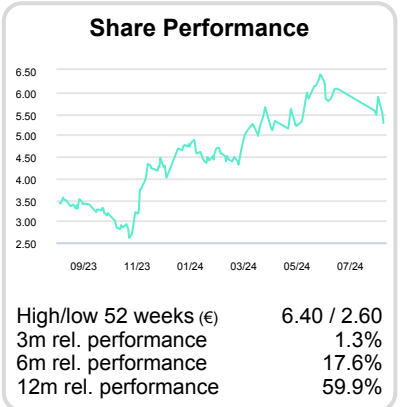
ROCE (2021-26e)



Source: NuWays Research

Company description

As a pioneer in digital banking solutions, Multitude is a global service provider for developing and operating a global financial platform and offering real-time scoring, lending and banking services to consumers and companies.



Market data

Share price (in €)	5.27
Market cap (in € m)	113.1
Number of shares (in m pcs)	21.8
Enterprise value (in € m)	22.0
Ø trading volume (6 months)	2,259

Identifier

Bloomberg	E4I GR
Reuters	E4I.DE
WKN	A40G1Q
ISIN	MT0002810100

Key shareholders

Jorma Jokela	55.2%
Universal	4.9%
Dorval	4.8%
Ferratum Oyj	0.7%

Estimates changes

	2024e	2025e	2026e
Sales	0%	0%	0%
EBIT	0%	0%	0%
EPS	0%	0%	0%

Comment on changes

Guidance

- EBIT FY24: € 67.5m
- Net income FY26: € 30m

Financials

Profit and loss (EUR m)	2021	2022	2023	2024e	2025e	2026e
Sales	204.2	212.5	230.5	270.1	288.6	312.0
Sales growth	-11.4%	4.1%	8.5%	17.2%	6.8%	46.8%
Cost of sales	71.9	84.6	89.3	107.1	112.5	118.1
Gross profit	132.3	127.8	141.2	163.0	176.2	193.9
Sales and marketing	15.6	12.4	14.2	14.3	15.2	16.4
General and administration	33.0	34.0	34.1	38.4	40.4	43.2
Research and development	0.0	0.0	0.0	0.0	0.0	0.0
Other operating income	-0.6	0.0	0.0	0.0	0.3	0.3
Other operating expenses	40.4	32.6	32.5	34.0	36.0	38.5
Total operating expenses	89.7	78.9	80.7	86.7	91.3	97.8
Unusual or infrequent items	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA	42.5	48.9	60.5	76.3	84.8	96.1
Depreciation	2.9	2.6	2.5	2.7	2.9	3.1
Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	12.4	14.9	12.6	12.2	13.0	14.0
Impairment charges	0.0	0.0	0.0	0.0	0.0	0.0
EBIT (inc revaluation net)	27.2	31.4	45.5	61.5	68.9	78.9
Interest income	3.6	0.1	0.1	0.1	0.1	0.1
Interest expenses	26.1	17.9	26.6	37.0	38.6	40.6
Investment income	0.0	0.0	0.0	0.0	0.0	0.0
Financial result	-22.5	-17.8	-26.5	-36.9	-38.5	-40.5
Recurring pretax income from continuing operations	4.7	13.6	19.0	24.5	30.5	38.4
Extraordinary income/loss	0.0	0.0	0.0	0.0	0.0	0.0
Earnings before taxes	4.7	13.6	19.0	24.5	30.5	38.4
Income tax expense	2.4	1.8	2.6	3.3	4.1	5.1
Net income (pro forma)	2.3	11.8	16.4	21.3	26.4	33.3
Income from discontinued operations (net of tax)	5.8	0.0	0.0	0.0	0.0	0.0
Extraordinary items (net of tax)	3.3	3.7	5.4	6.0	6.0	6.0
Net profit (reported)	-6.8	8.1	11.1	15.3	20.4	27.3
Average number of shares	21.6	21.7	21.8	21.8	21.8	21.8
EPS reported	-0.32	0.37	0.51	0.70	0.94	1.25

Profit and loss (common size)	2021	2022	2023	2024e	2025e	2026e
Sales	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of sales	35.2%	39.8%	38.7%	39.6%	39.0%	37.9%
Gross profit	64.8%	60.2%	61.3%	60.4%	61.0%	62.1%
Sales and marketing	7.7%	5.8%	6.2%	5.3%	5.3%	5.2%
General and administration	16.2%	16.0%	14.8%	14.2%	14.0%	13.9%
Research and development	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other operating income	-0.3%	0.0%	0.0%	0.0%	0.1%	0.1%
Other operating expenses	19.8%	15.3%	14.1%	12.6%	12.5%	12.3%
Total operating expenses	43.9%	37.2%	35.0%	32.1%	31.6%	31.4%
Unusual or infrequent items	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EBITDA	20.8%	23.0%	26.2%	28.3%	29.4%	30.8%
Depreciation	1.4%	1.2%	1.1%	1.0%	1.0%	1.0%
Amortisation of goodwill	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Amortisation of intangible assets	6.1%	7.0%	5.5%	4.5%	4.5%	4.5%
Impairment charges	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EBIT (inc revaluation net)	13.3%	14.8%	19.7%	22.8%	23.9%	25.3%
Interest income	1.8%	0.0%	0.0%	0.0%	0.0%	0.0%
Interest expenses	12.8%	8.4%	11.5%	13.7%	13.4%	13.0%
Investment income	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Financial result	neg.	neg.	neg.	neg.	neg.	neg.
Recurring pretax income from continuing operations	2.3%	6.4%	8.2%	9.1%	10.6%	12.3%
Extraordinary income/loss	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Earnings before taxes	2.3%	6.4%	8.2%	9.1%	10.6%	12.3%
Tax rate	50.2%	13.4%	13.4%	13.3%	13.3%	13.3%
Net income (pro forma)	1.1%	5.5%	7.1%	7.9%	9.2%	10.7%
Income from discontinued operations (net of tax)	2.8%	0.0%	0.0%	0.0%	0.0%	0.0%
Extraordinary items (net of tax)	1.6%	1.7%	2.3%	2.2%	2.1%	1.9%
Net profit (reported)	-3.3%	3.8%	4.8%	5.6%	7.1%	8.7%

Source: Company data, NuWays

Balance sheet (EUR m)	2021	2022	2023	2024e	2025e	2026e
Intangible assets	35.8	31.4	29.5	29.5	28.5	27.5
Property, plant and equipment	5.0	7.7	7.7	7.2	6.7	6.2
Financial assets	6.2	21.1	62.1	62.1	62.1	62.1
FIXED ASSETS	47.1	60.2	99.3	98.8	97.3	95.8
Inventories	0.0	0.0	0.0	0.0	0.0	0.0
Accounts receivable	451.7	507.1	575.9	633.2	692.0	749.0
Other assets and short-term financial assets	15.9	24.8	22.6	22.6	22.6	22.6
Liquid assets	301.6	153.3	283.7	315.1	314.8	318.0
Deferred taxes	7.0	7.6	6.5	6.5	6.5	7.6
Deferred charges and prepaid expenses	1.3	0.2	2.8	2.8	2.8	0.2
CURRENT ASSETS	777.5	693.0	891.6	980.2	1,038.7	1,097.4
TOTAL ASSETS	824.5	753.2	990.9	1,079.0	1,136.0	1,193.2

SHAREHOLDERS EQUITY	174.8	180.0	183.6	194.8	209.5	229.1
MINORITY INTEREST	0.0	0.0	0.0	0.0	0.0	0.0
Long-term liabilities to banks	0.0	0.0	0.0	0.0	0.0	0.0
Bonds (long-term)	141.8	47.4	47.8	93.6	103.0	113.3
other interest-bearing liabilities	2.9	5.0	10.3	10.3	10.3	5.0
Provisions for pensions and similar obligations	0.0	0.0	0.0	0.0	0.0	0.0
Other provisions and accrued liabilities	0.0	0.0	0.0	0.0	0.0	0.0
NON-CURRENT LIABILITIES	144.7	52.4	58.1	103.9	113.2	118.3
Short-term liabilities to banks	0.0	0.0	0.0	0.0	0.0	0.0
Accounts payable	1.4	15.6	13.4	13.4	13.4	13.4
Advance payments received on orders	0.0	0.0	0.0	0.0	0.0	0.0
Accrued taxes	3.5	0.9	2.3	2.3	2.3	2.3
Other liabilities (incl. from lease and rental contracts)	499.9	503.4	732.4	763.6	796.4	829.2
Deferred taxes	0.2	1.0	1.2	1.2	1.2	1.0
Deferred income	0.0	0.0	0.0	0.0	0.0	0.0
CURRENT LIABILITIES	505.0	520.8	749.1	780.4	813.2	845.8
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	824.6	753.2	990.9	1,079.0	1,136.0	1,193.2

Balance sheet (common size)	2021	2022	2023	2024e	2025e	2026e
Intangible assets	4.3%	4.2%	3.0%	2.7%	2.5%	2.3%
Property, plant and equipment	0.6%	1.0%	0.8%	0.7%	0.6%	0.5%
Financial assets	0.8%	2.8%	6.3%	5.8%	5.5%	5.2%
FIXED ASSETS	5.7%	8.0%	10.0%	9.2%	8.6%	8.0%
Inventories	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Accounts receivable	54.8%	67.3%	58.1%	58.7%	60.9%	62.8%
Other assets and short-term financial assets	1.9%	3.3%	2.3%	2.1%	2.0%	1.9%
Liquid assets	36.6%	20.4%	28.6%	29.2%	27.7%	26.7%
Deferred taxes	0.8%	1.0%	0.7%	0.6%	0.6%	0.6%
Deferred charges and prepaid expenses	0.2%	0.0%	0.3%	0.3%	0.3%	0.0%
CURRENT ASSETS	94.3%	92.0%	90.0%	90.8%	91.4%	92.0%
TOTAL ASSETS	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

SHAREHOLDERS EQUITY	21.2%	23.9%	18.5%	18.1%	18.4%	19.2%
MINORITY INTEREST	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Long-term liabilities to banks	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Bonds (long-term)	17.2%	6.3%	4.8%	8.7%	9.1%	9.5%
other interest-bearing liabilities	0.4%	0.7%	1.0%	1.0%	0.9%	0.4%
Provisions for pensions and similar obligations	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other provisions and accrued liabilities	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
NON-CURRENT LIABILITIES	17.6%	7.0%	5.9%	9.6%	10.0%	9.9%
Short-term liabilities to banks	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Accounts payable	0.2%	2.1%	1.3%	1.2%	1.2%	1.1%
Advance payments received on orders	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Accrued taxes	0.4%	0.1%	0.2%	0.2%	0.2%	0.2%
Other liabilities (incl. from lease and rental contracts)	60.6%	66.8%	73.9%	70.8%	70.1%	69.5%
Deferred taxes	0.0%	0.1%	0.1%	0.1%	0.1%	0.1%
Deferred income	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
CURRENT LIABILITIES	61.2%	69.1%	75.6%	72.3%	71.6%	70.9%
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Company data, NuWays

Cash flow statement (EUR m)	2021	2022	2023	2024e	2025e	2026e
Net profit/loss	-3.5	11.8	16.4	15.3	20.4	27.3
Depreciation of fixed assets (incl. leases)	3.7	2.6	2.5	2.7	2.9	3.1
Amortisation of goodwill & intangible assets	13.5	14.9	12.6	12.2	13.0	14.0
Other costs affecting income / expenses	78.0	-107.5	-111.1	-126.0	-137.6	-151.9
Cash flow from operating activities	54.5	-51.9	142.8	-2.7	3.5	13.3
Increase/decrease in inventory	0.0	0.0	0.0	0.0	0.0	0.0
Increase/decrease in accounts receivable	-152.9	-167.4	-211.5	-164.3	-171.3	-175.1
Increase/decrease in accounts payable	-12.6	17.4	227.2	31.2	32.9	32.8
Increase/decrease in other working capital positions	145.4	193.9	221.7	241.1	259.1	280.3
Increase/decrease in working capital	-20.0	43.8	237.4	108.0	120.7	138.0
Cash flow from operating activities	71.7	-34.3	157.8	12.2	19.3	30.5
CAPEX	11.5	10.9	10.8	13.4	14.4	15.7
Payments for acquisitions	0.0	0.0	0.0	1.0	0.0	0.0
Financial investments	0.7	0.0	1.0	0.0	0.0	0.0
Income from asset disposals	-1.4	0.0	0.0	0.0	0.0	0.0
Cash flow from investing activities	-13.7	-10.9	-11.8	-14.4	-14.4	-15.7
Cash flow before financing	58.0	-45.2	143.3	-6.3	-0.7	7.2
Increase/decrease in debt position	-39.6	-184.1	-6.8	45.8	9.4	5.0
Purchase of own shares	0.0	0.0	0.0	0.0	0.0	0.0
Capital measures	50.0	87.1	0.0	0.0	0.0	0.0
Dividends paid	0.0	0.0	2.6	4.1	5.7	7.6
Others	-3.3	-3.7	-6.0	-8.0	-9.0	-9.0
Effects of exchange rate changes on cash	-0.1	-2.3	-0.2	0.0	0.0	0.0
Cash flow from financing activities	7.1	-100.7	-15.4	33.7	-5.3	-11.6
Increase/decrease in liquid assets	65.0	-148.3	130.4	31.5	-0.4	3.2
Liquid assets at end of period	301.6	153.3	283.7	315.1	314.8	318.0

Key ratios (EUR m)	2021	2022	2023	2024e	2025e	2026e
P&L growth analysis						
Sales growth	-11.4%	4.1%	8.5%	17.2%	6.8%	46.8%
EBITDA growth	-24.5%	16.7%	42.2%	56.1%	40.3%	129.3%
EBIT growth	-40.2%	9.9%	67.0%	95.9%	51.7%	176.6%
EPS growth	-129.0%	1660.6%	-261.2%	87.7%	84.7%	5803.3%
Efficiency						
Sales per employee	286.4	278.5	283.5	313.0	316.1	395.9
EBITDA per employee	59.7	64.1	74.4	88.4	92.9	121.9
No. employees (average)	713	763	813	863	913	788
Balance sheet analysis						
Avg. working capital / sales	203.5%	198.3%	219.7%	205.7%	215.0%	174.2%
Inventory turnover (sales/inventory)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Accounts receivable turnover	480.9	480.9	480.9	480.9	480.9	480.9
Accounts payable turnover	7.2	67.2	54.7	45.6	43.4	41.3
Cash flow analysis						
Free cash flow	60.2	-45.2	147.0	-1.2	5.0	14.8
Free cash flow/sales	29.5%	-21.3%	63.8%	-0.4%	1.7%	4.8%
FCF / net profit	neg.	neg.	894.0%	neg.	24.4%	54.5%
Capex / sales	6.0%	5.1%	5.1%	4.9%	5.0%	5.0%
Solvency						
Net debt	-111.6	-104.6	-69.2	-80.8	-97.1	-119.5
Net Debt/EBITDA	0.0	0.0	0.0	0.0	0.0	0.0
Dividend payout ratio	0.0%	32.2%	37.4%	37.4%	37.4%	37.4%
Interest paid / avg. debt	16.2%	15.1%	26.2%	47.3%	45.0%	26.8%
Returns						
ROCE	3.7%	4.0%	5.3%	6.0%	6.3%	6.9%
ROE	-3.9%	4.5%	6.0%	7.8%	9.7%	11.9%
Adjusted FCF yield	-412.8%	-234.6%	-206.1%	-171.2%	-125.4%	-96.9%
Dividend yield	0.0%	2.3%	3.7%	5.0%	6.7%	9.0%
DPS	0.0	0.1	0.2	0.3	0.4	0.5
EPS reported	-0.32	0.37	0.51	0.70	0.94	1.25
Average number of shares	21.6	21.7	21.8	21.8	21.8	21.8
Valuation ratios						
P/BV	0.6	0.6	0.6	0.6	0.5	0.5
EV/sales	0.0	0.0	0.0	0.1	0.0	-0.3
EV/EBITDA	0.0	0.1	0.1	0.3	0.1	-0.9
EV/EBIT	0.0	0.1	0.1	0.4	0.1	-1.1

Source: Company data, NuWays

Disclosures

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Conflicts of interest that existed at the time when this research report was published:

Company	Disclosures
Multitude SE	2

Historical target price and rating changes for Multitude SE

Company	Date	Analyst	Rating	Target Price	Close
Multitude SE	10.04.2024	Jarchow, Frederik	Buy	EUR 12.00	EUR 5.44
	21.11.2023	Jarchow, Frederik	Buy	EUR 10.00	EUR 3.16

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According to Article 4(1) No. i of the delegated regulation 2016/958 supplementing regulation 596/2014 of the European Parliament, further information regarding investment recommendations of the last 12 months are published under: www.nuways-ag.com

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