

# Musti

## Company report

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This report is a summary translation of the report “Emme päästä koiria irti nykyisellä arvostuksella” published on 11/17/2021 at 8:39 am

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# We are not letting the dogs loose with current valuation

Musti's net sales and market share continued to grow strongly in Q4, but similar to last quarter, earnings growth was more sluggish. We hardly made any adjustments to our forecasts. We estimate that the expected strong earnings growth will be largely lost in digesting the high multiples and that the low return expectation of the share over the next few years won't exceed our return requirement. We reiterate our EUR 31.0 target price and Reduce recommendation.

## Report with no surprises

Musti's Q4 net sales grew by 19% to EUR 91.5 million, narrowly missing our estimate of EUR 92.2 million. The adjusted EBITA (operating profit before intangible depreciation) increased by 11% to EUR 11.2 million (our forecast 11 MEUR). The slowdown in earnings growth was further explained by the temporary reduction in efficiency of the Eskilstuna central warehouse due to the consolidation of warehouses and by the lighter-than-normal cost structure of stores of the comparison period due to the pandemic. The increase in the number of loyal customers by 13% to 1.3 million (cf. the pet population of 5.4 million) and the increase in average consumption by 5% y/y are evidence of growing market position and good customer retention.

## Puppy boom seems to be weakening, but market share is still being won from other sources

Musti's market share is high among new puppies (over 50%) and if the apparent decline in the registration data of puppies seen in October continues it also means a slowdown in Musti's growth rate from the 20%/y levels seen during the pandemic. We expect the boom to gradually decline over 2022, which will slow down the growth in the number of customers. However, growth is further supported in our forecast by the expansion of the store network with 27 and 22 new stores during the financial years 2022-2023. New stores opened in recent years also have ramp-up potential and more stores are starting to offer services that currently play a small role.

## In the big picture, our estimates remain unchanged

As a whole, we estimate Musti's net sales to grow 15% in 2022 to EUR 393 million and adjusted EBITA margin to grow to 11.7% (2021: 10.8%). In 2023, net sales will increase by 11% to EUR 435 million and EBITA to 12.4%. In our longer-term forecast, 2025 net sales will increase to EUR 503 million and EBITA-% will rise to 13.5%, as the proportion of stores in ramp-up phase will decrease significantly from the current level. In 2025, we estimate the number of own stores to be 351 (2021: 280)

## We wait for a purchase opportunity with better expected returns

The company's earnings-based valuation is still very high in the next few years (2022e P/E 41x and EV/EBITDA 18x and 2023e 34x and 15x). However, we feel that examining only the multiples of the next few years doesn't provide the right picture of the company's value given Musti's strong concept and outlook. A considerable share of Musti's stores is also still in the ramp-up stage. In our valuation, we look to 2025 as visibility is good to the progress of the next few years. If Musti progresses as we expect, we estimate that it will be priced with a P/E of 25-30x in 2025, which with our estimates would mean a price of ca. EUR 36. The current high valuation keeps the return expectation low in 2022-2025e despite the estimated strong earnings growth (17% y/y) as the multiples are normalizing gradually. The 2% dividend yield that we estimate contributes to the expected return, but the low total return (4%/y) doesn't exceed our return requirement.

## Recommendation

### Reduce

(previous Reduce)

### EUR 31.00

(previous EUR 31.00)

### Share price:

33.92



## Key figures

	2021	2022e	2023e	2024e
<b>Revenue</b>	341	393	435	470
<b>growth-%</b>	20%	15%	11%	8%
<b>EBIT adj.</b>	30.1	39.2	47.0	54.4
<b>EBIT-% adj.</b>	8.8 %	10.0 %	10.8 %	11.6 %
<b>Net Income</b>	20.8	27.8	33.3	39.1
<b>EPS (adj.)</b>	0.67	0.83	0.99	1.16

<b>P/E (adj.)</b>	45.9	40.9	34.1	29.1
<b>P/B</b>	6.6	6.7	6.2	5.9
<b>Dividend yield-%</b>	1.4 %	1.8 %	2.5 %	2.9 %
<b>EV/EBIT (adj.)</b>	38.3	31.5	25.9	22.2
<b>EV/EBITDA</b>	20.2	17.7	15.3	14.0
<b>EV/S</b>	3.4	3.1	2.8	2.6

Lähde: Inderes

## Guidance

(Unchanged)

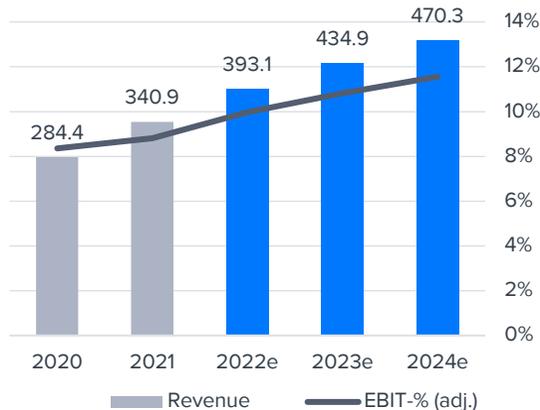
Musti does not publish short-term guidance. The company's long-term targets are net sales above EUR 500 million by the financial year 2024 and over 13% EBITA margin in the medium- to long-term.

## Share price



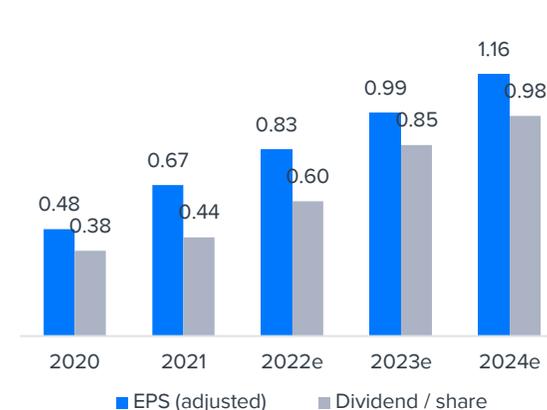
Source: Thomson Reuters

## Revenue and EBIT %



Source: Inderes

## EPS and dividend



Source: Inderes



## Value drivers

- Opening new stores, especially in Sweden and Norway
- Success in new customer acquisition
- Increasing sales to old customers, e.g., by utilizing customer data
- Increasing service sales
- Economies of scale through volumes
- Improving the sales mix in Norway and Sweden towards Finland's level



## Risk factors

- Weakening economic situation, consumers' purchasing power weakening
- Strong historical growth rate slowing down
- Increasing price competition due to growing e-commerce
- Grocery stores striking back
- Unsuccessful placement of stores
- High goodwill in balance sheet

Valuation	2022e	2023e	2024e
Share price	33.9	33.9	33.9
Number of shares, million:	33.5	33.5	33.5
Market cap	1138	1138	1138
EV	1234	1218	1208
P/E (adj.)	40.9	34.1	29.1
P/E	40.9	34.1	29.1
P/FCF	33.0	28.2	26.7
P/B	6.7	6.2	5.9
P/S	2.9	2.6	2.4
EV/Sales	3.1	2.8	2.6
EV/EBITDA	17.7	15.3	14.0
EV/EBIT (adj.)	31.5	25.9	22.2
Payout ratio (%)	72.3 %	85.5 %	84.1 %
Dividend yield-%	1.8 %	2.5 %	2.9 %

Source: Inderes

# No surprises in figures

## Growth continued strong

Musti's Q4 net sales grew by 19% to EUR 91.5 million, missing our estimate marginally (92.2 MEUR). Sales growth per country was in line with our expectations and Finland's sales increased by 12% to EUR 40.3 million (estimate 41.4 MEUR), Sweden's 19% to EUR 39.7 million (estimate 39.4 MEUR) and Norway's 53% to EUR 11.5 million (estimate 11.4 MEUR).

The number of directly operated stores grew to 280 (estimate: 282), which means 49 new directly operated stores for the fiscal year (26 of these were acquired franchise stores). Missing our estimate of new stores in Q4 was due to Norway, where the number of stores grew by only two, when we had expected five new directly operated stores.

Comparable in-store sales continued to grow briskly by 8.2%. Online sales increased by 20.4% and now

accounted for 22.3% of net sales. The number of loyal customers continued to develop positively as expected and reached 1.297 million (Q3'21: 1.257 million).

## Adjusted result also expected

Adjusted EBITA (operating profit before intangible depreciation) which is the best indicator for the development of operational profitability grew by 11% to EUR 11.2 million, slightly beating our estimate (11.0 MEUR). Similar to last quarter, adjusted EBITA margin decreased to 12.2% (Q4'20: 13.1%). Finland's margin was in line with our expectations (24.5%), Sweden (17.8%) slightly exceeded our expectations, while Norway (15.2%) remained slightly below our expectations. During the comparison period, the cost structure was still somewhat positively affected by lower working hours in stores due to adjusting to the

COVID pandemic, which explains the decrease in relative profitability. Additional costs (EUR 0.4 million) came from the reduced efficiency of Eskilstuna's central warehouse due to warehouse consolidation. The consolidation has progressed slower than the company expected, but its efficiency gains should begin to be visible in the financial year 2022.

Taxes paid by the Group and adjustment items (EUR 0.9 million) were higher than our expectations and the reported EPS decreased by good 10% to EUR 0.16 (estimate EUR 0.19) from the comparison period. The dividend, or in this case the capital return, was also slightly below our expectations, amounting to EUR 0.44 per share (estimate EUR 0.49 per share).

Estimates MEUR / EUR	Q4'20	Q4'21	Q4'21e	Q4'21e	Consensus		Difference (%)	2021e
	Comparator	Actualized	Inderes	Consensus	Low	High	Act. vs. inderes	Inderes
Revenue	76.9	91.5	92.2				-1%	341
(optional estimate)	10.1	11.2	11.1				1%	36.6
EBIT	7.8	8.6	9.3				-8%	28.3
EPS (reported)	0.18	0.16	0.19				-18%	0.66
DPS	0.38	0.44	0.49				-10%	0.44
Revenue growth-%	16.6 %	19.0 %	19.9 %				-0.9 pp	19.9 %
EBITA-% (oik.)	13.1 %	12.2 %	12.1 %				0.1 pp	10.7 %

Source: Inderes

# In the big picture, our estimates remain unchanged

## More color to the outlook from the earnings call

With regard to the outlook, Musti was less outspoken than we expected in the Q4 report. However, Musti expects to be able to continue its development in line with the long-term financial targets. In the Q&A session of the earnings call, the company stated that for the financial year 2022, the aim is to increase its directly operated store network by about 30, although the exact range hasn't been published, unlike in previous years.

Before the result, we estimated that Musti would open 27 stores during the next financial year. We didn't make any changes to this estimate, because our forecasts don't include franchise acquisitions and when they are considered, our forecasts are very much in line with the comments.

## First signs of puppy boom weakening

The development of the number of puppy registrations in the target market is an important driver for Musti's figures, as the company's market share among new puppies is over 50%. Puppy boom continued to be strong in July-September, as the number of puppies registered in Sweden continued to grow by 14% from 2020. In October, however, registrations of puppies declined by 10% from 2020, being still 10% above 2019 levels (cf. figure).

The trend change creates a minor uncertainty for the development in the 2022 financial year. However, in the earnings call, the company said that it hasn't yet seen a change in its own data, which removes some of the concern. Furthermore, Musti shared data on growth in different markets in the earnings call and in Finland the market has grown by 6%, in Sweden by 8% and in Norway by 10-13% over the last year.

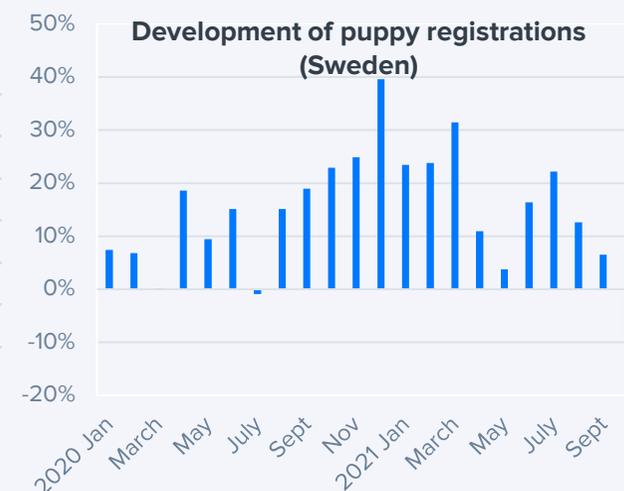
In our estimate, puppy registrations returning to 2019 levels would reduce market growth by about 3%. In our rough estimate, the puppy boom ending would slow down Musti's growth figures by about 5% due to its high market share in new puppies.

## Estimates in relation to targets unchanged

In our current forecast, 2024 net sales will increase to EUR 470 million and EBITA-% will rise to 13.0%, as the proportion of stores in ramp-up phase will decrease. Thus, our forecasts are slightly lower than Musti's own targets for 2024. However, we estimate that the company will exceed its target of EUR 500 million net sales already in 2025. Our estimates in relation to Musti's financial targets are presented in the graphs on the next page.

Estimate revisions	2021e	2021e	Change	2022e	2022e	Change	2023e	2023e	Change
MEUR / EUR	Old	New	%	Old	New	%	Old	New	%
Revenue	342	341	0%	395	393	0%	437	435	0%
EBIT (exc. NRIs)	29.9	30.1	0%	39.3	39.2	0%	46.6	47.0	1%
EBIT	29.0	28.3	-3%	39.3	39.2	0%	46.6	47.0	1%
PTP	27.3	26.8	-2%	34.7	34.2	-2%	41.8	42.2	1%
EPS (excl. NRIs)	0.69	0.67	-2%	0.82	0.83	1%	0.98	0.99	1%
DPS	0.49	0.44	-10%	0.60	0.60	0%	0.85	0.85	0%

Source: Inderes

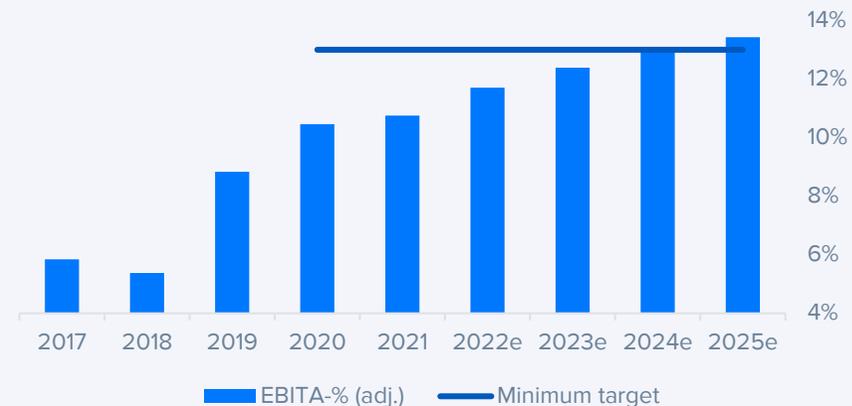


# Our estimates in relation to Musti's targets

## Net sales growth (MEUR)



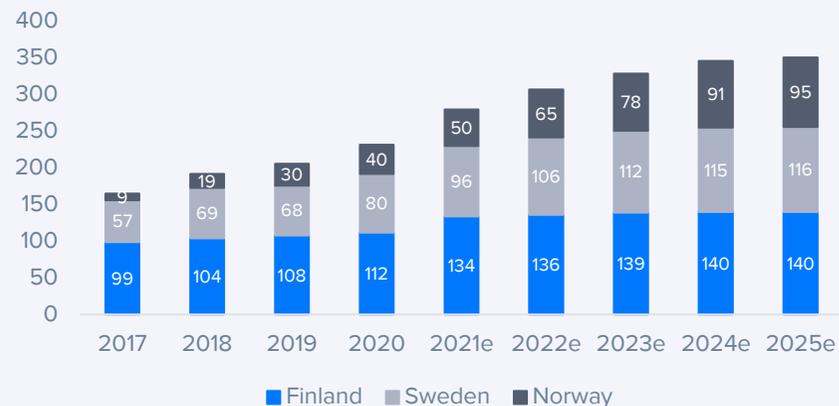
## Profitability



## Our estimate of operative leverage



## Number of directly operated stores at the end of year



# Eyes on the long perspective in valuation

## Share price high with the estimates for the next few years

The 2021 and 2022 P/E multiples adjusted for non-recurring items in our forecasts are 41x and 34x and thus very high. Similarly, the 2021e and 2022e EV/EBITDA multiples of 18x and 15x are very high. In relation to peers, the premiums (P/E 60- 40% and EV/EBITDA 35%) are also high. Of course, pricing Musti at a premium is supported by the company's long-term growth outlook (17% CAGR), which is much better than that of peers. Now, however, the premiums have stretched again slightly over our pain threshold.

## Eyes on the long perspective in valuation

We feel that examining only the multiples of the next few years doesn't provide the right picture of the company's value given Musti's strong concept and its outlook. Moreover, a significant share of stores is still in the ramp-up phase and their profitability potential hasn't been showcased yet. In our valuation we look to 2025 (2025e EPS EUR 1.32) as visibility is exceptionally good in terms of earnings growth over the next few years. If the company proceeds in line with the scenario laid out in our forecasts, we estimate that Musti would be priced with a ca. 25-30x multiple based on excellent track-record and strengthened market position. Based on this, the price range of the share would be between EUR 33-39 at the beginning of the 2025 financial year.

The upside from the current price to the average of this range is about 6%, leading to an annual return of about 2% from the share price increase. Our view is

that the expected return in 2021-2025 doesn't quite meet our return requirement, even when dividends are also considered.

## DCF valuation

Our DCF model indicates a value of EUR 32.2 per share. In our forecast model, after stronger growth in 2022-2023 (15% and 11%), the company's net sales growth will gradually stabilize to the 2% level of the terminal period (2030).

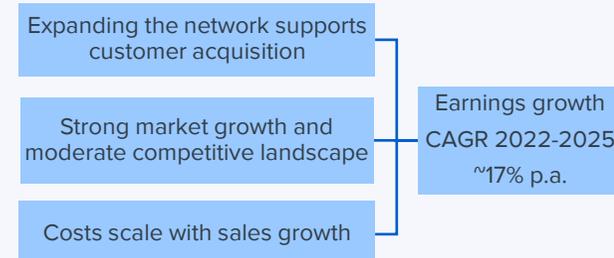
At the same time, the EBIT margin will gradually increase from 8.3% (adj.) in 2020 to 12.3% in 2025 as the cost structure continues to scale and will be 12.5% (~EBITA 13.7%) in the terminal period.

The terminal's adjusted EBITA margin is in line with the company's target (EBITA above 13%). The terminal (after 2030) reflects a continued moderate competitive situation, as it is today, in which the market has continued to focus both on pet care specialist (mainly Musti) and online stores. Grocery stores also continue to have a significant share of the market. In the model, the weight of the terminal period in the value of cash flows is high, i.e., 70%, due to the strong growth focus in the next few years and partly due to the very low average cost of capital we use in the cash flow model, which reflects the low risk level.

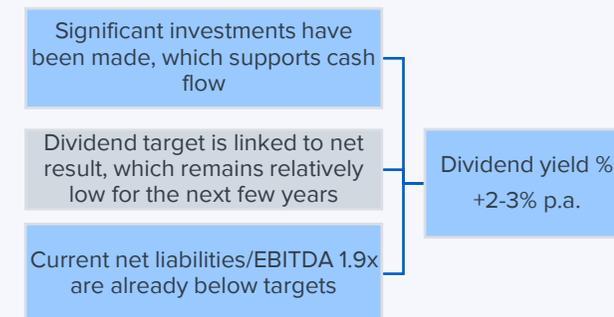
## TSR drivers

■ Positive ■ Neutral ■ Negative

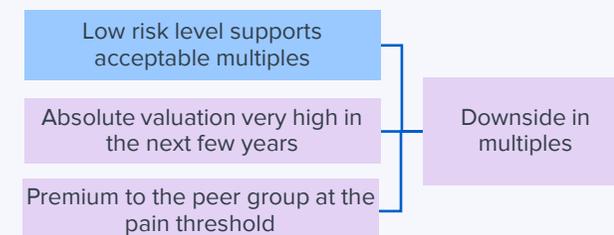
### Performance



### Dividend yield



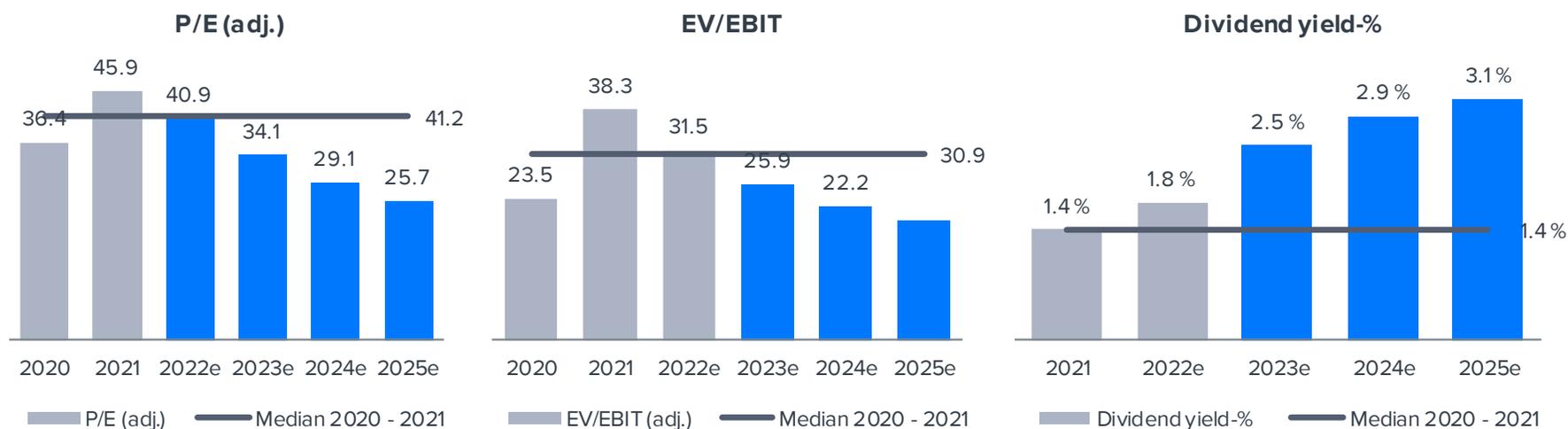
### Valuation multiples



# Valuation table

Valuation	2018	2019	2020	2021	2022e	2023e	2024e	2025e
Share price			20.6	30.9	33.9	33.9	33.9	33.9
Number of shares, millions			28.4	33.5	33.5	33.5	33.5	33.5
Market cap			248	1036	1138	1138	1138	1138
EV			382	1150	1234	1218	1208	1197
P/E (adj.)			36.4	45.9	40.9	34.1	29.1	25.7
P/E			82.3	49.9	40.9	34.1	29.1	25.7
P/FCF			16.2	neg.	33.0	28.2	26.7	24.3
P/B			2.5	6.6	6.7	6.2	5.9	5.5
P/S			1.0	3.0	2.9	2.6	2.4	2.3
EV/Sales			1.5	3.4	3.1	2.8	2.6	2.4
EV/EBITDA			11.2	20.2	17.7	15.3	14.0	13.0
EV/EBIT (adj.)			23.5	38.3	31.5	25.9	22.2	19.9
Payout ratio (%)			0.0 %	71.1 %	72.3 %	85.5 %	84.1 %	80.0 %
Dividend yield-%			0.0 %	1.4 %	1.8 %	2.5 %	2.9 %	3.1 %

Source: Inderes



# Peer group valuation

Peer group valuation	Share price	Market cap	EV	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%		P/B
Company		MEUR	MEUR	2022e	2023e	2022e	2023e	2022e	2023e	2022e	2023e	2022e	2023e	2022e
Axfood AB	229.50	4811	5357	19.6	19.0	10.3	9.9	0.9	0.8	23.7	23.8	3.4	3.6	9.9
ICA Gruppen AB	534.00	10795	12208	20.5	20.3	10.7	10.6	1.0	0.9	24.0	24.3	2.5	2.6	2.9
Kesko Oyj	28.42	11278	13105	17.7	19.3	11.0	11.3	1.2	1.2	20.6	22.5	3.1	3.3	4.6
Zooplus AG	480.20	3455	3382	115.0	73.3	54.7	48.3	1.6	1.4	142.3	113.6			22.6
Pets at Home Group PLC	461.60	2757	3238	24.5	16.4	13.1	9.8	2.1	2.1	32.7	22.1	1.7	2.3	2.2
Tractor Supply Co	222.89	22317	22237	18.8	18.7	15.6	14.9	1.9	1.8	26.2	25.5	0.9	1.1	13.4
Freshpet Inc	126.06	4812	4662		392.8	133.1	85.7	14.9	11.7		1117.2			7.7
Jeronimo Martins SGPS SA	19.25	13698	15730	17.0	15.7	8.8	8.3	0.7	0.6	29.4	26.5	1.9	2.2	5.8
Verkkokauppa.com Oyj	7.09	326	322	16.4	13.7	13.2	11.3	0.6	0.5	20.5	17.4	4.2	3.8	8.6
Tokmanni Group Corp	19.60	1165	1505	14.4	14.1	9.0	8.7	1.4	1.3	14.6	14.2	5.1	5.4	4.7
Swedencare AB (publ)	149.50	1767	1806	93.4	58.1	88.1	52.8	22.4	14.8	116.7	78.7	0.3	0.5	7.1
<b>Musti (Inderes)</b>	<b>33.92</b>	<b>1138</b>	<b>1234</b>	<b>31.5</b>	<b>25.9</b>	<b>17.7</b>	<b>15.3</b>	<b>3.1</b>	<b>2.8</b>	<b>40.9</b>	<b>34.1</b>	<b>1.8</b>	<b>2.5</b>	<b>6.7</b>
<b>Average</b>				<b>35.7</b>	<b>60.1</b>	<b>33.4</b>	<b>24.7</b>	<b>4.4</b>	<b>3.4</b>	<b>45.1</b>	<b>135.1</b>	<b>2.6</b>	<b>2.8</b>	<b>8.1</b>
<b>Median</b>				<b>19.2</b>	<b>19.0</b>	<b>13.1</b>	<b>11.3</b>	<b>1.4</b>	<b>1.3</b>	<b>25.1</b>	<b>24.3</b>	<b>2.5</b>	<b>2.6</b>	<b>7.1</b>
<b>Diff-% to median</b>				<b>64%</b>	<b>36%</b>	<b>35%</b>	<b>35%</b>	<b>124%</b>	<b>115%</b>	<b>63%</b>	<b>40%</b>	<b>-29%</b>	<b>-4%</b>	<b>-6%</b>

Source: Thomson Reuters / Inderes. NB: The market cap Inderes uses does not consider own shares held by the company.

# Income statement

Income statement	2020	Q1'21	Q2'21	Q3'21	Q4'21	2021	Q1'22e	Q2'22e	Q3'22e	Q4'22e	2022e	2023e	2024e	2025e
<b>Net sales</b>	<b>284</b>	<b>84.4</b>	<b>82.4</b>	<b>82.6</b>	<b>91.5</b>	<b>341</b>	<b>97.5</b>	<b>95.2</b>	<b>95.5</b>	<b>105</b>	<b>393</b>	<b>435</b>	<b>470</b>	<b>501</b>
Finland	136	39.1	37.1	36.2	40.3	153	43.0	40.8	39.8	44.3	168	180	188	196
Sweden	123	35.7	35.6	36.4	39.7	147	41.0	40.9	41.9	45.7	169	186	199	210
Norway	25.4	9.6	9.7	10.0	11.5	40.8	13.5	13.4	13.8	15.0	55.7	69.6	83.6	94.4
<b>EBITDA</b>	<b>43.8</b>	<b>15.1</b>	<b>13.1</b>	<b>12.5</b>	<b>16.2</b>	<b>56.9</b>	<b>18.4</b>	<b>16.0</b>	<b>15.8</b>	<b>19.5</b>	<b>69.7</b>	<b>79.7</b>	<b>86.6</b>	<b>92.4</b>
Tangible asset depreciation	-18.2	-5.1	-5.4	-5.6	-6.0	-22.1	-5.7	-5.9	-6.0	-6.1	-23.7	-25.8	-25.2	-25.2
Finland (EBITA)	33.0	10.0	8.4	7.9	9.7	36.0	10.6	9.3	8.7	10.6	39.2	42.2	44.9	47.0
Sweden (EBITA)	14.9	5.6	4.5	4.5	7.2	21.8	6.6	5.4	5.9	8.6	26.5	30.3	34.5	37.2
Norway (EBITA)	2.9	1.8	1.6	1.6	1.7	6.7	2.6	2.3	2.4	2.3	9.7	12.4	15.5	19.0
Group operations and adjustments (EBITA)	-25.2	-7.4	-6.8	-7.1	-8.4	-29.6	-7.1	-6.9	-7.3	-8.1	-29.4	-31.0	-33.5	-36.0
Intangible asset depreciation	-6.0	-1.6	-1.6	-1.7	-1.7	-6.6	-1.7	-1.7	-1.7	-1.7	-6.8	-6.8	-7.0	-7.0
<b>EBIT (excl. NRI)</b>	<b>23.7</b>	<b>9.0</b>	<b>6.1</b>	<b>5.6</b>	<b>9.4</b>	<b>30.1</b>	<b>10.9</b>	<b>8.5</b>	<b>8.1</b>	<b>11.7</b>	<b>39.2</b>	<b>47.0</b>	<b>54.4</b>	<b>60.2</b>
<b>EBIT</b>	<b>19.5</b>	<b>8.4</b>	<b>6.1</b>	<b>5.3</b>	<b>8.5</b>	<b>28.3</b>	<b>10.9</b>	<b>8.5</b>	<b>8.1</b>	<b>11.7</b>	<b>39.2</b>	<b>47.0</b>	<b>54.4</b>	<b>60.2</b>
Net financial items	-5.9	1.1	-1.2	-0.4	-1.0	-1.5	-1.2	-1.3	-1.3	-1.3	-5.1	-4.8	-4.9	-4.2
<b>PTP</b>	<b>13.7</b>	<b>9.5</b>	<b>4.9</b>	<b>4.9</b>	<b>7.5</b>	<b>26.8</b>	<b>9.7</b>	<b>7.2</b>	<b>6.8</b>	<b>10.4</b>	<b>34.2</b>	<b>42.2</b>	<b>49.4</b>	<b>56.0</b>
Taxes	-1.9	-1.7	-1.1	-0.8	-2.4	-6.0	-1.8	-1.3	-1.3	-1.9	-6.3	-8.9	-10.4	-11.8
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>11.8</b>	<b>7.8</b>	<b>3.8</b>	<b>4.1</b>	<b>5.1</b>	<b>20.8</b>	<b>7.9</b>	<b>5.9</b>	<b>5.5</b>	<b>8.5</b>	<b>27.8</b>	<b>33.3</b>	<b>39.1</b>	<b>44.2</b>
<b>EPS (adj.)</b>	<b>0.48</b>	<b>0.25</b>	<b>0.11</b>	<b>0.13</b>	<b>0.18</b>	<b>0.67</b>	<b>0.24</b>	<b>0.18</b>	<b>0.16</b>	<b>0.25</b>	<b>0.83</b>	<b>0.99</b>	<b>1.16</b>	<b>1.32</b>
<b>EPS (rep.)</b>	<b>0.35</b>	<b>0.23</b>	<b>0.11</b>	<b>0.12</b>	<b>0.15</b>	<b>0.62</b>	<b>0.24</b>	<b>0.18</b>	<b>0.16</b>	<b>0.25</b>	<b>0.83</b>	<b>0.99</b>	<b>1.16</b>	<b>1.32</b>
<b>Key figures</b>	<b>2020</b>	<b>Q1'21</b>	<b>Q2'21</b>	<b>Q3'21</b>	<b>Q4'21</b>	<b>2021</b>	<b>Q1'22e</b>	<b>Q2'22e</b>	<b>Q3'22e</b>	<b>Q4'22e</b>	<b>2022e</b>	<b>2023e</b>	<b>2024e</b>	<b>2025e</b>
<b>Net sales growth-%</b>	15.3 %	20.0 %	20.3 %	20.2 %	19.0 %	19.9 %	15.6 %	15.5 %	15.6 %	14.7 %	15.3 %	10.6 %	8.1 %	6.4 %
<b>Adjusted EBIT growth-%</b>	46.4 %	43.8 %	47.9 %	13.8 %	10.8 %	26.5 %	21.5 %	39.7 %	46.1 %	24.1 %	30.5 %	19.9 %	15.6 %	10.7 %
<b>EBITDA-%</b>	15.4 %	17.9 %	15.9 %	15.1 %	17.7 %	16.7 %	18.8 %	16.9 %	16.6 %	18.6 %	17.7 %	18.3 %	18.4 %	18.5 %
<b>Adjusted EBIT-%</b>	8.4 %	10.7 %	7.4 %	6.7 %	10.3 %	8.8 %	11.2 %	8.9 %	8.5 %	11.1 %	10.0 %	10.8 %	11.6 %	12.0 %
<b>Net earnings-%</b>	4.1 %	9.2 %	4.6 %	5.0 %	5.6 %	6.1 %	8.1 %	6.2 %	5.8 %	8.1 %	7.1 %	7.7 %	8.3 %	8.8 %

Source: Inderes

# Balance sheet

Assets	2020	2021	2022e	2023e	2024e
<b>Non-current assets</b>	<b>246</b>	<b>270</b>	<b>269</b>	<b>267</b>	<b>267</b>
Goodwill	145	158	158	158	158
Intangible assets	20.5	18.7	14.9	14.4	14.1
Tangible assets	73.4	87.5	90.8	89.8	90.3
Associated companies	1.0	1.0	0.0	0.0	0.0
Other investments	0.0	0.0	0.0	0.0	0.0
Other non-current assets	0.3	0.1	0.1	0.1	0.1
Deferred tax assets	5.9	5.0	5.0	5.0	5.0
<b>Current assets</b>	<b>66</b>	<b>67</b>	<b>78</b>	<b>86</b>	<b>93</b>
Inventories	36.4	44.3	51.1	56.5	61.1
Other current assets	1.4	0.8	0.8	0.8	0.8
Receivables	6.5	9.3	10.7	11.9	12.9
Cash and equivalents	21.6	13.0	15.0	16.6	18.0
<b>Balance sheet total</b>	<b>312</b>	<b>338</b>	<b>346</b>	<b>353</b>	<b>360</b>

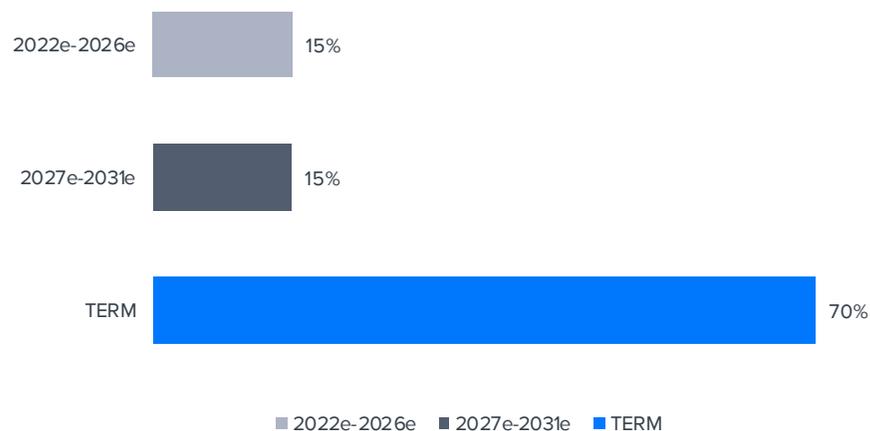
Source: Inderes

Liabilities & equity	2020	2021	2022e	2023e	2024e
<b>Equity</b>	<b>153</b>	<b>157</b>	<b>170</b>	<b>183</b>	<b>194</b>
Share capital	11.0	11.0	11.0	11.0	11.0
Retained earnings	-25.1	-2.8	10.3	23.5	34.1
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	167	148	148	148	148
Other equity	0.0	1.0	1.0	1.0	1.0
Minorities	0.2	0.1	0.0	0.0	0.0
<b>Non-current liabilities</b>	<b>102</b>	<b>109</b>	<b>98</b>	<b>85</b>	<b>77</b>
Deferred tax liabilities	2.2	2.7	2.7	2.7	2.7
Provisions	0.0	0.0	0.0	0.0	0.0
Long term debt	100	107	95.0	82.2	74.5
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	0.0	0.0	0.0	0.0	0.0
<b>Current liabilities</b>	<b>56</b>	<b>71</b>	<b>78</b>	<b>85</b>	<b>89</b>
Short term debt	15.9	19.8	16.7	14.8	13.7
Payables	40.3	46.8	57.0	65.2	70.5
Other current liabilities	0.2	4.7	4.7	4.7	4.7
<b>Balance sheet total</b>	<b>312</b>	<b>338</b>	<b>346</b>	<b>353</b>	<b>360</b>

# DCF calculation

DCF model	2021	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	TERM
<b>EBIT (operating profit)</b>	<b>28.3</b>	<b>39.2</b>	<b>47.0</b>	<b>54.4</b>	<b>60.2</b>	<b>64.0</b>	<b>67.1</b>	<b>70.4</b>	<b>72.5</b>	<b>74.7</b>	<b>76.2</b>	
+ Depreciation	28.6	30.5	32.6	32.2	32.2	32.4	32.6	32.7	32.8	32.9	32.9	
- Paid taxes	-4.6	-6.3	-8.9	-10.4	-11.8	-12.6	-13.2	-13.9	-14.3	-14.8	-15.8	
- Tax, financial expenses	-0.3	-0.9	-1.0	-1.0	-0.9	-0.9	-0.9	-0.9	-0.9	-0.9	-0.2	
+ 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	0.9	2.0	1.7	-0.3	-0.2	-0.1	-0.2	-0.2	-0.1	-0.1	-0.1	
<b>Operating cash flow</b>	<b>52.9</b>	<b>64.5</b>	<b>71.4</b>	<b>74.9</b>	<b>79.6</b>	<b>82.8</b>	<b>85.4</b>	<b>88.1</b>	<b>89.9</b>	<b>91.7</b>	<b>93.0</b>	
+ Change in other long-term liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-53.1	-30.0	-31.1	-32.3	-32.7	-33.0	-33.0	-33.0	-33.0	-33.0	-33.0	
<b>Free operating cash flow</b>	<b>-0.3</b>	<b>34.5</b>	<b>40.3</b>	<b>42.5</b>	<b>46.9</b>	<b>49.8</b>	<b>52.4</b>	<b>55.1</b>	<b>56.9</b>	<b>58.7</b>	<b>60.0</b>	
+/- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	-0.3	34.5	40.3	42.5	46.9	49.8	52.4	55.1	56.9	58.7	60.0	1521
<b>Discounted FCFF</b>		<b>32.3</b>	<b>35.6</b>	<b>35.4</b>	<b>36.8</b>	<b>36.9</b>	<b>36.7</b>	<b>36.4</b>	<b>35.4</b>	<b>34.4</b>	<b>33.2</b>	<b>842</b>
Sum of FCFF present value		1195	1163	1127	1091	1055	1018	981	945	909	875	842
<b>Enterprise value DCF</b>		<b>1195</b>										
- Interesting bearing debt		-126.3										
+ Cash and cash equivalents		13.0										
-Minorities		0.0										
-Dividend/capital return		0.0										
<b>Equity value DCF</b>		<b>1082</b>										
<b>Equity value DCF per share</b>		<b>32.3</b>										

Cash flow distribution



Wacc	
Tax-% (WACC)	22.0 %
Target debt ratio (D/(D+E))	20.0 %
Cost of debt	4.0 %
Equity Beta	1.00
Market risk premium	4.75%
Liquidity premium	0.00%
Risk free interest rate	2.0 %
<b>Cost of equity</b>	<b>6.8 %</b>
<b>Weighted average cost of capital (WACC)</b>	<b>6.0 %</b>

Source: Inderes

# Summary

Income statement	2019	2020	2021	2022e	2023e	Per share data	2019	2020	2021	2022e	2023e
Revenue	246.7	284.4	340.9	<b>393.1</b>	<b>434.9</b>	EPS (reported)	0.11	0.35	0.62	<b>0.83</b>	<b>0.99</b>
EBITDA	34.2	43.8	56.9	<b>69.7</b>	<b>79.7</b>	EPS (adj.)	0.24	0.48	0.67	<b>0.83</b>	<b>0.99</b>
EBIT	12.4	19.5	28.3	<b>39.2</b>	<b>47.0</b>	OCF / share	1.27	1.23	1.58	<b>1.92</b>	<b>2.13</b>
PTP	4.0	13.7	26.8	<b>34.2</b>	<b>42.2</b>	FCF / share	0.54	0.03	-0.01	<b>1.03</b>	<b>1.20</b>
Net Income	3.0	11.8	20.8	<b>27.8</b>	<b>33.3</b>	Book value / share	3.47	4.57	4.68	<b>5.07</b>	<b>5.47</b>
Extraordinary items	-3.8	-4.2	-1.8	<b>0.0</b>	<b>0.0</b>	Dividend / share	0.00	0.38	0.44	<b>0.60</b>	<b>0.85</b>
Balance sheet	2019	2020	2021	2022e	2023e	Growth and profitability	2019	2020	2021	2022e	2023e
Balance sheet total	279.5	312.3	337.5	<b>346.2</b>	<b>352.9</b>	Revenue growth-%		15%	20%	<b>15%</b>	<b>11%</b>
Equity capital	98.4	153.5	157.1	<b>170.1</b>	<b>183.3</b>	EBITDA growth-%		28%	30%	<b>23%</b>	<b>14%</b>
Goodwill	144.0	145.4	157.8	<b>157.8</b>	<b>157.8</b>	EBIT (adj.) growth-%		46%	27%	<b>31%</b>	<b>20%</b>
Net debt	133.4	94.6	113.2	<b>96.7</b>	<b>80.4</b>	EPS (adj.) growth-%		98%	41%	<b>23%</b>	<b>20%</b>
Cash flow	2019	2020	2021	2022e	2023e	EBITDA-%	13.9 %	15.4 %	16.7 %	<b>17.7 %</b>	<b>18.3 %</b>
EBITDA	34.2	43.8	56.9	<b>69.7</b>	<b>79.7</b>	EBIT (adj.)-%	6.6 %	8.4 %	8.8 %	<b>10.0 %</b>	<b>10.8 %</b>
Change in working capital	4.1	-1.2	0.9	<b>2.0</b>	<b>1.7</b>	EBIT-%	5.0 %	6.9 %	8.3 %	<b>10.0 %</b>	<b>10.8 %</b>
Operating cash flow	36.1	41.2	52.9	<b>64.5</b>	<b>71.4</b>	ROE-%	3.1 %	9.4 %	13.4 %	<b>17.0 %</b>	<b>18.9 %</b>
CAPEX	-20.7	-40.1	-53.1	<b>-30.0</b>	<b>-31.1</b>	ROI-%	5.2 %	7.7 %	10.2 %	<b>13.9 %</b>	<b>16.7 %</b>
Free cash flow	15.4	1.1	-0.3	<b>34.5</b>	<b>40.3</b>	Equity ratio	35.2 %	49.1 %	46.5 %	<b>49.1 %</b>	<b>51.9 %</b>
						Gearing	135.5 %	61.6 %	72.1 %	<b>56.9 %</b>	<b>43.9 %</b>

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Date	Recommendation	Target price	Share price
9/21/2020	Reduce	18.00 €	18.22 €
9/30/2020	Reduce	18.80 €	19.37 €
11/13/2020	Accumulate	21.70 €	20.62 €
1/13/2021	Accumulate	27.00 €	25.66 €
2/10/2021	Accumulate	28.50 €	27.50 €
4/27/2021	Reduce	31.00 €	32.96 €
5/5/2021	Accumulate	31.00 €	30.14 €
8/11/2021	Reduce	31.00 €	31.50 €
11/17/2021	Reduce	31.00 €	33.92 €



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