

Satisfactory start of the year

Even excluding positive one-offs, the start of the year was satisfactory as Q1 is a low-season quarter. The Isabelle divestment implies upside to Tallink's ships book value. We lower our estimates based on consumer weakness reported by several companies in the region. Our dividend forecast is unchanged.

Satisfactory start of the year

The Q1/24 Net profit of EUR 2.6m was the best Q1 ever and above our estimated loss of EUR 2.9m. Excluding our estimated EUR 17m gain from the sale of Isabelle, the Q1/24 Net loss was EUR 15m (best Q1 since 2016). The average Q1 net loss since 2015 is EUR 22m i.e., this year's Q1 was totally ok (Q1 is a loss making low season quarter).

Isabelle divestment imply book value upside

Based on Q1/24 reported EUR 24m cash flow from disposals of PP&E and EUR 19m in Other income, we estimated the gain from the sale of Isabelle was EUR 17m. Hence, we see upside potential in Tallink's ship values. Assuming a 10% increase in ship values implies a share price of EUR 1.02. We look for Tallink to start to divesting underperforming ships.

EUR 0.06 dividend sustainable

We lower our profit estimates (10-15%) and Base case Fair value to EUR 0.96/shr. (prev. 1.06), while our dividend forecast is unchanged at 0.06/shr. each year in 2024-26, equal to a yield of 8.3%. Our dividend forecast is well covered by both the Free Cash Flow per share and the EPS.

Key figures (MEUR)

	2022	2023	2024E	2025E	2026E
Net sales	771.4	835.3	823.3	847.3	877.2
Net sales growth	61.7%	8.3%	-1.5%	2.9%	3.5%
EBITDA	135.8	214.5	199.0	190.2	190.8
EBITDA margin	17.6%	25.7%	24.2%	22.5%	21.8%
EBIT	37.7	113.3	97.9	95.5	101.6
EBIT margin	4.9%	13.6%	11.9%	11.3%	11.6%
EV/Sales	1.5	1.3	1.3	1.2	1.0
EV/EBITDA	8.3	5.2	5.4	5.2	4.7
EV/EBIT	29.9	9.9	11.0	10.4	8.7
P/E adj.	27.9	6.5	13.6	9.5	8.0
P/BV	0.5	0.7	0.7	0.7	0.6
EPS adj.	0.02	0.11	0.05	0.08	0.09
EPS growth	nm	465.45%	-49.99%	43.84%	17.75%
Div. per share	0.00	0.06	0.06	0.06	0.06
Dividend yield	0.00%	8.70%	8.32%	8.32%	8.32%

Source: Company data, Enlightenment Research estimates

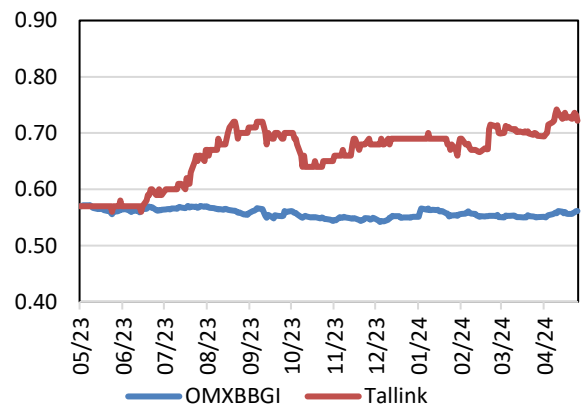
Fair value range (EUR)

Bull (term. EBIT marg. 12%)	1.28
Base (term. EBIT marg. 10%)	0.96
Bear (term. EBIT marg. 8%)	0.64

Key Data

Price (EUR)	0.72
Ticker	TAL1T
Country	Estonia
Listed	Tallinn
Market Cap (EURm)	537
Net debt* (EURm)	538
Shares (m)	744.3
Free float	60%

*End of 2024 estimate



Price range

52-week high	0.74
52-week low	0.56

Analyst

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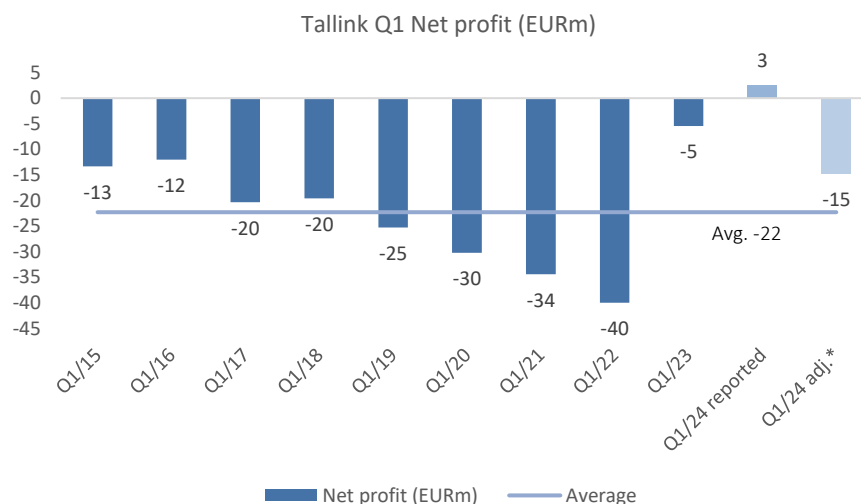
Coverage frequency

4x per year

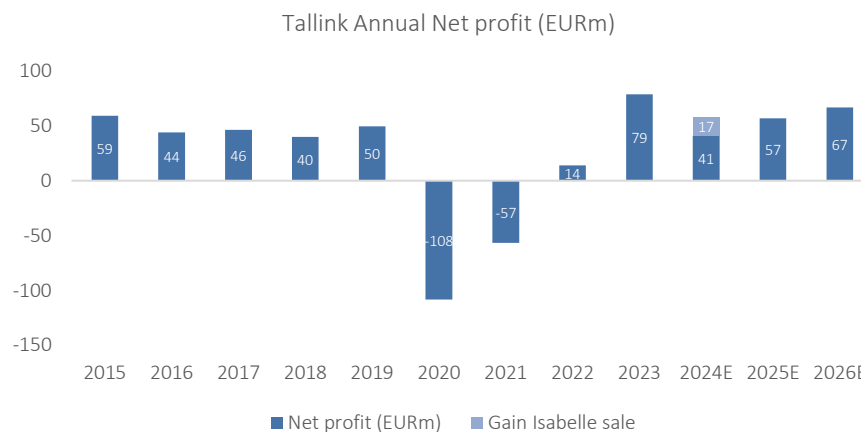
Key takeaways

Solid Q1 even adjusted for the one-off gain

Q1 is a low season quarter with a loss at the bottom line. However, this year, the income from the sale of the vessel, Isabelle, resulted in a Q1 Net profit of EUR 3m. The gain from Isabelle is not reported as the sales agreement with the buyer Bridgemans is confidential. Worth noting is that Bridgemans had chartered Isabelle since July 2023 before using the purchase option in January this year. We estimate the income from the Isabelle sale at EUR 17m, which means the adjusted Q1/24 Net profit was negative EUR 15m (vs. reported profit EUR 3m). From a historical perspective, our estimated adjusted Q1/24 Net loss of EUR 15m is one of the best in the company’s history. Between 2015-2023, the average Q1 Net loss was EUR 22m. The adjusted Q1/24 Net loss of EUR 15m is on par with the Q1 2015 and 2016 Net loss of EUR 13m, and 12m, respectively. The years 2015 and 2016 were solid years with full-year Net profits of EUR 59m, and 44m, respectively, which can be compared to our adjusted 2024 estimated Net profit of EUR 41m (EUR 58m incl. Isabelle gain). In our view, Tallink started 2024 strongly even adjusted for the estimated EUR 17m one-off gain.



Source: Company (historic), Enlight Research (*Q1/24 adjusted for estimated EUR 17m gain from sale of Isabelle)



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

Isabelle divestment implies conservative ship book value

We believe Tallink's more pragmatic post-covid view means ships that cannot be put on a route profitably or chartered out within a reasonable time (around 6-8 months in our view) will be sold. Our first divestment candidates are ships that are "In lay-up" (Romantika) or chartered with a purchase option (Oscar Wilde/Star, Galaxy). We believe the sale of Isabelle reveals that Tallink's vessel book value is conservatively valued. In Q1/24, the Cash flow statement reported "Proceeds from disposals of PP&E" was EUR 24.4m which we assume almost fully came from the sale of Isabelle. The Income statement reported "Other income" was EUR 19.4m whereof we estimate EUR 17.4m came from the sale of Isabelle (capital gain). The "Proceeds from disposals of PP&E" of EUR 24.4m less the estimated capital gain of EUR 17.4m gives us our estimated book value of Isabelle of EUR 7.1m i.e., the sales value of EUR 24.4m was more than 3x the estimated book value of EUR 7.1m. Another way to illustrate Tallink's conservative valuation is to look at the ship book value. At the end of Q1/24, the reported ship book value was EUR 1,216m (1.63/shr.). Deducting the end of Q1/24 Group Net debt of EUR 581m indicates a Ship Net Asset Value of EUR 635m (0.85/shr.) i.e., the share is trading at a 0.85x the reported Ships Net Asset Value. Assuming a 10% higher Ships Net Asset Value (EUR 1,337m), implies a share price of EUR 1.02. Another data point indicating that Baltic Sea passenger ships are booked below their market values is Viking Line's sale of Amorella in 2022 (capital gain of EUR 15.0m) and the sale of Rosella in 2023 (capital gain of EUR 8.6m).

Q1/24 Sale of Isabelle	(EURm)	Comment
Reported Proceeds from disposals PP&E	24.4	From Cash Flow statement
Reported Other income	19.4	From Income Statement
Estimated normal Other income	2.0	Was EUR 4.3m in 2023
Estimated Capital gain from sale of Isabelle	17.4	Reported Other income - Est. normal Other income
Estimated book value	7.1	Proceeds from disposals - Est. Capital gain

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

Ships Book value - reported	(EURm)	Per share (EUR)
Q1/24 Reported Ships Book Value	1,216	1.63
Q1/24 Reported Group Net debt	581	0.78
Ships Net asset value	635	0.85
Current price	536	0.72
Upside/Downside	18%	18%
P/BV (Current/Ships NAV)	0.84	0.84

Source: Company (Book value, Net debt)

Ships Book value – 10% above reported	(EURm)	Per share (EUR)
Q1/24 Reported Ships Book Value +10%	1,337	1.80
Q1/24 Reported Group Net debt	581	0.78
Ships Net asset value	756	1.02
Current price	536	0.72
Upside/Downside	41%	40%
P/BV (Current/Ships NAV)	0.71	0.71

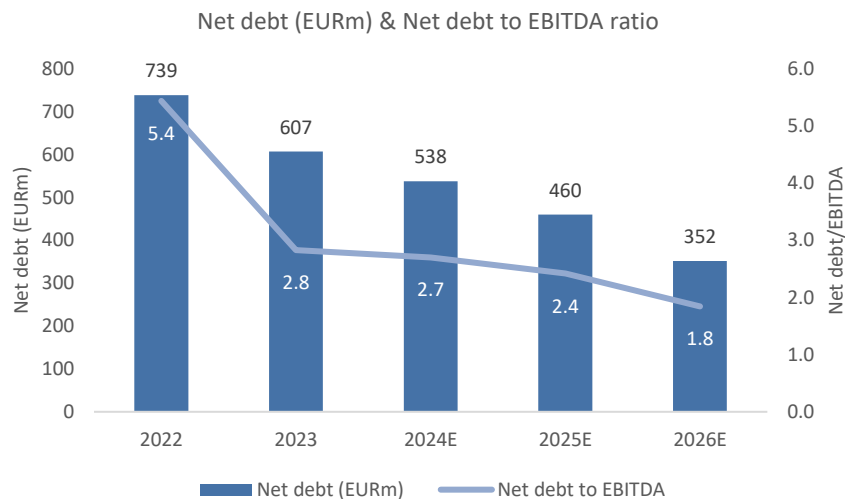
Source: Company (Net debt), Enlight Research (Book value)

EUR 0.06 Dividend per share sustainable

We expect the 2023 proposed dividend per share of EUR 0.06 to be sustainable and forecast the same dividend throughout the forecast period 2024-26 (the dividend policy is to pay a minimum of EUR 0.05 per share). Our 2024-26 dividend forecast is well covered by the estimated EPS of EUR 0.08-0.09 and FCF per share of EUR 0.19-0.23. Furthermore, the Net debt to EBITDA ratio is expected to gradually decline from 2.8x at the end of 2023, to 1.8x by the end of 2026 (was 2.6x at end of Q1/24), which implies that our dividend forecast is too conservative.

Dividend forecast	2022	2023	2024E	2025E	2026E
EPS (EUR)	0.02	0.11	0.08	0.08	0.09
FCF per share (EUR)	-0.10	0.21	0.19	0.20	0.23
Dividend per share (EUR)	0.00	0.06*	0.06	0.06	0.06
Dividend yield	0.0%	8.3%	8.3%	8.3%	8.3%
Pay-out ratio	0%	57%	76%	79%	67%

Source: Enlight Research (estimates) *proposed dividend to be passed at AGM
Based on share price EUR 0.72



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

Valuation

Peer valuation

The peers are trading at an average 2024E EV/EBITDA multiple of 8.4x. Tallink's 2024E EV/EBITDA multiple of 5.4x implies a peer discount of around 35%. 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 Baltic Sea peer, Viking Line, is the only peer that is expected to pay dividends this year. Tallink's 2024-26 estimated dividend is superior to all peers with an estimated yield of 8.3%.

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	15.84	19,931	48,088	11.4	8.5	7.8	7.4	0.0%	0.0%	0.0%	0.0%
Norwegian Cruise Line	USD	19.39	8,171	21,578	11.6	9.9	8.9	na	0.0%	0.0%	0.0%	0.0%
Royal Caribbean Cruis.	USD	123.35	31,462	52,036	11.5	9.4	8.7	8.0	0.0%	0.0%	0.0%	0.8%
Viking Line	EUR	20.50	354	463	5.6	5.6	5.4	5.3	4.9%	4.9%	4.9%	4.9%
Average					10.0	8.4	7.7	6.9	1.2%	1.2%	1.2%	1.4%
Tallink	EUR	0.73	540	1,121	5.2	5.4	5.3	4.7	8.7%	8.3%	8.3%	8.3%

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

DCF valuation

Our Base case DCF model Fair value per share is lowered to EUR 0.96 (prev. 1.06) mainly due to lowered estimates (see Estimate deviation section). The corresponding value for our Bear and Bull case is EUR 0.64 (prev. 0.74), and EUR 1.28 (prev. 1.37), respectively. The only difference between our scenarios is our terminal EBIT margin which is 10.0% in our Base case and 2.0 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	7.4%	7.4%	7.4%
Terminal sales growth	3.0%	3.0%	3.0%
Terminal EBIT margin	8.0%	10.0%	12.0%
Fair Value per share (EUR)	0.64	0.96	1.28
Upside/Downside	-11%	33%	78%
Share price (EUR)	0.72	0.72	0.72

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)	0.96		1.30	1.21	1.14	1.07	1.01	0.96	0.91	0.86	0.82	0.78	0.74
Target debt ratio*	54.5 %	5.0 %	30%	35%	40%	45%	50%	55%	60%	65%	70%	75%	80%
Fair value (DCF)	0.96		0.57	0.63	0.69	0.77	0.86	0.96	1.08	1.23	1.42	1.68	2.04
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)	0.96		1.32	1.23	1.15	1.08	1.02	0.96	0.90	0.86	0.81	0.77	0.73

Source: Enlight Research

*Debt/(Debt + Equity)

Estimate deviations

Q1/24 Restaurant & shop sales were 2.3% or EUR 1.8m below estimates, while Ticket sales were 5.8% or EUR 2.2m above forecast. Q1/24 Cargo sales was 11.3% or EUR 2.9m higher below forecast. Q1/24 Leases of vessels revenue was 4.8% or EUR 0.9m lower than expected. Q1/24 Accommodation sales and Other sales were roughly in-line in absolute euro terms. The Q1/24 Group revenue of EUR 160m was 2.6% or EUR 4.2m below our estimate of EUR 165m. The Q1/24 EBITDA of EUR 34.5m was 11.6% or EUR 3.6m above our estimate of EUR 30.9m. The Q1/24 Net profit of EUR 2.6m was above our estimated loss of EUR 2.9m. Excluding our estimated capital gain from the sale of Isabelle, the Q4/24 Net loss was EUR 14.8m vs. our forecast loss of EUR 2.9m.

Deviation by Segment	Estimate	Outcome	Diff	Diff %
Segment Sales	Q1/24	Q1/24	EURm	or %-pts
Restaurant & shop sales	76.8	75.0	-1.8	-2.3%
Growth	3.4%	1.0%	na	-2
Ticket sales	37.3	39.5	2.2	5.8%
Growth	6.0%	12.2%	na	6
Cargo sales	25.6	22.7	-2.9	-11.3%
Growth	1.4%	-10.1%	na	-11
Accommodation sales	2.4	2.3	-0.1	-4.9%
Growth	10.0%	4.7%	na	-5
Leases of vessels	18.4	17.5	-0.9	-4.8%
Growth	-39.4%	-42.3%	na	-3
Other sales	4.1	3.4	-0.7	-18.1%
Growth	3.0%	-15.6%	na	-19
Total revenue	164.6	160.4	-4.2	-2.6%
Growth (%)	-3.9%	-6.3%	na	-2

Deviation for Group	Estimate	Outcome	Diff	Diff %
Income statement	Q1/24	Q1/24	EURm	or %-pts
Revenue	164.6	160.4	-4.2	-2.6%
Cost of sales	-142.4	-146.6	-4.2	2.9%
Gross profit	22.2	13.8	-8.4	-37.9%
Marketing expenses	-9.5	-9.8	-0.2	2.3%
Administrative expenses	-14.2	-12.7	1.4	-10.0%
Other operating income	6.9	19.4	12.5	180.2%
Other operating expenses	-0.1	-0.8	-0.8	nm
Operating profit	5.4	9.8	4.5	82.7%
Interest income	0.0	0.2	0.2	nm
Interest expense	-8.3	-7.7	0.6	-7.4%
Other financial items	0.0	0.0	0.0	na
<i>Financial net</i>	-8.3	-7.5	0.8	-10.2%
Pre-tax profit	-2.9	2.4	5.3	-181.6%
Income tax	0.0	0.2	0.2	nm
Net profit	-2.9	2.6	5.5	-188.2%
EBITDA	30.9	34.5	3.6	11.6%

	Estimate	Outcome	Diff	Diff
Growth	Q1/24	Q1/24	EURm	%-pts
Revenues	-3.9%	-6.3%	na	-2

	Estimate	Outcome	Diff	Diff
Margins	Q1/24	Q1/24	EURm	%-pts
Gross profit margin	13.5%	8.6%	na	-4.9
EBITDA margin	18.8%	21.5%	na	2.7
Operating profit margin	3.3%	6.1%	na	2.9
Pre-tax profit margin	-1.8%	1.5%	na	3.3
Net profit margin	-1.8%	1.6%	na	3.4

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

Estimate changes

We lower our sales estimates by around 1.5% in the forecast period 2024-26. Our EBITDA is lowered by around 10% in the forecast period 2024-26. Our EBIT estimate is lowered by around 17% this and next year, and 9% in 2026. Our EPS estimate is lowered by around 20% this and next year and 13% in 2026. We reiterate our dividend per share forecast of EUR 0.06 each year in 2024-26, which can be compared to the dividend policy minimum of EUR 0.05 per share.

Estimate changes			
Sales (EURm)	2024E	2025E	2026E
Old estimate	836	859	891
New estimate	823	847	877
Change (EURm)	-12	-12	-14
Change	-1.5%	-1.4%	-1.6%
EBITDA (EURm)	2024E	2025E	2026E
Old estimate	220	216	209
New estimate	199	190	191
Change (EURm)	-21	-25	-19
Change	-9.4%	-11.7%	-8.9%
EBIT (EURm)	2024E	2025E	2026E
Old estimate	118	116	112
New estimate	98	96	102
Change (EURm)	-20	-20	-11
Change	-16.8%	-17.5%	-9.4%
Pre-tax profit (EURm)	2024E	2025E	2026E
Old estimate	84.4	86.7	89.1
New estimate	69.4	69.3	79.4
Change (EURm)	-15.0	-17.4	-9.7
Change	-17.8%	-20.1%	-10.9%
EPS (EUR)	2024E	2025E	2026E
Old estimate	0.10	0.10	0.10
New estimate	0.08	0.08	0.09
Change (EUR)	-0.02	-0.02	-0.01
Change	-20.2%	-23.5%	-12.7%
Dividend (EUR)	2024E	2025E	2026E
Old estimate	0.06	0.06	0.06
New estimate	0.06	0.06	0.06
Change (EUR)	0.00	0.00	0.00
Change	0.0%	0.0%	0.0%

Source: Enlight Research

Forecast

Passenger (pax) forecast

We use the pre-pandemic year 2019 as a base when forecasting 2024 pax figures. For the full-year 2024, we forecast the number of pax to increase by 5.2% y-on-y to 6.0m, corresponding to 61% of 2019's pax level. For 2025, and 2026, we forecast the pax to grow 4.0% to 6.2m, and 3.5% to 6.5m, respectively. Given that we expect more vessels to be chartered out, we do not forecast the number of pax to reach pre-pandemic levels (was 9.8m in 2019) in the forecast period 2024-26. 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. The 2024 estimated Net profit of EUR 58m is 18% higher than the 2019 net profit of EUR 50m.

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	1,611,144	1,857,964	1,429,058	2,713,882	3,287,022	6,000,904
PAX 2024E chg y-on-y	5.0%	4.5%	4.6%	6.7%	4.7%	5.5%	5.2%
PAX 2020 pct of 2019	84%	15%	44%	20%	43%	34%	38%
PAX 2021 pct of 2019	14%	16%	38%	49%	15%	43%	30%
PAX 2022 pct of 2019	39%	59%	64%	57%	50%	61%	56%
PAX 2023 pct of 2019	57%	58%	60%	59%	57%	59%	58%
PAX 2024E pct of 2019	59%	61%	62%	63%	60%	63%	61%

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

Sales forecast by Segment

We forecast a modest 2024 Restaurant & shop sales increase of 2.4% vs. the 5.2% estimated PAX increase. On the other hand, our forecast 2024 Ticket sales is estimated to increase 9.0%. Our 2024 Leases of vessels sales in expected to decline 34.0% to EUR 66.8m.

Sales forecast by segment

(EURm)	Q1/23	Q2/23	Q3/23	Q4/23	Q1/24	Q2/24E	Q3/24E	Q4/24E	2023	2024E	2025E	2026E
Restaurant & shop sales	74.2	108.2	111.4	97.1	75.0	110.9	114.4	100.1	391.0	400.4	411.6	423.9
Growth	48.7%	-2.6%	-7.9%	1.0%	1.0%	2.5%	2.7%	3.0%	3.4%	2.4%	2.8%	3.0%
Ticket sales	35.2	59.2	76.0	47.2	39.5	65.1	82.0	50.4	217.5	237.1	248.9	258.9
Growth	59.1%	19.3%	0.8%	5.3%	12.2%	10.0%	8.0%	7.0%	13.3%	9.0%	5.0%	4.0%
Cargo sales	25.3	23.8	20.7	21.2	22.7	21.9	19.7	20.3	91.0	84.6	86.3	88.1
Growth	-4.5%	-14.1%	-18.3%	-10.4%	-10.1%	-8.0%	-5.0%	-4.2%	-11.8%	-7.0%	2.0%	2.0%
Accommodation sales	2.2	4.0	5.4	3.4	2.3	4.2	5.7	3.6	15.0	15.8	16.4	16.9
Growth	65.2%	36.0%	30.4%	17.2%	4.7%	5.0%	5.0%	5.2%	32.5%	5.0%	4.0%	3.0%
Leases of vessels	30.3	29.5	22.1	19.3	17.5	14.8	16.5	17.9	101.2	66.8	64.8	69.6
Growth	964.7%	197.5%	2.9%	-39.0%	-42.3%	-50.0%	-25.0%	-6.9%	53.7%	-34.0%	-2.9%	7.4%
Other sales	4.0	5.0	5.1	5.6	3.4	4.8	5.0	5.4	19.6	18.6	19.2	19.8
Growth	15.9%	5.0%	-38.1%	22.6%	-15.6%	-3.0%	-2.0%	-2.0%	-6.5%	-5.0%	3.0%	3.0%
Total revenue	171.2	229.7	240.7	193.7	160.4	221.7	243.4	197.8	835.3	823.3	847.3	877.2
Growth (%)	61.3%	11.5%	-5.8%	-4.9%	-6.3%	-3.5%	1.1%	2.1%	8.3%	-1.4%	2.9%	3.5%

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

Group Income statement forecast

We forecast 2024 Group sales to be decline 1.4% to EUR 823m, while we expect the EBITDA to decline to EUR 199m from EUR 215m. For 2025, and 2026, we forecast a sales increase of 2.9%, and 3.5%, respectively. Worth noting is that our 2024 estimate includes an estimated EUR 17m 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	Q2/24E	Q3/24E	Q4/24E	2023	2024E	2025E	2026E
Revenue	171.2	229.7	240.7	193.7	160.4	221.7	243.4	197.8	835.3	823.3	847.3	877.2
Cost of sales	-146.5	-163.2	-163.0	-158.8	-146.6	-164.0	-175.2	-164.5	-631.5	-650.4	-660.9	-679.8
Gross profit	24.8	66.5	77.7	34.9	13.8	57.6	68.1	33.3	203.8	172.9	186.4	197.4
Marketing expenses	-9.1	-11.3	-10.4	-11.4	-9.8	-12.2	-12.9	-12.1	-42.2	-46.9	-46.6	-47.4
Administrative expenses	-14.1	-12.2	-11.2	-15.0	-12.7	-11.3	-10.7	-14.6	-52.5	-49.4	-50.8	-52.6
Other operating income	0.3	0.3	0.8	2.9	19.4	1.0	1.0	1.6	4.3	23.0	6.8	4.4
Other operating expenses	0.0	0.0	0.0	-0.1	-0.8	-0.3	-0.3	-0.3	-0.2	-1.7	-0.2	-0.2
Operating profit	1.9	43.3	56.8	11.4	9.8	34.8	45.2	8.0	113.3	97.9	95.5	101.6
Interest income	0.4	0.3	0.1	0.5	0.2	0.0	0.0	-0.2	1.3	0.0	0.0	0.0
Interest expense	-8.0	-10.3	-8.5	-10.1	-7.7	-7.0	-7.0	-6.8	-36.9	-28.5	-26.2	-22.1
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>	<i>-7.6</i>	<i>-10.0</i>	<i>-8.4</i>	<i>-9.6</i>	<i>-7.5</i>	<i>-7.0</i>	<i>-7.0</i>	<i>-7.0</i>	<i>-35.6</i>	<i>-28.5</i>	<i>-26.2</i>	<i>-22.1</i>
Pre-tax profit	-5.7	33.2	48.5	1.8	2.4	27.8	38.2	1.0	77.7	69.4	69.3	79.4
Income tax	0.3	0.2	0.2	0.4	0.2	-11.2	0.0	0.0	1.2	-11.0	-12.6	-12.6
Net profit	-5.4	33.4	48.7	2.2	2.6	16.7	38.2	1.0	78.9	58.4	56.7	66.8
Depreciation & Amortization	25.2	25.3	25.2	25.5	24.6	25.5	25.5	25.5	101.2	101.1	94.7	89.3
EBITDA	27.1	68.5	82.1	36.8	34.5	60.3	70.7	33.5	214.5	199.0	190.2	190.8

Sales growth	Q1/23	Q2/23	Q3/23	Q4/23	Q1/24	Q2/24E	Q3/24E	Q4/24E	2023	2024E	2025E	2026E
Sales growth seq.	-15.9%	34.1%	4.8%	-19.5%	-17.2%	38.2%	9.8%	-18.7%	na	na	na	na
Sales growth Y-on-Y	61.3%	11.5%	-5.8%	-4.9%	-6.3%	-3.5%	1.1%	2.1%	8.3%	-1.4%	2.9%	3.5%

Margins	Q1/23	Q2/23	Q3/23	Q4/23	Q1/24	Q2/24E	Q3/24E	Q4/24E	2023	2024E	2025E	2026E
EBITDA	15.8%	29.8%	34.1%	19.0%	21.5%	27.2%	29.1%	16.9%	25.7%	24.2%	22.5%	21.8%
Gross margin	14.5%	28.9%	32.3%	18.0%	8.6%	26.0%	28.0%	16.8%	24.4%	21.0%	22.0%	22.5%
Operating margin	1.1%	18.8%	23.6%	5.9%	6.1%	15.7%	18.6%	4.0%	13.6%	11.9%	11.3%	11.6%
PTP margin	-3.4%	14.5%	20.1%	0.9%	1.5%	12.6%	15.7%	0.5%	9.3%	8.4%	8.2%	9.1%
Net profit margin	-3.2%	14.6%	20.2%	1.1%	1.6%	7.5%	15.7%	0.5%	9.4%	7.1%	6.7%	7.6%

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 factors in a mild recession in 2023. If it turns out to be a severe recession, our forecast is most likely too optimistic.

Income Statement	2022	2023	2024E	2025E	2026E
Net sales	771.4	835.3	823.3	847.3	877.2
Total operating costs	-635.6	-620.8	-624.3	-657.0	-686.4
EBITDA	135.8	214.5	199.0	190.2	190.8
Depreciation & Amort.	-98.1	-101.2	-101.1	-94.7	-89.3
One-off EBIT items	0.0	0.0	19.0	0.0	0.0
EBIT	37.7	113.3	97.9	95.5	101.6
Financial net	-24.7	-35.6	-28.5	-26.2	-22.1
Pre-tax profit	12.9	77.7	69.4	69.3	79.4
Taxes	1.0	1.2	-11.0	-12.6	-12.6
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	58.4	56.7	66.8

Balance Sheet	2022	2023	2024E	2025E	2026E
Cash and cash equivalent	115	42	82	85	88
Receivables	31	32	33	34	35
Inventories	40	41	37	38	44
Other current assets	9	8	8	8	8
Current assets	196	123	160	165	175
Tangible assets	1342	1290	1214	1144	1070
Goodwill & intangible assets	54	50	50	50	50
Lease & Investment properties	97	87	91	95	96
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	1360	1294	1221
Total Assets	1692	1555	1520	1459	1396
Non-interest bearing current liabilities	87	85	66	68	88
Short-term debt	165	104	99	84	64
Other current liabilities	44	35	35	35	35
Total current liabilities	296	224	200	187	187
Long-term debt	581	451	429	365	279
Convertibles & Lease liab.	107	95	91	95	96
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	521	460	375
Total Liabilities	985	769	721	647	562
Minority interest (BS)	0	0	0	0	0
Shareholders' equity	707	786	800	812	834
Total liabilities and equity	1692	1555	1520	1459	1396

DCF valuation	Cash flow, mEUR		
WACC (%)	7.39 %	NPV FCF (2023-2025)	409
Assumptions 2023-2029 (%)		NPV FCF (2026-2032)	498
Sales CAGR	3.07 %	NPV FCF (2033-)	458
Avg. EBIT margin	11.48 %	Non-operating assets	-3
Fair value per share (EUR)	0.96	Interest-bearing debt	-649
Share price (EUR)	0.72	Fair value estimate	713

Free Cash Flow	2022	2023	2024E	2025E	2026E
Operating profit	37.7	113.3	97.9	95.5	101.6
Depreciation & Amort.	98.1	101.2	101.1	94.7	89.3
Working capital chg.	12.8	-11.3	-16.3	-0.1	13.0
Other Operating CF items	2.9	1.7	-15.5	-17.4	-16.1
Oper. Cash Flow	151.6	205.0	167.2	172.8	187.7
Net investments	-223.9	-46.6	-25.0	-25.0	-15.0
Other items	0.0	0.0	0.0	0.0	0.0
Free Cash Flow	-72.3	158.4	142.2	147.8	172.7

Capital structure	2022	2023	2024E	2025E	2026E
Equity ratio	41.8%	50.5%	52.6%	55.6%	59.7%
Debt / Equity ratio	120.7%	82.6%	77.5%	67.1%	52.7%
Gearing %	104.5%	77.3%	67.3%	56.7%	42.2%
Net debt/EBITDA	5.4	2.8	2.7	2.4	1.8

Profitability	2022	2023	2024E	2025E	2026E
ROE	2.0%	10.6%	7.4%	7.0%	8.1%
FCF yield	-18.6%	30.9%	26.5%	27.5%	32.2%
EBITDA margin	17.6%	25.7%	24.2%	22.5%	21.8%
EBIT margin	4.9%	13.6%	11.9%	11.3%	11.6%
PTP margin	1.7%	9.3%	8.4%	8.2%	9.1%
Net margin	1.8%	9.4%	7.1%	6.7%	7.6%

Valuation	2022	2023	2024E	2025E	2026E
P/E	27.9	6.5	9.2	9.5	8.0
P/E, adjusted	27.9	6.5	13.6	9.5	8.0
P/Sales	0.5	0.6	0.7	0.6	0.6
EV/Sales	1.5	1.3	1.3	1.2	1.0
EV/EBITDA	8.3	5.2	5.4	5.2	4.7
EV/EBIT	29.9	9.9	11.0	10.4	8.7
P/BV	0.5	0.7	0.7	0.7	0.6
P/BV tangible	0.6	0.7	0.7	0.7	0.7

Per share ratios	2022	2023	2024E	2025E	2026E
EPS	0.02	0.11	0.08	0.08	0.09
EPS, adjusted	0.02	0.11	0.05	0.08	0.09
Operating CF/share	0.20	0.28	0.22	0.23	0.25
Free Cash Flow/share	-0.10	0.21	0.19	0.20	0.23
BV/share	0.95	1.06	1.07	1.09	1.12
Tangible BV/share	0.94	1.04	1.06	1.08	1.11
Div. per share	0.00	0.06	0.06	0.06	0.06
Div. payout ratio	0.0%	56.6%	76.4%	78.7%	66.8%
Dividend yield	0.0%	8.7%	8.3%	8.3%	8.3%

Shareholders	Capital	Votes
Infortar AS	223.581	41.66 %
Baltic Cruises Hld, L.P.	59.137	11.02 %
Baltic Cruises Inv. L.P.	31.633	5.89 %
ING LUX S.A. AIF Acct.	26.881	5.01 %
Citi VC Int. G.P	23.687	4.41 %
Nordea Bank ABP / Clients FDR	17.239	3.21 %
Mersok OÜ	8.260	1.54 %
Luksusjaht AS	5.496	1.02 %
Clearstream Banking AG	5.210	0.97 %
Enn Pant	4.635	0.86 %

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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