

Equity Research | TALLINK: Satisfactory start of the year

Even excluding positive one-offs, the start of the year was satisfactory as Q1 is a low-season quarter. The Isabelle divestment implies upside to Tallink's ships book value. We lower our estimates based on consumer weakness reported by several companies in the region. Our dividend forecast is unchanged.

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Satisfactory start of the year

The Q1/24 Net profit of EUR 2.6m was the best Q1 ever and above our estimated loss of EUR 2.9m. Excluding our estimated EUR 17m gain from the sale of Isabelle, the Q1/24. Net loss was EUR 15m (best Q1 since 2016). The average Q1 net loss since 2015 is EUR 22m ie this year's Q1 was totally ok (Q1 is a loss making low season quarter).

Isabelle divestment imply book value upside

Based on Q1/24 reported EUR 24m cash flow from disposals of PP&E and EUR 19m in Other income, we estimated the gain from the sale of Isabelle was EUR 17m. Hence, we see upside potential in Tallink's ship values. Assuming a 10% increase in ship values implies a share price of EUR 1.02. We look for Tallink to start to divesting underperforming ships.

EUR 0.06 dividend sustainable

We lower our profit estimates (10-15%) and Base case Fair value to EUR 0.96/shr. (prev. 1.06), while our dividend forecast is unchanged at 0.06/shr each year in 2024-26, equal to a yield of 8.3%. Our dividend forecast is well covered by both the Free Cash Flow per share and the EPS.

Read the full report on Tallink here https://www.emergers.se/tallink_h/

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