

Free cash flow support dividends

Q4 profit was below forecast but the declared dividend was above. We look for a macro driven recovery this year, and expect dividend policy payouts in the coming years, supported by healthy free cash flow. Only small changes are made to the estimates and fair value.

Macro driven recovery

We forecast a 1.0% increase in Restaurant & shop sales this year following a 3.8% decline in 2024. The expected growth is driven by a meaningful GDP growth (1.5-2.2%) in Tallink's core markets (Estonia, Finland, Sweden).

More charter or divestments in the cards

At the webinar, management stated that they are in constant negotiations regarding chartering vessels. Furthermore, they are willing to sell vessels (especially cargo ships) if the price is right. In our view, the market for selling vessels could improve this year as the Euribor is lower. Additional charter and/or vessel divestment could result in higher than forecast dividends.

Free cash flow support dividend policy

The 2024 declared dividend of EUR 0.06/shr. indicates 9.0% yield. Our forecast 2025-27 dividend of EUR 0.05/shr. (in line with policy) implies 7.7% yield. While our forecast dividends are close to our EPS estimates, it is far below our forecast Free cash flow of EUR 0.15-0.18/shr. We raise our Base case Fair value slightly to EUR 0.82 (prev. 0.79).

Key figures (MEUR)

	2023	2024	2025E	2026E	2027E
Net sales	835.3	785.8	779.8	791.5	806.6
Net sales growth	8.3%	-5.9%	-0.8%	1.5%	1.9%
EBITDA	214.5	175.2	165.2	168.4	167.7
EBITDA margin	25.7%	22.3%	21.2%	21.3%	20.8%
EBIT	113.3	77.4	68.4	72.6	74.8
EBIT margin	13.6%	9.9%	8.8%	9.2%	9.3%
EV/Sales	1.3	1.3	1.3	1.1	1.0
EV/EBITDA	5.2	5.8	5.9	5.4	4.9
EV/EBIT	9.9	13.2	14.3	12.4	11.1
P/E adj.	6.5	23.0	15.8	12.1	10.6
P/BV	0.7	0.6	0.6	0.6	0.6
EPS	0.11	0.05	0.04	0.05	0.06
EPS growth	465.45%	-49.10%	-23.45%	30.60%	14.09%
Div. per share	0.06	0.06	0.05	0.05	0.05
Dividend yield	8.70%	9.17%	7.65%	7.65%	7.65%

Source: Company data, Enlight Research estimates

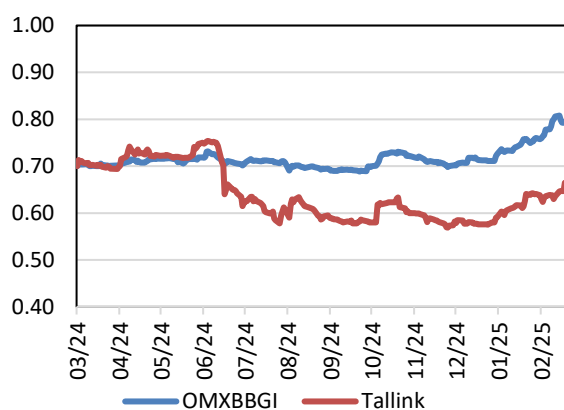
Fair value range (EUR)

Bull (term. EBIT marg. 11.5%)	0.99
Base (term. EBIT marg. 10.0%)	0.82
Bear (term. EBIT marg. 9.5%)	0.65

Key Data

Price (EUR)	0.65
Ticker	TAL1T
Country	Estonia
Listed	Tallinn
Market Cap (EURm)	487
Net debt (EURm)*	495
Shares (m)	746.6
Free float	31%

*End of 2025 estimate



Price range

52-week high	0.75
52-week low	0.57

Analyst

ResearchTeam@enlightresearch.net

Coverage frequency

4x per year

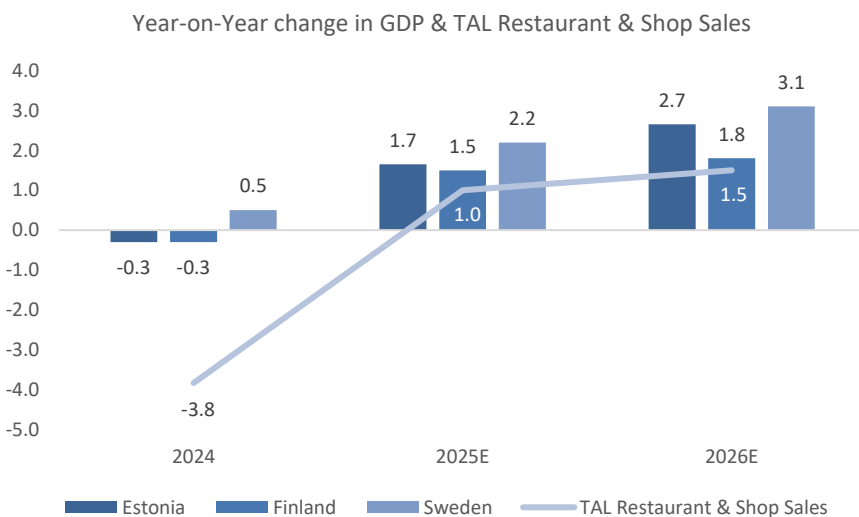
Key takeaways

Looking for macro driven recovery this year

Sluggish economies in Tallink’s core markets (Estonia, Finland, Sweden) led to a 3.8% y-on-y decline in Restaurant & Shop sales in 2024. The Estonian GDP contracted 0.3% in 2024 while the consensus 2024 GDP growth is -0.3% for Finland, and +0.5% for Sweden. We see chance for an Estonian GDP growth this year (consensus +1.7%) driven by meaningful GDP growth in Finland (+1.5%) and Sweden (+2.2%). The Estonian Q4/24 GDP grew 1.2%, which supports the “back to growth” 2025 scenario. Consequently, we forecast Tallink’s restaurant & shop sales to increase 1.0% this year, followed by a 1.5% increase next year.



Source: Company reports



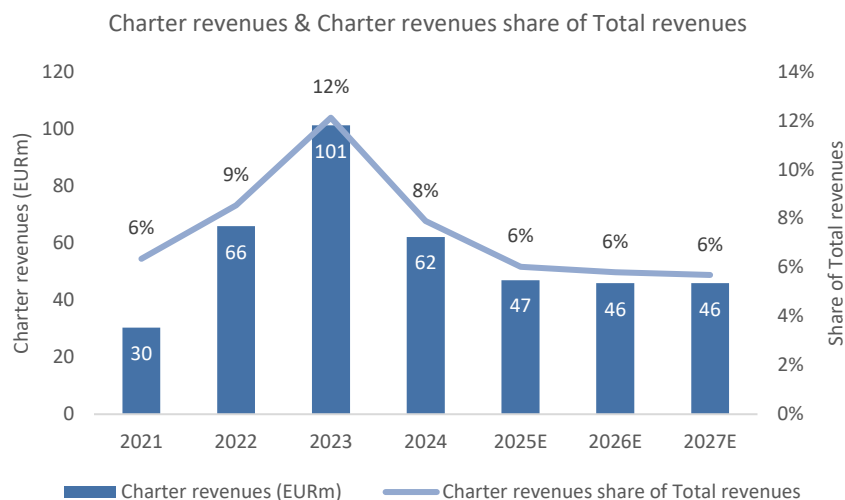
Source: GDP Consensus (Swedbank, SEB), Restaurant & Shop Sales (Tallink)

More charter or divestments in the cards...

Currently, Tallink has 10 ships on routes, 2 on charter, and 2 on lay-up. We forecast charter revenues to decline 24% this year to EUR 47m. In 2026 and 2027, we forecast annual charter revenues of EUR 46m. Our charter forecast assumes one additional ship on charter at 50% annual utilization, generating around EUR 5m in annual revenues. We are also looking for additional ship divestments in coming years (although not in the forecast). In our view, the ships most likely to be sold are the two in lay-up (Romantika, Superfast IX) and/or the cargo ships (Regal Star, Sailor). On the earnings call, management mentioned that they currently are in 15 different charter negotiations and that they are ready to sell the cargo vessels.

Tallink ships status	2023	2024	2025E	Current
On route	9	9	9	10
On charter	5	3	3	2
In lay-up	1	2	2	2
Total	15	14	14	14

Source: Company



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

Free Cash Flow support dividend policy EUR 0.05 payout

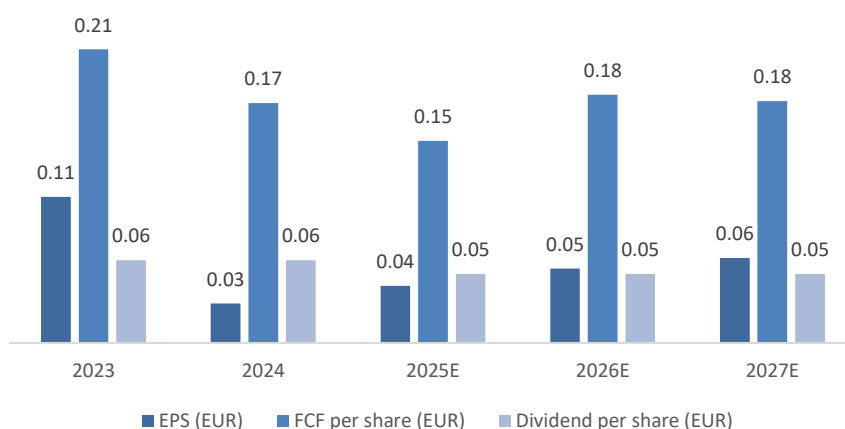
The declared 2024 dividend per share of EUR 0.06 indicate a yield of 9.2%. The 2024 declared dividend might appear aggressive given the 2024 reported EPS of EUR 0.05. However, given that the 2024 Free Cash Flow per share was EUR 0.17, the payout looks reasonable, especially given limited investment needs for the coming 3 years. At the webinar, management mentioned that they do not see any major new investments in the forecast period 2025-27 unless new environmental regulations are implemented (we forecast EUR 22m in annual investments in the forecast period). We reiterate our dividend forecast of EUR 0.05 per share for 2025, and 2026, which is consistent with the dividend policy to pay at least EUR 0.05 per share. Our estimated dividends are well covered by the forecast Free cash flow per share of EUR 0.15 in 2025 and EUR 0.18 in 2026 while our estimated EPS is at or just above the payout (2025 EPS 0.05, 2026 EPS 0.06). 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. To summarize, we believe the company can live up to

its EUR 0.05 dividend payout policy due to its strong free cash flow (indicates a yield of 7.7% in the forecast period 2025-27).

Dividend forecast	2023	2024	2025E	2026E	2027E
EPS (EUR)	0.11	0.03	0.04	0.05	0.06
FCF per share (EUR)	0.21	0.17	0.15	0.18	0.18
Dividend per share (EUR)	0.06	0.06	0.05	0.05	0.05
Dividend yield	9.2%	9.2%	7.7%	7.7%	7.7%
FCF yield	33%	27%	22%	28%	27%
Pay-out ratio to EPS	57%	211%	121%	93%	81%
Pay-out ratio to FCF	28%	35%	34%	28%	29%
Share price (EUR)	0.654	0.654	0.654	0.654	0.654

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

EPS, FCF/shr., DPS (EUR)



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

Valuation

Peer valuation

The peers are trading at an average 2025E EV/EBITDA multiple of 9.2x. Tallink's 2025E EV/EBITDA multiple of 5.9x implies a peer discount of around 36% to the peer average and around 26% to local peer, Viking Line. Worth noting is that the US listed peers are not fully comparable as they are much bigger in terms of market cap and are long-haul cruise operators without cargo operations. Furthermore, a meaningful part of Tallink's earnings comes from chartering out vessels. Tallink's estimated dividend yield of 7.7% in the forecast period 2025-27 is superior to all peers.

Cruise operators peer table

Company	Ccy	Price (last)	Mcap (m) (last)	EV (m) (last)	EV/EBITDA 2024	EV/EBITDA 2025E	EV/EBITDA 2026E	EV/EBITDA 2027E	Dividend yield 2024	Dividend yield 2025E	Dividend yield 2026E	Dividend yield 2027E
Carnival	USD	23.25	30,435	55,012	9.0	8.3	7.8	7.5	0.0%	0.0%	0.0%	0.0%
Norwegian Cruise Line	USD	21.96	9,656	22,517	9.2	8.2	7.3	na	0.0%	0.0%	0.0%	0.0%
Royal Caribbean Cruises	USD	240.27	64,664	83,154	13.9	12.4	11.1	10.1	0.4%	0.9%	1.0%	1.3%
Viking Line	EUR	21.80	377	479	8.5	8.1	7.4	7.2	4.6%	2.5%	3.1%	3.4%
Average					10.2	9.2	8.4	8.3	1.2%	0.9%	1.0%	1.2%
Tallink	EUR	0.65	488	983	5.8	5.9	5.4	5.0	9.2%	7.7%	7.7%	7.7%

Source: MarketScreener, Enlight Research (Tallink, Viking Line), Based on prices 3 March 2025

DCF valuation

Our Base case DCF model Fair value per share is raised slightly to EUR 0.82 (prev. 0.79) mainly due to lower assumed interest rates. The corresponding value for our Bear and Bull case is EUR 0.65 (prev. 0.53), and EUR 0.99 (prev. 1.04), respectively (tighter span is due to lower assumed debt level). The only difference between our scenarios is our terminal EBIT margin which is 10.0% in our Base case and 1.5 percentage points lower/higher in our Bear/Bull cases. See tables below for DCF Fair values and their sensitivity.

DCF Valuation Scenarios	Bear	Base	Bull
WACC	8.2%	8.2%	8.2%
Terminal sales growth	3.0%	3.0%	3.0%
Terminal EBIT margin	8.5%	10.0%	11.5%
Fair Value per share (EUR)	0.65	0.82	0.99
Upside/Downside	-1%	26%	51%
Share price (EUR)	0.65	0.65	0.65

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)	0.82		1.19	1.10	1.02	0.95	0.88	0.82	0.77	0.72	0.67	0.63	0.59
Target debt ratio*	46.5 %	5.0 %	22%	27%	32%	37%	42%	47%	52%	57%	62%	67%	72%
Fair value (DCF)	0.82		0.46	0.51	0.57	0.65	0.73	0.82	0.93	1.07	1.24	1.44	1.72
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)	0.82		1.22	1.12	1.03	0.95	0.88	0.82	0.77	0.71	0.67	0.62	0.58

Source: Enlight Research

*Debt/(Debt + Equity)

Estimate deviations

The Q4/24 Restaurant & shop sales were 0.7% or EUR 0.6m above estimates, while the Ticket sales were exactly in-line. The Q4/24 Cargo sales was 9.0% or EUR 1.9m below estimate. The Q4/24 Leases of vessels revenue was 2.3% or EUR 0.3m higher than expected. The Q4/24 Accommodation sales was roughly in-line in absolute euro terms. The Q4/24 Other sales was 28.0% or EUR 1.6m below forecast. The Q4/24 Group revenue of EUR 184m was 1.3% or EUR 2.4m below our estimate of EUR 186m. The Q4/24 EBITDA of EUR 25.7m was 10.8% or EUR 3.1m below our estimate of EUR 28.8m.

Deviation by Segment	Estimate	Outcome	Diff	Diff %
Segment Sales	Q4/24	Q4/24	EURm	or %-pts
Restaurant & shop sales	92.7	93.4	0.6	0.7%
Growth	-4.5%	-3.9%	na	1
Ticket sales	48.6	48.6	0.0	0.0%
Growth	3.0%	3.0%	na	0
Cargo sales	21.4	19.5	-1.9	-9.0%
Growth	0.9%	-8.1%	na	-9
Accommodation sales	3.7	3.8	0.1	3.5%
Growth	7.2%	11.0%	na	4
Leases of vessels	13.8	14.1	0.3	2.3%
Growth	-28.3%	-26.7%	na	2
Other sales	5.7	4.1	-1.6	-28.0%
Growth	3.2%	-25.7%	na	-29
Total revenue	185.9	183.5	-2.4	-1.3%
Growth (%)	-4.0%	-5.3%	na	-1

Deviation for Group	Estimate	Outcome	Diff	Diff %
Income statement	Q4/24	Q4/24	EURm	or %-pts
Revenue	185.9	183.5	-2.4	-1.3%
Cost of sales	-157.5	-157.6	-0.1	0.1%
Gross profit	28.5	25.9	-2.5	-8.8%
Marketing expenses	-11.0	-11.5	-0.5	4.5%
Administrative expenses	-14.6	-13.8	0.8	-5.2%
Other operating income	2.1	0.8	-1.3	-61.7%
Other operating expenses	-0.7	-0.1	0.6	nm
Operating profit	4.3	1.3	-3.0	-69.7%
Interest income	-0.6	0.3	0.9	nm
Interest expense	-6.5	-6.8	-0.4	5.5%
Other financial items	0.0	0.0	0.0	na
<i>Financial net</i>	-7.1	-6.5	0.6	-8.2%
Pre-tax profit	-2.8	-5.2	-2.4	85.5%
Income tax	0.0	0.0	0.0	nm
Net profit	-2.8	-5.2	-2.4	85.5%
EBITDA	28.8	25.7	-3.1	-10.8%

	Estimate	Outcome	Diff	Diff
Growth	Q4/24	Q4/24	EURm	%-pts
Revenues	-4.0%	-5.3%	na	-1

	Estimate	Outcome	Diff	Diff
Margins	Q4/24	Q4/24	EURm	%-pts
Gross profit margin	15.3%	14.1%	na	-1.2
EBITDA margin	15.5%	14.0%	na	-1.5
Operating profit margin	2.3%	0.7%	na	-1.6
Pre-tax profit margin	-1.5%	-2.8%	na	-1.3
Net profit margin	-1.5%	-2.8%	na	-1.3

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

Estimate changes

Our 2025 and 2026 Sales estimates are lowered by 2-3%. We lower our 2025 EBITDA estimate by 3.2% while it roughly unchanged for 2026. Our EBIT is lowered by 7.2% this year, and by 1.2% next year. Our EPS estimate is lowered by EUR 0.01 this and next year to EUR 0.04 and 0.05, respectively. Our 2025 and 2026 dividend per share estimates are unchanged at EUR 0.05 (minimum according to dividend policy).

Estimate changes

Sales (EURm)	2025E	2026E	2027E
Old estimate	799	819	na
New estimate	780	792	807
Change (EURm)	-20	-28	na
Change	-2.5%	-3.4%	na

EBITDA (EURm)	2025E	2026E	2027E
Old estimate	171	168	na
New estimate	165	168	168
Change (EURm)	-6	1	na
Change	-3.2%	0.3%	na

EBIT (EURm)	2025E	2026E	2027E
Old estimate	74	74	na
New estimate	68	73	75
Change (EURm)	-5	-1	na
Change	-7.2%	-1.2%	na

Pre-tax profit (EURm)	2025E	2026E	2027E
Old estimate	48	52	na
New estimate	43	52	58
Change (EURm)	-5	0	na
Change	-9.8%	0.3%	na

EPS (EUR)	2025E	2026E	2027E
Old estimate	0.05	0.06	na
New estimate	0.04	0.05	0.06
Change (EUR)	-0.01	-0.01	na
Change	-18.1%	-2.1%	na

Dividend (EUR)	2025E	2026E	2027E
Old estimate	0.05	0.05	na
New estimate	0.05	0.05	0.05
Change (EUR)	0.00	0.00	na
Change	0.0%	0.0%	na

Source: Enlight Research

Forecast

Passenger (pax) forecast

For the full-year 2025, we forecast the number of pax to increase a bit by 0.2% y-on-y to 5.593m. For 2026, we forecast a pax growth of 1.6% followed by a 1.0% growth in 2027. Worth noting is that a pax recovery to pre-pandemic levels (was 9.8m in 2019) is no longer crucial for the profitability of Tallink as charter has proven more profitable than operating ships on some routes.

Pax forecast	Q1/25E	Q2/25E	Q3/25E	Q4/25E	2024	2025E	2026E	2027E
Total Passengers	1,072,545	1,464,870	1,732,651	1,323,114	5,580,016	5,593,180	5,684,599	5,741,445
%chg	-2.7%	0.9%	1.0%	1.0%	-2.2%	0.2%	1.6%	1.0%
Finland - Sweden	269,644	358,038	446,176	343,959	1,416,690	1,417,816	1,431,994	1,446,314
%chg	-3.3%	0.7%	1.0%	1.0%	-15.4%	0.1%	1.0%	1.0%
Estonia - Finland	695,956	931,581	1,069,498	851,702	3,543,057	3,548,736	3,619,711	3,655,908
%chg	-3.1%	1.0%	1.0%	1.0%	2.5%	0.2%	2.0%	1.0%
Estonia - Sweden	106,944	175,252	216,977	127,454	620,269	626,628	632,894	639,223
%chg	1.6%	0.7%	1.0%	1.0%	8.0%	1.0%	1.0%	1.0%

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

Sales forecast by Segment

We forecast 2025 Restaurant & shop sales to increase by 1.0% which can be compared to the forecast pax increase of 0.2%. The 2025 Ticket sales is estimated to increase 2.0%. Our 2024 Leases of vessels sales in expected to decline 24% to EUR 47m and stay around these levels in 2026-27.

Sales forecast by segment

(EURm)	Q1/24	Q2/24	Q3/24	Q4/24	Q1/25E	Q2/25E	Q3/25E	Q4/25E	2024	2025E	2026E	2027E
Restaurant & shop sales	75.0	101.7	105.9	93.4	75.7	102.7	107.0	94.3	376.0	379.8	385.5	393.2
Growth	1.0%	-6.0%	-4.9%	-3.9%	1.0%	1.0%	1.0%	1.0%	-3.8%	1.0%	1.5%	2.0%
Ticket sales	39.5	58.0	78.6	48.6	40.3	59.2	80.2	49.6	224.7	229.2	233.8	238.4
Growth	12.2%	-2.0%	3.4%	3.0%	2.0%	2.0%	2.0%	2.0%	3.3%	2.0%	2.0%	2.0%
Cargo sales	22.7	25.5	20.9	19.5	22.7	25.5	20.9	19.5	88.6	88.6	90.4	92.2
Growth	-10.1%	7.2%	0.8%	-8.1%	0.0%	0.0%	0.0%	0.0%	-2.6%	0.0%	2.0%	2.0%
Accommodation sales	2.3	4.3	5.9	3.8	2.4	4.4	6.1	3.9	16.3	16.8	17.3	17.9
Growth	4.7%	7.7%	8.7%	11.0%	3.5%	3.5%	3.5%	3.5%	8.4%	3.5%	3.0%	3.0%
Leases of vessels	17.5	15.7	14.7	14.1	13.3	11.9	11.1	10.7	62.0	47.0	45.9	45.9
Growth	-42.3%	-46.8%	-33.5%	-26.7%	-24.3%	-24.3%	-24.3%	-24.3%	-38.7%	-24.3%	-2.3%	0.0%
Other sales	3.4	4.8	5.9	4.1	3.4	4.9	6.0	4.2	18.2	18.4	18.7	19.0
Growth	-15.6%	-3.2%	15.4%	-25.7%	1.0%	1.0%	1.0%	1.0%	-7.2%	1.0%	1.5%	2.0%
Total revenue	160.4	210.0	231.9	183.5	157.8	208.6	231.2	182.2	785.8	779.8	791.5	806.6
Growth (%)	-6.3%	-8.5%	-3.7%	-5.3%	-1.6%	-0.7%	-0.3%	-0.7%	-5.9%	-0.8%	1.5%	1.9%

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

Group Income statement forecast

We forecast 2025 Group sales to be decline 0.8% to EUR 780m, while we expect the EBITDA to decline to EUR 165m from EUR 175m. For 2026, and 2027, we forecast a sales increase of 1.5%, and 1.9%, respectively. Worth noting is that 2024 includes an estimated EUR 18m one-off income from the sale of the ship Isabelle (included in Other operating income line). Excluding this one-off income, the 2025 Net profit is estimated to increase 38% to EUR 31m from EUR 22m (see detailed Income statement on next page).

Interim forecast

Income statement (EURm)	Q1/24	Q2/24	Q3/24	Q4/24	Q1/25E	Q2/25E	Q3/25E	Q4/25E	2024	2025E	2026E	2027E
Revenue	160.4	210.0	231.9	183.5	157.8	208.6	231.2	182.2	785.8	779.8	791.5	806.6
Cost of sales	-146.6	-163.2	-164.8	-157.6	-144.2	-162.1	-164.4	-153.1	-632.3	-623.8	-630.8	-642.1
Gross profit	13.8	46.8	67.0	25.9	13.6	46.5	66.8	29.0	153.6	156.0	160.7	164.5
Marketing expenses	-9.8	-11.9	-10.7	-11.5	-9.6	-11.9	-10.6	-10.7	-43.8	-42.9	-42.7	-43.6
Administrative expenses	-12.7	-13.5	-12.8	-13.8	-12.5	-13.4	-12.7	-13.7	-52.8	-52.2	-53.0	-54.0
Other operating income	19.4	1.0	0.5	0.8	1.1	1.5	1.6	3.6	21.7	7.8	7.9	8.1
Other operating expenses	-0.8	-0.1	0.0	-0.1	-0.1	-0.1	-0.1	-0.1	-1.1	-0.2	-0.2	-0.2
Operating profit	9.8	22.3	44.0	1.3	-7.5	22.7	45.0	8.2	77.4	68.4	72.6	74.8
Interest income	0.2	0.3	0.1	0.3	0.0	0.0	0.0	0.0	0.9	0.0	0.0	0.0
Interest expense	-7.7	-7.4	-7.3	-6.8	-6.4	-6.3	-6.2	-6.1	-29.2	-25.0	-20.8	-17.2
Other financial items	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Financial net</i>	<i>-7.5</i>	<i>-7.1</i>	<i>-7.2</i>	<i>-6.5</i>	<i>-6.4</i>	<i>-6.3</i>	<i>-6.2</i>	<i>-6.1</i>	<i>-28.3</i>	<i>-25.0</i>	<i>-20.8</i>	<i>-17.2</i>
Pre-tax profit	2.4	15.2	36.8	-5.2	-13.9	16.4	38.8	2.1	49.2	43.4	51.8	57.6
Income tax	0.2	-9.1	0.0	0.0	4.0	-4.8	-11.3	-0.6	-8.9	-12.6	-11.6	-11.7
Net profit	2.6	6.1	36.8	-5.2	-9.8	11.6	27.6	1.5	40.3	30.8	40.3	45.9
Depreciation & Amortization	24.6	24.3	24.4	24.4	24.2	24.2	24.2	24.2	97.8	96.8	95.8	92.9
EBITDA	34.5	46.6	68.4	25.7	34.5	46.6	68.4	15.7	175.2	165.2	168.4	167.7

Sales growth	Q1/24	Q2/24	Q3/24	Q4/24	Q1/25E	Q2/25E	Q3/25E	Q4/25E	2024	2025E	2026E	2027E
Sales growth seq.	-17.2%	31.0%	10.4%	-20.9%	-14.0%	32.2%	10.8%	-21.2%	na	na	na	na
Sales growth Y-on-Y	-6.3%	-8.5%	-3.7%	-5.3%	-1.6%	-0.7%	-0.3%	-0.7%	-5.9%	-0.8%	1.5%	1.9%

Margins	Q1/24	Q2/24	Q3/24	Q4/24	Q1/25E	Q2/25E	Q3/25E	Q4/25E	2024	2025E	2026E	2027E
EBITDA	21.5%	22.2%	29.5%	14.0%	21.8%	22.4%	29.6%	8.6%	22.3%	21.2%	21.3%	20.8%
Gross margin	8.6%	22.3%	28.9%	14.1%	8.6%	22.3%	28.9%	15.9%	19.5%	20.0%	20.3%	20.4%
Operating margin	6.1%	10.6%	19.0%	0.7%	-4.7%	10.9%	19.5%	4.5%	9.9%	8.8%	9.2%	9.3%
PTP margin	1.5%	7.2%	15.9%	-2.8%	-8.8%	7.9%	16.8%	1.1%	6.3%	5.6%	6.5%	7.1%
Net profit margin	1.6%	2.9%	15.9%	-2.8%	-6.2%	5.6%	11.9%	0.8%	5.1%	4.0%	5.1%	5.7%

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	2023	2024	2025E	2026E	2027E
Net sales	835.3	785.8	779.8	791.5	806.6
Total operating costs	-620.8	-610.6	-614.5	-623.1	-638.9
EBITDA	214.5	175.2	165.2	168.4	167.7
Depreciation & Amort.	-101.2	-97.8	-96.8	-95.8	-92.9
One-off EBIT items	0.0	19.0	0.0	0.0	0.0
EBIT	113.3	77.4	68.4	72.6	74.8
Financial net	-35.6	-28.3	-25.0	-20.8	-17.2
Pre-tax profit	77.7	49.2	43.4	51.8	57.6
Taxes	1.2	-8.9	-12.6	-11.6	-11.7
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	78.9	40.3	30.8	40.3	45.9
Balance Sheet	2023	2024	2025E	2026E	2027E
Cash and cash equivalent	42	19	39	40	40
Receivables	32	25	27	28	28
Inventories	41	48	43	40	40
Other current assets	8	16	16	16	16
Current assets	123	108	125	123	125
Tangible assets	1290	1229	1154	1081	1010
Goodwill & intangible assets	50	45	45	45	45
Lease & Investment properties	87	81	85	88	93
Investments	0	0	0	0	0
Associated companies	0	0	0	0	0
Other non-current assets	5	1	1	1	1
Total fixed assets	1432	1356	1285	1215	1149
Total Assets	1555	1464	1410	1337	1273
Non-interest bearing current liabilities	85	95	78	79	81
Short-term debt	104	105	100	82	65
Other current liabilities	35	30	30	30	30
Total current liabilities	224	230	208	192	175
Long-term debt	451	364	349	286	225
Convertibles & Lease liab.	95	88	85	88	93
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.	545	452	434	374	318
Total Liabilities	769	682	642	566	493
Minority interest (BS)	0	0	0	0	0
Shareholders' equity	786	782	768	771	780
Total liabilities and equity	1555	1464	1410	1337	1273
DCF valuation	Cash flow, mEUR				
WACC (%)	8.17 %	NPV FCF (2023-2025)		323	
Assumptions 2023-2029 (%)		NPV FCF (2026-2032)		341	
Sales CAGR	2.39 %	NPV FCF (2033-)		487	
Avg. EBIT margin	9.50 %	Non-operating assets		19	
Fair value per share (EUR)	0.82	Interest-bearing debt		-556	
Share price (EUR)	0.65	Fair value estimate		613	

Free Cash Flow	2023	2024	2025E	2026E	2027E
Operating profit	113.3	77.4	68.4	72.6	74.8
Depreciation & Amort.	101.2	97.8	96.8	95.8	92.9
Working capital chg.	-11.3	-2.9	-14.0	4.1	0.2
Other Operating CF items	1.7	-14.0	-19.8	-16.2	-15.2
Operating Cash Flow	205.0	158.2	131.4	156.3	152.8
Net investments	-46.6	-28.4	-22.0	-22.0	-22.0
Other items	0.0	0.0	0.0	0.0	0.0
Free Cash Flow	158.4	129.8	109.4	134.3	130.8
Capital structure	2023	2024	2025E	2026E	2027E
Equity ratio	50.5%	53.4%	54.5%	57.7%	61.3%
Debt / Equity ratio	82.6%	71.1%	69.5%	59.2%	49.0%
Gearing %	77.3%	68.7%	64.4%	54.0%	43.9%
Net debt/EBITDA	2.8	3.1	3.0	2.5	2.0
Interest coverage ratio	3.2	2.7	2.7	3.5	4.4
Profitability	2023	2024	2025E	2026E	2027E
ROE	10.6%	5.1%	4.0%	5.2%	5.9%
FCF yield	30.9%	26.7%	22.5%	27.6%	26.9%
EBITDA margin	25.7%	22.3%	21.2%	21.3%	20.8%
EBIT margin	13.6%	9.9%	8.8%	9.2%	9.3%
PTP margin	9.3%	6.3%	5.6%	6.6%	7.1%
Net margin	9.4%	5.1%	4.0%	5.1%	5.7%
Valuation	2023	2024	2025E	2026E	2027E
P/E	6.5	12.1	15.8	12.1	10.6
P/E, adjusted	6.5	23.0	15.8	12.1	10.6
P/Sales	0.6	0.6	0.6	0.6	0.6
EV/Sales	1.3	1.3	1.3	1.1	1.0
EV/EBITDA	5.2	5.8	5.9	5.4	4.9
EV/EBIT	9.9	13.2	14.3	12.4	11.1
P/BV	0.7	0.6	0.6	0.6	0.6
P/BV tangible	0.7	0.7	0.7	0.7	0.7
Per share ratios	2023	2024	2025E	2026E	2027E
EPS	0.11	0.05	0.04	0.05	0.06
EPS, adjusted	0.11	0.03	0.04	0.05	0.06
Operating CF/share	0.28	0.21	0.18	0.21	0.20
Free Cash Flow/share	0.21	0.17	0.15	0.18	0.18
BV/share	1.06	1.05	1.03	1.03	1.04
Tangible BV/share	1.04	1.04	1.01	1.02	1.03
Div. per share	0.06	0.06	0.05	0.05	0.05
Div. payout ratio	56.6%	110.9%	121.1%	92.7%	81.3%
Dividend yield	8.7%	9.2%	7.7%	7.7%	7.7%
Shareholders	Capital		Votes		
Infortar AS		333.268			68.47 %
Nordea Bank ABP / Clients FDR		15.308			3.14 %
Mersok OÜ		7.493			1.54 %
Clearstream Banking AG		5.190			1.07 %
Lüksusjaht AS		4.985			1.02 %
Citibank (Govt Norway)		4.329			0.89 %
UNICREDIT BANK AUSTRIA		4.094			0.84 %
AB SEB BANKAS		3.116			0.64 %
Compensa Life Ins. AS		2.428			0.50 %
State Street (Omnibus acct.)		2.376			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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