



ERIK PENSER BANK

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Tourn International

Lower revenues amidst weak ad market

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Revenues in Q1 came in at SEK 22m, a substantial drop of 32% from the solid Q1 2022 level (33m). YouTube network Nagato was hit by a weaker ad market, with continued lower revenue per view and sales were down 24% y/y at SEK 12m (16m). Tourn is also dependent on when advertisers book their campaigns, as this can differ from quarter to quarter. The agency business, TOURN Agency, saw its revenues squeezed by 40%, landing at SEK 10m (16m). EBITDA was in line with the previous year at SEK -2m, and it is still demonstrating robust cost management.

Growth should recover

In the past, campaigns have fluctuated between quarters. According to the company, the market picked up towards the end of Q1 and into Q2. The number of users and of views have also continued to improve for Nagato, which suggests a positive leverage effect if revenues per view improve. The transition from "old media" advertising to cheaper, more effective and targeted advertising via social media still has more to offer. The company's solid cash position implies opportunities to bolster growth such as by recruiting via sign-up bonuses and through buying existing YouTube channels.

More cautious on forecasts and required rate of return

We lower our sales forecasts to reflect the weaker ad market. Our estimates for Nagato are based on rising recruitment via sign-up bonuses, for example, which has a leverage effect on revenues. Our forecasts for Nagato in general and for Agency are conservative. Note that our estimates sit far below Tourn's own financial target of SEK 500m for 2025. We have raised our required rate of return from 14% to 16% to reflect the high risk. At the same time, we have lowered our fair value to SEK 23-25 (28-32).

Change in estimates				Forecast (SEK m)				Value and risk														
	23e	24e	25e	2022	2023e	2024e	2025e	Fair value	SEK 23 - 25													
Total revenue	-24,6%	-18,0%	-14,3%	145	153	190	214	Share price	SEK 10,6													
EBITDA, adj.	-67,7%	-28,5%	-14,1%	Revenue growth	10%	6%	24%	13%	Risk level	Hög												
EPS, adj.	-78,7%	-30,7%	-14,1%	EBITDA, adj.	-5	6	16	22	<div style="background-color: #004a99; color: white; padding: 5px; text-align: center;">Price Performance 12 months</div>													
<div style="background-color: #004a99; color: white; padding: 5px;">Upcoming events</div>				EBIT, adj.	-7	4	14	22														
				EBITDA, adj.	-7	4	14	22														
<div style="background-color: #004a99; color: white; padding: 5px;">Company facts (SEK m)</div>				EPS, adj.	-1,9	0,3	1,2	1,8														
				EPS growth, adj.	N.m.	N.m.	>100%	52%														
Q2 - report	24 August 2023			BV/share	5,1	5,3	6,5	8,3														
Q3 - report	17 November 2023			Dividend per share	0,0	0,0	0,0	0,0														
Number of shares	9,8m			EBIT margin	Neg.	2,5%	7,7%	10,2%														
Market capitalization	107			ROE, adj.	Neg.	5,2%	19,5%	23,8%														
Net debt	-35			ROCE, adj.	Neg.	6,6%	24,8%	30,3%														
EV	72			EV/Sales	0,8x	0,5x	0,4x	0,3x														
Free float	62%			EV/EBITDA	-	12,8x	4,5x	3,3x														
Daily trading volume, average	11k			EV/EBIT	-	19,3x	5,0x	3,3x														
Bloomberg Ticker	TOURN SS EQUITY			P/E, adj.	-	40,3x	9,5x	6,2x														
<div style="background-color: #004a99; color: white; padding: 5px;">Analyst</div>				P/BV	3,3x	2,1x	1,7x	1,3x	<div style="background-color: #004a99; color: white; padding: 5px;">Conflicts of interest</div> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th>Yes</th> <th>No</th> </tr> </thead> <tbody> <tr> <td>Liquidity provider</td> <td></td> <td style="text-align: center;">✓</td> </tr> <tr> <td>Certified adviser</td> <td></td> <td style="text-align: center;">✓</td> </tr> <tr> <td>Transactions 12m</td> <td></td> <td style="text-align: center;">✓</td> </tr> </tbody> </table>			Yes	No	Liquidity provider		✓	Certified adviser		✓	Transactions 12m		✓
					Yes	No																
Liquidity provider		✓																				
Certified adviser		✓																				
Transactions 12m		✓																				
Henrik Holmer				FCF yield	-	4%	12%	16%														
henrik.holmer@penser.se				Net debt / EBITDA	9,2x	-9,2x	-4,0x	-3,7x														

Investment case

Tourn helps influencers and YouTubers to expand their revenues and keep costs down with the help of services including advertising, campaign, finance, and legal. We see considerable potential in its particularly scalable business model, which is now starting to prove itself with rapid international expansion.

Scalability

Tourn's operations are largely automated. We believe some of its competitors work more manually. These more manual companies risk being competed out, in our view, in favour of the more automated entities, which can keep costs down. A large share of Tourn is platform-based, implying strong growth without major investments. Platforms also facilitate growth through partnerships, and we see these as future growth drivers, especially Tourn's YouTube venture, NAGATO.

Partner with YouTube

YouTube's advertising revenues have more than tripled since 2017. Through NAGATO's partnership with YouTube, Tourn can benefit from YouTube's impressive growth. An external copyright owner should receive all ad revenues generated by a YouTube clip that includes their material. NAGATO can, with the copyright owner's permission, redistribute the proceeds, keeping a share for itself. We consider this a particularly appealing business model for the copyright holders, who increase their revenues with no cost or effort. Since mid-2021, NAGATO has seen its growth start to accelerate through the recruitment of YouTubers thanks to sign-up bonuses and by buying YouTube channels. This means NAGATO can control how rapidly it grows and weigh this against profitability. We anticipate robust ongoing growth from NAGATO.

Riding the influencer wave

Tourn Agency has built-in growth thanks to the emphatic growth of the influencer trend. The business primarily pairs brands with influencers for advertising partnerships. Studies show that influencers have an equally strong impact on purchase decisions as recommendations from friends. Influencer marketing thus has a potentially potent impact on consumer purchasing behaviour. Moreover, the brands receive plentiful customer data since all advertising is done digitally. For example, the outcome of the marketing campaign can be measured. We believe influencer marketing will grow significantly in the future and that Tourn will be able to capitalise on this growth.

Company profile

The core business of Tourn mainly comprises two areas. The first is an agency (Tourn Agency) for influencers that matches them with brands for advertising partnerships. The second is the partnership with YouTube through which Tourn offers YouTubers a platform that helps them to capitalise on the content they own, manage tax payments, invoicing and bolstering their existing advertising revenues. This area, NAGATO, also offers a redistribution of advertising revenues when video creators use content to which someone else owns the rights. Tourn was founded in 2010 and has around 15 employees.

Valuation

Using a sum-of-the-parts analysis, we calculate a fair value of SEK 23-25 per share. Our WACC is 16% and our forecast period extends until the end of 2025. Our DCF valuation suggests a value of SEK 25.

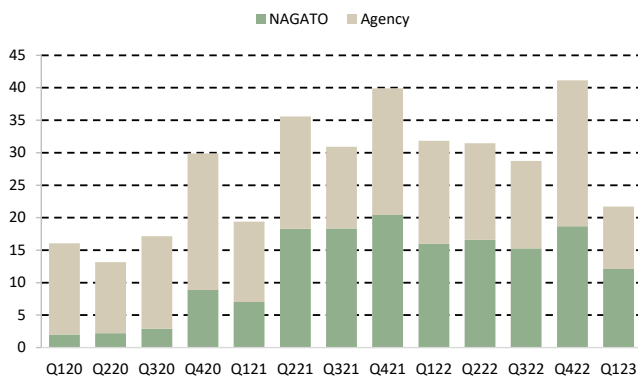
Brief overview of the quarter

Revenues for TOURN came in at SEK 22m, a substantial drop of 32% from the solid Q1 2022 level (33m). YouTube network Nagato was hit by a weaker ad market, with continued lower CPM prices (ad price for 1,000 views) and sales for the platform were down 24% y/y at SEK 12m (16m). Tourn is also dependent on when advertisers book their campaigns, as this can differ from quarter to quarter. The agency business, TOURN Agency, saw its revenues squeezed by 40%, landing at SEK 10m (16m). EBITDA was in line with the previous year at SEK -2m, and we note the company is still demonstrating robust cost management and has reduced personnel costs, supporting the scalability.

Consumer spending is typically lowest in January, and ad bookings were at a cautious pace early in the quarter, further reinforced by consumers feeling under pressure. Bookings picked up pace in March, according to the company, and what they have seen so far leaves them expecting a recovery for Nagato in Q2. This emulates the pattern at the start of the pandemic, when uncertainty initially prompted many to put the brakes on advertising, only for this to gradually come back again. Advertising happens even in the bad times, although then the content of adverts may vary. The transition from "old media" advertising to cheaper, more effective and targeted advertising via social media still has more to offer.

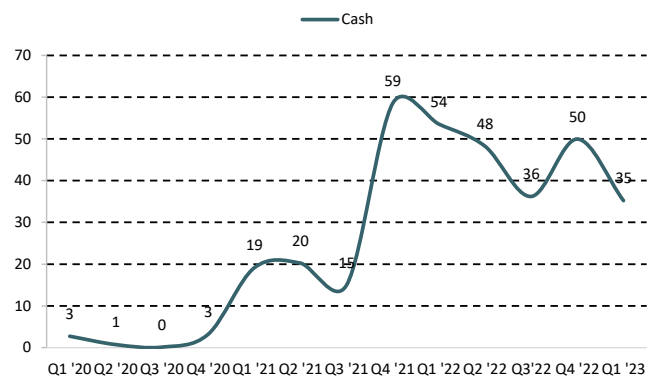
The main reason for TOURN's reduced revenues from Nagato is that CPM prices have dropped. The weaker market brings possibilities for stable players, such as TOURN, and more users are coming to Nagato, which is growing in terms of views and users. There is a positive leverage effect on revenues if CPMs rebound. 2022 was a year in which TOURN grew despite a declining ad market. At the same time, it held back on investments in growth to demonstrate control over its profitability. For TOURN to achieve its financial target of SEK 500m in revenues in 2025, the company must pick up the pace of its investments in growth, such as by recruiting using sign-up bonuses and by buying existing YouTube channels. Its cash position remains healthy at SEK 35m, offering room for ongoing growth. The negative cash flows of SEK -15m in Q1 were in line with historical fluctuations from seasonality in bookings and should be reversed in the next quarter.

Chart 1: Sales NAGATO and Agency



Source: Company, EPB

Chart 2: Cash position



Source: Company, EPB

Estimate changes

We lower our sales forecasts to reflect the weaker ad market. Our estimates for Nagato are based on rising recruitment via sign-up bonuses, for example, which has a leverage effect on revenues. Below, we show how much of our projections stem from this growth, and this also reveals how conservative we are in our forecasts for Nagato in general and for Agency. Note that our estimates sit far below Tourn's own financial target of SEK 500m for 2025. To reach our estimates and its own financial target requires high growth from the company, which we believe requires increased recruitment of users and channel acquisitions. Moreover, there is optionality through the co-operation with Atlantic Swiss, which could lead to collaborations and campaigns with some of the world's most prominent celebrities.

Sales estimates in detail

	2020	2021	2022	2023	2024	2025
Total Sales	88	129	141	151	188	214
Agency	60	62	67	65	71	75
NATAGO total	16	64	67	82	111	134
NAGATO old			67	59	65	72
NAGATO signon			17	28	42	55
	2020	2021	2022	2023	2024	2025
Total Sales growth	298%	47%	9%	7%	24%	14%
Agency		2%	8%	-3%	10%	5%
NATAGO total		300%	4%	23%	36%	20%
NAGATO old				-11%	10%	10%
NAGATO signon				66%	52%	29%
Total Sales growth ex signon				-13%	-4%	-15%

Source: EPB

Income statement

	2020	2021	2022	2023e	2024e	2025e
Net sales	88	129	141	151	188	214
Other operating income	4	3	4	3	2	0
Total revenue	91	132	145	153	190	214
Cost of goods sold	-57	-106	-117	-111	-132	-149
Gross profit	34	25	28	42	57	65
Other Operating Expenses	-36	-33	-33	-37	-41	-43
EBITDA	-1	-8	-5	6	16	22
EBITDA, adjusted	-1	-8	-5	6	16	22
EBITA, adjusted	-1	-8	-5	6	16	22
EBIT	-3	-9	-7	4	14	22
EBIT, adjusted	-3	-9	-7	4	14	22
Net Financial Items	31	1	-12	0	0	0
Profit before tax	29	-8	-19	3	14	22
Profit before tax, adjusted	29	-8	-19	3	14	22
Taxes	0	0	0	-1	-3	-5
Net income	29	-8	-19	3	11	17
Net income, adjusted	29	-8	-19	3	11	17
Sales Growth	-	44%	10%	6%	24%	13%
Gross Margin	39,0%	19,6%	19,9%	28,0%	30,5%	30,3%
EBIT Margin, Adjusted	Neg.	Neg.	Neg.	2,5%	7,7%	10,2%
EPS, Adjusted	3,45	-0,83	-1,95	0,27	1,16	1,76
EPS Growth, Adjusted	-	N.m.	N.m.	N.m.	>100%	52%

Source: Tourn International, EPB

Cash flow statement

	2020	2021	2022	2023e	2024e	2025e
EBIT	-3	-9	-7	4	14	22
Other Cash flow Items	-5	1	0	0	-2	-5
Changes in working capital	11	-9	3	0	0	0
Cash flow from operating activities	3	-17	-5	4	13	17
Other Cash flow from investments	0	4	-4	0	0	0
Cash Flow From Investments	0	4	-4	0	0	0
Free cash flow	4	-14	-9	4	13	17
Acquisitions & Divestments	0	16	0	0	0	0
New share issue / repurchase	0	60	0	0	0	0
Cash flow from financing	0	76	0	0	0	0
Cash flow	4	62	-9	4	13	17
Net debt	18	-53	-50	-52	-63	-81

Source: Tourn International, EPB

Balance sheet

	2020	2021	2022	2023e	2024e	2025e
ASSETS						
Other intangible assets	11	12	17	17	17	17
Tangible fixed assets	0	0	1	1	1	1
Financial assets	0	0	1	1	1	1
Other fixed assets	33	17	4	5	7	8
Total fixed assets	44	29	22	23	25	26
Accounts receivable	14	18	17	18	22	25
Other current assets	1	2	4	4	4	4
Cash and cash equivalents	3	59	50	52	63	81
Total current assets	18	79	71	74	90	110
TOTAL ASSETS	61	108	93	97	114	136
EQUITY AND LIABILITIES						
Equity	15	68	50	52	63	81
Total equity	15	68	50	52	63	81
Short-term interest-bearing liabilities	21	6	0	0	0	0
Accounts payable	8	12	18	19	24	27
Other current liabilities	18	22	25	26	27	28
Total current liabilities	47	40	43	45	51	55
TOTAL EQUITY AND LIABILITIES	61	108	93	97	114	136

Source: Tourn International, EPB

Growth and margins

	2020	2021	2022	2023e	2024e	2025e
Revenue growth	-	44%	10%	6%	24%	13%
EBITDA growth, adjusted	-	N.m.	N.m.	N.m.	>100%	37%
EBIT growth, adjusted	-	N.m.	N.m.	N.m.	>100%	52%
EPS growth, adjusted	-	N.m.	N.m.	N.m.	>100%	52%
Gross margin	39,0%	19,6%	19,9%	28,0%	30,5%	30,3%
EBITDA margin	Neg.	Neg.	Neg.	3,8%	8,5%	10,2%
EBITDA margin, adjusted	Neg.	Neg.	Neg.	3,8%	8,5%	10,2%
EBIT margin	Neg.	Neg.	Neg.	2,5%	7,7%	10,2%
EBIT margin, adjusted	Neg.	Neg.	Neg.	2,5%	7,7%	10,2%
Profit margin, adjusted	32,7%	Neg.	Neg.	1,8%	6,0%	8,0%

Source: Tourn International, EPB

Return

	2020	2021	2022	2023e	2024e	2025e
ROE, adjusted	Neg.	Neg.	Neg.	5%	20%	24%
ROCE, adjusted	Neg.	Neg.	Neg.	7%	25%	30%
ROIC, adjusted	Neg.	Neg.	Neg.	Neg.	>100%	>100%

Source: Tourn International, EPB

Capital efficiency

	2020	2021	2022	2023e	2024e	2025e
Accounts receivable / total revenue	15%	14%	11%	12%	12%	12%
Accounts payable / COGS	14%	11%	15%	17%	18%	18%
Total short-term liabilities / total cost	50%	29%	29%	31%	29%	29%
Working capital / total revenue	-12%	-10%	-15%	-15%	-13%	-12%
Capital turnover rate	2,6x	1,8x	2,9x	2,9x	3,0x	2,7x

Source: Tourn International, EPB

Financial position

	2020	2021	2022	2023e	2024e	2025e
Net debt	18	-53	-50	-52	-63	-81
Equity ratio	24%	63%	53%	54%	56%	59%
Net debt / equity	1,2x	-0,8x	-1,0x	-1,0x	-1,0x	-1,0x
Net debt / EBITDA	-13,4x	6,9x	9,2x	-9,2x	-4,0x	-3,7x

Source: Tourn International, EPB

Per share data

	2020	2021	2022	2023e	2024e	2025e
EPS	3,45	-0,83	-1,95	0,27	1,16	1,76
EPS, adjusted	3,45	-0,83	-1,95	0,27	1,16	1,76
FCF per share	0,44	-1,39	-0,88	0,42	1,31	1,79
Dividend per share	0,00	0,00	0,00	0,00	0,00	0,00
Book value per share	1,77	7,00	5,08	5,35	6,51	8,27
Number of shares, m	8,30	9,75	9,75	9,75	9,75	9,75
Number of shares after dilution, average	8,30	9,75	9,75	9,75	9,75	9,75

Source: Tourn International, EPB

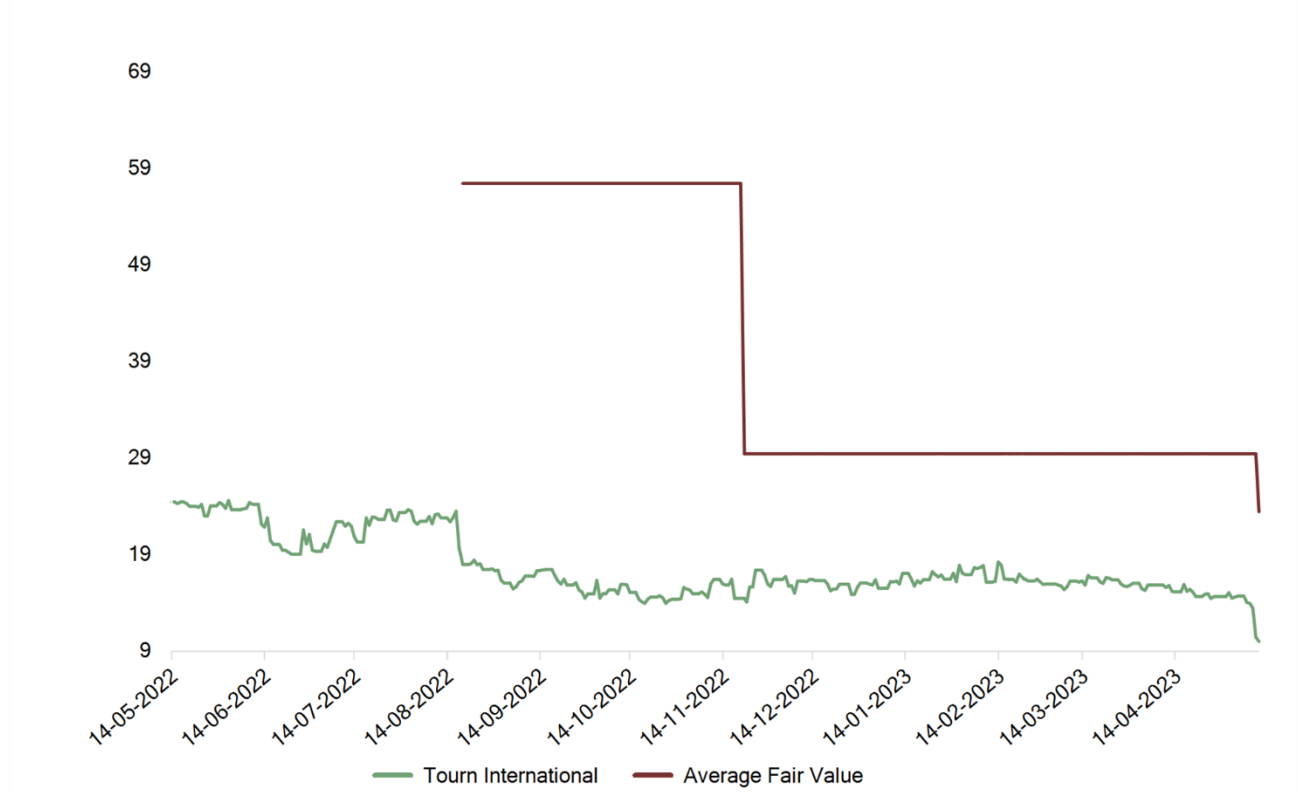
Valuation

	2020	2021	2022	2023e	2024e	2025e
P/E, adjusted	2,8x	Neg.	Neg.	40,3x	9,5x	6,2x
P/BV	5,4x	7,0x	3,3x	2,1x	1,7x	1,3x
P/FCF	21,7x	Neg.	Neg.	26,4x	8,4x	6,2x
FCF-yield	5%	Neg.	Neg.	4%	12%	16%
Dividend yield	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Payout ratio, adjusted	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
EV/Sales	1,1x	3,2x	0,8x	0,5x	0,4x	0,3x
EV/EBITDA, adjusted	Neg.	Neg.	Neg.	12,8x	4,5x	3,3x
EV/EBIT, adjusted	Neg.	Neg.	Neg.	19,3x	5,0x	3,3x
EV	97	425	113	72	72	72
Share price, year end	9,5	49,0	16,6	11,0	11,0	11,0

Source: Tourn International, EPB

Share Price and Fair Value Chart

Tourn International (TOURN SS EQUITY)



Source: EPB, IDC

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