

Tallinna Vesi AS

TVEAT.TL

Challenging year behind, 2021 starts with change in shareholding

Utilities | Estonia

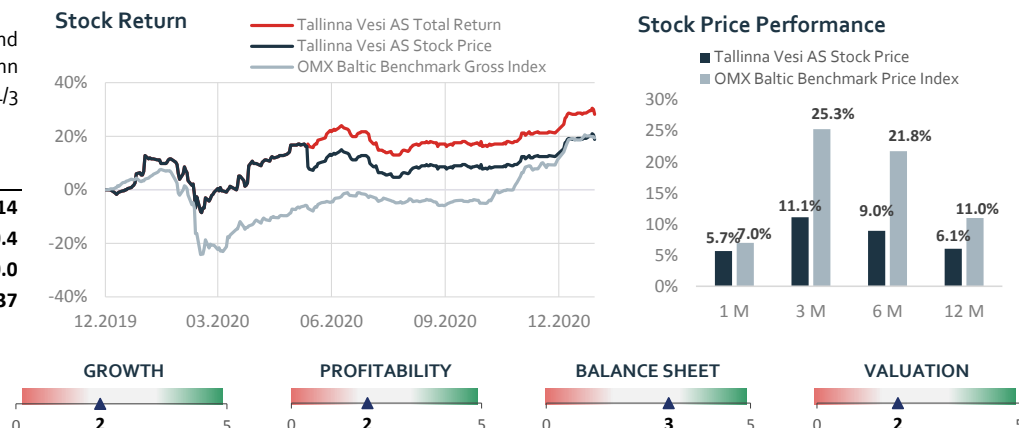
Leading drinking water supplier and wastewater disposal service provider in Tallinn and surrounding municipalities with nearly 1/3 of Estonian population as a consumer base.

Market data

Price (€)	14
Market cap (mn €)	280.4
Free float (%)	30.0
Avg. daily volume - 30 days (mn €)	0.0037

Alphinox Quantitative score

Score displays Company's financial conditions, growth pace and valuation based on latest results and stock price

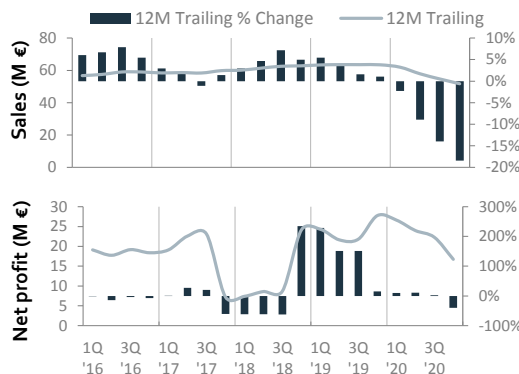


Company Update

Tallinna Vesi's Q4 revenue breaks into water services (88.46%), construction services (9.93%) and other services (1.61%). The impact of tariff reduction, which came into effect at the end of 2019, and the impact of changes in customer consumption due to the pandemic both influenced 4Q'20 results. Sales dropped by 18% YoY and significant drop was seen in profits, which declined 51% (- 5.56 mn Eur) in 4Q'20 and 40% (-11 mn Eur) in FY 2020. Besides tariff and consumption effects on sales, net profit was also affected by the deferred tax expense of €0.25 million, which could not be balanced out by lower net financial expenses. Profitability indicators, which have been stable for the last two years, showed a sharp decline in the last quarter of 2020. To keep high quality service, company started a reconstruction project that will run throughout 2021, requiring additional capex. On February 3rd, company announced upcoming changes in Shareholders structure after which City of Tallinn is to become main Shareholder with ~52% of Tallinna Vesi shares.

Growth

Sales	last Q	LTM	2019	2018
Company (M €)	13.2	51.7	63.4	62.8
Company	-18.3%	-18.5%	1.0%	5.0%
Sector*	2.9%	-28.3%	-3%	39.3%
Baltic Market	-4.4%	-4.6%	4.6%	7.7%



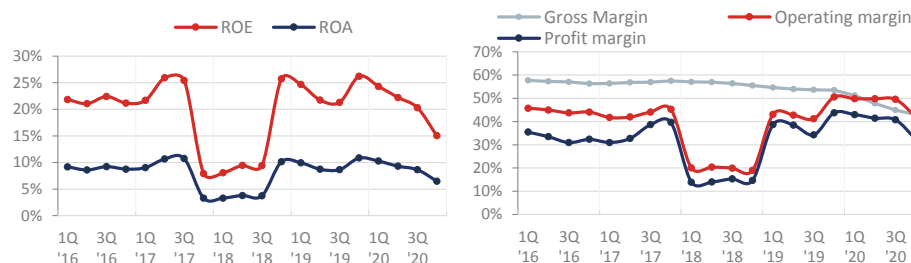
Key performance indicators	4Q '20 4Q '19 LTM		
	Water loss in distribution network, %	12	13
Number of sewer blockages	125	135	463
Number of complaints	40	41	188
Number of sewer bursts	19	21	80

Profit	last Q	LTM	2019	2018
Company (M €)	5.4	16.7	27.8	24.2
Company	-51%	-40%	15%	234%
Sector*	104%	-160%	-86%	-95%
Baltic Market	-0.7%	-29.8%	-40%	5.4%

Profitability

Last 12M	ROE	ROA	GM	OPM	PM
Company	15.0%	6.5%	43.0%	42.1%	32.4%
Sector*	-2.6%	-1.2%	-	13.8%	7.7%
Baltic Market	10.1%	3.6%	25.1%	4.8%	3.7%

3y average	ROE	ROA	GM	OPM	PM
Company	19.0%	7.7%	55.8%	35.8%	29.6%
Sector*	-3.3%	0.4%	10.7%	-17.8%	-53%
Baltic Market	7.6%	3.0%	21.0%	3.1%	2.2%



Balance sheet & Cash flow

	last	Q-1	Q-2	Q-3	LTM	2019	2018		last	Q-1	Q-2	Q-3	LTM	2019	2018
Equity / Assets ratio	44%	42%	40%	45%	43%	44%	41%	Cash Flow to Debt	0.25	0.28	0.32	0.35	0.30	0.37	0.36
Debt / Equity ratio	80%	85%	90%	77%	83%	80%	93%	CAPEX / Sales	42%	44%	35%	27%	37%	31%	19%
Cash ratio	3.28	3.15	2.83	5.34	3.65	4.89	4.74	FCF/OCF	40%	54%	63%	72%	57%	78%	80%

Valuation

	Last	1y avg	3y avg		last	1y avg	3y avg	
P/E	16.6	10.9	15.2	P/B	2.52	2.34	2.27	Company
EV/EBITDA	11.5	8.47	10.2	P/CF	12.3	8.90	7.20	Sector
P/S	5.38	4.42	3.78	Dvd yield	0.0%	7.2%	5.8%	Market

*Sector: average of respective GICS sector companies from NASDAQ OMX Baltic and NASDAQ OMX Nordic small cap indices, Market: NASDAQ OMX Baltic median

Disclaimer: This document may contain confidential information that is not intended for third parties. If you are not the intended recipient of this document, you must not publish or pass on its content in any way. This document is for information purposes only and constitutes neither an offer nor a recommendation to undertake any type of transaction or to buy or sell securities or financial products in the broadest sense. Alphinox Quality AS offers no guarantee of the completeness, correctness or security of this document. Alphinox Quality AS accepts no liability claims that might arise from the use or non-use of the content of this document. The Thomson Reuters information may only be used for your internal use. Neither Thomson Reuters nor its affiliates nor subsidiaries shall be liable for any errors, inaccuracies or delays in any content, or for any actions taken by you in reliance of the content. You expressly agree that your use of the content is at your sole risk. To the fullest extent permitted by applicable law, Thomson Reuters expressly disclaim any representation or warranties, express or implied, including without limitation any representations or warranties of performance, merchantability, fitness for a particular purpose, accuracy, completeness, reliability and non-infringement. To the fullest extent permitted by applicable law, Thomson Reuters disclaim all responsibility for any loss, injury claim, liability, or damage of any kind resulting from or related to access, use or the unavailability of the content (or any part thereof).