

Equity Research | TALLINK: Free cash flow support dividends

Q4 profit was below forecast but the declared dividend was above. We look for a macro driven recovery this year, and expect dividend policy payouts in the coming years, supported by healthy free cash flow. Only small changes are made to the estimates and fair value.

Macro driven recovery

We forecast a 1.0% increase in Restaurant & shop sales this year following a 3.8% decline in 2024. The expected growth is driven by a meaningful GDP growth (1.5-2.2%) in Tallink's core markets (Estonia, Finland, Sweden).

More charter or divestments in the cards

At the webinar, management stated that they are in constant negotiations regarding chartering vessels. Furthermore, they are willing to sell vessels (especially cargo ships) if the price is right. In our view, the market for selling vessels could improve this year as the Euribor is lower. Additional charter and/or vessel divestment could result in higher than forecast dividends.

Free cash flow support dividend policy

The 2024 declared dividend of EUR 0.06/shr indicates 9.0% yield. Our forecast 2025-27 dividend of EUR 0.05/shr. (in line with policy) implies 7.7% yield. While our forecast dividends are close to our EPS estimates, it is far below our forecast Free cash flow of EUR 0.15-0.18/shr. We raise our Base case Fair value slightly to EUR 0.82 (prev. 0.79).

Read the full report here: <https://www.emergers.se/tallink-q424/>

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