



ERIK PENSER BANK

Penser Access | Media Conglomerates | Sweden | 14 March 2022

Tourn International

All set for strong growth and balanced profitability

NAGATO grew 300% in 2021

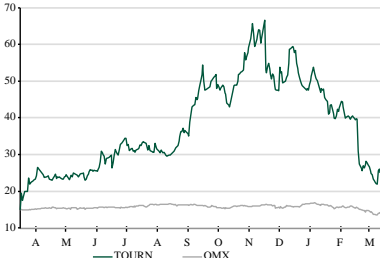
Tourn's sales in Q4 2021 were SEK 41m and thus grew 34% y/y. Sales for 2021 were SEK 129m, 15% lower than our estimate as certain campaigns within Agency were moved to 2022 and our estimates for sign-on recruitment expected faster growth. EBITDA was SEK -6m, in line with the company's previous statements of investment for growth via sign-on recruitment, which means a cost in the beginning but large future revenues.

All set for growth

We believe that partnerships and recruitment using sign-on bonuses are the right growth strategy now the organization has been optimized to scale up quickly and grow internationally. The newly replenished cash will allow Tourn to continue growth investments. We have a positive view of the investment internationally and in new Agency segments. We are making some estimate changes after an update of the sign-on bonus strategy.

Updated estimates

After a review of the sign-on recruitment and new information in connection with Q4, we have made some adjustments to our estimates. Tourn is able to decide for itself the pace of recruitment using sign-on bonuses, and thus control its growth rate and profitability. We see a fair value of SEK 64-70 in our SOTP valuation for the forecast year 2025.

Estimate Changes (kr)				Estimates (kr)					Risk and Potential	
	Now	Before			21	22e	23e	24e	Motivated value	64.0 - 70.0
EPS, adjusted 22e	0.5	1.7	-68.6%	Sales, mkr	129	208	282	355	Current price	SEK25.0
EPS, adjusted 23e	1.8	4.4	-58.2%	Growth	47%	61%	35%	26%	Risk level	High
EPS, adjusted 24e	3.1	3.1	0.0%	EBITDA, mkr	(5.6)	8.7	24.5	40	<div>One Year Performance Chart</div> 	
<div>Calendar Events</div> <div>Q1 rapport12 maj 2022</div> <div>Q2 rapport18 aug 2022</div> <div>Q3 rapport15 nov 2022</div>				EBIT, mkr	(7)	7	23	39		
				EPS, adjusted	(0.6)	0.5	1.8	3.1		
				EPS growth	nm	nm	243%	69%		
				Equity/share	7.0	7.6	9.4	12.5		
				Dividend/share	0.0	0.0	0.0	0.0		
<div>Key Figures (mkr)</div> <div>Number of shares10m</div> <div>Market cap244</div> <div>Net debt(59)</div> <div>EV185</div> <div>Free float58%</div> <div>Average number of daily traded shares17(k)</div>				EBIT margin	(5.5)%	3.4%	8.1%	10.9%	<div>Analysts</div> <div>henrik.holmer@penser.se</div>	
				ROE	(8.8)%	7.5%	19.6%	24.9%		
				ROCE	(7.0)%	6.0%	15.4%	19.7%		
				EV/Sales	1.4x	0.9x	0.7x	0.5x		
				EV/EBITDA	(33.2)x	21.4x	7.6x	4.6x		
				EV/EBIT	(26.3)x	26.2x	8.1x	4.8x		
				P/E, adjusted	(40.4)x	46.4x	13.5x	8.0x		
				P/Equity	3.6x	3.3x	2.7x	2.0x		
				Dividend yield	0.0%	0.0%	0.0%	0.0%		
				FCF yield	1.9%	0.0%	5.8%	11.3%		
				Net debt/EBITDA	12.0g	(7.7)g	(3.3)g	(2.6)g		



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Overview

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Investment Case

Tourn's core business consists of two parts. One is an agency for influencers that matches them with brands for advertising collaborations. The other is a YouTube partnership that offers YouTubers a platform to help capitalize on the content they own, as well as make tax payments, billing and enhance existing advertising revenue. The YouTube arm, called NAGATO also provides redistribution of ad revenue when video creators display content that someone else owns the rights to. The company was founded in 2010 and has about 15 employees.

Scalability

Tourn's operations are largely automated, but we believe some its competitors do more work manually. The more manual companies risk being outcompeted by the more automated ones that can keep costs down. The fact that a large part of Tourn is platform-based means that strong growth can take place without major investment. Platforms also facilitate growth through partnerships and we see partnerships as a growth driver in the future, especially for Tourn's YouTube arm NAGATO.

YouTube partner

YouTube's advertising revenue has more than tripled since 2017. Tourn is a YouTube partner through NAGATO and is therefore able to benefit from this impressive growth. When a YouTube clip contains material that has a third-party rights owner, the copyright owner must receive all advertising revenue generated by the clip. With the permission of the copyright holder, NAGATO is able to redistribute the proceeds and retain some of them. We believe this business model is very attractive to the rights holder, who increases their income without any cost or work. Since mid-2021, NAGATO has begun accelerating its growth by recruiting YouTubers using sign-on bonuses. This means that NAGATO can control how fast it grows and weigh this against profitability. We envisage strong continued growth from Nagato.

Riding the influencer wave

Tourn Agency has built-in growth thanks to the strong expansion of influencers. The business primarily pairs brands with influencers for advertising collaborations. There are studies showing that influencers have as strong an impact on purchasing decisions as recommendations from friends, so influencer marketing has a potentially very strong impact on consumer behaviour. Furthermore, brands get wide access to customer data because all advertising is handled digitally, so the outcome of a marketing campaign can be measured. We believe that influencer marketing will grow strongly and that Tourn will be able to capitalize on this.

Valuation

Our SOTP valuation gives a fair value of SEK 64-70 per share. This uses a WACC of 11%, and the forecast period extends until 2025.

Company Profile

Initieringsanalys: <https://epaccess.penser.se/bolag/tourn-international/analys/>

Comments on Q4 and full year 2021

Tourn reported sales for Q4 of SEK 41 million, and thus grew 34% compared with the same quarter last year. For full year 2021, sales grew 47% and landed at SEK 129 million, which was 15% lower than our estimate. Part of this is explained by the volatility in Tourn Agency, where some campaigns were moved into 2022 due to increased Covid-19 infection rates at the end of the year. However, at the start of the year Agency had booked campaigns for SEK 45 million for 2022, which bodes well considering that Agency had sales of SEK 62 million for the whole of 2021. Another explanation for our sales estimates being too high was that we had predicted a faster effect from the recruitment via sign-on bonuses that NAGATO has started to use to accelerate the growth of YouTube creators. In this analysis, we update our approach to how this is calculated and look forward to receiving more detailed reporting on this from the company in the next quarterly report. During the year, NAGATO grew by as much as 300%, driven by new partnerships and recruitment via sign-on bonuses. EBITDA excluding associated companies was SEK -6 million, which was in line with the company's previous communication of investment for growth via sign-on recruitment, which means an initial cost that is then clawed back in the form of future revenues. This was also completely in line with our estimates. Tourn can control how fast it wants to grow and make a trade-off when it wants to start to bring in profits and then reduce investment. In connection with the report, the company communicated that it is focusing on growth but with balanced profitability, and we expect gradually growing positive earnings in 2022.

Tourn Agency

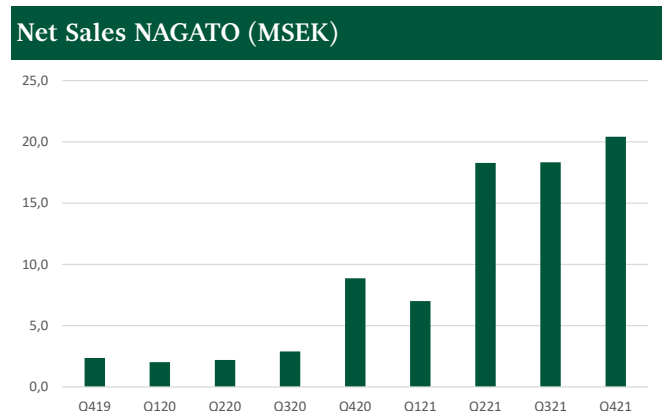
Tourn's strong growth for 2021 came from investments in NAGATO, while Agency had marginally more sales than last year. In 2022, an expansion for Agency is planned both geographically and via new segments. Thanks to Tourn's international expansion for NAGATO, and with all the data the company has, there are good prospects of using that platform to expand Agency, especially in the United States and other English-speaking countries. When it comes to segments, Agency is already a leader in fashion and beauty and sees good opportunities to expand this into more segments. Examples could be more traditionally male segments such as sports and esports. We view this growth investment for Agency positively.

Fast payment

In recent quarters, Tourn has been trialling a fixed payment solution that allows YouTubers to be paid 30 days earlier by YouTube, via NAGATO, for a fee of 10%. The reception has been good, and from Q1 this will be offered to all users. This is a very good deal for Tourn, which gets a 10% return in 30 days, and an efficient way to use the new capital that the company has.

More focus on information to the stock market

In connection with the report, the company also communicated that it intends to become more explanatory and transparent to shareholders. This will be through clearer reporting and more equity market meetings, and through a strengthening on the IR side. We think this is welcome as the business model has been rapidly changing and at times difficult to understand for the stock market.



Company, EPB

Nagato sales on a whole new level

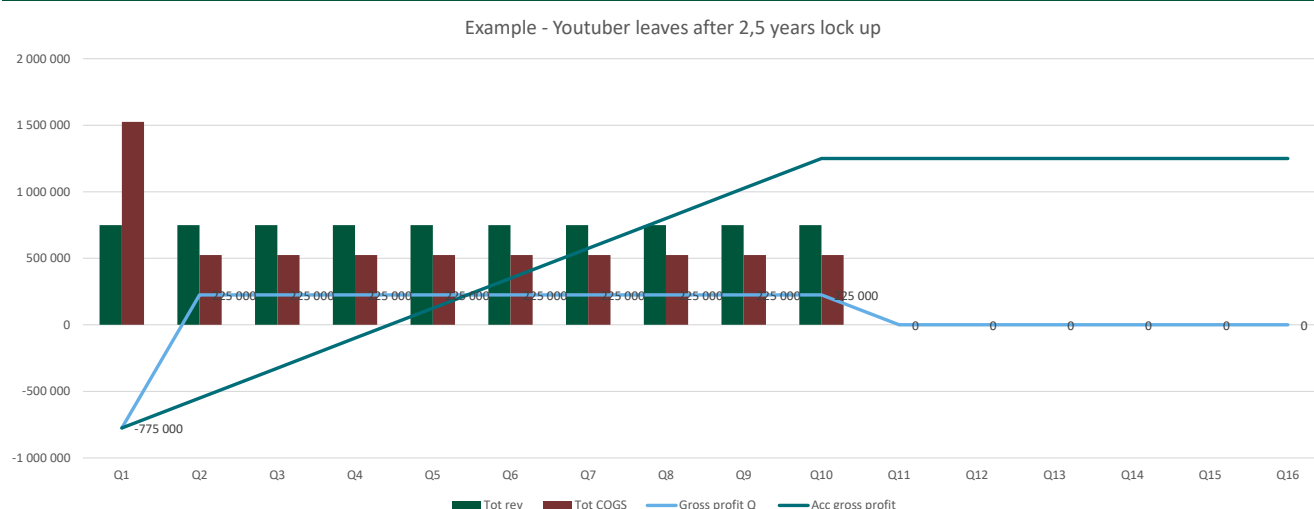
Analysing the sign-on bonus

The procedure for sign-on bonuses is briefly as follows: NAGATO offers selected YouTubers a sign-on-bonus if they undertake to be contracted to NAGATO for 2-3 years. During this period, NAGATO may also receive further revenues from additional services. The YouTuber can also continue as a regular customer after the initial contract period. The contracts are designed so that they can never result in a net loss for NAGATO, and will always return at least 2 times the investment. NAGATO is a YouTube partner, and its payments from YouTube are prioritized over the content creator. We therefore consider the risk to be very low that NAGATO will fail to receive the agreed amount.

Example:

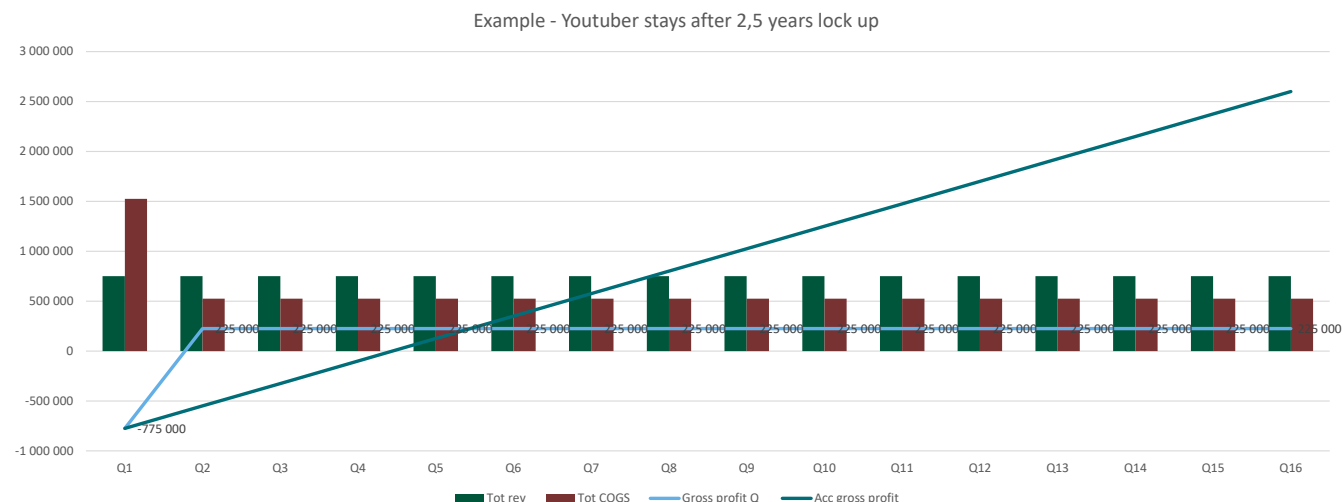
Assume that a YouTuber has a turnover of SEK 3 million a year. NAGATO offers the YouTuber a sign-on bonus of SEK 1 million, provided that the YouTuber agrees to be contracted to use NAGATO for 2-3 years. The sign-on bonus is paid immediately and is reported as a cost (COGS) in the form of purchase of services. The YouTuber's annual income of approximately SEK 3 million (SEK 750,000 per quarter) flows through NAGATO's system as revenue. NAGATO has an average 30% gross margin, which gives COGS of SEK 525,000 per quarter and a gross profit of SEK 225,000 per quarter. Once one year has passed, the sign-on bonus has been repaid and the YouTuber generates SEK 225,000 per quarter in gross profit for NAGATO. After about 2.5 years, the YouTuber can choose to leave NAGATO or stay. If the YouTuber leaves immediately after the contract period, he or she will have contributed SEK 1.250 million in pure gross profit to NAGATO. If the YouTuber chooses to stay, SEK 225,000 in gross profit will continue to roll in to NAGATO every quarter.

Example (SEK)



EPB

Example (SEK)



EPB

Estimate updates

We are updating our estimates following Tourn's focus on its new strategy. It is important to point out that since the company does not report sign-on bonuses separately, the revenue is difficult to forecast. We will monitor and adjust this in connection with each report or when we receive more information. Based on what we know today about the growth strategy, we make the following assumptions:

- We estimate that all YouTubers will receive 1/3 of annual turnover as a sign-on bonus and that 100% of the payment will be made during the quarter in which the agreement is signed. The entire amount is therefore expensed directly.
- As there may be some delay before the YouTuber joins NAGATO, we have estimated that it will take half a quarter before the revenue begins to flow through NAGATO.
- We calculate on a gross margin of 30% on the revenue generated by the YouTuber.
- We estimate that the YouTuber will be locked in for 2.5 years and that thereafter only 30% of YouTubers will continue to use NAGATO after the lock-in has ended, and will do so for at least our four-year forecast period. We consider this to be conservative.
- We estimate that the size of sign-on investments will be SEK 5 million per quarter during our forecast period. This initially means a profit close to zero, which then improves every quarter. The sign-on bonuses can be financed with the approximately SEK 50 million that TOURN raised in December, and subsequently with cash flow. Here lies the greatest risk in our forecasts since this level strongly affects sales and profit estimates, depending on the amount we assume. We will update these forecasts on an ongoing basis as we receive more information.
- We do not know what the sign-on bonus has been in recent quarters, but our assessments are SEK 600,000 for Q2 2021, SEK 2 million for Q3 2021, and SEK 5 million for Q4 2021.
- We estimate that NAGATO excluding sign-on bonuses will grow 21% in 2022, and then by 5% per year, which we consider to be conservative.

Theses estimates gives the following effects from sign-on bonuses isolated from Q2 '21 to Q1 '25:

Sign-on-bonus effects on estimates (SEK)



EPB

NAGATO has shown that it is able to greatly scale sales without increasing costs. We therefore only expect marginal cost increases in the future.

We have also raised our estimates for Tourn Agency, partly due to campaigns that were postponed into 2022, and partly thanks to the new growth strategy that the company communicated in connection with its Q4 report. We expect Agency to grow 20% in 2022, 18% in 2023 and then 10% per year.

In summary, we are positive about the strategy of recruiting via sign-on bonuses. Earnings are charged in the short term because the company chooses to report the investments as costs, but we estimate that the long-term profits will increase significantly. Tourn is able to control how fast it wants to grow and make a trade-off when it wants to start bringing in profits and then reduce investment. The downside is mainly that visibility is lower, and we are conservative in our estimates and will update them continuously as we get more information. We believe that the strong growth from new partnerships has the potential to continue in the future with new partners.

Estimate changes

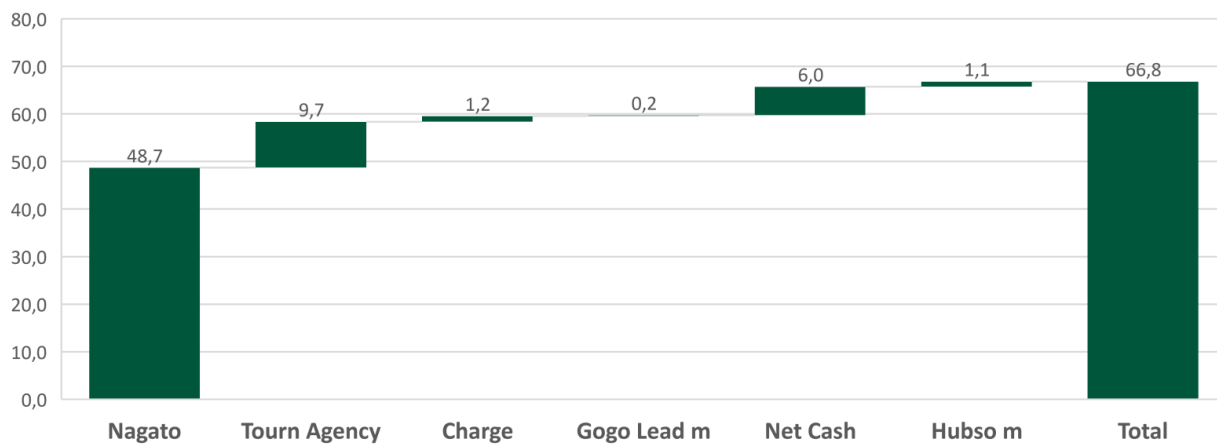
Old estimates	2022e	2023e	2024e	2025e
Revenue	283	385	396	408
EBITDA	21	51	51	58
New estimates	2022e	2023e	2024e	2025e
Revenue	208	282	355	378
EBITDA	9	25	40	43
Difference	2022e	2023e	2024e	2025e
Revenue	-27%	-27%	-10%	-8%
EBITDA	-59%	-52%	-21%	-26%

EPB

Valuation

We have updated our SOTP model for Tourn with a fair value of SEK 64-70 per share. WACC is still 11%, which reflects a high risk.

We apply an EV/sales multiple of 1.5x for Tourn Agency, 3x for NAGATO and 4x for Charge based on business models and market valuations. We use the multiple in 2025 and discount the value to the present.



EPB

We see the share as attractively valued at today's price levels, and expect a bright future for the company. Our estimates envisage EV/EBIT of only 7x and EV/Sales of 0.6x in 2023, despite significant growth in software revenues and continued margin expansion.

To support our SOTP valuation, we have applied a DCF valuation that gives a value of SEK 55.

DCF				Sensitivity analysis					
DCF - GROWING FCF PERPETUITY FORMULA				Sensitivity analysis					
Valuation output									
Sum of PV of FCF (explicit period)			290						
PV of terminal value (perpetuity formula)			183						
Enterprise value			473						
Latest net debt			-59						
Minority interests & other			0						
Equity value			532						
No. of shares outstanding (millions)			10						
Equity value per share (SEK)			55						
Implicit multipl.									
EV/Sales	2022	2023	2024						
EV/EBITDA	2.3	1.7	1.3						
EV/EBIT	54.6	19.3	11.7						
EV/NOPLAT	46.1	18.1	11.3						
P/E	59.1	23.2	14.5						
ROIC/WACC									
Current Share price			22.9						
WACC assumptions									
Risk free nominal rate			0.4%						
Risk premium			7.0%						
Extra risk premium			3.0%						
Beta			1.2						
Cost of equity			12.4%						
Cost of debt (pre-tax)			3.0%						
Tax rate			22%						
Target debt/(debt + equity)			14%						
WACC			11.0%						
Terminal value assumptions									
Long term growth rate			3.0%						
Long term EBIT margin			12.0%						
Depreciation (% of sales)			2.0%						
Capex (% of sales)			2.0%						
Working cap. (% of sales)			-2.6%						
Tax rate			22%						
				Sensitivity analysis					
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Shareholders

Shareholders	Votes	Shares
Robin Stenman	17,4%	17,4%
Thomas Jansson	15,6%	15,6%
Erik Selin	5,5%	5,5%
New Equity	4,8%	4,8%
Övriga	56,7%	56,7%
Chairman	Gustaf Kellner	
CEO	Robin Stenman	
CFO	Johanna Forsberg	
Contact	-	
Website	tourn.com	

EPB, Holdings

Income Statement

	2020	2021	2022E	2023E	2024E	2025E
Net sales	88	129	208	282	355	378
Other operating income	4	3	2	2	2	0
Cost of goods sold	57	106	164	214	265	280
Gross profit	34	25	46	69	92	97
Personel expenses	28	26	28	32	35	35
Other external costs	28	7	10	13	17	20
Other working costs	0	0	0	0	0	0
EBITDA	-7	-6	9	25	40	43
Depreciation/amortization	1	1	2	2	2	0
Good will deprecation	0	0	0	0	0	0
EBIT	-9	-7	7	23	39	43
Extraordinary items	0	0	0	0	0	0
Adjusted EBIT	-9	-7	7	23	39	43
Financial items	31	1	0	0	0	0
Profit before taxes	23	-6	7	23	39	43
Income tax	0	0	2	5	8	9
Net income	23	-6	6	18	30	34
Net income (adjusted)	23	-6	6	18	30	34

EPB

Cash Flow Statement

	2020	2021	2022E	2023E	2024E	2025E
Net income	-16	-6	6	18	30	34
Items not affecting cash flow	1	-1	0	0	0	0
Changes in working capital	11	-1	-4	-4	-4	-1
Cash flow from operating activities	-4	-8	1	14	26	33
Investments	0	4	1	1	1	1
Divestments	0	16	0	0	0	0
Free cash flow	-4	4	0	13	25	32
Dividends	0	0	0	0	0	0
Right issue/Share buyback	0	60	0	0	0	0
Acquisitions	0	0	0	0	0	0
Debt financing and other adjustments	0	0	0	0	0	0
Cash flow	-4	64	0	13	25	32
Net debt (adjusted)	-3	0	0	-13	-38	-70

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Balance Sheet

	2020	2021	2022E	2023E	2024E	2025E
ASSETS						
Goodwill	0	0	0	0	0	0
Other intangible assets	11	12	12	12	12	12
Tangible fixed assets	0	0	0	0	0	0
Interest bearing fixed assets	0	0	0	0	0	0
Shares in associated companies	32	16	16	16	16	16
Other fixed assets	1	1	1	1	1	1
Total fixed assets	44	29	29	29	29	29
Inventory	0	0	0	0	0	0
Accounts receivable	14	18	29	39	50	53
Other current assets	1	2	1	1	1	3
Cash and cash equivalents	3	59	59	72	97	129
Total current assets	18	79	89	112	148	184
TOTAL ASSETS	61	108	118	141	177	213
Equity and liabilities						
Equity	15	68	74	92	122	156
Minority interest	0	0	0	0	0	0
Total equity	15	68	74	92	122	156
Non-current liabilities	0	0	0	0	0	0
Provisions for pensions	0	0	0	0	0	0
Deferred tax liabilities	0	0	0	0	0	0
Other non-current liabilities	0	0	0	0	0	0
Total non-current liabilities	0	0	0	0	0	0
Current liabilities	21	6	0	0	0	0
Accounts payable	8	12	19	25	32	34
Tax liability	0	0	0	0	0	0
Other current liabilities	18	22	25	24	23	23
Total current liabilities	47	40	44	49	55	57
Total equity liabilities	61	108	118	141	177	213

EPB

Key Figures

Valuation

	2021	2022E	2023E	2024E	2025E
P/E	-37,0	40,2	12,4	7,3	6,6
P/EK	3,3	3,0	2,4	1,8	1,4
P/FCF	51,9	3435,6	17,3	8,8	7,1
Div yield	0%	0%	0%	0%	0%
Payout ratio	0%	0%	0%	0%	0%
EV/Sales	1,3	0,8	0,6	0,5	0,4
EV/EBITDA	-29,5	19,0	6,7	4,1	3,8
EV/EBIT	-23,4	23,3	7,2	4,3	3,8

Growth and Margins

	2021	2022E	2023E	2024E	2025E
Sales growth	47%	61%	35%	26%	6%
EBIT growth	nm	nm	225%	69%	11%
EPS growth	nm	nm	225%	69%	11%
EBITDA margin	-4%	4%	9%	11%	11%
EBIT margin	-5%	3%	8%	11%	11%
Tax rate	21%	21%	21%	21%	21%

Profitability

	2021E	2022E	2023E	2024E	2025E
ROE	-9%	8%	20%	25%	22%
ROCE	-7%	6%	15%	20%	18%

Investments

	2021E	2022E	2023E	2024E	2025E
CAPEX	4	1	1	1	1
CAPEX/Sales	2,95%	0,48%	0,35%	0,28%	0,26%
Sales and administrative expenses/sales	5,06%	4,90%	4,70%	4,85%	5,25%
Inventory/sales	0,00%	0,00%	0,00%	0,00%	0,00%
Accounts receivable/sales	14,15%	14,00%	14,00%	14,00%	14,00%
Accounts payable/sales	9,26%	9,00%	9,00%	9,00%	9,00%
Working capital/sales	30,45%	21,67%	22,25%	26,10%	33,74%
Capital turnover rate	1,2	1,8	2,0	2,0	1,8

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