



ERIK PENSER BANK

Penser Access | Media Conglomerates | Sweden | 19 August 2022

Tourn International

Continued international expansion but weaker advertising market

Tougher business climate squeezing the advertising market

At SEK 33m in Q2, revenue was down 8% y/y. Q2 was tough for many companies exposed to the consumer/advertising markets and ad revenue per view on YouTube has slipped. But this is offset by growth in the customer base and the view count. Influencer marketing is doing well compared to the traditional advertising market. EBITDA of SEK -2m aligns with the company's forecast at around 0.

Continued growth ahead

The strategy for growth via sign-on bonuses and acquisition of YouTube channels is ongoing, aimed at for further growth. Sold campaigns for Agency have already outstripped FY 2021. A new partnership was announced via a joint venture with Atlantic Swiss, a leading family office for some of the biggest stars in entertainment in genres including music and film. In this way, Tourn is bringing super-celebs to its platform.

Estimates adjusted downward

We are adjusting some forecasts downward to reflect the uncertain situation in the advertising market. Our estimate is conservative and is significantly lower than Tourn's own long-term sales target. We are lowering our fair value of SEK 55-61 (64-70) in our SOTP valuation for the 2025 forecast year, but this does give a big upside of about 180%.

| Estimate Changes (kr) | | | | Estimates (kr) | | | | Risk and Potential | | |
|-----------------------|-----|--------|---------|-----------------|---------|----------|--------|--------------------|---------------|---------|
| | Now | Before | | 21 | 22e | 23e | 24e | Motivated value | 55.0 - 61.0 | |
| EPS, adjusted 22e | -1 | 0.6 | -271.6% | Sales, mkr | 129 | 174 | 261 | 330 | Current price | SEK20.3 |
| EPS, adjusted 23e | 1.4 | 2.1 | -30.2% | Growth | 47% | 35% | 50% | 26% | Risk level | High |
| EPS, adjusted 24e | 2.6 | 3.4 | -21.5% | EBITDA, mkr | (5.6) | 0.8 | 19.4 | 34 | | |
| | | | | EBIT, mkr | (7) | (1) | 18 | 33 | | |
| | | | | EPS, adjusted | (0.6) | (1.0) | 1.4 | 2.6 | | |
| | | | | EPS growth | nm | nm | (245)% | 84% | | |
| | | | | Equity/share | 7.0 | 6.3 | 7.7 | 10.3 | | |
| | | | | Dividend/share | 0.0 | 0.0 | 0.0 | 0.0 | | |
| | | | | EBIT margin | (5.5)% | (0.5)% | 6.8% | 9.9% | | |
| | | | | ROE | (8.8)% | (11.6)% | 18.6% | 25.4% | | |
| | | | | ROCE | (7.0)% | (9.3)% | 14.2% | 19.7% | | |
| | | | | EV/Sales | 1.2x | 0.9x | 0.6x | 0.5x | | |
| | | | | EV/EBITDA | (26.8)x | 192.6x | 7.7x | 4.4x | | |
| | | | | EV/EBIT | (21.2)x | (173.5)x | 8.4x | 4.6x | | |
| | | | | P/E, adjusted | (32.8)x | (20.4)x | 14.1x | 7.7x | | |
| | | | | P/Equity | 2.9x | 3.2x | 2.6x | 2.0x | | |
| | | | | Dividend yield | 0.0% | 0.0% | 0.0% | 0.0% | | |
| | | | | FCF yield | 2.2% | (5.6)% | 4.1% | 10.4% | | |
| | | | | Net debt/EBITDA | 10.5g | (61.0)g | (2.9)g | (2.2)g | | |

| Calendar Events | |
|-----------------|-------------|
| Q3-rapport | 18 nov 2022 |
| Q4-rapport | 16 feb 2023 |
| Q1-rapport | 11 maj 2023 |

| Key Figures (mkr) | |
|---------------------------------------|-------|
| Number of shares | 10m |
| Market cap | 198 |
| Net debt | (48) |
| EV | 150 |
| Free float | 62% |
| Average number of daily traded shares | 17(k) |

One Year Performance Chart

Analysts

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Overview

Continued international expansion but weaker advertising market

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 55-61 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 Q2

Tourn generated total revenue of SEK 33 million in Q2, down 8% y/y. Q2 was a struggle for many companies exposed to the consumer and advertising markets. When the world is unsettled, the first thing that happens is that companies cut back on advertising costs and ad revenue per view on YouTube fell during the quarter as a result. With this in mind, Tourn's business model is showing resilience and much of the slippage is offset by growth in the customer base and the view count. Tourn's YouTube platform NAGATO generated revenue of SEK 17 million, down 9% y/y. Bookings for the company's influencer agency, Tourn Agency, were lower during the quarter and at SEK 15 million revenues were down 14% y/y. Agency campaigns are distributed across the year and we know that sold campaigns have already exceeded the full-year levels for 2021, which will entail further growth.

Tourn has maintained its growth strategy of recruiting via sign-on bonuses and acquiring YouTube channels. Although revenue per view has fallen, the customer base and view counts are growing, which is important. EBITDA was SEK -2m, which aligns with the company's earnings forecast at around 0. We believe EBITDA will be marginally positive by the end of the year, since Tourn can control its earnings performance based on how much it invests in growth and because delivering a positive result provides a signal value to the market.

As regards influencer marketing, it is performing relatively well compared to the traditional advertising market. It is still very cheap to work with influencers and as long as that remains true there should be good demand and prices should eventually go up.

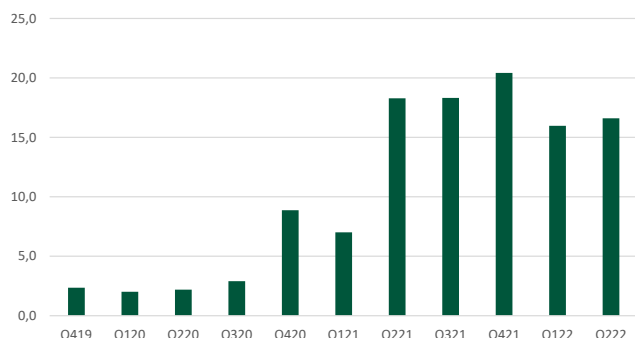
New partnerships accelerating international expansion

As the year began, Tourn communicated its ambitions to bring international superstars into its network and an important step in that direction was taken with the announcement today that Tourn is establishing a joint venture with Atlantic Swiss. When it comes to English-speaking super-celebs, this partnership is hard to beat. Atlantic is one of the largest wealth management and family office providers for about 600 of the biggest names in film, music, TV and sports. Many of the major personalities are still lagging behind in terms of making money via social media and the aim of the new company, which will be called Tourn ASA, is to tailor-make projects for celebrities by using Tourn's services. This will serve as proof that the Tourn platform works for the minor, the major and everything in between, meaning that Tourn's potential market is the entire market.

Estimate changes

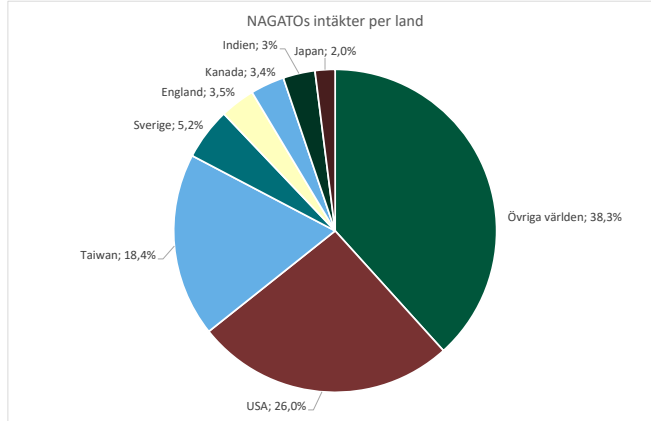
We are adjusting the 2022 sales estimates downward for NAGATO, as well as slightly for Agency, to reflect the weaker advertising market. We are also cutting the growth rate slightly for NAGATO for 2023 and 2024. Tourn has a strong cash position at SEK 48 million and we are retaining the assumption that Tourn will invest an average of SEK 5 million per quarter in recruiting via sign-on bonuses, which will have substantial leverage on sales growth going forward. It should be noted that our sales estimate for 2025 is SEK 351 million, which is considerably more conservative than the company's recently communicated sales target of SEK +500 million for 2025. At the EBIT level and thus the EPS level, the estimates are coming down even further due to an impairment loss taken on HUBSO. Since last quarter, Tourn has sold more than half of its shares in HUBSO.

Revenue NAGATO



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NAGATO's Revenue by country



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Estimate changes

| Old estimates | 2022e | 2023e | 2024e | 2025e |
|----------------------|--------------|--------------|--------------|--------------|
| Revenue | 208 | 290 | 364 | 387 |
| EBITDA | 10 | 27 | 43 | 46 |
| New estimates | 2022e | 2023e | 2024e | 2025e |
| Revenue | 174 | 261 | 330 | 351 |
| EBITDA | 1 | 19 | 34 | 37 |
| Difference | 2022e | 2023e | 2024e | 2025e |
| Revenue | -16% | -10% | -9% | -9% |
| EBITDA | -92% | -28% | -21% | -21% |

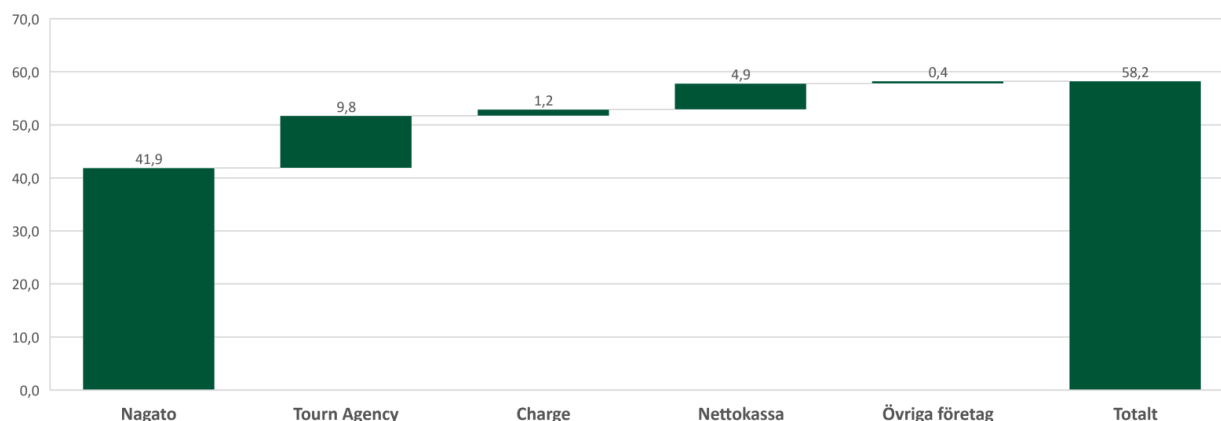
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Valuation

We have updated our SOTP model for Tourn with a fair value of SEK 55-61 per share. WACC remains at 11%, reflecting high risk.

We apply an EV/sales multiple of 1.5x for Tourn Agency and 2.5x for NAGATO based on business models and market valuations. The previous multiple for NAGATO was 3x and we are now choosing a more conservative multiple based on uncertainty in the equity market. We use the multiple in 2025 and discount the value to the present.

SOTP valuation



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We see the share as attractively valued at today's price levels, and expect a bright future for the company. Our estimates envisage EV/EBITA of only 7.8x and EV/Sales of 0.6x in 2023, despite significant growth in software revenues, and continued margin expansion ahead.

To support our SOTP valuation, we have applied a DCF valuation that gives a value of SEK 51.

DCF

| Valuation output | |
|---|------------|
| Sum of PV of FCF (explicit period) | 274 |
| PV of terminal value (perpetuity formula) | 178 |
| Enterprise value | 452 |
| Latest net debt | -48 |
| Minority interests & other | 0 |
| Equity value | 500 |
| No. of shares outstanding (millions) | 10 |
| Equity value per share (SEK) | 51 |

| Implicit multipl. | 2022 | 2023 | 2024 |
|---------------------|-------|------|------|
| EV/Sales | 2,6 | 1,7 | 1,4 |
| EV/EBITDA | 581,6 | 23,3 | 13,2 |
| EV/EBIT | 187,0 | 21,5 | 12,6 |
| EV/NOPLAT | 239,8 | 27,6 | 16,1 |
| P/E | | | |
| ROIC/WACC | | | |
| Current Share price | | | 20 |

| WACC assumptions | |
|-----------------------------|-------|
| Risk free nominal rate | 2,5% |
| Risk premium | 5,5% |
| Extra risk premium | 3,0% |
| Beta | 1,5 |
| Cost of equity | 15,3% |
| Cost of debt (pre-tax) | 3,0% |
| Tax rate | 22% |
| Target debt/(debt + equity) | 33% |
| 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

| Sensitivity analysis | | | | | | |
|-----------------------|-------|------|-------|-------|-------|----|
| Long-term growth rate | | | | | | |
| WACC | 2,0% | 2,5% | 3,0% | 3,5% | 4,0% | |
| | 10,0% | 54 | 56 | 58 | 61 | 64 |
| | 10,5% | 51 | 52 | 54 | 57 | 59 |
| | 11,0% | 48 | 50 | 51 | 53 | 55 |
| | 11,5% | 46 | 47 | 48 | 50 | 52 |
| 12,0% | 43 | 45 | 46 | 47 | 49 | |
| Long-term EBIT margin | | | | | | |
| WACC | 7,0% | 9,5% | 12,0% | 14,5% | 17,0% | |
| | 10,0% | 45 | 51 | 58 | 65 | 71 |
| | 10,5% | 43 | 48 | 54 | 60 | 66 |
| | 11,0% | 41 | 46 | 51 | 57 | 62 |
| | 11,5% | 39 | 44 | 48 | 53 | 58 |
| 12,0% | 37 | 41 | 46 | 50 | 55 | |

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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 | 4,9% | 4,9% |
| Övriga | 56,5% | 56,5% |
| Chairman | | Gustaf Kellner |
| CEO | | Robin Stenman |
| CFO | | Johanna Forsberg |
| Contact | | - |
| Website | | tourn.com |

Holdings

Average target price and stock price



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Income Statement

Income Statement

| | 2020 | 2021 | 2022E | 2023E | 2024E | 2025E |
|------------------------------|-----------|------------|------------|------------|------------|------------|
| Net sales | 88 | 129 | 174 | 261 | 330 | 351 |
| Other operating income | 4 | 3 | 2 | 2 | 2 | 0 |
| Cost of goods sold | 57 | 106 | 140 | 200 | 247 | 261 |
| Gross profit | 34 | 25 | 36 | 63 | 85 | 89 |
| Personel expenses | 28 | 26 | 27 | 32 | 35 | 35 |
| Other external costs | 28 | 7 | 9 | 12 | 16 | 18 |
| Other working costs | 0 | 0 | 0 | 0 | 0 | 0 |
| EBITDA | -7 | -6 | 1 | 19 | 34 | 37 |
| Depreciation/amortization | 1 | 1 | 2 | 2 | 2 | 0 |
| Good will deprecation | 0 | 0 | 0 | 0 | 0 | 0 |
| EBIT | -9 | -7 | -1 | 18 | 33 | 37 |
| Extraordinary items | 0 | 0 | 0 | 0 | 0 | 0 |
| Adjusted EBIT | -9 | -7 | -1 | 18 | 33 | 37 |
| Financial items | 31 | 1 | -8 | 0 | 0 | 0 |
| Profit before taxes | 23 | -6 | -9 | 18 | 33 | 37 |
| Income tax | 0 | 0 | -2 | 4 | 7 | 8 |
| Net income | 23 | -6 | -7 | 14 | 26 | 29 |
| Net income (adjusted) | 23 | -6 | -7 | 14 | 26 | 29 |

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Cash Flow Statement

Cash Flow Statement

| | 2020 | 2021 | 2022E | 2023E | 2024E | 2025E |
|--|-----------|------------|------------|------------|------------|-------------|
| Net income | -16 | -6 | -7 | 14 | 26 | 29 |
| Items not affecting cash flow | 1 | -1 | -1 | 0 | 0 | 0 |
| Changes in working capital | 11 | -1 | -2 | -4 | -3 | -1 |
| Cash flow from operating activities | -4 | -8 | -10 | 9 | 22 | 28 |
| Investments | 0 | 4 | 1 | 1 | 1 | 1 |
| Divestments | 0 | 16 | 0 | 0 | 0 | 0 |
| Free cash flow | -4 | 4 | -11 | 8 | 21 | 27 |
| 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 | -11 | 8 | 21 | 27 |
| Net debt (adjusted) | -3 | -59 | -47 | -56 | -76 | -103 |

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Balance Sheet

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 | 2 | 2 | 2 | 2 |
| Total fixed assets | 44 | 29 | 30 | 30 | 30 | 30 |
| Inventory | 0 | 0 | 0 | 0 | 0 | 0 |
| Accounts receivable | 14 | 18 | 24 | 37 | 46 | 49 |
| Other current assets | 1 | 2 | 0 | 1 | 1 | 2 |
| Cash and cash equivalents | 3 | 59 | 47 | 56 | 76 | 103 |
| Total current assets | 18 | 79 | 72 | 93 | 124 | 154 |
| TOTAL ASSETS | 61 | 108 | 102 | 123 | 154 | 184 |
| Equity and liabilities | | | | | | |
| Equity | 15 | 68 | 61 | 75 | 101 | 130 |
| Minority interest | 0 | 0 | 0 | 0 | 0 | 0 |
| Total equity | 15 | 68 | 61 | 75 | 101 | 130 |
| 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 | 16 | 24 | 30 | 32 |
| Tax liability | 0 | 0 | 0 | 0 | 0 | 0 |
| Other current liabilities | 18 | 22 | 25 | 24 | 23 | 23 |
| Total current liabilities | 47 | 40 | 41 | 48 | 53 | 55 |
| Total equity liabilities | 61 | 108 | 102 | 123 | 154 | 184 |

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Key Ratios

Valuation

| | 2021 | 2022E | 2023E | 2024E | 2025E |
|--------------|-------|--------|-------|-------|-------|
| P/E | -33,2 | -28,1 | 14,3 | 7,8 | 6,9 |
| P/EK | 2,9 | 3,3 | 2,7 | 2,0 | 1,5 |
| P/FCF | 46,5 | -17,9 | 24,3 | 9,6 | 7,5 |
| Div yield | 0% | 0% | 0% | 0% | 0% |
| Payout ratio | 0% | 0% | 0% | 0% | 0% |
| EV/Sales | 1,2 | 0,9 | 0,6 | 0,5 | 0,4 |
| EV/EBITDA | -27,2 | 195,7 | 7,8 | 4,4 | 4,1 |
| EV/EBIT | -21,5 | -176,3 | 8,5 | 4,7 | 4,1 |

Growth and Margins

| | 2021 | 2022E | 2023E | 2024E | 2025E |
|---------------|------|-------|--------|-------|-------|
| Sales growth | 47% | 35% | 50% | 26% | 6% |
| EBIT growth | nm | nm | -2164% | 84% | 12% |
| EPS growth | nm | nm | -296% | 84% | 12% |
| EBITDA margin | -4% | 0% | 7% | 10% | 10% |
| EBIT margin | -5% | 0% | 7% | 10% | 10% |
| Tax rate | 21% | 21% | 21% | 21% | 21% |

Profitability

| | 2021 | 2022E | 2023E | 2024E | 2025E |
|------|------|-------|-------|-------|-------|
| ROE | -9% | -12% | 19% | 25% | 22% |
| ROCE | -7% | -9% | 14% | 20% | 18% |

Investments

| | 2021 | 2022E | 2023E | 2024E | 2025E |
|---|--------|--------|--------|--------|--------|
| CAPEX | 4 | 1 | 1 | 1 | 1 |
| CAPEX/Sales | 2,95% | 0,57% | 0,38% | 0,30% | 0,29% |
| Sales and administrative expenses/sales | 5,06% | 5,29% | 4,59% | 4,72% | 5,11% |
| 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% | 17,84% | 17,50% | 21,51% | 28,43% |
| Capital turnover rate | 1,2 | 1,7 | 2,1 | 2,1 | 1,9 |

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