

# Tokmanni

## Company report

11/20/2023



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✓ Inderes corporate customer

This report is a summary translation of the report “Integraatio etenee, mutta Suomi yskähtelee” published on 11/20/2023 at 7:40 am EET.

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# Integration is underway, but Finland is hiccuping

Tokmanni reported its first quarter as a Nordic discount retailer. Overall, the Q3 report was weak, with revenue and EPS below our expectations. According to the company, the Dollarstore integration is well underway, and the first significant synergies are expected from the beginning of 2024. We cut our earnings forecasts on the back of a weaker-than-expected Q3 report and an uncertain near-term outlook. We lower our target price to EUR 14 (was 14.5) following the forecast changes. In our view, the expected return on the stock still remains attractive as the valuation is moderate and supported by strong earnings growth in the coming years. We reiterate our Accumulate recommendation.

## Revenue missed estimates but rose to a record level

Tokmanni Group's revenue reached a record level (364 MEUR), boosted by the acquisition of Dollarstore in August. Revenue development in Finland was sluggish. Thanks to two store openings, growth in Finland stood at 2%, with comparable revenue practically flat year-on-year. In local currencies, Dollarstore grew by 7%, but in euro terms, we estimate that growth was sluggish. The lackluster mood of the quarter is reflected in a 5% drop in customer volumes in Finland. On one hand, we believe this is due to a more competitive environment, but on the other, the company struggled with its digital market initiations among Club customers. We believe Tokmanni's visibility during the quarter was temporarily weakened by its own marketing challenges and competitors' price campaigns, which was visible as a softer performance than the market.

## Good results in a weak market in Finland

Group profitability increased as expected but was below our forecasts. However, adjusted for one-off items, EBIT was broadly in line with our expectations. The profit growth was naturally driven by higher revenue, a better sales margin and good cost discipline in Finland. Dollarstore's 2-month adjusted EBIT was weak in our view, although we knew that Dollarstore has a heavier cost structure than Tokmanni. In addition to achieving synergies, we expect Dollarstore's profitability potential to create a significant medium-term earnings growth driver.

As expected, Tokmanni reiterated its guidance, expecting revenue to land between EUR 1,370-1,440 million and operating profit between EUR 90-110 million. There are still some uncertainties in the earnings guidance, as all-important Christmas sales will largely determine the result for the rest of the year for retailers. However, we are confident about the rest of the year as the company comments that the Christmas shopping season has started well and the slowdown in inflation is boosting consumer purchasing power.

## Valuation remains moderate

Tokmanni's valuation remains moderate (23-24e P/E 13-11x). The share is priced below its peers (30% discount) and historical valuation. The historical discount is justified by the change in the interest rate environment raising the required return and we believe that Tokmanni's elevated risk level justifies pricing the stock below the peer group median, but on the other hand we think that the market is pessimistic about Tokmanni's earnings growth potential. With a moderate valuation, strong forecast earnings growth, and a healthy dividend yield, we see the expected return on the stock as attractive. The level of risk is increased by the elevated debt burden and Dollarstore integration issues, but we see the risk-adjusted expected return at a favorable level for the investor.

## Recommendation

### Accumulate

(previous Accumulate)

### 14.00 EUR

(previous EUR 14.50)

### Share price:

12.61



## Key figures

	2022	2023e	2024e	2025e
<b>Revenue</b>	1168.0	1379.4	1658.6	1736.8
<b>growth-%</b>	2%	18%	20%	5%
<b>EBIT adj.</b>	85.7	96.2	119.2	135.9
<b>EBIT-% adj.</b>	7.3 %	7.0 %	7.2 %	7.8 %
<b>Net Income</b>	58.8	55.0	70.0	83.9
<b>EPS (adj.)</b>	1.03	1.00	1.19	1.42

<b>P/E (adj.)</b>	11.0	12.7	10.6	8.8
<b>P/B</b>	2.7	2.9	2.6	2.3
<b>Dividend yield-%</b>	6.7 %	6.2 %	6.3 %	6.6 %
<b>EV/EBIT (adj.)</b>	12.2	15.2	12.1	10.6
<b>EV/EBITDA</b>	6.7	7.9	6.6	6.0
<b>EV/S</b>	0.9	1.1	0.9	0.8

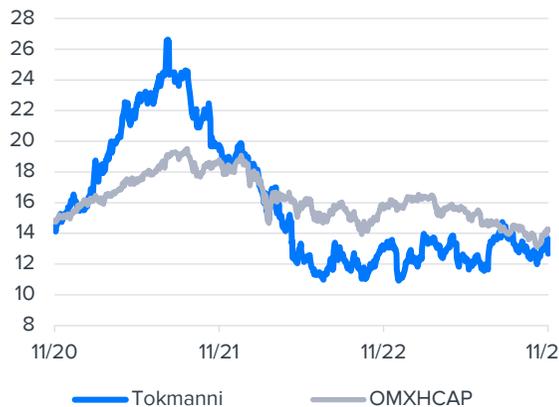
Source: Inderes

## Guidance

(Unchanged)

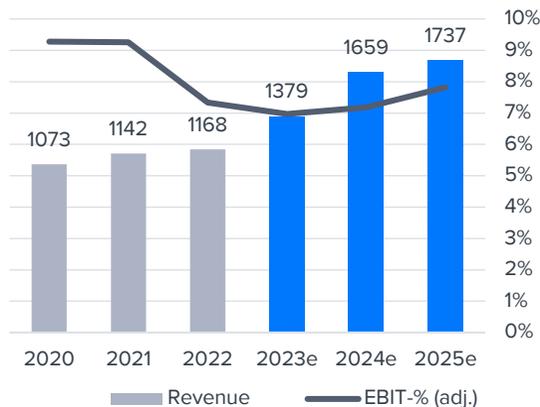
In 2023, Tokmanni expects its revenue to be EUR 1,370-1,440 million. Comparable EBIT is expected to be EUR 90-110 million. 85.8 MEUR).

### Share price



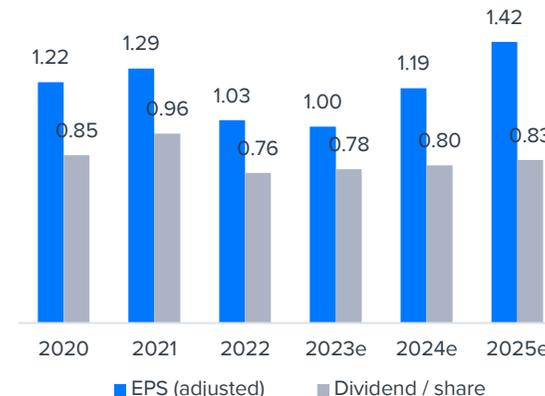
Source: Millstream Market Data AB

### Revenue and EBIT-%



Source: Inderes

### EPS and dividend



Source: Inderes



### Value drivers

- New store openings
- Increase in private label share
- Increasing the number of SKU and expanding into new product categories
- Untapped potential of loyal customers
- Increasing B2B sales
- Smart buying becoming more popular
- Economies of scale through volumes, e.g., in purchasing and negotiating lease terms
- Dollarstore and international expansion
- Exploiting own online store as a potential platform for third party products



### Risk factors

- Decreasing consumer purchasing power as inflation runs rampant
- Decreasing consumer confidence
- Tighter competition and new international challengers
- Failure in acquisitions or international expansion
- Dependence on the central warehouse in Mäntsälä
- Reputation and price impression risks
- Disruptions in product availability and sector's dependence on manufacturing in the Far East

Valuation	2023e	2024e	2025e
Share price	12.6	12.6	12.6
Number of shares, millions	58.9	58.9	58.9
Market cap	742	742	742
EV	1463	1443	1445
P/E (adj.)	12.7	10.6	8.8
P/E	13.5	10.6	8.8
P/B	2.9	2.6	2.3
P/S	0.5	0.4	0.4
EV/Sales	1.1	0.9	0.8
EV/EBITDA	7.9	6.6	6.0
EV/EBIT (adj.)	15.2	12.1	10.6
Payout ratio (%)	83.4 %	67.2 %	58.0 %
Dividend yield-%	6.2 %	6.3 %	6.6 %

Source: Inderes

# Q3 results on the soft side

## Revenue in Finland missed our expectations

Tokmanni Group's Q3 revenue grew by 23.6% to EUR 364 million, below our forecast of EUR 370 million. Growth in Finland (+1.7%) was supported by the expansion of the store network by two locations, although comparable revenue remained was flat year-on-year. The Dollarstore acquisition in August had an impact for two months and raised the Tokmanni Group's revenue to a new level. Thus, most of the growth in Q3 was inorganic. On a comparable basis, Tokmanni's customer volumes were down 5%, while Dollarstore's was 5% positive. The revenue miss was driven by lower figures for Tokmanni Finland, while Dollarstore's figures were almost exactly in line with our forecasts. The market environment has been characterized by low consumer purchasing power and competitor campaigns, which we believe had an impact on Tokmanni's Q3 performance. In addition, the company struggled with its digital marketing reforms and the visibility of its offers remained limited.

## Strong sales margin, fixed costs up

Against our expectations, the Group-level sales margin was strong at 34.6%, positively impacted by the increased share of own brands and lower freight costs.

However, unfavorable FX developments limited margin accumulation. In addition to these, the consolidation of Dollarstore, which has a stronger margin structure, naturally boosted the Group's relative sales margin.

Despite lower-than-forecast revenue, adjusted EBIT in Q3 was in line with our forecasts and landed at EUR 26.4 million (Inderes: 26.6 MEUR). In relative terms, however, EBIT (7.2% of turnover) decreased, as relative to its size, Dollarstore's cost structure is heavier than that of Tokmanni. Tokmanni's cost discipline held firm and its EBIT rose to EUR 24.5 million (8.2% of revenue), while Dollarstore's two-month adjusted operating profit was a weak EUR 1.8 million (1.9% of revenue). However, we see upside potential in Dollarstore's profitability as Tokmanni jumps into the driver's seat.

Reported EPS decreased to EUR 0.21 (Q3'22: 0.27 and Inderes Q3'23e: 0.26 and 0.27 adjusted for one-off items), driven by higher financing costs, in particular due to an increased debt level, but also due to an expanded store network (higher IFRS16 debt).

## There are still uncertainties about the performance guidance

As expected, Tokmanni reiterated its guidance, expecting revenue to land between EUR 1,370-1,440

million and operating profit between EUR 90-110 million. There are still some uncertainties in the earnings guidance, as all-important Christmas sales will largely determine the result for the rest of the year for retailers. To meet its guidance, the Group must achieve an EBIT of at least EUR 40 million. However, we are confident about the rest of the year as the company comments that the Christmas shopping season has started well, and that falling inflation is boosting consumer purchasing power. Moreover, the end of the year will not be colored by the uncertainty created by the energy crisis and the need to prepare for it seen in the comparison period.

## Strong cash flow, weakened balance sheet

Supported by the working capital released from inventory and the stable result, the Group's operating cash flow rose to an excellent level of EUR 37 million. The company's balance sheet deteriorated with the debt-financed acquisition, as the ratio of net debt to EBITDA (4.7x) rose to an already high level and above the company's target of 3.2x. Inventory levels, which had been high for a long time, continued to recover as they decreased relative to revenue, although in absolute terms inventory levels rose with the acquisition of Dollarstore.

Estimates MEUR / EUR	Q3'22	Q3'23	Q3'23e	Q3'23e	Consensus		Difference (%)	2023e
	Comparator	Actualized	Inderes	Consensus	Low	High	Act. vs. Inderes	Inderes
Revenue	295	364	370	374	370	380	-2%	1405
EBIT (adj.)	23.5	26.4	26.6	27.7	25.2	29.0	-1%	99.8
PTP	20.0	16.2	19.0	21.2	18.2	23.2	-15%	76.3
EPS (reported)	0.27	0.21	0.26	0.29	0.26	0.32	-19%	1.04
Revenue growth-%	5.3 %	23.5 %	25.5 %	26.9 %	25.5 %	28.8 %	-1.9 pp	20.3 %
EBIT-% (adj.)	8.0 %	7.2 %	7.2 %	7.4 %	6.8 %	7.6 %	0.1 pp	7.1 %

Source: Inderes & Bloomberg (consensus)

# Most of the synergies will be realized in 2024

## First synergies enter into force on January 1, 2024

Tokmanni reported that some Dollarstore integration synergies have already been realized, with annual synergy benefits in the hundreds of thousands. However, these are marginal compared to the company's target of over EUR 15 million, most of which will be generated through sales margin. Renegotiation of purchasing contracts has started, but there is no immediate improvement as we understand that contracts are negotiated annually/until the end of the year. This means that the first purchase and procurement synergies can start at the earliest on the first day of 2024. The company also communicated that the realization of synergies will follow an S-curve: in the beginning synergies will be repatriated slowly, in the middle phases the synergies to be realized will see strong growth, which will slow down over time as the progression approaches or reaches 2025. Therefore, we expect the majority of synergies to materialize during 2024.

## Integration well on track, but eating up Tokmanni's time

Tokmanni said that the Dollarstore integration work had started well and that it was pleased with the cooperation and cultural compatibility that had been established between the companies. However, the company signals that management time is committed to integration work, which may have had an impact on Tokmanni's underperformance in the Finnish market. In addition, the low comparative growth in Finland was affected by the introduction of digital marketing among Tokmanni Club customers, which we do not believe went according to plan. The company said that its customers appreciate print advertising. On this basis, we

estimate that the visibility of competitors' campaigns has led to a decline in Tokmanni's customer base and a weak comparable revenue performance. However, we note that Tokmanni is well positioned relative to some of its competitors in terms of its low price image and, in particular, its ability to maintain low prices sustainably.

## Strategy work in progress

Together with Dollarstore, Tokmanni is currently working on a common strategy for the Group and has promised to come out with a new strategy by the beginning of 2024 at the latest. We do not anticipate massive changes to the Finnish strategy, but we look forward to the company's plans and ambitions for Dollarstore's business development. We see the focus of Dollarstore's strategy as growing the store network, increasing store/square foot sales and improving profitability.

## Work to do with the balance sheet

Tokmanni's net debt/EBITDA margin rose to 4.7x during Q3. This is already a high level and, in our view, raises the risk profile of the company. Adjusted for IFRS16 lease liabilities, our 2023 projections put net debt/EBITDA at around 2x, suggesting that the share of IFRS16 liabilities is significant and that the actual debt structure is more reasonable than feared. The sale and leaseback of the Mäntsälä logistics center in December will reduce the company's net debt (excl. IFRS16), but at the same time the amount of rental liabilities on the balance sheet will increase somewhat, depending on the length of the lease. However, we expect Tokmanni's position to improve in the eyes of its creditors.

We forecast net debt/EBITDA to fall to around 3x over the next year, but to remain at the same level for a year or two. The development of the metric is influenced by Tokmanni's investment levels. In our forecasts, we have considered Tokmanni's normal maintenance investments as well as investments related to store openings.

We expect Tokmanni's free cash flow to improve significantly and be strong in the coming years. Given the current interest rate environment, we assume that the company will allocate part of its cash flow to debt repayment, which at the same time will also reduce the financial charges on net income. Part of the cash flow will be distributed as dividends and the company is likely to invest in its Swedish business, so a sudden drop in debt levels is unlikely.

# Minor estimate revision; big picture unchanged

## Estimate revisions 2023e-2025e

- Our 2023 forecasts fell below the mid-point of the guidance range with a weaker Q3 and an uncertain near-term outlook
- We cut our revenue forecasts slightly for 2024-25e, but we believe the company will grow at a good acquisition-driven pace, as well as organically. We estimate that the integration work will tie up some resources and thus limit the development of profitability
- We made negative revisions to our 2024-25e profitability expectations. Dollarstore's profitability appears to be under particular pressure due to a combination of a low consumer confidence environment and a strong store opening strategy. We cannot fully rely on Dollarstore's rapid improvement in profitability, as there is little evidence of this so far.

## Operational result drivers 2023e-2025e:

- Steady growth in Finland, strong store network expansion in Sweden and Denmark
- Realization of synergies from the Dollarstore acquisition in 2024-25
- Improvement in sales margin due to increased share of private label and direct imports
- Dollarstore profitability improvement
- With the gradual digestion of the debt level, the effect is also reflected in the bottom line

Estimate revisions MEUR / EUR	2023e	2023e	Change	2024e	2024e	Change	2025e	2025e	Change
	Old	New	%	Old	New	%	Old	New	%
Revenue	1405	1379	-2%	1682	1659	-1%	1765	1737	-2%
EBIT (exc. NRIs)	100	96	-3%	124	119	-4%	140	136	-3%
EBIT	98	93	-6%	124	119	-4%	140	136	-3%
PTP	76	69	-9%	94	89	-5%	110	106	-4%
EPS (excl. NRIs)	1.05	1.00	-6%	1.25	1.19	-5%	1.48	1.42	-4%
DPS	0.78	0.78	0%	0.80	0.80	0%	0.86	0.83	-4%

Source: Inderes

# Moderate valuation for the coming years

## We look at valuation from several viewpoints

We approach the valuation of Tokmanni through earnings-based valuation multiples. We evaluate the multiples both in absolute terms, historically and relative to other retailers.

We also mirror our target price and the fair value of the company through normalized earnings. However, there is still some uncertainty about the fair value at this stage, as the company has not provided more detailed information about Dollarstore's growth potential. However, we note that Tokmanni's future growth will come from abroad, while the growth potential of current operations in Finland has become limited due to Tokmanni's large size.

Our DCF model allows us to confirm our view of the long-term fair value of the company thanks to fairly predictable cash flows.

## Part of the earnings growth is not priced into the share

Tokmanni is priced at 13-11x P/E multiples (23-24e). The valuation does not appear expensive *per se*, but multiples are currently under pressure from a higher required return in a demanding interest rate environment and an uncertain economic landscape. We believe the market is shying away from Tokmanni's increased risk level due to higher debt levels than in the past and the risks associated with the integration of the acquisition. At actual earnings, the valuation of the company seems quite reasonable (P/E 13x) and the EV-based earnings multiples (23-24e EV/EBITDA and EV/EBIT 8-7x and 15-12x) that take into account the leveraged balance sheet signal a rather neutral valuation. However, we do not believe that the market is pricing Tokmanni's earnings growth potential fully into the share price.

## Valuation below peers

When gauging the relative valuation, we give main weight to the P/E ratio and dividend yield. The comparability of EV-based multiples within the peer group is weakened by differences in the length of IFRS16 leases affecting net debt between companies. In addition, the sale and re-lease of the Dollarstore acquisition and the Mäntsälä logistics center will further increase Tokmanni's share of lease liabilities.

Throughout its history, Tokmanni has been priced below its peers. The discount to the peer group remains broadly the same and the company's P/E-valuation is at a 30% discount to its retail peers. Given the high level of indebtedness and the resulting increased level of risk, we consider the discount to peers to be justified. In addition, the peer group includes fast-growing and high-quality companies that raise the median valuation of the peer group. On one hand, Dollarstore increases the Group's growth potential, but on the other one, it also creates risks in terms of internationalization. We do not believe that the comments made in the Q3 report regarding the hiccups in the Finnish operations justify the narrowing of the discount.

## Fair value is close to our target price

In our calculations, we have outlined the fair value of Tokmanni using a sustainable number of stores and a normalized profit level. We expect Finnish stores to reach the 220 mark in 2029-30, which means an annual pace of two new store openings after 2026. We expect Dollarstore locations to reach 160 in 2030. Assuming a normalized earnings level of 8% (EBIT-%), the discounted fair value of the share is EUR 14-15. If we set the margin at 10%, the fair value would rise to EUR 18-19. In a pessimistic scenario (6% EBIT), the value would be EUR 10-11. We use a fair value measurement factor of 13x EV/EBIT, adjusted for IFRS16 leases, which takes into account reasonable growth.

Valuation	2023e	2024e	2025e
Share price	12.6	12.6	12.6
Number of shares, millions	58.9	58.9	58.9
Market cap	742	742	742
EV	1463	1443	1445
P/E (adj.)	12.7	10.6	8.8
P/E	13.5	10.6	8.8
P/B	2.9	2.6	2.3
P/S	0.5	0.4	0.4
EV/Sales	1.1	0.9	0.8
EV/EBITDA	7.9	6.6	6.0
EV/EBIT (adj.)	15.2	12.1	10.6
Payout ratio (%)	83.4 %	67.2 %	58.0 %
Dividend yield-%	6.2 %	6.3 %	6.6 %

Source: Inderes

## Factors affecting the valuation



Market leadership and pioneering

Good return on capital potential

Growth potential through internationalization



Increased competition in a weak market

Risks from internationalization

Increased debt burden

Change in interest rate environment raises required return

# Expected return is still attractive

## DCF model indicates small upside

Our cash flow model gives a fair value of around EUR 15, which suggests an upside of around 19% relative to the current share price. We consider the cash flow model suitable for the valuation of Tokmanni and use it as part of the valuation of the stock.

## Current share price offers a good dividend yield

We forecast an increasing dividend for 2024-25. At the current share price, the dividend yield remains at a good level of around 6%, which supports the overall expected return on the stock.

## Balance sheet valuation reasonable

Tokmanni's good capital return potential justifies a P/B ratio well above 1x. Currently, Tokmanni's ROE is just over 20% and the 2023-24e P/B multiples are below 3x considering the acquisition. On this basis, we consider Tokmanni's current balance sheet valuation to be justified.

## Earnings growth as the main driver of expected return

Projected earnings growth for 2022-25 is strong (+11%), which we do not believe is fully priced into the share. On one hand, the Dollarstore acquisition creates growth potential, but on the other one, it raises the risk profile of the Tokmanni Group. However, we see the level of risk as limited as Dollarstore continues as an independent concept and the former management is responsible for the development of the company. Considering a dividend yield of 6%, the total expected return rises to around 16-18%, so we see the risk-adjusted return on the stock at an attractive level.

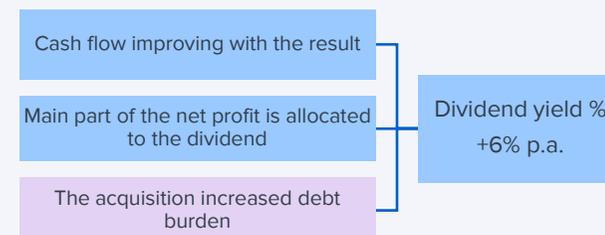
## TSR drivers 2022-2025

■ Positive ■ Neutral ■ Negative

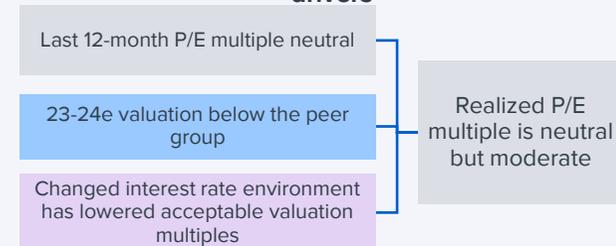
### Profit drivers



### Dividend yield drivers



### Valuation multiple drivers

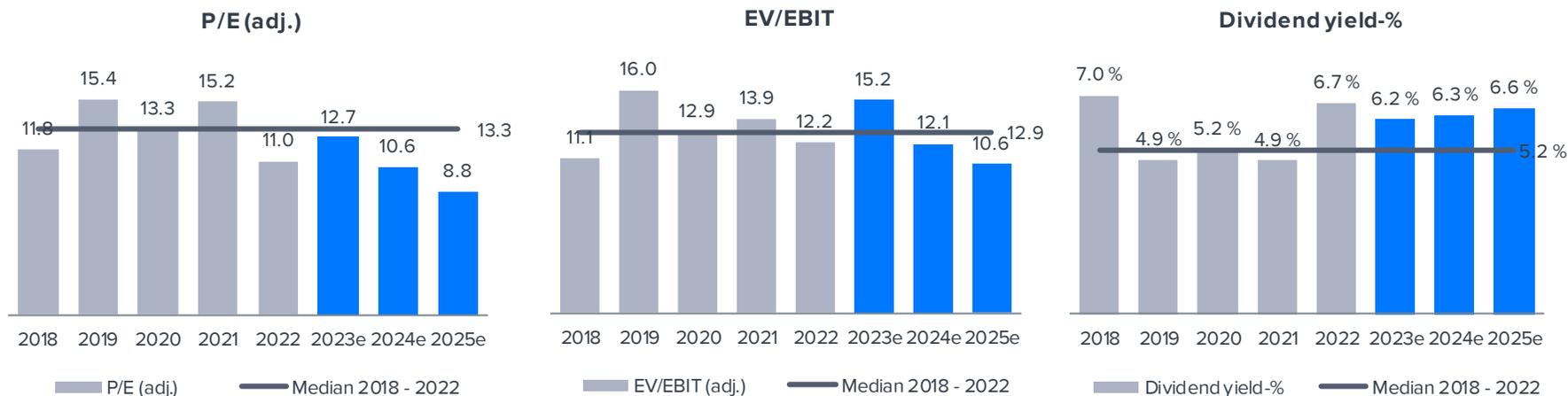


Share's expected total return ~ 16-18% p.a.

# Valuation table

Valuation	2018	2019	2020	2021	2022	2023e	2024e	2025e	2026e
Share price	7.18	12.6	16.2	19.7	11.3	12.6	12.6	12.6	12.6
Number of shares, millions	58.9	58.9	58.8	58.9	58.9	58.9	58.9	58.9	58.9
Market cap	423	743	956	1157	665	742	742	742	742
EV	558	1123	1288	1471	1048	1463	1443	1445	1424
P/E (adj.)	11.8	15.4	13.3	15.2	11.0	12.7	10.6	8.8	8.3
P/E	11.8	15.8	13.4	14.8	11.3	13.5	10.6	8.8	8.3
P/B	2.4	4.0	4.4	4.7	2.7	2.9	2.6	2.3	2.1
P/S	0.5	0.8	0.9	1.0	0.6	0.5	0.4	0.4	0.4
EV/Sales	0.6	1.2	1.2	1.3	0.9	1.1	0.9	0.8	0.8
EV/EBITDA	8.6	8.6	7.9	8.4	6.7	7.9	6.6	6.0	5.6
EV/EBIT (adj.)	11.1	16.0	12.9	13.9	12.2	15.2	12.1	10.6	10.0
Payout ratio (%)	82.2 %	77.5 %	70.2 %	72.5 %	76.1 %	83.4 %	67.2 %	58.0 %	70.0 %
Dividend yield-%	7.0 %	4.9 %	5.2 %	4.9 %	6.7 %	6.2 %	6.3 %	6.6 %	8.5 %

Source: Inderes



# Peer group valuation

Peer group valuation	Market cap	EV	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%		P/B
Company	MEUR	MEUR	2023e	2024e	2023e	2024e	2023e	2024e	2023e	2024e	2023e	2024e	2023e
Europris ASA	973	1329	11.9	11.4	7.8	7.6	1.6	1.6	12.5	12.0	4.6	4.8	3.3
Bygghem AB	157	375	17.9	12.7	5.1	4.5	0.7	0.6	12.4	8.6	2.4	5.3	0.7
Clas Ohlson AB	704	847	30.3	15.4	8.2	6.2	1.1	1.0	45.7	17.4	3.9	3.8	5.0
Axfood AB	4768	5662	19.2	17.0	10.2	9.1	0.8	0.8	22.9	19.9	3.1	3.3	7.7
Dollar General Corp	23770	30152	9.7	13.4	8.0	10.1	0.9	0.9	10.8	15.8	1.8	2.0	4.5
Kesko Oyj	6877	9431	13.4	13.7	7.7	7.8	0.8	0.8	13.5	14.0	6.2	6.1	2.5
Musti Group Oyj	663	800	21.5	17.5	10.7	9.5	1.9	1.7	24.7	20.1	3.0	3.6	4.0
B&M European Value Retail	6110	8386	13.5	12.4	9.4	8.9	1.5	1.4	14.5	14.3	4.8	4.1	10.5
Target Corp	55140	68088	20.2	13.9	11.7	9.3	0.7	0.7	23.5	15.8	2.9	3.4	5.7
Puuilo Oyj	712	791	16.5	14.4	13.0	11.2	2.6	2.4	20.0	17.6	3.9	4.5	8.8
Verkkokauppa.com Oyj	120	141	22.0	11.4	11.2	7.7	0.3	0.3	32.4	14.4	1.6	4.7	4.0
Kamux Oyj	216	285	18.9	10.2	9.1	6.8	0.3	0.3	17.0	10.7	3.1	3.9	1.9
<b>Tokmanni (Inderes)</b>	<b>742</b>	<b>1463</b>	<b>15.2</b>	<b>12.1</b>	<b>7.9</b>	<b>6.6</b>	<b>1.1</b>	<b>0.9</b>	<b>12.7</b>	<b>10.6</b>	<b>6.2</b>	<b>6.3</b>	<b>2.9</b>
<b>Average</b>			<b>17.9</b>	<b>13.6</b>	<b>9.3</b>	<b>8.2</b>	<b>1.1</b>	<b>1.0</b>	<b>20.8</b>	<b>15.1</b>	<b>3.4</b>	<b>4.1</b>	<b>4.9</b>
<b>Median</b>			<b>18.4</b>	<b>13.6</b>	<b>9.2</b>	<b>8.3</b>	<b>0.8</b>	<b>0.8</b>	<b>18.5</b>	<b>15.1</b>	<b>3.1</b>	<b>4.0</b>	<b>4.3</b>
<b>Diff-% to median</b>			<b>-17%</b>	<b>-11%</b>	<b>-15%</b>	<b>-21%</b>	<b>28%</b>	<b>6%</b>	<b>-31%</b>	<b>-30%</b>	<b>101%</b>	<b>59%</b>	<b>-32%</b>

Source: Refinitiv / Inderes

# Income statement

Income statement	2021	Q1'22	Q2'22	Q3'22	Q4'22	2022	Q1'23	Q2'23	Q3'23	Q4'23e	2023e	2024e	2025e	2026e
<b>Revenue</b>	<b>1142</b>	<b>227</b>	<b>307</b>	<b>295</b>	<b>339</b>	<b>1168</b>	<b>238</b>	<b>319</b>	<b>364</b>	<b>458</b>	<b>1379</b>	<b>1659</b>	<b>1737</b>	<b>1784</b>
Group	1142	227	307	295	339	1168	238	319	364	458	1379	1659	1737	1784
<b>EBITDA</b>	<b>175</b>	<b>17.5</b>	<b>46.7</b>	<b>41.3</b>	<b>51.8</b>	<b>157</b>	<b>17.5</b>	<b>48.5</b>	<b>49.6</b>	<b>70.4</b>	<b>186</b>	<b>219</b>	<b>240</b>	<b>256</b>
Depreciation	-66.8	-17.8	-18.1	-18.5	-18.8	-73.2	-19.5	-19.8	-26.6	-27.5	-93.4	-100.0	-104.5	-113.1
<b>EBIT (excl. NRI)</b>	<b>106</b>	<b>-0.5</b>	<b>27.0</b>	<b>23.5</b>	<b>35.8</b>	<b>85.7</b>	<b>-1.8</b>	<b>28.9</b>	<b>26.4</b>	<b>42.7</b>	<b>96.2</b>	<b>119</b>	<b>136</b>	<b>143</b>
<b>EBIT</b>	<b>108</b>	<b>-0.3</b>	<b>28.6</b>	<b>22.8</b>	<b>33.0</b>	<b>84.0</b>	<b>-2.0</b>	<b>28.7</b>	<b>23.0</b>	<b>42.9</b>	<b>92.7</b>	<b>119</b>	<b>136</b>	<b>143</b>
Group	108	-0.3	28.6	22.8	33.0	84.0	-2.0	28.7	23.0	42.9	92.7	119	136	143
Net financial items	-10.2	-2.5	-2.5	-2.8	-2.9	-10.7	-3.2	-4.3	-6.8	-9.2	-23.5	-30.5	-29.7	-29.1
<b>PTP</b>	<b>97.5</b>	<b>-2.8</b>	<b>26.1</b>	<b>20.0</b>	<b>30.1</b>	<b>73.3</b>	<b>-5.3</b>	<b>24.5</b>	<b>16.2</b>	<b>33.7</b>	<b>69.1</b>	<b>88.7</b>	<b>106</b>	<b>114</b>
Taxes	-19.6	0.6	-5.2	-4.0	-5.9	-14.6	1.0	-4.8	-3.5	-6.7	-14.1	-18.6	-22.3	-23.9
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net earnings</b>	<b>78.0</b>	<b>-2.2</b>	<b>20.8</b>	<b>16.0</b>	<b>24.2</b>	<b>58.8</b>	<b>-4.3</b>	<b>19.6</b>	<b>12.7</b>	<b>27.0</b>	<b>55.0</b>	<b>70.0</b>	<b>83.9</b>	<b>89.7</b>
<b>EPS (adj.)</b>	<b>1.29</b>	<b>-0.04</b>	<b>0.33</b>	<b>0.28</b>	<b>0.46</b>	<b>1.03</b>	<b>-0.07</b>	<b>0.34</b>	<b>0.27</b>	<b>0.45</b>	<b>1.00</b>	<b>1.19</b>	<b>1.42</b>	<b>1.52</b>
<b>EPS (rep.)</b>	<b>1.32</b>	<b>-0.04</b>	<b>0.35</b>	<b>0.27</b>	<b>0.41</b>	<b>1.00</b>	<b>-0.07</b>	<b>0.33</b>	<b>0.22</b>	<b>0.46</b>	<b>0.93</b>	<b>1.19</b>	<b>1.42</b>	<b>1.52</b>
<b>Key figures</b>	<b>2021</b>	<b>Q1'22</b>	<b>Q2'22</b>	<b>Q3'22</b>	<b>Q4'22</b>	<b>2022</b>	<b>Q1'23</b>	<b>Q2'23</b>	<b>Q3'23</b>	<b>Q4'23e</b>	<b>2023e</b>	<b>2024e</b>	<b>2025e</b>	<b>2026e</b>
<b>Revenue growth-%</b>	6.4 %	0.6 %	1.7 %	5.3 %	1.5 %	2.3 %	4.7 %	4.0 %	23.5 %	35.1 %	18.1 %	20.2 %	4.7 %	2.7 %
<b>Adjusted EBIT growth-%</b>	6.2 %	-107%	-16.5 %	-9.9 %	-11.6 %	-18.9 %	268.0 %	7.4 %	12.1 %	19.4 %	12.2 %	23.9 %	14.0 %	5.0 %
<b>EBITDA-%</b>	15.3 %	7.7 %	15.2 %	14.0 %	15.3 %	13.5 %	7.3 %	15.2 %	13.6 %	15.4 %	13.5 %	13.2 %	13.8 %	14.3 %
<b>Adjusted EBIT-%</b>	9.3 %	-0.2 %	8.8 %	8.0 %	10.6 %	7.3 %	-0.8 %	9.1 %	7.2 %	9.3 %	7.0 %	7.2 %	7.8 %	8.0 %
<b>Net earnings-%</b>	6.8 %	-1.0 %	6.8 %	5.4 %	7.1 %	5.0 %	-1.8 %	6.2 %	3.5 %	5.9 %	4.0 %	4.2 %	4.8 %	5.0 %

Source: Inderes

# Balance sheet

Assets	2021	2022	2023e	2024e	2025e
<b>Non-current assets</b>	<b>449</b>	<b>475</b>	<b>802</b>	<b>787</b>	<b>816</b>
Goodwill	136	136	266	266	266
Intangible assets	4.7	4.0	6.9	8.3	8.7
Tangible assets	306	330	527	510	538
Associated companies	0.1	0.2	0.0	0.0	0.0
Other investments	0.2	0.7	0.7	0.7	0.7
Other non-current assets	0.0	2.1	0.0	0.0	0.0
Deferred tax assets	1.4	1.6	1.6	1.6	1.6
<b>Current assets</b>	<b>368</b>	<b>319</b>	<b>434</b>	<b>480</b>	<b>485</b>
Inventories	264	281	324	373	391
Other current assets	0.0	2.5	2.5	2.5	2.5
Receivables	23.0	26.4	31.2	37.5	39.3
Cash and equivalents	81.3	9.1	75.9	66.3	52.1
<b>Balance sheet total</b>	<b>817</b>	<b>794</b>	<b>1236</b>	<b>1266</b>	<b>1300</b>

Source: Inderes

Liabilities & equity	2021	2022	2023e	2024e	2025e
<b>Equity</b>	<b>245</b>	<b>247</b>	<b>258</b>	<b>282</b>	<b>319</b>
Share capital	0.1	0.1	0.1	0.1	0.1
Retained earnings	137	138	148	172	209
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	-2.0	-0.8	0.0	0.0	0.0
Other equity	110	110	110	110	110
Minorities	0.0	0.0	0.0	0.0	0.0
<b>Non-current liabilities</b>	<b>345</b>	<b>328</b>	<b>722</b>	<b>695</b>	<b>684</b>
Deferred tax liabilities	0.0	0.0	0.0	0.0	0.0
Provisions	0.0	0.0	0.0	0.0	0.0
Interest bearing debt	340	323	717	691	679
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	5.3	4.8	4.8	4.8	4.8
<b>Current liabilities</b>	<b>227</b>	<b>219</b>	<b>256</b>	<b>289</b>	<b>297</b>
Interest bearing debt	55.9	69.7	79.6	76.7	75.5
Payables	165	149	175	211	221
Other current liabilities	6.4	1.1	1.1	1.1	1.1
<b>Balance sheet total</b>	<b>816</b>	<b>794</b>	<b>1236</b>	<b>1266</b>	<b>1300</b>

# DCF calculation

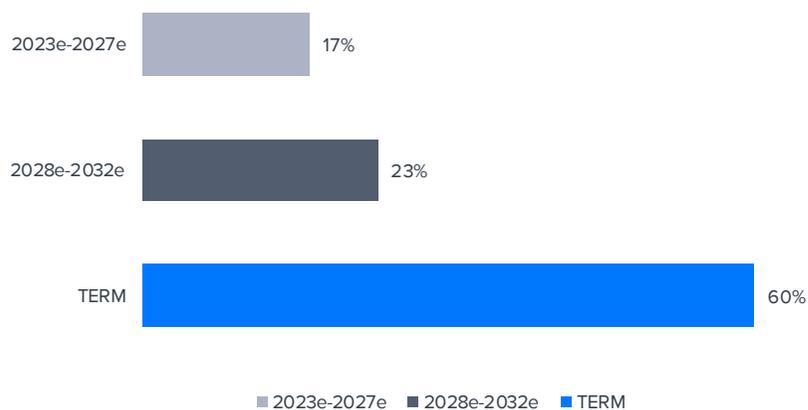
DCF model	2022	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	TERM
Revenue growth-%	2.3 %	18.1 %	20.2 %	4.7 %	2.7 %	3.0 %	2.5 %	2.0 %	2.0 %	2.0 %	1.5 %	1.5 %
EBIT-%	7.2 %	6.7 %	7.2 %	7.8 %	8.0 %	8.0 %	8.0 %	8.0 %	8.0 %	7.9 %	7.9 %	7.9 %
<b>EBIT (operating profit)</b>	<b>84.0</b>	<b>92.7</b>	<b>119</b>	<b>136</b>	<b>143</b>	<b>147</b>	<b>151</b>	<b>154</b>	<b>157</b>	<b>158</b>	<b>160</b>	
+ Depreciation	73.2	93.4	100	105	113	127	131	134	137	137	138	
- Paid taxes	-14.8	-14.1	-18.6	-22.3	-23.9	-24.9	-25.7	-26.4	-27.2	-27.7	-28.4	
- Tax, financial expenses	-2.1	-4.8	-6.4	-6.2	-6.1	-6.0	-5.9	-5.8	-5.7	-5.5	-5.3	
+ Tax, financial income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Change in working capital	-44.9	-21.0	-19.6	-9.4	-5.7	-6.4	-5.5	-4.5	-4.6	-4.7	-3.6	
<b>Operating cash flow</b>	<b>95.4</b>	<b>146</b>	<b>175</b>	<b>202</b>	<b>220</b>	<b>237</b>	<b>244</b>	<b>251</b>	<b>256</b>	<b>258</b>	<b>261</b>	
+ Change in other long-term liabilities	-0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-98.8	-421.0	-84.9	-133.4	-128.0	-144.1	-145.5	-146.2	-139.3	-141.3	-139.7	
<b>Free operating cash flow</b>	<b>-3.9</b>	<b>-274.8</b>	<b>89.6</b>	<b>69.1</b>	<b>92.1</b>	<b>92.8</b>	<b>99.0</b>	<b>105</b>	<b>117</b>	<b>116</b>	<b>122</b>	
+/- Other	0.0	217	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	-3.9	-58.3	89.6	69.1	92.1	92.8	99.0	105	117	116	122	1710
<b>Discounted FCFF</b>		<b>-57.7</b>	<b>81.7</b>	<b>57.9</b>	<b>71.0</b>	<b>65.8</b>	<b>64.5</b>	<b>63.0</b>	<b>64.5</b>	<b>59.0</b>	<b>56.8</b>	<b>798</b>
Sum of FCFF present value		1324	1382	1300	1242	1171	1106	1041	978	914	855	798
<b>Enterprise value DCF</b>		<b>1324</b>										
- Interest bearing debt		-392.4										
+ Cash and cash equivalents		9.1										
-Minorities		0.0										
-Dividend/capital return		-44.7										
<b>Equity value DCF</b>		<b>896</b>										
<b>Equity value DCF per share</b>		<b>15.2</b>										

## WACC

Tax-% (WACC)	20.0 %
Target debt ratio (D/(D+E))	20.0 %
Cost of debt	5.0 %
Equity Beta	1.20
Market risk premium	4.75%
Liquidity premium	1.70%
Risk free interest rate	2.5 %
<b>Cost of equity</b>	<b>9.9 %</b>
<b>Weighted average cost of capital (WACC)</b>	<b>8.7 %</b>

Source: Inderes

## Cash flow distribution



# Summary

Income statement	2020	2021	2022	2023e	2024e	Per share data	2020	2021	2022	2023e	2024e
Revenue	1073.2	1141.8	1168.0	<b>1379.4</b>	<b>1658.6</b>	EPS (reported)	1.21	1.32	1.00	<b>0.93</b>	<b>1.19</b>
EBITDA	163.6	174.6	157.2	<b>186.1</b>	<b>219.2</b>	EPS (adj.)	1.22	1.29	1.03	<b>1.00</b>	<b>1.19</b>
EBIT	98.9	107.7	84.0	<b>92.7</b>	<b>119.2</b>	OCF / share	2.70	2.27	1.62	<b>2.48</b>	<b>2.96</b>
PTP	88.9	97.5	73.3	<b>69.1</b>	<b>88.7</b>	FCF / share	1.60	1.31	-0.07	<b>-0.99</b>	<b>1.52</b>
Net Income	71.2	78.0	58.8	<b>55.0</b>	<b>70.0</b>	Book value / share	3.69	4.16	4.20	<b>4.38</b>	<b>4.79</b>
Extraordinary items	-0.6	2.1	-1.7	<b>-3.5</b>	<b>0.0</b>	Dividend / share	0.85	0.96	0.76	<b>0.78</b>	<b>0.80</b>
Balance sheet	2020	2021	2022	2023e	2024e	Growth and profitability	2020	2021	2022	2023e	2024e
Balance sheet total	785.0	816.5	793.8	<b>1235.6</b>	<b>1266.3</b>	Revenue growth-%	14%	6%	2%	<b>18%</b>	<b>20%</b>
Equity capital	217.3	244.7	247.0	<b>258.1</b>	<b>282.2</b>	EBITDA growth-%	25%	7%	-10%	<b>18%</b>	<b>18%</b>
Goodwill	135.8	136.2	136.2	<b>266.2</b>	<b>266.2</b>	EBIT (adj.) growth-%	41%	6%	-19%	<b>12%</b>	<b>24%</b>
Net debt	332.8	314.3	383.3	<b>720.6</b>	<b>701.0</b>	EPS (adj.) growth-%	49%	6%	-20%	<b>-3%</b>	<b>20%</b>
Cash flow	2020	2021	2022	2023e	2024e	EBITDA-%	15.2 %	15.3 %	13.5 %	<b>13.5 %</b>	<b>13.2 %</b>
EBITDA	163.6	174.6	157.2	<b>186.1</b>	<b>219.2</b>	EBIT (adj.)-%	9.3 %	9.3 %	7.3 %	<b>7.0 %</b>	<b>7.2 %</b>
Change in working capital	15.2	-20.0	-44.9	<b>-21.0</b>	<b>-19.6</b>	EBIT-%	9.2 %	9.4 %	7.2 %	<b>6.7 %</b>	<b>7.2 %</b>
Operating cash flow	158.6	133.7	95.4	<b>146.2</b>	<b>174.5</b>	ROE-%	35.4 %	33.8 %	23.9 %	<b>21.8 %</b>	<b>25.9 %</b>
CAPEX	-64.3	-55.8	-98.8	<b>-421.0</b>	<b>-84.9</b>	ROI-%	16.2 %	17.0 %	13.1 %	<b>10.9 %</b>	<b>11.3 %</b>
Free cash flow	94.0	77.3	-3.9	<b>-58.3</b>	<b>89.6</b>	Equity ratio	27.7 %	30.0 %	31.1 %	<b>20.9 %</b>	<b>22.3 %</b>
						Gearing	153.1%	128.5 %	155.2 %	<b>279.2 %</b>	<b>248.4 %</b>
Valuation multiples	2020	2021	2022	2023e	2024e						
EV/S	1.2	1.3	0.9	<b>1.1</b>	<b>0.9</b>						
EV/EBITDA (adj.)	7.9	8.4	6.7	<b>7.9</b>	<b>6.6</b>						
EV/EBIT (adj.)	12.9	13.9	12.2	<b>15.2</b>	<b>12.1</b>						
P/E (adj.)	13.3	15.2	11.0	<b>12.7</b>	<b>10.6</b>						
P/B	4.4	4.7	2.7	<b>2.9</b>	<b>2.6</b>						
Dividend-%	5.2 %	4.9 %	6.7 %	<b>6.2 %</b>	<b>6.3 %</b>						

Source: Inderes

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Buy	The 12-month risk-adjusted expected shareholder return of the share is very attractive
Accumulate	The 12-month risk-adjusted expected shareholder return of the share is attractive
Reduce	The 12-month risk-adjusted expected shareholder return of the share is weak
Sell	The 12-month risk-adjusted expected shareholder return of the share is very weak

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## Recommendation history (>12 mo)

Date	Recommendation	Target	Share price
5/8/2021	Buy	25.00 €	21.68 €
7/29/2021	Accumulate	27.00 €	24.66 €
10/31/2021	Buy	25.00 €	19.68 €
<i>Analyst changed</i>			
2/14/2022	Buy	20.00 €	17.90 €
4/27/2022	Buy	17.00 €	14.78 €
5/2/2022	Buy	15.00 €	12.40 €
5/27/2022	Accumulate	13.50 €	12.17 €
8/1/2022	Accumulate	14.00 €	12.82 €
9/30/2022	Accumulate	12.50 €	11.04 €
10/31/2022	Accumulate	12.50 €	11.83 €
12/19/2022	Accumulate	12.50 €	11.63 €
2/13/2023	Accumulate	14.00 €	12.98 €
4/13/2023	Accumulate	14.20 €	13.20 €
5/2/2023	Accumulate	13.50 €	12.41 €
8/7/2023	Accumulate	14.50 €	13.73 €
<i>Analyst changed</i>			
11/20/2023	Accumulate	14.00 €	12.61 €



## Connecting investors and companies

Inderes connects investors and listed companies. We help over 400 Nordic listed companies to better serve their shareholders. Our community is home to over 70 000 active investors. Our social objective is to democratize information in the financial markets.

We build solutions for listed companies that enable seamless and effective investor relations. Majority of our revenue comes from services to listed companies, including Commissioned Research, Virtual Events, AGM services, and IR technology and consultation.

Inderes is listed on Nasdaq First North growth market and operates in Finland, Sweden, Norway and Denmark.

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Juha Kinnunen

2012, 2016, 2017, 2018, 2019, 2020



Mikael Rautanen

2014, 2016, 2017, 2019



Sauli Vilén

2012, 2016, 2018, 2019, 2020



Antti Viljakainen

2014, 2015, 2016, 2018, 2019, 2020



Olli Koponen

2020



Joni Grönqvist

2019, 2020



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2018, 2020



Petri Gostowski

2020



Atte Riikola

2020

**Research belongs  
to everyone.**