



ERIK PENSER BANK

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Tourn International

From aggressive growth to profitability

Revenues unchanged

At SEK 32m, revenue was on par with last year. NAGATO continues to increase user and ad view numbers, but ad revenue per view is falling as consumption and marketing budgets decline. Total revenue in NAGATO decreased by 17% y/y. Tourn Agency delivered stable growth of 7% y/y. As usual, it looks like Q4, when Black Friday and Christmas shopping both happen, will be a strong quarter for promotional campaigns and the advertising market

Sharper focus on profitability

In accordance with the company's earlier communication, Tourn is delivering positive results at the EBITDA level, which the market has been asking for. In the current market climate, profitability is prioritised ahead of aggressive investment in growth. Recruitment via sign-on bonuses and acquisition of YouTube channels are now proceeding at a slower pace and a higher gross margin. We consider Tourn's demonstrated ability to control growth versus profitability an important sign of strength. The cash position remains strong at SEK 36m, which provides good financial flexibility.

Lower fair value

We have updated our assumptions for recruitment via sign-on bonuses to reflect less aggressive investment in growth. Even minor adjustments to assumptions have major impact on the forecasts because there is a leverage effect in the business model. Tourn can choose its preferred rate of investment and when the company should focus on growth or profitability and we regularly calibrate our assumptions as new information becomes available. We have also chosen to be more conservative in our SOTP valuation and use lower multiples based on uncertainty in the equity market. As well, we are raising WACC from 11% to 14%. The overall result is a new fair value of SEK 28-32 (55-61).

Change in estimates (SEK)					Forecast (SEK m)				Value and risk														
	22e	Δ%	23e	Δ%	2021	2022e	2023e	2024e	Fair value	SEK 28 - 32													
Total revenue	153	-14	212	-20	Total revenue	132	153	212	241	Share price	SEK 15,0												
EBIT, adj.	-3	-135	18	-0,7	Revenue growth	44%	16%	39%	13%	Risk level	High												
EPS, adj.	-1,1	-37	1,4	-0,7	EBITDA, adj.	-8	-1	19	24	Price Performance 12 months 													
Upcoming events					EBIT, adj.	-9	-3	18	22														
Q4 - report	16 February 2023				EPS, adj.	-0,8	-1,1	1,4	1,8														
Q1 - report	11 May 2023				EPS growth	N.m.	N.m.	>100%	27%														
Company facts (SEK m)					BV/share	7,0	5,5	6,9	8,7	Conflicts of interest <table border="1"> <thead> <tr> <th></th> <th>Yes</th> <th>No</th> </tr> </thead> <tbody> <tr> <td>Liquidity provider</td> <td></td> <td>✓</td> </tr> <tr> <td>Certified adviser</td> <td></td> <td>✓</td> </tr> <tr> <td>Transactions 12m</td> <td></td> <td>✓</td> </tr> </tbody> </table>			Yes	No	Liquidity provider		✓	Certified adviser		✓	Transactions 12m		✓
	Yes	No																					
Liquidity provider		✓																					
Certified adviser		✓																					
Transactions 12m		✓																					
Number of shares	9,8m				EBIT margin	Neg.	Neg.	8,4%	9,4%														
Market capitalization	146				ROE, adj.	Neg.	Neg.	23,0%	23,1%														
Net debt	-45				ROCE, adj.	Neg.	Neg.	29,3%	29,4%														
EV	101				EV/Sales	3,2x	0,7x	0,4x	0,3x														
Free float	62%				EV/EBITDA	-	-	4,7x	3,2x														
Daily trading volume, average	5k				EV/EBIT	-	-	5,2x	3,4x														
Bloomberg Ticker	TOURN SS EQUITY				P/E, adj.	-	-	10,5x	8,3x														
Analyst					P/BV	7,0x	2,7x	2,2x	1,7x														
Henrik Holmer					FCF yield	-	-	9%	13%														
henrik.holmer@penser.se					Net debt / EBITDA	6,9x	44,1x	-2,8x	-2,9x														

Investment case

Tourn helps influencers and YouTubers increase their revenues and keep costs down by using Tourn's services for ads, campaigns, accounting and legal issues. We see great potential in the highly scalable business model that has now begun to prove itself where the company has executed rapid international expansion.

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 investments. 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 almost tripled since 2017. Tourn is a YouTube partner through NAGATO and is therefore able to benefit from YouTube's 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 revenues and retain a share. We believe this business model is very attractive to the rights holder, who increases their income without expending any cost or labour. NAGATO began accelerating growth in mid-2021 by recruiting YouTubers via sign-on bonuses and buying YouTube channels. This allows NAGATO to control their growth rate and balance growth against profitability. We expect continued strong growth from NAGATO.

Riding the influencer wave

Tourn Agency has built-in growth thanks to strong growth in the influencer trend. 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 purchasing behaviour. Furthermore, brands gain a rich mine of customer data because all advertising is handled digitally, so the outcome of a marketing campaign can be measured, for example. We believe that influencer marketing will grow strongly and that Tourn will be able to capitalise on this.

Company profile

Tourn's core business consists mainly of two parts. One (Tourn Agency) is an agency for influencers that matches them with brands for advertising collaborations. The other is a partnership with YouTube, where Tourn offers YouTubers a platform to help them capitalise on the content they own, but also with tax payments, billing and growing existing ad revenues. The YouTube arm, called NAGATO, also provides redistribution of ad revenues when video creators display content to which another party owns the rights. Tourn was founded in 2010 and has about 15 employees.

Valuation

We applied an SOTP model to arrive at a fair value of SEK 28-32 per share. Our WACC is 14% and the forecast period extends until 2025. To support our SOTP valuation, we have applied a DCF valuation that gives a value of SEK 32.

The quarter in detail

At SEK 32m revenue was on par with last year, thus corresponding to 0% growth y/y. NAGATO continues to increase user and ad view numbers, but ad revenue per view is falling as consumption and marketing budgets decline. This shows that while NAGATO offers a service that is attractive to users, it is not immune to fluctuations in the advertising market. Total revenue in NAGATO decreased by 17% y/y. Tourn Agency delivered stable growth of 7% y/y and the company has not yet seen significant signs that the market is cooling. As usual, it looks like Q4, when Black Friday and Christmas shopping both happen, will be a strong quarter for promotional campaigns and the advertising market according to Tourn.

In accordance with the company's earlier communication, Tourn is delivering a positive, albeit modest, result of SEK 300k at the EBITDA level, which the market has been asking for. In the current market climate, Tourn is prioritising profitability ahead of aggressive investment in growth. For example, recruitment via sign-on bonuses, which began last year, is now occurring at a slower pace and at a higher gross margin. As well, the purchase of YouTube channels is now focused more on profitability than rapid growth. We consider Tourn's demonstrated ability to control growth versus profitability an important sign of strength. The cash position remains strong at SEK 36m, which provides good financial flexibility.

The partnership with Atlantic Swiss announced in August has begun and Tourn can now gain access to collaborations with the biggest stars in music, film and sport. This strengthens Tourn's brand and is a key aspect of the ongoing international expansion. Influencer marketing in countries like Germany, the UK and the US is lagging far behind Sweden when it comes to making money, so this shift remains ahead. It is still very cheap to advertise via influencers compared to conventional advertising.

Estimate updates

We are updating our assumptions for recruitment via sign-on bonuses to reflect less aggressive investment in growth. Even minor adjustments to assumptions have major impact on the forecasts because there is a substantial leverage effect in the business model. We calibrate our assumptions on an ongoing basis as new information becomes available. Tourn is able to choose its preferred rate of investment and when the company should focus on growth versus profitability. The company is now choosing to spend more conservatively on safer, more profitable investments. We assume that Tourn is now investing SEK 2 million per quarter in recruitment via sign-on bonuses, down from the previous SEK 5 million, but at an average gross margin of 40%, up from the previous 30%. Meanwhile, Tourn is also investing in YouTube channels at a slower pace but with higher profitability. If the rate of investment increases again, our forecasts will be re-adjusted upwards. Our updated assumptions have the following effects on the forecasts.

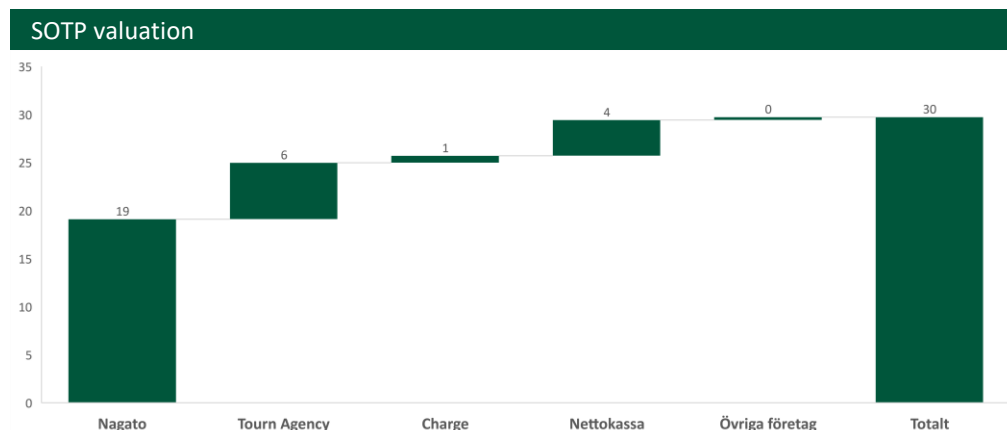
Estimate changes				
Old estimates	2022e	2023e	2024e	2025e
Revenue	174	261	330	351
EBITDA	1	19	34	37
New estimates	2022e	2023e	2024e	2025e
Revenue	150	210	239	260
EBITDA	-1	19	24	27
Difference	2022e	2023e	2024e	2025e
Revenue	-14%	-20%	-28%	-26%
EBITDA	-188%	-1%	-30%	-25%

Source: EPB

Valuation

We have updated our SOTP model for Tourn with a fair value of SEK 28-32 per share. We have increased our required rate of return in the form of WACC from 11% to 14%, which entails high risk. This change is in line with the research department's new framework which is intended to better reflect the risk of investing in small cap companies.

We apply an EV/sales multiple of 1x for Tourn Agency and 2x for NAGATO based on business models and market valuations. Both multiples have been lowered from the previous 1.5x for Agency and 2.5x for NAGATO and we are now opting to be more conservative based on the uncertainty in the equity market. We use the multiple in 2025 and discount the value to the present.



Source: 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/EBITDA of only 4.7x and EV/Sales of 0.4x 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 32.

DCF

Valuation output				WACC assumptions		Sensitivity analysis						
Sum of PV of FCF (explicit period)			191	Risk free nominal rate	2.5%	WACC	Long-term growth rate					
PV of terminal value (perpetuity formula)			80	Risk premium	5.5%		2.0%	2.5%	3.0%	3.5%	4.0%	
Enterprise value			271	Small cap premium	6%		13.0%	33	34	34	35	36
Latest net debt			-36	Extra risk premium	0.0%		13.5%	31	32	33	34	35
Minority interests & other			0	WACC	14.0%		14.0%	30	31	32	32	33
Equity value			307			14.5%	29	30	30	31	32	
No. of shares outstanding (millions)			10			15.0%	28	29	29	30	30	
Equity value per share (SEK)			32									
Implicit multipl.				Terminal value assumptions		WACC	Long-term EBIT margin					
EV/Sales	1.8	1.3	1.1	Long term growth rate	3.0%		7.0%	9.5%	12.0%	14.5%	17.0%	
EV/EBITDA	-397.7	14.1	11.3	Long term EBIT margin	12.0%		13.0%	28	31	34	38	41
EV/EBIT	238.8	13.0	10.6	Depreciation (% of sales)	2.0%		13.5%	27	30	33	36	39
EV/NOPLAT	306.1	16.7	13.6	Capex (% of sales)	2.0%		14.0%	26	29	32	34	37
P/E				Working cap. (% of sales)	-2.6%		14.5%	25	28	30	33	35
ROIC/WACC				Tax rate	22%		15.0%	24	27	29	31	34
Current Share price			15									

Source: EPB

Shareholders

Shareholders	Votes	Share
Robin Stenman	17,4%	17,49
Thomas Jansson	15,6%	15,69
Erik Selin	5,5%	5,59
New Equity	4,9%	4,99
Övriga	56,5%	56,59
Chairman		Gustaf Kellne
CEO		Robin Stenma
CFO		Johanna Forsber
Contact		
Website		tourn.cor

Source: Holdings

Chart 1: Average target price and stock price



Source: EPB, Factset

Income statement

	2020	2021	2022e	2023e	2024e	2025e
Net sales	88	129	150	210	239	260
Other operating income	4	3	3	2	2	0
Total revenue	91	132	153	212	241	260
Cost of goods sold	-57	-106	-118	-146	-165	-179
Gross profit	34	25	35	66	76	81
Other operating costs	-36	-33	-36	-46	-52	-54
EBITDA	-1	-8	-1	19	24	27
EBITDA, adjusted	-1	-8	-1	19	24	27
Depreciation and amortization	-1	-1	-2	-2	-2	0
EBITA, adjusted	(1)	(8)	(1)	19	24	27
EBIT	-3	-9	-3	18	22	27
EBIT, adjusted	-3	-9	-3	18	22	27
Net financial items	31	1	-10	0	0	0
Profit before tax	29	-8	-13	18	22	27
Profit before tax, adjusted	29	-8	-13	18	22	27
Taxes	0	0	3	-4	-5	-6
Net income	29	-8	-10	14	18	21
Net income, adjusted	29	-8	-10	14	18	21

Source: Tourn International, EPB

Cash flow statement

	2020	2021	2022e	2023e	2024e	2025e
EBIT	-3	-9	-3	18	22	27
Other Cash flow Items	(5)	1	(7)	(3)	(4)	(6)
Changes in working capital	11	-9	-1	-3	-1	-1
Cash flow from operating activities	3	-17	-11	12	17	20
Divestments	0	16	0	0	0	0
Other items	0	4	1	1	1	1
Free cash flow	4	-14	-10	13	18	21
New share issue / repurchase	0	60	0	0	0	0
Cash flow	4	62	-10	13	18	21
Net debt	18	-53	-45	-55	-70	-89

Source: Tourn International, EPB

Balance sheet

	2020	2021	2022e	2023e	2024e	2025e
ASSETS						
Other intangible assets	11	12	12	12	12	12
Other fixed assets	32	16	11	11	11	11
Total fixed assets	44	29	25	25	25	25
Accounts receivable	14	18	21	29	33	36
Other current assets	1	2	0	1	1	2
Cash and cash equivalents	3	59	45	55	70	89
Total current assets	18	79	66	85	104	127
TOTAL ASSETS	61	108	91	110	129	152
EQUITY AND LIABILITIES						
Equity	15	68	53	67	85	106
Total equity	15	68	53	67	85	106
Short-term interest-bearing liabilities	21	6	0	0	0	0
Accounts payable	8	12	13	19	21	23
Total current liabilities	47	40	38	43	44	46
TOTAL EQUITY AND LIABILITIES	61	108	91	110	129	152

Source: Tourn International, EPB

Growth and margins

	2020	2021	2022e	2023e	2024e	2025e
Revenue growth	-	44%	16%	39%	13%	8%
EBITDA growth, adjusted	-	N.m.	87%	>100%	25%	14%
EBIT growth, adjusted	-	N.m.	69%	>100%	27%	22%
EPS growth, adjusted	-	N.m.	N.m.	>100%	27%	N.m.
Gross margin	39,0%	19,6%	23,1%	31,3%	31,8%	31,2%
EBITDA margin	Neg.	Neg.	Neg.	9,2%	10,1%	10,5%
EBITDA margin, adjusted	Neg.	Neg.	Neg.	9,2%	10,1%	10,5%
EBIT margin	Neg.	Neg.	Neg.	8,4%	9,4%	10,5%
EBIT margin, adjusted	Neg.	Neg.	Neg.	8,4%	9,4%	10,5%
Profit margin, adjusted	32,7%	Neg.	Neg.	6,6%	7,4%	8,3%

Source: Tourn International, EPB

Return

	2020	2021	2022e	2023e	2024e	2025e
ROE, adjusted	Neg.	Neg.	Neg.	23%	23%	22%
ROCE, adjusted	Neg.	Neg.	Neg.	29%	29%	29%
ROIC, adjusted	Neg.	Neg.	Neg.	>100%	>100%	>100%

Source: Tourn International, EPB

Capital efficiency

	2020	2021	2022e	2023e	2024e	2025e
Accounts receivable / total revenue	15%	14%	14%	14%	14%	14%
Accounts payable / COGS	14%	11%	11%	13%	13%	13%
Total short-term liabilities / total cost	>100%	>100%	>100%	93%	85%	85%
Working capital / total revenue	-12%	-10%	-11%	-6%	-4%	-3%
Capital turnover rate	2,6x	1,8x	2,9x	3,2x	2,8x	2,4x

Source: Tourn International, EPB

Financial position

	2020	2021	2022e	2023e	2024e	2025e
Net debt	18	-53	-45	-55	-70	-89
Equity ratio	24%	63%	58%	61%	66%	70%
Net debt / equity	1,2x	-0,8x	-0,8x	-0,8x	-0,8x	-0,8x
Net debt / EBITDA	-13,4x	6,9x	44,1x	-2,8x	-2,9x	-3,3x

Source: Tourn International, EPB

Per share data

	2020	2021	2022e	2023e	2024e	2025e
EPS	3,45	-0,83	-1,05	1,42	1,81	-
EPS, adjusted	3,45	-0,83	-1,05	1,42	1,81	-
FCF per share	0,44	-1,39	-1,00	1,34	1,88	-
Book value per share	1,77	7,00	5,48	6,90	8,71	-
Number of shares, m	8,30	9,75	9,75	9,75	9,75	-
Number of shares after dilution, average	8,30	9,75	9,75	9,75	9,75	-

Source: Tourn International, EPB

Valuation

	2020	2021	2022e	2023e	2024e	2025e
P/E, adjusted	2,8x	Neg.	Neg.	10,5x	8,3x	-
P/BV	5,4x	7,0x	2,7x	2,2x	1,7x	-
P/FCF	21,7x	Neg.	Neg.	11,2x	8,0x	-
FCF-yield	5%	Neg.	Neg.	9%	13%	-
Dividend yield	0,0%	0,0%	0,0%	0,0%	0,0%	-
Payout ratio, adjusted	0,0%	0,0%	0,0%	0,0%	0,0%	-
EV/Sales	1,1x	3,2x	0,7x	0,4x	0,3x	-
EV/EBITDA, adjusted	Neg.	Neg.	Neg.	4,7x	3,2x	-
EV/EBIT, adjusted	Neg.	Neg.	Neg.	5,2x	3,4x	-
EV	96	425	101	92	77	-
Share price, year end	9,5	49,0	15,0	15,0	15,0	-

Source: Tourn International, EPB

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