

All about the Dividend

Q3 Sales and Profits beat estimates, but the economic downturn affects demand. In 2025, we assume an economic recovery leading to a double-digit underlying profit growth. We expect dividend policy payouts each year in 2024-26.

Economic pickup 2025

Tallink's core markets are sluggish with expected 2024 GDP declines of 0.7% (Estonia), 0.6% (Finland), while Sweden is forecast to post a meager 0.5% increase. This affects demand (Q3/24 PAX and Revenues declined 3.4% and 3.7%, y-on-y, respectively). Macro economists expect a return to growth next year which could boost Tallink's profits.

Double-digit profit growth

We forecast the underlying Net profit to grow 53% next year to EUR 38m from an estimated EUR 25m this year (excl. the estimated EUR 18m gain from the sale of vessel Isabelle). This can be compared to the 2012-23 average Net profit of EUR 25m (EUR 51m excluding Covid loss years).

Free Cash Flow support Dividends

We estimate dividend policy EUR 0.05/shr. each year 2024-26, which is supported by the estimated Free Cash Flow of EUR 0.17-0.19/shr. The non-cash item depreciation (EUR ~97m/yr.) makes it is easy to underestimate the dividend payment capability when looking at the EPS (estimated at EUR 0.05-0.06/shr.). At the webinar, management said there was a "high possibility" to pay EUR 0.05/shr. dividend, which implies 8.3% yield.

Key figures (MEUR)

	2022	2023	2024E	2025E	2026E
Net sales	771.4	835.3	788.2	799.4	815.9
Net sales growth	61.7%	8.3%	-5.6%	1.4%	2.1%
EBITDA	135.8	214.5	178.3	170.7	167.6
EBITDA margin	17.6%	25.7%	22.6%	21.4%	20.6%
EBIT	37.7	113.3	80.4	73.7	73.2
EBIT margin	4.9%	13.6%	10.2%	9.2%	9.0%
EV/Sales	1.5	1.3	1.3	1.2	1.0
EV/EBITDA	8.3	5.2	5.6	5.4	5.0
EV/EBIT	29.9	9.9	12.4	12.6	11.5
P/E adj.	27.9	6.5	19.0	11.9	11.0
P/BV	0.5	0.7	0.6	0.6	0.6
EPS	0.02	0.11	0.06	0.05	0.05
EPS growth	-124.79%	465.45%	-46.06%	-11.77%	8.71%
Div. per share	0.00	0.06	0.05	0.05	0.05
Dividend yield	0.00%	8.70%	8.31%	8.31%	8.31%

Source: Company data, Enlight Research estimates

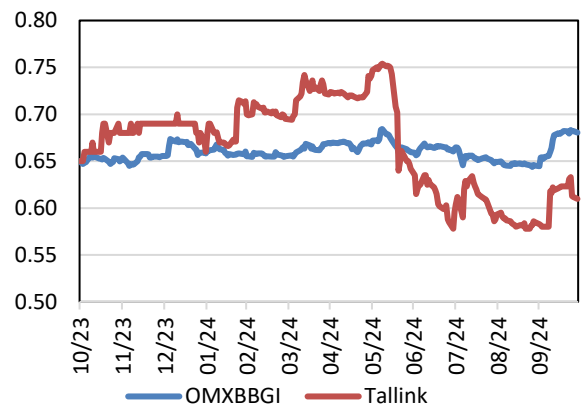
Fair value range (EUR)

Bull (term. EBIT marg. 11.5%)	1.04
Base (term. EBIT marg. 10.0%)	0.79
Bear (term. EBIT marg. 9.5%)	0.53

Key Data

Price (EUR)	0.60
Ticker	TAL1T
Country	Estonia
Listed	Tallinn
Market Cap (EURm)	448
Net debt (EURm)*	552
Shares (m)	746.6
Free float	32%

*End of 2024 estimate



Price range

52-week high	0.75
52-week low	0.58

Analyst

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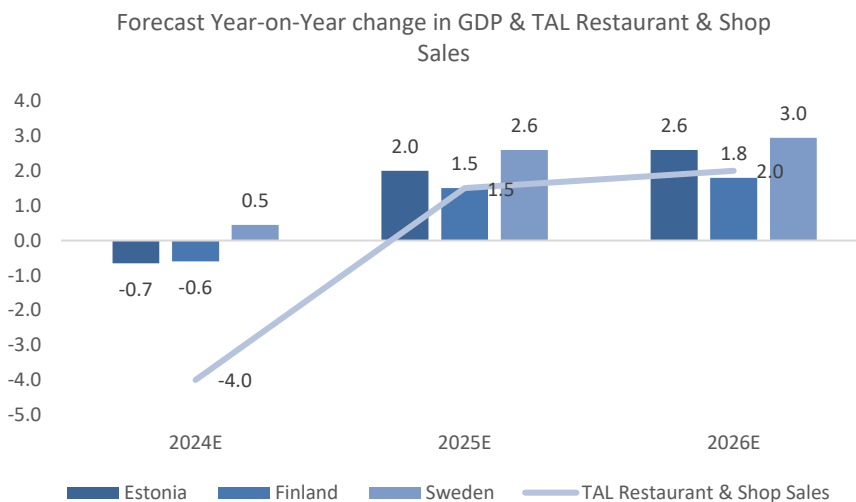
Coverage frequency

4x per year

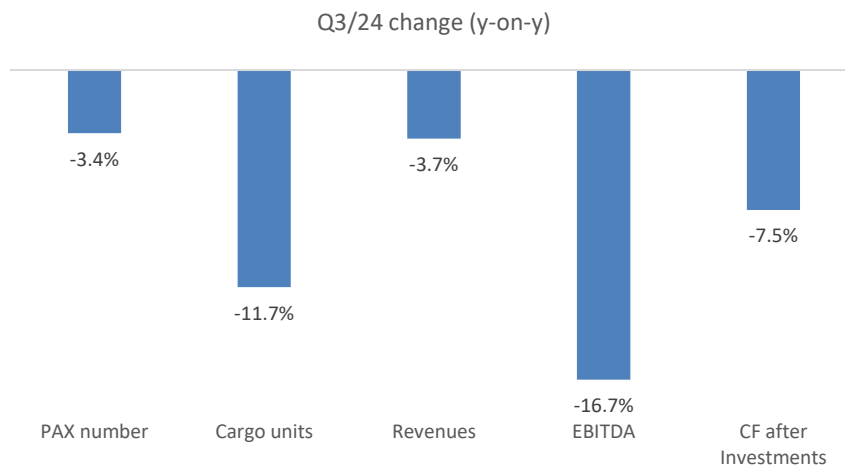
Key takeaways

Economic downturn affects demand, looking for a pickup in 2025

The economic downturn in Tallink’s core markets (Estonia, Finland, Sweden) is affecting demand for Tallink’s products. The weak consumer sentiment burdens the Restaurant & Shop Sales (40-50% Group revenues), which declined by 4.9% y-on-y in Q3/24. Given the Q3/24 pax decline of 3.4% y-on-y, the spending per passenger declined by around 1.5% y-on-y. The sluggish economies also affect the trade volumes between Tallink’s core markets. The Q3/24 Cargo units declined by 11.7% y-on-y. However, the Q3/24 Cargo sales increased 0.8% y-on-y as the company managed to increase the average cargo unit price by 14.1% y-on-y. We do not expect an improvement in Tallink’s figures this year nor early next year, especially as Q4/24 and Q1/25 are low season quarters. We do, however, expect an improvement in the upcoming high-season quarters Q2/25 and Q3/25. This is based on the macro economists’ estimated GDP pickup in all Tallink’s core markets. Both Estonia and Finland are expected to post positive GDP growth in 2025 after an expected decline in 2024, while Sweden is estimated to increase its 2025 GDP growth to 2.6% next year from 0.5% this year.



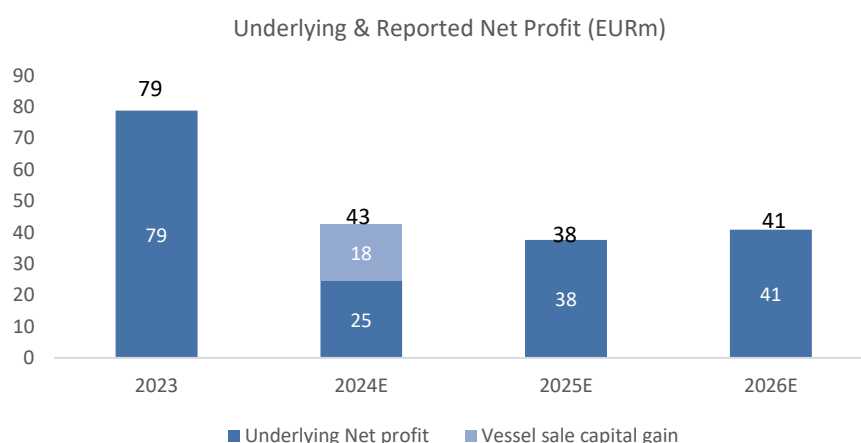
Source: GDP Consensus (Swedbank, SEB), Restaurant & Shop Sales (Tallink)



Source: Tallink

Underlying profit increase expected in 2025

We forecast the expected economic recovery in Tallink’s core markets next year to boost the underlying 2025 Net profit by 53% to EUR 38m from an estimated EUR 25m this year. The company has not reported the capital gain from the sale of the vessel, Isabelle, in Q1/24, but we estimate it at EUR 18m, which means the underlying estimated 2024 Net profit is EUR 25m (unadjusted EUR 43m). Worth noting is that our estimated 2025 Net profit of EUR 38m is 54% above the 2012-23 average of EUR 25m, and 27% below the covid adjusted (excluding 2020-22) average of EUR 51m. To summarize, although below the covid adjusted long-term average, we expect a decent Net profit in 2025 on the back of an economic recovery.

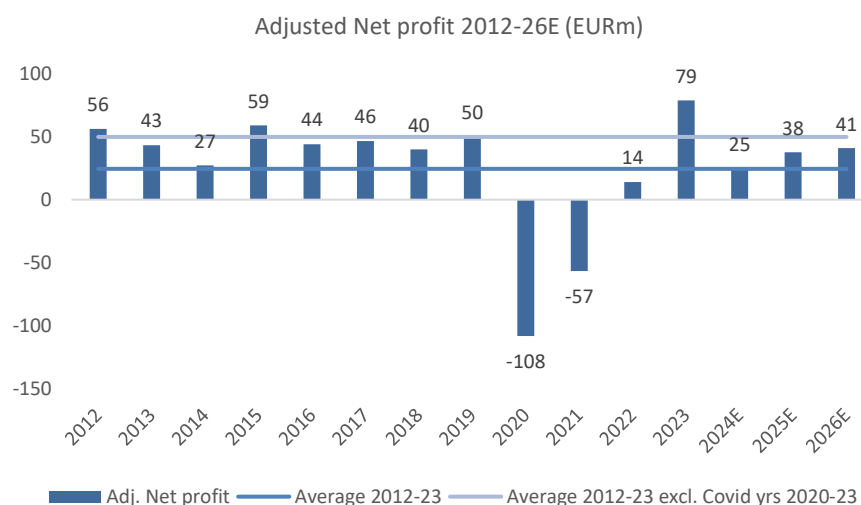


Source: Tallink (Reported Net profit), Enlight Research (Vessel sale capital gain)

Net profit (EURm)	2023	2024E	2025E	2026E
Underlying Net profit	79	25	38	41
Vessel sale capital gain	0	18	0	0
Reported Net profit	79	43	38	41

Net profit Growth	2023	2024E	2025E	2026E
Underlying Net profit	466%	-69%	53%	9%
Reported Net profit	466%	-46%	-12%	9%

Source: Tallink (Reported Net profit), Enlight Research (Vessel sale capital gain)



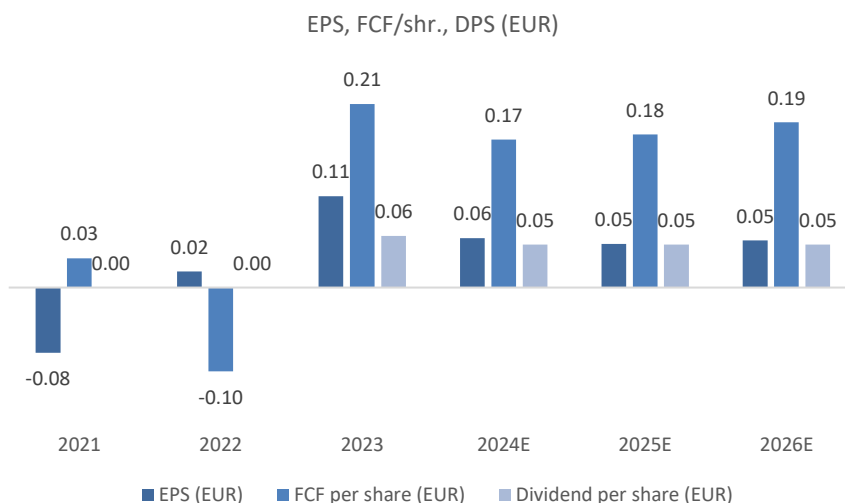
Source: Company (historic), Enlight Research (estimates)

We forecast EUR 0.05 dividend 2024-26

We reiterate our dividend forecast of EUR 0.05 per share each year in the forecast period 2024-26, which is consistent with the dividend policy to pay at least EUR 0.05 per share. At the webinar, management stated that there is a “high possibility” to pay EUR 0.05 per share in dividends from 2024 profits. While our estimated 2024-26 EPS is roughly the same as the estimated Dividend per share, the estimated Free Cash Flow per share of EUR 0.17-0.19 comfortably covers the dividends. Worth noting is that the annual estimated depreciation around EUR 97m (EUR 0.13 per share) is a non-cash item i.e. it lowers the EPS but not the cash flow. Also supporting the dividend capability, is the Q3/24 webinar statement that no investments into new ships will be made in the coming 3-5 years. This means investments should be around EUR 20-25m in the coming 3-5 years, leaving ample room for dividends. If the dividend policy EUR 0.05 per share is adhered to, then the dividend yield of 8.2% appears attractive, in our view.

Dividend forecast	2021	2022	2023	2024E	2025E	2026E
EPS (EUR)	-0.08	0.02	0.11	0.06	0.05	0.05
FCF per share (EUR)	0.03	-0.10	0.21	0.17	0.18	0.19
Dividend per share (EUR)	0.00	0.00	0.06	0.05	0.05	0.05
Dividend yield	0.0%	0.0%	9.8%	8.2%	8.2%	8.2%
Pay-out ratio to EPS	0%	0%	57%	87%	99%	91%
Pay-out ratio to FCF	0%	0%	28%	29%	28%	26%

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



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

Valuation

Peer valuation

The peers are trading at an average 2024E EV/EBITDA multiple of 9.7x. Tallink's 2024E EV/EBITDA multiple of 5.6x implies a peer discount of around 42% to the peer average and around 18% to local peer, Viking Line. Worth noting is that the peers are not fully comparable as they are much bigger in terms of market cap and are long-haul cruise operators without cargo operations (except for Viking Line). Furthermore, a large part of Tallink's earnings comes from chartering out vessels. Tallink's estimated dividend yield of 8.3% in the forecast period 2024-26 is superior to all peers.

Cruise operators peer table

Company	Ccy	Price (last)	Mcap (m) (last)	EV (m) (last)	EV/EBITDA 2023	EV/EBITDA 2024E	EV/EBITDA 2025E	EV/EBITDA 2026E	Dividend yield 2023	Dividend yield 2024E	Dividend yield 2025E	Dividend yield 2026E
Carnival	USD	22.05	28,636	56,175	13.3	9.3	8.5	8.1	0.0%	0.0%	0.0%	0.1%
Norwegian Cruise Line	USD	24.14	10,612	23,424	12.6	9.9	8.8	na	0.0%	0.0%	0.0%	0.0%
Royal Caribbean Cruises	USD	209.72	56,376	76,013	16.7	13.0	11.8	10.7	0.0%	0.3%	0.7%	0.9%
Viking Line	EUR	20.60	356	421	5.1	6.8	6.4	6.2	4.9%	1.9%	2.4%	2.7%
Average					11.9	9.7	8.9	8.3	1.2%	0.5%	0.8%	0.9%
Tallink	EUR	0.60	448	1,000	5.2	5.6	5.4	5.0	8.7%	8.3%	8.3%	8.3%

Source: MarketScreener, Enlight Research (Tallink, Viking Line), Based on prices 29 November 2024

DCF valuation

Our Base case DCF model Fair value per share is lowered slightly to EUR 0.79 (prev. 0.81) mainly due to lowered estimates (see Estimate changes section). The corresponding value for our Bear and Bull case is EUR 0.53 (prev. 0.50), and EUR 1.04 (prev. 1.12), respectively. Worth noting is that we have tightened the Bear and Bull EBIT margin spread vs. the Base case to 1.5 percentage points from 2.0 percentage points. The only difference between our scenarios is our terminal EBIT margin which is 10.0% in our Base case and 1.5 percentage points (prev. 2.0) lower/higher in our Bear/Bull cases. See tables below for DCF Fair values and their sensitivity.

DCF Valuation Scenarios	Bear	Base	Bull
WACC	7.1%	7.1%	7.1%
Terminal sales growth	3.0%	3.0%	3.0%
Terminal EBIT margin	8.5%	10.0%	11.5%
Fair Value per share (EUR)	0.53	0.79	1.04
Upside/Downside	-12%	31%	73%
Share price (EUR)	0.60	0.60	0.60

Source: Enlight Research

Sensitivity parameters	Current	Step	DCF Fair value sensitivity										
Equity beta	1.15	0.10	0.65	0.75	0.85	0.95	1.05	1.15	1.25	1.35	1.45	1.55	1.65
Fair value (DCF)	0.79		1.09	1.01	0.95	0.89	0.83	0.79	0.74	0.70	0.66	0.63	0.59
Target debt ratio*	57.9 %	5.0 %	33%	38%	43%	48%	53%	58%	63%	68%	73%	78%	83%
Fair value (DCF)	0.79		0.43	0.48	0.54	0.61	0.69	0.79	0.90	1.05	1.25	1.52	1.93
Risk-free IR	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 %
Fair value (DCF)	0.79		1.11	1.03	0.96	0.89	0.84	0.79	0.74	0.70	0.66	0.62	0.59

Source: Enlight Research

*Debt/(Debt + Equity)

Estimate deviations

Q3/24 Restaurant & shop sales were 0.9% or EUR 1.0m below estimates, while Ticket sales were 5.0% or EUR 3.8m above forecast. Q3/24 Cargo sales was 1.8% or EUR 0.4m above estimate. Q3/24 Leases of vessels revenue was 11.3% or EUR 1.9m lower than expected. Q3/24 Accommodation sales and Other sales were roughly in-line in absolute euro terms. The Q3/24 Group revenue of EUR 232m was 1.0% or EUR 2.3m above our estimate of EUR 230m. The Q3/24 EBITDA of EUR 68.4m was 5.9% or EUR 3.8m above our estimate of EUR 64.6m. The Q3/24 Net profit of EUR 36.8m beat our estimate of EUR 33.5m.

Deviation by Segment	Estimate	Outcome	Diff	Diff %
Segment Sales	Q3/24	Q3/24	EURm	or %-pts
Restaurant & shop sales	106.9	105.9	-1.0	-0.9%
Growth	-4.0%	-4.9%	na	-1
Ticket sales	74.8	78.6	3.8	5.0%
Growth	-1.5%	3.4%	na	5
Cargo sales	20.5	20.9	0.4	1.8%
Growth	-1.0%	0.8%	na	2
Accommodation sales	5.7	5.9	0.2	3.0%
Growth	5.5%	8.7%	na	3
Leases of vessels	16.5	14.7	-1.9	-11.3%
Growth	-25.0%	-33.5%	na	-8
Other sales	5.0	5.9	0.9	17.8%
Growth	-2.0%	15.4%	na	17
Total revenue	229.5	231.9	2.3	1.0%
Growth (%)	-4.6%	-3.7%	na	1

Deviation for Group	Estimate	Outcome	Diff	Diff %
Income statement	Q3/24	Q3/24	EURm	or %-pts
Revenue	229.5	231.9	2.3	1.0%
Cost of sales	-166.4	-164.8	1.6	-0.9%
Gross profit	63.1	67.0	3.9	6.2%
Marketing expenses	-12.2	-10.7	1.5	-12.2%
Administrative expenses	-11.5	-12.8	-1.3	11.3%
Other operating income	1.0	0.5	-0.5	-53.1%
Other operating expenses	-0.1	0.0	0.1	nm
Operating profit	40.4	44.0	3.6	9.0%
Interest income	0.0	0.1	0.1	nm
Interest expense	-6.9	-7.3	-0.4	6.1%
Other financial items	0.0	0.0	0.0	na
<i>Financial net</i>	<i>-6.9</i>	<i>-7.2</i>	<i>-0.3</i>	<i>4.0%</i>
Pre-tax profit	33.5	36.8	3.4	10.1%
Income tax	0.0	0.0	0.0	nm
Net profit	33.5	36.8	3.4	10.1%
EBITDA	64.6	68.4	3.8	5.9%

	Estimate	Outcome	Diff	Diff
Growth	Q3/24	Q3/24	EURm	%-pts
Revenues	-4.6%	-3.7%	na	1

	Estimate	Outcome	Diff	Diff
Margins	Q3/24	Q3/24	EURm	%-pts
Gross profit margin	27.5%	28.9%	na	1.4
EBITDA margin	28.1%	29.5%	na	1.4
Operating profit margin	17.6%	19.0%	na	1.4
Pre-tax profit margin	14.6%	15.9%	na	1.3
Net profit margin	14.6%	15.9%	na	1.3

Source: Company reports (Outcome), Enlight Research (Estimate)

Estimate changes

Our Sales estimates are lowered by less than 1% in the forecast period 2024-26. We raise our 2024 EBITDA estimate slightly by 1.1% following the better than expected Q3/24 EBITDA. We lower our 2025 and 2026 EBITDA estimates by 4.9% and 8.7%, respectively, on more cautious charter assumptions (now forecast roughly flat charter revenues around EUR 61-62m in the forecast period 2024-26). Our EBIT is raised by 1.8% this year, and lowered by 13.1% in 2025, and 21.7% in 2026, while our Pre-tax Profit is raised by 1.4% this year lowered by 19.4% in 2025, and 28.9% in 2026. Our EPS estimate is roughly unchanged for this year at EUR 0.05 and lowered to EUR 0.05 (prev. 0.07) in 2025, and EUR 0.05 (prev. 0.08) in 2026. Our dividend per share estimate for each year in the forecast period 2024-26 is reiterated at EUR 0.05 (minimum according to dividend policy).

Estimate changes

Sales (EURm)	2024E	2025E	2026E
Old estimate	791	803	822
New estimate	788	799	816
Change (EURm)	-2	-3	-7
Change	-0.3%	-0.4%	-0.8%

EBITDA (EURm)	2024E	2025E	2026E
Old estimate	176	179	184
New estimate	178	171	168
Change (EURm)	2	-9	-16
Change	1.1%	-4.9%	-8.7%

EBIT (EURm)	2024E	2025E	2026E
Old estimate	79	85	94
New estimate	80	74	73
Change (EURm)	1	-11	-20
Change	1.8%	-13.1%	-21.7%

Pre-tax profit (EURm)	2024E	2025E	2026E
Old estimate	51	60	72
New estimate	52	48	51
Change (EURm)	1	-12	-21
Change	1.4%	-19.4%	-28.9%

EPS (EUR)	2024E	2025E	2026E
Old estimate	0.06	0.07	0.08
New estimate	0.06	0.05	0.05
Change (EUR)	0.00	-0.02	-0.03
Change	1.4%	-23.7%	-34.1%

Dividend (EUR)	2024E	2025E	2026E
Old estimate	0.05	0.05	0.05
New estimate	0.05	0.05	0.05
Change (EUR)	0.00	0.00	0.00
Change	0.0%	0.0%	0.0%

Source: Enlight Research

Forecast

Passenger (pax) forecast

For the full-year 2024, we forecast the number of pax to decline by 2.4% y-on-y to 5.569m. For 2025, we forecast roughly unchanged pax, while we forecast a pax growth of 1.0% in 2026. Given that we expect more vessels to be on charter compared to the pre-pandemic years, we do not forecast the number of pax to reach pre-pandemic levels (was 9.8m in 2019). However, a pax recovery to pre-pandemic levels is no longer crucial for the profitability of Tallink as charter has proven more profitable than operating ships on some routes.

Pax forecast	Q1	Q2	Q3	Q4	H1	H2	Full-year
PAX 2019	1,855,772	2,651,843	2,974,790	2,280,805	4,507,615	5,255,595	9,763,210
PAX 2020	1,566,730	388,212	1,314,301	462,859	1,954,942	1,777,160	3,732,102
PAX 2020 chg y-on-y	-15.6%	-85.4%	-55.8%	-79.7%	-56.6%	-66.2%	-61.8%
PAX 2021	267,224	427,767	1,144,092	1,122,892	694,991	2,266,984	2,961,975
PAX 2021 chg y-on-y	-82.9%	10.2%	-13.0%	142.6%	-64.4%	27.6%	-20.6%
PAX 2022	720,261	1,552,174	1,893,603	1,296,047	2,272,435	3,189,650	5,462,085
PAX 2022 chg y-on-y	169.5%	262.9%	65.5%	15.4%	227.0%	40.7%	84.4%
PAX 2023	1,049,777	1,541,081	1,775,821	1,338,921	2,590,858	3,114,742	5,705,600
PAX 2023 chg y-on-y	45.7%	-0.7%	-6.2%	3.3%	14.0%	-2.3%	4.5%
PAX 2024E	1,102,738	1,451,768	1,715,496	1,298,503	2,554,506	3,013,999	5,568,505
PAX 2024E chg y-on-y	5.0%	-5.8%	-3.4%	-3.0%	-1.4%	-3.2%	-2.4%

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

Sales forecast by Segment

We forecast 2024 Restaurant & shop sales to decline by 4.0% which can be compared to the forecast pax decline of 2.4%. The 2024 Ticket sales is estimated to increase 3.3% which is in line with the Q3/24 increase. Our 2024 Leases of vessels sales in expected to decline 39% to EUR 61.7m and stay around these levels in 2025-26.

Sales forecast by segment (EURm)	Q1/23	Q2/23	Q3/23	Q4/23	Q1/24	Q2/24	Q3/24	Q4/24E	2023	2024E	2025E	2026E
Restaurant & shop sales	74.2	108.2	111.4	97.1	75.0	101.7	105.9	92.7	391.0	375.4	381.0	388.6
Growth	48.7%	-2.6%	-7.9%	1.0%	1.0%	-6.0%	-4.9%	-4.5%	3.4%	-4.0%	1.5%	2.0%
Ticket sales	35.2	59.2	76.0	47.2	39.5	58.0	78.6	48.6	217.5	224.7	229.2	233.8
Growth	59.1%	19.3%	0.8%	5.3%	12.2%	-2.0%	3.4%	3.0%	13.3%	3.3%	2.0%	2.0%
Cargo sales	25.3	23.8	20.7	21.2	22.7	25.5	20.9	21.4	91.0	90.6	91.5	93.3
Growth	-4.5%	-14.1%	-18.3%	-10.4%	-10.1%	7.2%	0.8%	0.9%	-11.8%	-0.5%	1.0%	2.0%
Accommodation sales	2.2	4.0	5.4	3.4	2.3	4.3	5.9	3.7	15.0	16.1	16.7	17.2
Growth	65.2%	36.0%	30.4%	17.2%	4.7%	7.7%	8.7%	7.2%	32.5%	7.5%	3.5%	3.0%
Leases of vessels	30.3	29.5	22.1	19.3	17.5	15.7	14.7	13.8	101.2	61.7	60.9	62.4
Growth	964.7%	197.5%	2.9%	-39.0%	-42.3%	-46.8%	-33.5%	-28.3%	53.7%	-39.0%	-1.3%	2.5%
Other sales	4.0	5.0	5.1	5.6	3.4	4.8	5.9	5.7	19.6	19.8	20.2	20.6
Growth	15.9%	5.0%	-38.1%	22.6%	-15.6%	-3.2%	15.4%	3.2%	-6.5%	1.0%	2.0%	2.0%
Total revenue	171.2	229.7	240.7	193.7	160.4	210.0	231.9	185.9	835.3	788.2	799.4	815.9
Growth (%)	61.3%	11.5%	-5.8%	-4.9%	-6.3%	-8.5%	-3.7%	-4.0%	8.3%	-5.6%	1.4%	2.1%

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

Group Income statement forecast

We forecast 2024 Group sales to be decline 5.6% to EUR 788m, while we expect the EBITDA to decline to EUR 178m from EUR 215m. For 2025, and 2026, we forecast a sales increase of 1.4%, and 2.1%, respectively. Worth noting is that our 2024 estimate includes an estimated EUR 18m one-off income from the sale of the ship Isabelle (included in Other operating income line).

Interim forecast

Income statement (EURm)	Q1/23	Q2/23	Q3/23	Q4/23	Q1/24	Q2/24	Q3/24	Q4/24E	2023	2024E	2025E	2026E
Revenue	171.2	229.7	240.7	193.7	160.4	210.0	231.9	185.9	835.3	788.2	799.4	815.9
Cost of sales	-146.5	-163.2	-163.0	-158.8	-146.6	-163.2	-164.8	-157.5	-631.5	-632.2	-635.9	-649.5
Gross profit	24.8	66.5	77.7	34.9	13.8	46.8	67.0	28.5	203.8	156.1	163.5	166.4
Marketing expenses	-9.1	-11.3	-10.4	-11.4	-9.8	-11.9	-10.7	-11.0	-42.2	-43.4	-42.4	-44.1
Administrative expenses	-14.1	-12.2	-11.2	-15.0	-12.7	-13.5	-12.8	-14.6	-52.5	-53.6	-52.8	-54.7
Other operating income	0.3	0.3	0.8	2.9	19.4	1.0	0.5	2.1	4.3	23.0	5.6	5.7
Other operating expenses	0.0	0.0	0.0	-0.1	-0.8	-0.1	0.0	-0.7	-0.2	-1.7	-0.2	-0.2
Operating profit	1.9	43.3	56.8	11.4	9.8	22.3	44.0	4.3	113.3	80.4	73.7	73.2
Interest income	0.4	0.3	0.1	0.5	0.2	0.3	0.1	-0.6	1.3	0.0	0.0	0.0
Interest expense	-8.0	-10.3	-8.5	-10.1	-7.7	-7.4	-7.3	-6.5	-36.9	-28.8	-25.6	-21.8
Other financial items	0.0	0.0	0.0	-0.1	0.0	0.0	0.0	0.0	-0.1	0.0	0.0	0.0
<i>Financial net</i>	-7.6	-10.0	-8.4	-9.6	-7.5	-7.1	-7.2	-7.1	-35.6	-28.8	-25.6	-21.8
Pre-tax profit	-5.7	33.2	48.5	1.8	2.4	15.2	36.8	-2.8	77.7	51.6	48.2	51.5
Income tax	0.3	0.2	0.2	0.4	0.2	-9.1	0.0	0.0	1.2	-8.9	-10.5	-10.5
Net profit	-5.4	33.4	48.7	2.2	2.6	6.1	36.8	-2.8	78.9	42.7	37.7	40.9
Depreciation & Amortization	25.2	25.3	25.2	25.5	24.6	24.3	24.4	24.5	101.2	97.9	97.0	94.4
EBITDA	27.1	68.5	82.1	36.8	34.5	46.6	68.4	28.8	214.5	178.3	170.7	167.6
Sales growth	Q1/23	Q2/23	Q3/23	Q4/23	Q1/24	Q2/24	Q3/24	Q4/24E	2023	2024E	2025E	2026E
Sales growth seq.	-15.9%	34.1%	4.8%	-19.5%	-17.2%	31.0%	10.4%	-19.8%	na	na	na	na
Sales growth Y-on-Y	61.3%	11.5%	-5.8%	-4.9%	-6.3%	-8.5%	-3.7%	-4.0%	8.3%	-5.6%	1.4%	2.1%
Margins	Q1/23	Q2/23	Q3/23	Q4/23	Q1/24	Q2/24	Q3/24	Q4/24E	2023	2024E	2025E	2026E
EBITDA	15.8%	29.8%	34.1%	19.0%	21.5%	22.2%	29.5%	15.5%	25.7%	22.6%	21.4%	20.5%
Gross margin	14.5%	28.9%	32.3%	18.0%	8.6%	22.3%	28.9%	15.3%	24.4%	19.8%	20.5%	20.4%
Operating margin	1.1%	18.8%	23.6%	5.9%	6.1%	10.6%	19.0%	2.3%	13.6%	10.2%	9.2%	9.0%
PTP margin	-3.4%	14.5%	20.1%	0.9%	1.5%	7.2%	15.9%	-1.5%	9.3%	6.5%	6.0%	6.3%
Net profit margin	-3.2%	14.6%	20.2%	1.1%	1.6%	2.9%	15.9%	-1.5%	9.4%	5.4%	4.7%	5.0%

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

Risk factors

Below risks is not a complete list of risks related to Tallink, but rather a list of risks that we view as the most important to highlight given the current environment.

Ability to charter out vessels

We assume that around 6 vessels will be chartered out on an ongoing basis. A lower number of chartered vessels will most likely lead a downward adjustment of our profit forecast.

Salary pressure

Given the tight labour market in Estonia, there is a constant pressure to increase salaries. This is especially prevalent for back-office personnel in IT and Finance departments.

High inflation

If the high inflation persists, people might have to cut back on travel and entertainment, which could hurt Tallink's sales.

Fuel price

If the fuel price increase substantially, our forecast is most likely too optimistic.

Russian, Ukraine, Belarus exposure

Tallink does not have any direct exposure to Russia, Ukraine, or Belarus. The cargo flow is mainly between its home markets Estonia, Finland, Sweden, and Latvia. The main negative effect from the Russia – Ukraine war are higher fuel prices.

High interest rate

A significant spike in the Euribor rate most likely means our financial expenses forecast and hence profit forecast is too optimistic.

Severe recession

Our forecast assumes an economic recovery in Tallink's core markets (Estonia, Finland, Sweden) in 2025. If this does not happen, our forecast is most likely too optimistic.

Income Statement	2022	2023	2024E	2025E	2026E
Net sales	771.4	835.3	788.2	799.4	815.9
Total operating costs	-635.6	-620.8	-610.0	-628.7	-648.3
EBITDA	135.8	214.5	178.3	170.7	167.6
Depreciation & Amort.	-98.1	-101.2	-97.9	-97.0	-94.4
One-off EBIT items	0.0	0.0	19.0	0.0	0.0
EBIT	37.7	113.3	80.4	73.7	73.2
Financial net	-24.7	-35.6	-28.8	-25.6	-21.8
Pre-tax profit	12.9	77.7	51.6	48.2	51.5
Taxes	1.0	1.2	-8.9	-10.5	-10.5
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	13.9	78.9	42.7	37.7	40.9
Balance Sheet	2022	2023	2024E	2025E	2026E
Cash and cash equivalent	115	42	79	80	82
Receivables	31	32	32	32	33
Inventories	40	41	35	36	41
Other current assets	9	8	8	8	8
Current assets	196	123	154	156	163
Tangible assets	1342	1290	1212	1137	1065
Goodwill & intangible assets	54	50	50	50	50
Lease & Investment properties	97	87	91	95	98
Investments	0	0	0	0	0
Associated companies	0	0	0	0	0
Other non-current assets	4	5	5	5	5
Total fixed assets	1496	1432	1358	1287	1218
Total Assets	1692	1555	1512	1443	1381
Non-interest bearing current liabilities	87	85	63	64	82
Short-term debt	165	104	101	87	71
Other current liabilities	44	35	35	35	35
Total current liabilities	296	224	199	186	187
Long-term debt	581	451	438	377	307
Convertibles & Lease liab.	107	95	91	95	98
Deferred tax liabilities	0	0	0	0	0
Provisions	0	0	0	0	0
Other long-term liabilities	0	0	0	0	0
Total long-term liab.	688	545	529	473	406
Total Liabilities	985	769	728	659	593
Minority interest (BS)	0	0	0	0	0
Shareholders' equity	707	786	784	784	788
Total liabilities and equity	1692	1555	1512	1443	1381
DCF valuation	Cash flow, mEUR				
WACC (%)	7.08 %	NPV FCF (2023-2025)		372	
Assumptions 2023-2029 (%)		NPV FCF (2026-2032)		420	
Sales CAGR	2.58 %	NPV FCF (2033-)		445	
Avg. EBIT margin	9.70 %	Non-operating assets		-3	
Fair value per share (EUR)	0.79	Interest-bearing debt		-649	
Share price (EUR)	0.60	Fair value estimate		585	

Free Cash Flow	2022	2023	2024E	2025E	2026E
Operating profit	37.7	113.3	80.4	73.7	73.2
Depreciation & Amort.	98.1	101.2	97.9	97.0	94.4
Working capital chg.	12.8	-11.3	-16.2	-0.1	12.2
Other Operating CF items	2.9	1.7	-13.9	-16.1	-15.0
Operating Cash Flow	151.6	205.0	148.2	154.6	164.8
Net investments	-223	-46.6	-20.0	-22.0	-21.8
Other items	0.0	0.0	0.0	0.0	0.0
Free Cash Flow	-72.3	158.4	128.2	132.6	143.0
Capital structure	2022	2023	2024E	2025E	2026E
Equity ratio	41.8%	50.5%	51.8%	54.3%	57.1%
Debt / Equity ratio	120.7%	82.6%	80.4%	71.4%	60.5%
Gearing %	104.5%	77.3%	70.4%	61.2%	50.1%
Net debt/EBITDA	5.4	2.8	3.1	2.8	2.4
Interest coverage ratio	1.5	3.2	2.8	2.9	3.4
Profitability	2022	2023	2024E	2025E	2026E
ROE	2.0%	10.6%	5.4%	4.8%	5.2%
FCF yield	-18.6%	30.9%	28.6%	29.6%	31.9%
EBITDA margin	17.6%	25.7%	22.6%	21.4%	20.6%
EBIT margin	4.9%	13.6%	10.2%	9.2%	9.0%
PTP margin	1.7%	9.3%	6.5%	6.0%	6.3%
Net margin	1.8%	9.4%	5.4%	4.7%	5.0%
Valuation	2022	2023	2024E	2025E	2026E
P/E	27.9	6.5	10.5	11.9	11.0
P/E, adjusted	27.9	6.5	19.0	11.9	11.0
P/Sales	0.5	0.6	0.6	0.6	0.6
EV/Sales	1.5	1.3	1.3	1.2	1.0
EV/EBITDA	8.3	5.2	5.6	5.4	5.0
EV/EBIT	29.9	9.9	12.4	12.6	11.5
P/BV	0.5	0.7	0.6	0.6	0.6
P/BV tangible	0.6	0.7	0.6	0.6	0.6
Per share ratios	2022	2023	2024E	2025E	2026E
EPS	0.02	0.11	0.06	0.05	0.05
EPS, adjusted	0.02	0.11	0.03	0.05	0.05
Operating CF/share	0.20	0.28	0.20	0.21	0.22
Free Cash Flow/share	-0.10	0.21	0.17	0.18	0.19
BV/share	0.95	1.06	1.05	1.05	1.06
Tangible BV/share	0.94	1.04	1.04	1.04	1.04
Div. per share	0.00	0.06	0.05	0.05	0.05
Div. payout ratio	0.0%	56.6%	87.2%	99.1%	91.2%
Dividend yield	0.0%	8.7%	8.3%	8.3%	8.3%
Shareholders	Capital		Votes		
Infortar AS		306.769			68.47 %
Nordea Bank ABP / Clients FDR		14.427			3.22 %
Mersok OÜ		6.897			1.54 %
Clearstream Banking AG		4.771			1.06 %
CITIBANK (NY)/GOVT NORWAY		3.985			0.89 %
Enn Pant		3.870			0.86 %
UNICREDIT BANK AUSTRIA		3.785			0.84 %
AB SEB BANKAS		2.939			0.66 %
STATE STREET OMNI ACCT		2.187			0.49 %
Timo Juhani Majuri		2.187			0.49 %
Key people					
CEO	Paavo Nõgene				
CFO	Margus Schults				
IR	Anneli Simm				
Chairman	Enn Pant				

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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