Rapala VMC

Extensive report

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Inderes corporate customer

This report is a summary translation of the report “Koukussa käänteeseen” published on 4/11/2022 at 7:49 pm

Hooked on turnaround

Rapala's earnings growth has all preconditions to continue in the next few years despite the fishing boom slowing down as the journey to reach the full potential of the Rapala brand and the rod & reel category has only started. We lowered our estimates slightly after cutting them clearly for the Russian market, whose importance has been rather limited for Rapala in recent years. These changes slow down 2022 earnings growth, but the expected return remains attractive (20% p.a.) relative to the moderate risk profile especially in the longer-term. The acquisition option also provides support for Rapala's valuation. We revise our target price to EUR 8.2 (previously EUR 8.5) and our recommendation to Accumulate (previously Buy).

Rapala's brand in lures is the most valuable of the sector

Rapala operates on the sport fishing market worth about EUR 7 billion, of which the value of rods and reels is about half and Rapala only recently expanded into this category with acquisitions. Estimates of sector growth vary from source to source and there are regional differences in the development of the number of fishing enthusiasts. Overall, we estimate, that the sector will grow globally roughly at a rate of GDP in the long term and is very defensive relative to economic cycles, but weather-dependent. The pandemic clearly boosted market growth. The sector also consolidates at a rapid pace driven by private equity firms, and Rapala is a potential acquisition target. Rapala's strong brand and position as a trusted partner for large retail chains, its own production, distribution and product development, and the Taiwanese sourcing unit form the cornerstones of the company's competitive edge. In the first phase of the strategy, the supply chain that was highly complex has been reorganized and conditions for cooperation between different business units have clearly improved.

Foundation established for profitable growth

Rapala's guidance is that 2022 comparable EBIT is in line with the previous year (32.7 MEUR). Our EBIT estimate was at the guidance level, but we reduced it by some EUR 2 million to EUR 30.5 million due to the dramatic deterioration in the Russian market situation. Although Rapala's 2022 EBIT decreases slightly in our estimates, EPS continues to increase, as, e.g., the company no longer pays interest on the hybrid loan. We expect the fishing boom to gradually weaken (2022-23) but the market will still be clearly above the 2019 level, e.g., supported by increased recreational fishing boats. The negative effect of the slowdown is efficiently counterbalanced by synergistic growth projects and beginning Okuma sales, which we believe will, in the next few years, reach the levels of Shimano sales (some 30 MEUR) previously distributed by Rapala. Our 2025 net sales estimate for Rapala is EUR 329 million and EBIT is EUR 40 million (EBIT 13%).

We think you should still stay on board

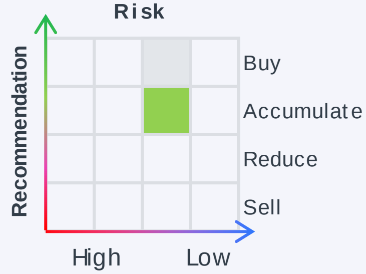
Rapala's valuation multiples 2022e P/E 15x and EV/EBIT 11x and 2023e P/E 13x and EV/EBIT 10 are low for a defensive consumer brand company, even though the relative discount to the peer group has melted away as sector valuation has decreased. We believe the acceptable P/E ratio for Rapala could currently be around 15x and could be stretched to some 20x in the longer term as confidence towards the company's performance strengthens. Annual total return for the share consists of a gradual multiple improvement, 13% earnings growth and 2-4% dividend yield. Next to strategy implementation there is another potential route for dismantling the value of strong brands as Pure Fishing's owner previously bought a 19.2% share of the company. Based on our analysis, sector transactions have taken place at approximately 2x EV/S ratios (Rapala's EV/S now 1.2x).

Recommendation

Accumulate
(previous Buy)

EUR 8.20
(previous EUR 8.50)

Share price:
7.30



Key figures

	2021	2022e	2023e	2024e
Revenue	294.3	291.7	298.9	313.6
growth-%	13%	-1%	2%	5%
EBIT adj.	32.7	30.5	32.5	36.5
EBIT-% adj.	11.1 %	10.4 %	10.9 %	11.7 %
Net Income	18.1	18.8	21.1	25.1
EPS (adj.)	0.46	0.49	0.55	0.65

P/E (adj.)	19.1	15.0	13.4	11.2
P/B	2.4	1.9	1.7	1.6
Dividend yield-%	1.7 %	2.7 %	4.1 %	4.8 %
EV/EBIT (adj.)	12.7	11.2	10.4	9.0
EV/EBITDA	9.0	8.4	7.9	7.0
EV/S	1.4	1.2	1.1	1.1

Lähde: Inderes

Guidance (Unchanged)

2022 guidance: Full year comparable operating profit to be in line with the previous year (32.7 MEUR).

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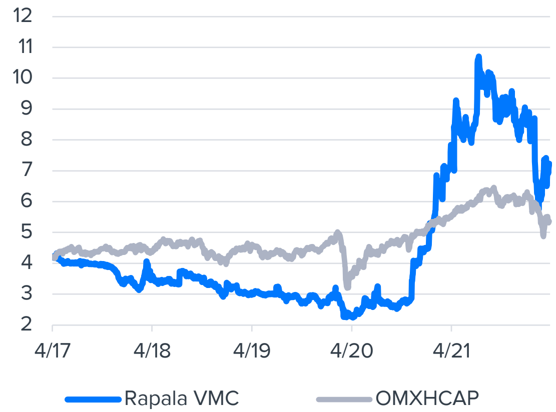
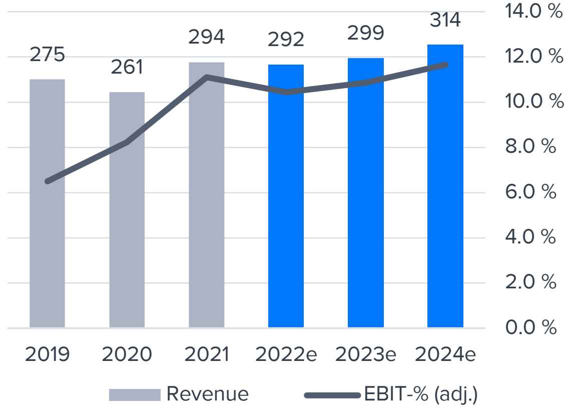
Share price



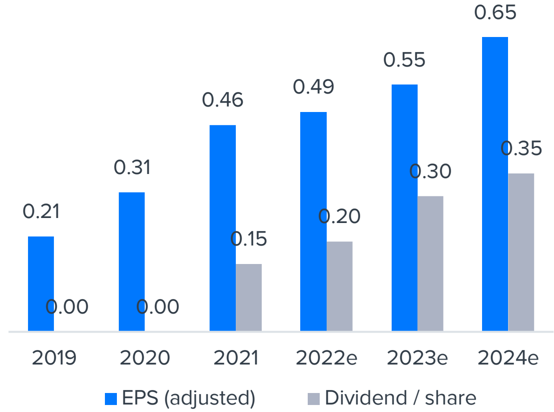
Source: Thomson Reuters

Revenue and EBIT %



Source: Inderes

EPS and dividend



Source: Inderes

Value drivers

- Growth in sales of own products and especially the Rapala brand
- New rod and reel category offers synergistic growth potential
- Improving sales mix
- Improving cost efficiency
- Release of capital
- Growth in B2C sales

Risk factors

- Strategy unsuccessful
- High fixed costs
- High seasonal variation and weather dependence of demand
- The Russian attack on Ukraine undermines the operating conditions of the Russian market (2021: 4% of net sales)
- Growth of private labels
- Transition in the retail sector and consolidation on the customer side
- Tighter competition

Valuation	2022e	2023e	2024e
Share price	7.30	7.30	7.30
Number of shares, millions	38.6	38.6	38.6
Market cap	282	282	282
EV	341	338	329
P/E (adj.)	15.0	13.4	11.2
P/E	15.0	13.4	11.2
P/FCF	11.1	21.6	12.7
P/B	1.9	1.7	1.6
P/S	1.0	0.9	0.9
EV/Sales	1.2	1.1	1.1
EV/EBITDA	8.4	7.9	7.0
EV/EBIT (adj.)	11.2	10.4	9.0
Payout ratio (%)	41.1 %	55.0 %	53.8 %
Dividend yield-%	2.7 %	4.1 %	4.8 %

Lähde: Inderes

Rapala in brief

Rapala is the world's leading manufacturer and seller of fishing lures, treble hooks, fishing accessories and filleting knives

1936
Established

1998
Listed on the stock exchange

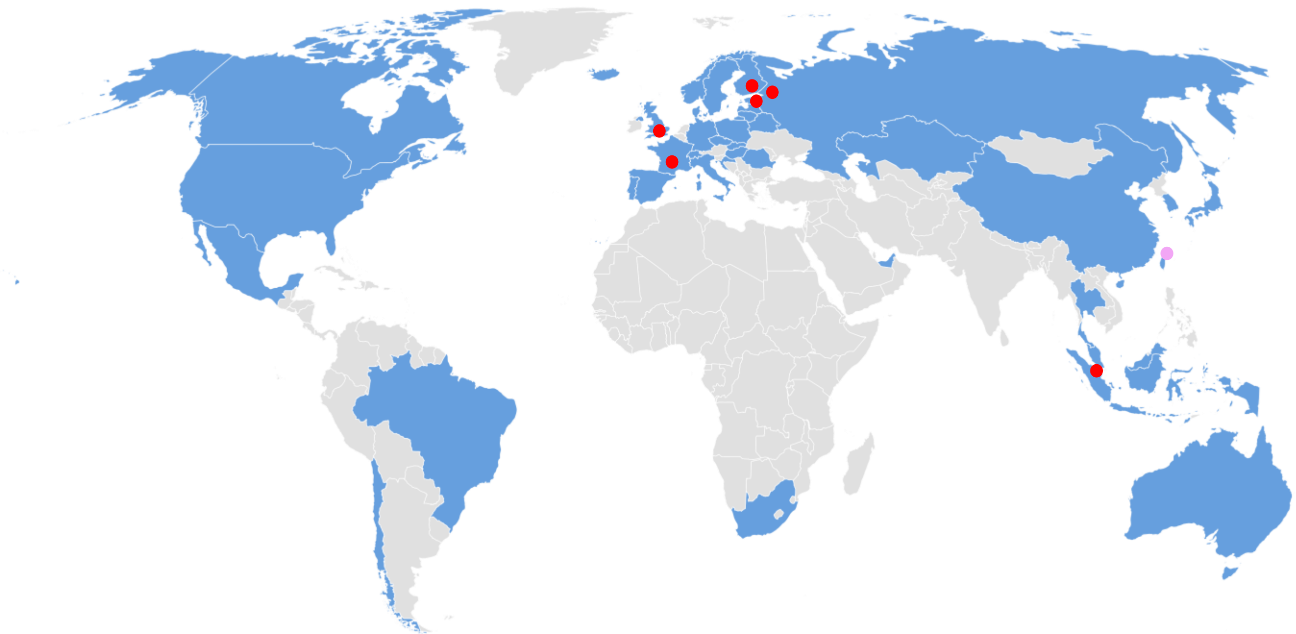
EUR 294 million (+13% vs. 2020)
Net sales 2021

EUR 32.7 million (11.1% of net sales)
EBIT (comp.) 2021

35
Number of operating countries

1,792
Average number of personnel 2021

77% / 23%
Own products / 3rd party products



Own distribution company Own factory Sourcing unit

Source: Rapala / Inderes

Company description and business model

Sales by market area

Rapala is the world's leading manufacturer and seller of fishing lures, treble hooks, fishing accessories and filleting knives. Rapala's net sales in 2021 were EUR 294 million and 77% of sales consisted of the Group's own products and about 23% of distribution of third-party products.

Rapala's largest and most important market is North America, which represented 46% of sales in 2021. The company's market position in North America is very strong especially in the fishing lure segment and the company is the clear market leader in hard lures in the region. In North America, net sales comes nearly fully from own products.

The share of Nordic countries of Rapala's net sales was 16% in 2021. The company has a very strong market position in the Nordic countries and it fully dominates several product categories. Thanks to its strong distribution chain, the company also sells third-party products in the Nordic countries. With the termination of the exclusive distribution deal with Shimano (2020), the share of third- party sales in the Nordic countries has decreased.

Rapala's second-largest market area is Rest of Europe, which accounted for 27% of net sales in 2021. It includes all European countries outside the Nordic region. The most significant countries are France, Russia and Spain. A lot of third-party products were also previously sold on some of these markets, but their role has been decreases after Shimano distribution ceased (2020 and 2021).

The Rest of the World market area represents about 11% of the company's net sales. The Rest of the World is geographically fragmented and includes business in Asia, South America and Africa.

Most of Rapala's sales are B2B sales

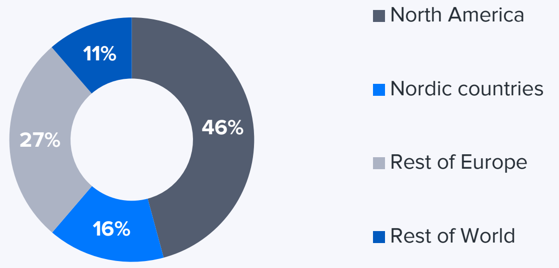
Rapala's distribution companies sell the company's own products and selected third-party products to customers who are mainly retailers. Rapala's own distribution network is extensive and covers some 35 countries (see map on previous page). Rapala also sells its own products to external distributors in about 100 countries. We estimate that approximately 95% of Rapala's B2B net sales directed at retailers goes through its own distribution companies. The share of local distributors in sales is relatively limited, despite the high geographical coverage.

Investments in the online store have begun

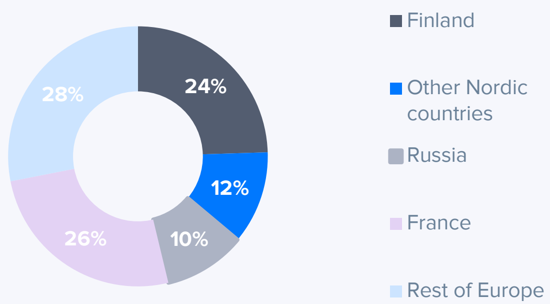
Rapala also has an online store targeted directly at consumers (B2C) in North America (since 2011) and in Europe (since 2018). We estimate that the online sales channel that has long been in a supporting role represents only a few per cent of Rapala's total sales so far.

The online platform was recently updated to be more modern in Europe and the next step is to overhaul the North American website. The online store is now seen as a genuine sales channel within the company, whereas it previously was seen more of a marketing channel.

Global geographical net sales distribution (2021)



Geographical net sales distribution in Europe



Company description and business model

Own production and supply chain

Rapala manufactures most of the lures (Finland, Russia, Estonia), hooks (France and Indonesia), ice augers (Estonia), knives (Finland), skis (Finland) and baits (UK) itself. The factories are responsible for their own material procurement. In the above products, Rapala manages the entire value chain before the products are sold to retailers.

The rest of the Group's own products are subcontracted mainly from Asia and the company's main sourcing unit is in Taiwan. These products provide the company with both brand and distribution margins, but not manufacturing margins. These products include, e.g., accessories, metal lures, some soft plastic lures and 13 Fishing brand products. Okuma brand rods and reels are acquired directly from Okuma's own factories in Taiwan and China.

In third-party products, Rapala does not own the brand and these products are purchased from their manufacturers so Rapala only receives a distribution margin.

Previous complexity depressed operations for a long time

In the past, the Group had very little control over country-specific distribution companies' purchases. The idea behind the structure was to better utilize the local expertise of the country organizations. The complexity of the structure was a major drawback. It was difficult to make product flows and the supply chain work together as one. The country organizations were competing against each other, e.g., for the plants' capacity and delivery times were remarkably long.

In particular, for large retail customers (Walmart, Bass Pro/Cabella, etc.), the country organizations promised to deliver goods in a few days and therefore the companies had to have significant buffer storage in place.

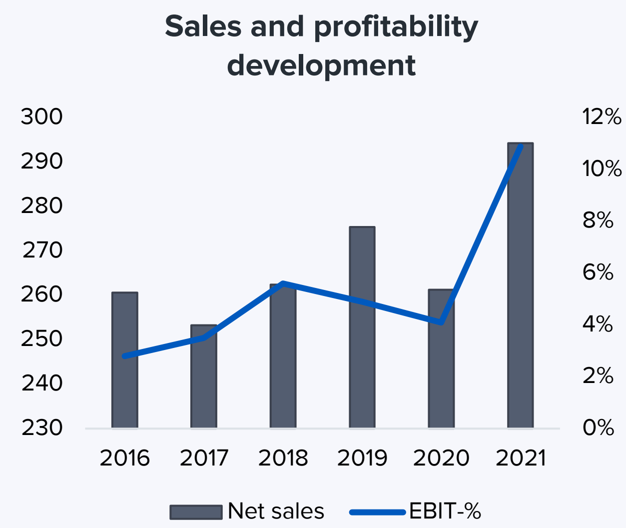
The clearest weakness of the business model for a long time was high inventories, as they tied up a lot of capital and clearly reduced the company's return on equity (ROE %).

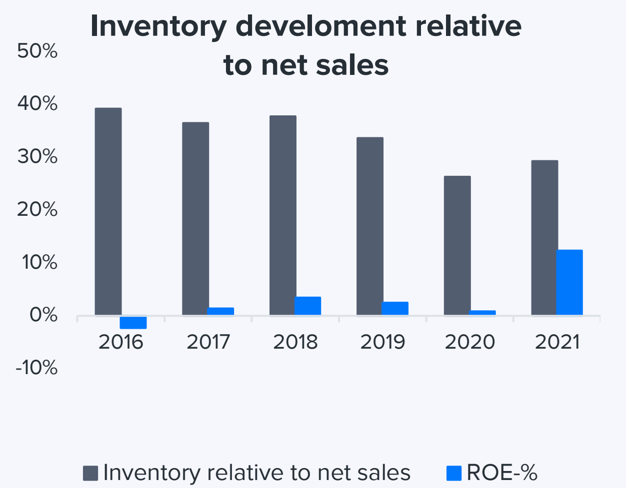
The business model is now more agile

With the strategy originally launched by Rapala in 2017, the company started to look at the supply chain as a whole. Under the leadership of President and CEO Warchalowski, who started in 2020, the implementation of the strategy has accelerated.

Key to this change has been that country-specific purchases are centrally managed, supported by country organizations' demand forecasts. At the same time, European inventories have been heavily concentrated in Pärnu and France. The agility of the supply chain has also improved with the massive reduction of slow-moving product titles, and this process will continue throughout 2022. The compensation policy of country organizations has also been changed.

Rapala's inventories have begun to decrease following these changes. Inventory relative to net sales has declined from 39% in 2016 to 29% in 2021, which indicates that the business model has become more agile. ROE% has also risen clearly.





Products

Market leader in lures

Rapala's own product portfolio can be divided into six categories: "Lures and baits", "Hooks", "Fishing lines", "Fishing accessories", "Other products" and "Rod and reel". In practice, the last category was missing from Rapala's own portfolio for a long time. However, the situation changed with the termination of the Shimano cooperation announced in 2019. As a result of the expansion it allowed, Rapala has acquired rights for the 13 Fishing brand outside the US and for the Okuma brand in Europe and Russia.

Lures and baits is the most profitable category

Rapala is the world's largest manufacturer of fishing lures and lures are the Group's biggest product group. The company's clearly most valuable brand is Rapala. Other company brands include, e.g. Luhr Jensen, Storm and Blue Fox. The company has also had several other country-specific brands, but the brand portfolio is being pruned to improve the company's focus.

The segment also includes baits, which Rapala produces for carp fishing under the brands Dynamite Baits and Carp Spirit. Baits are mainly sold to Central Europe, where carp fishing is a popular form of fishing. Rapala's market share in hard lures in the US is about 20% and we believe it is in a similar size class in the Nordic countries. In these market areas, Rapala's growth in lures largely follows the development of the overall market due to the-established market positions. However, the company has begun to focus its innovation efforts particularly on growing product categories and commercialization of microtrends in fishing to exceed the market growth rate.

Rapala last provided information on the Group's product-specific net sales breakdown in 2016 and at that time net sales for lures and baits were EUR 82 million. We estimate that lure sales have grown to around EUR 105 million, especially in the wake of good development in North America. Lures are the most profitable of the Group's own products and we estimate their sales margin is around 50–60% depending slightly on the annual sales mix. We believe the profitability of lures has remained stable, as brand loyalty is high.

Market share in hooks is also high

Rapala acquired the French fishing hook manufacturer VMC in 2000. VMC is the global market leader in treble hooks (estimated market share 25-30%). The company also manufactures single- and double-hooks, where it has a smaller market share. The VMC acquisition was also partly strategic for Rapala, as nearly half of VMC's production goes into Rapala's own products, with just slightly over half sold outside the Group. The net sales of the hook business were EUR 20 million in 2016. We also estimate that hook sales developed positively in the wake of lure sales and have risen to some EUR 25 million.

Hooks are also a very profitable product group and we estimate their sales margin to be around 50%. Rapala's competitive advantage in the hook business is based on economies of scale and competence in the hook manufacturing process.

Rapala's own brands

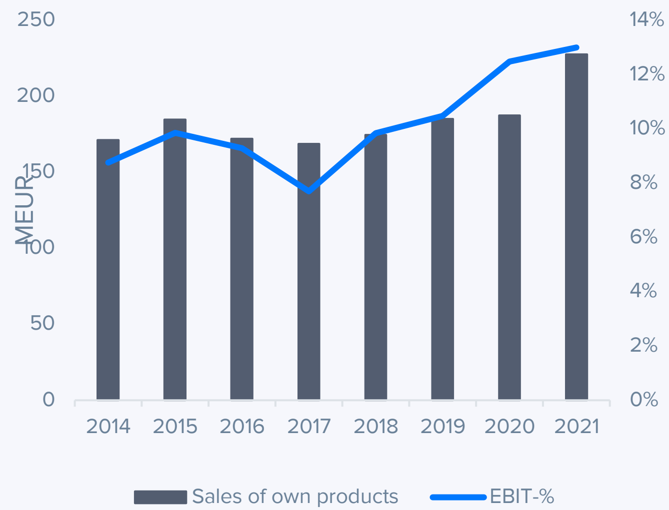
Rapala®

DYNAMITE STORM LUHR-JENSEN

BLUE FOX®

VMC

Development of own products



Products

Fishing lines' sales development below expectations

Rapala is a small player in fishing lines and we believe its global market share is around a couple of per cent. The company expanded into the fishing line business in 2008 by acquiring the line brand Sufix. At the time of the acquisition, Sufix's annual net sales were approximately EUR 10 million, but Rapala's strategic objective was to increase net sales strongly and expand the Sufix product family. The company's goal was to raise the net sales of the fishing line business to EUR 30–50 million in the long term by improving the brand position and expanding distribution. The line business has not, however, grown as the company expected as in 2016, its net sales were EUR 18 million and we estimate it has risen to good EUR 20 million in 2021 boosted by the fishing boom. The fishing line business is also very profitable and we estimate its sales margin to be around 50%.

Accessories category includes a wide range of fishing products

The fishing accessories business consists of smaller fishing-related product groups, such as knives, pliers, clothing, ice augers and storage systems. A good example of acquisitions in the accessories category is the 2011 expansion into ice augers by purchasing the US Strike Master and the Swedish Mora ICE brand. With the acquisition, the net sales of ice fishing included in accessories increased by some EUR 10 million from the previous EUR 7 million, and Rapala also became the global market leader in winter fishing.

The strategic objective of the company at the time was to increase the net sales of its winter fishing business to EUR 20-30 million. We believe that thanks to the positive development of auger sales these levels have been reached in recent years. This has been based on the recent strong success of Strike Master's Li-ion augers.

In 2016, the net sales of accessories totaled EUR 44 million, and we estimate that it has grown to about EUR 60 million, mainly driven by good development in winter fishing. We estimate that the sales margin for accessories is around 40%.

Other products (skis and knives)

Sales of the Group's other products amounted to EUR 8 million in 2016, with the main product groups being Marttiini knives and Peltonen skis. Based on the financial information of the factories (Marttiini Oy and Peltonen Ski Oy), the segment's net sales were around EUR 10 million in 2020. Of this, ski sales accounted for only about EUR 2 million, as the 2019 winter with little snow hurt ski sales as stores' inventories were full.

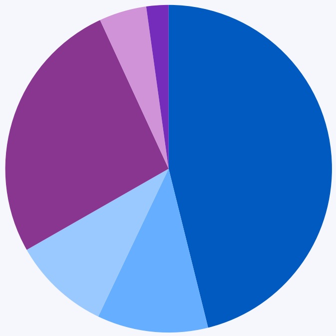
We do not see significant longer-term growth potential in these products, and we believe that their impact on the EBIT line has been minor. In 2020, the company relocated the knife factory from Rovaniemi to Vääksy to improve the cost efficiency of manufacturing.

The market share of Peltonen skis is about 30% in Finland and sales and profitability vary mainly depending on the snow situation.

Rapala's own brands

Sufix
Marttiini
StrikeMaster ICE AUGERS
PELTONEN
Rapala

Sales mix of own products 2021



Source: Inderes' estimates and based on the situation reported by Rapala in 2016

Products

Rod and reel category offers growth potential

Rapala's own rod and reel category is still in its early stages, and we expect it to act as a growth driver for a long time. Our sales margin estimate for the rod and reel category is about 40%, consisting of both a brand and distribution margin.

In 2019, Rapala acquired a 49% minority holding in the US company DQC International. In the deal, Rapala got the 13 Fishing brand to itself outside the United States. DQC owns the 13 Fishing rod and reel brand in US. The company's products are strong in spinning reels, the jig category and in soft baits. DQC's production is outsourced to China and it has in-house design and product development teams in Florida and Taiwan. DQC currently uses Rapala's sourcing unit in Taiwan, which is visible in Rapala's reports as related party sales.

DQC was established in 2012 and its sales had grown rapidly to about EUR 20 million (mainly in the US) by 2018. In 2020, DQC's net sales plummeted to EUR 12.6 million due to problems with outsourced production in Asia caused by the pandemic. However, net sales recovered strongly in 2021 to EUR 20.5 million. In total, 49% of DQC International's US result is reported in Rapala's income statement under associated companies. In 2021, DQC had finally achieved a positive result of EUR 0.7 million. DQC's result had been negative prior to this, as business growth required investments.

13 Fishing products sold by Rapala outside the US are included in Rapala's own products. In 2021, Rapala launched them globally in different markets, and they were well received especially in the Nordic countries. Rapala has not reported how much products it sold, but we estimate that sales in the first year were about EUR 5 million and in the longer term we expect the sales of the brand outside the US to rise to at least EUR 10 million.

Okuma is a new flagship brand

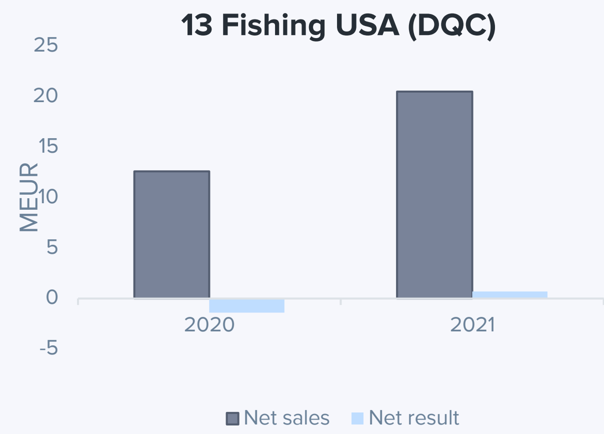
At the beginning of 2021, Rapala acquired the rights to the Okuma brand in Europe and Russia. To our understanding, Okuma is the fourth biggest global rod and reel brand with annual distribution sales of some EUR 60-80 million (cf. p. 21). Rapala's Okuma range is wide (350 reel models and 450 rods/fishing combos) and of high technically quality.

Okuma has its own factories in Taiwan and China, whose support Rapala has spoken encouragingly about. Okuma will be launched to customers in 2022 and by 2025 we expect Rapala's Okuma sales to rise to about EUR 30 million. As a whole, the figures are clearly higher than what the previous supplier Svendsen Sport distributed Okuma for (around 10 MEUR p.a.). However, Svendsen did not own the brand and was not to our understanding ready to invest in it. Its geographical distribution coverage was also smaller. Rapala sold Shimano for around EUR 30 million p.a. in the European countries where the company had exclusive rights and in the Russian joint venture. Now Rapala sells Okuma in all these markets, and also in Germany, the Netherlands, Belgium, Luxembourg, Italy and Great Britain.

Rapala's own brands

Okuma
INSPIRED FISHING

13 FISHING



Products

Role of 3rd party products has decreased

Rapala also utilizes its global distribution network by distributing other manufacturers' products through it. However, the role of third-party products has decreased in recent years as Rapala started focusing primarily on increasing the sales of own products with higher margins.

A common denominator for third party product groups is a shared customer base with Rapala's own products (sports stores and large retail chains). In practice, Rapala buys the products from the manufacturers and distributes them through its network. This means that Rapala takes on the inventory risk associated with the products. The company's sales margin on third-party products is naturally lower (our estimate 30%) than for own products.

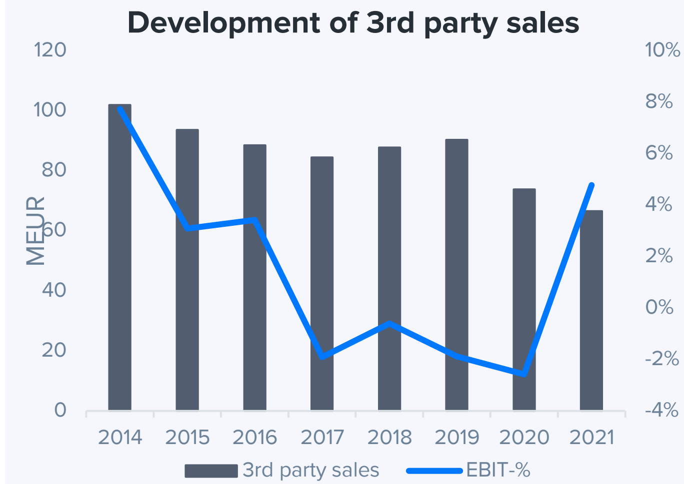
In recent years, the sales of Rapala's third-party products have decreased clearly (see picture). At the same time, their EBIT margin was negative in 2017-2020. The negative EBIT margin of third-party products does not, however, mean that third-party products generate a loss for the Group. The Group's fixed costs (distribution+administration) are allocated to own and third-party products relative to net sales. The strong development of own product sales seen in 2021 also pushed 3rd party distribution to black, even though their sales continued to decline.

However, distribution of all third parties has not been especially profitable measured by ROE. The company has gradually phased out distribution of, e.g., the hunting category. Examples of profitable third-party distribution are winter sports gear distributed in Finland together with Peltonen (e.g. Alpina, Rex).

Shimano distribution was very profitable sales

The distribution of Shimano's rods and reels, which began in 1993, was a profitable distribution partnership for Rapala, also examined by ROE. In the distribution cooperation, Rapala distributed Shimano products exclusively in the Nordic countries, France, Switzerland, Spain, Portugal, the Baltic countries and South Africa. The co-operation ended in 2020 and some EUR 25 million of 3rd party sales disappeared from Rapala's European net sales. The good thing about the cooperation ending was that Rapala was able to start distributing its own products in the countries that had been exclusive to Shimano in Europe (Germany, the Netherlands, Belgium, Luxembourg, Italy, Great Britain and Turkey). In these countries, Rapala's Shimano sales were relatively small compared to the market size. In addition, the opportunity for Rapala to build its own rod and reel category was opened when the cooperation ended.

Cooperation with Shimano was finally terminated when Rapala acquired minority holdings in distribution companies in Russia and Kazakhstan, Belarus, the Czech Republic, Hungary, Romania and Croatia in 2021. We expect that another some EUR 5-10 million in Shimano sales will disappear from Rapala's net sales in 2022.



3rd party

Outdoor activities, winter sports

Role has decreased clearly, and the previously important Shimano exclusive right ended in 2020

Markets

North America
46 % of net sales

Rest of Europe
27% of net sales

Nordic countries
16 % of net sales

Rest of the world
11% of net sales

Products

Lures and baits

Hooks

Fishing lines

Fishing accessories: *Knives, pliers, clothing, ice augers*

Rods and reels

Other products: *Marttiini knives, Peltonen skis*

Business idea

Rapala VMC manufactures and distributes the Group's own products and distributes selected 3rd party products to retailers.

Strong brands

In-house product development

Own production and Taiwan's sourcing unit

Local expertise of country organizations

Extensive in-house B2B distribution:
+
External distributors in some 100 countries

Customer segments

B2B - Large retail chains	Walmart, Bass Pro/Cabela's, Amazon, S-ryhmä, Motonet, Decathlon
B2B – Smaller retailers	Fishing supplies stores, sporting goods stores
B2C – Consumers	Own online store Rapala.com, Marttiini.fi

Competitors

Domiciled in Japan: Shimano, Globeride (Daiwa), Gamakatsu

Domiciled in the US: Pure Fishing, Rather Outdoors, St. Croix Rod, Eagle Claw, Pradco, Cabela's, Flambeau, Simms

Domiciled in Europe: Mustad, Decathlon

Cost structure

Net sales EUR 294.2 million in 2021)

Personnel 1,792 (2021 average)

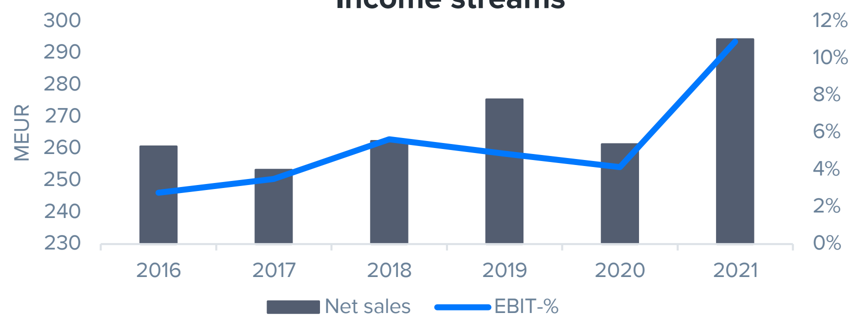
Materials and services
*(45.5%)**

Personnel costs
*(24.3%)**

Other expenses
*(16.5%)**

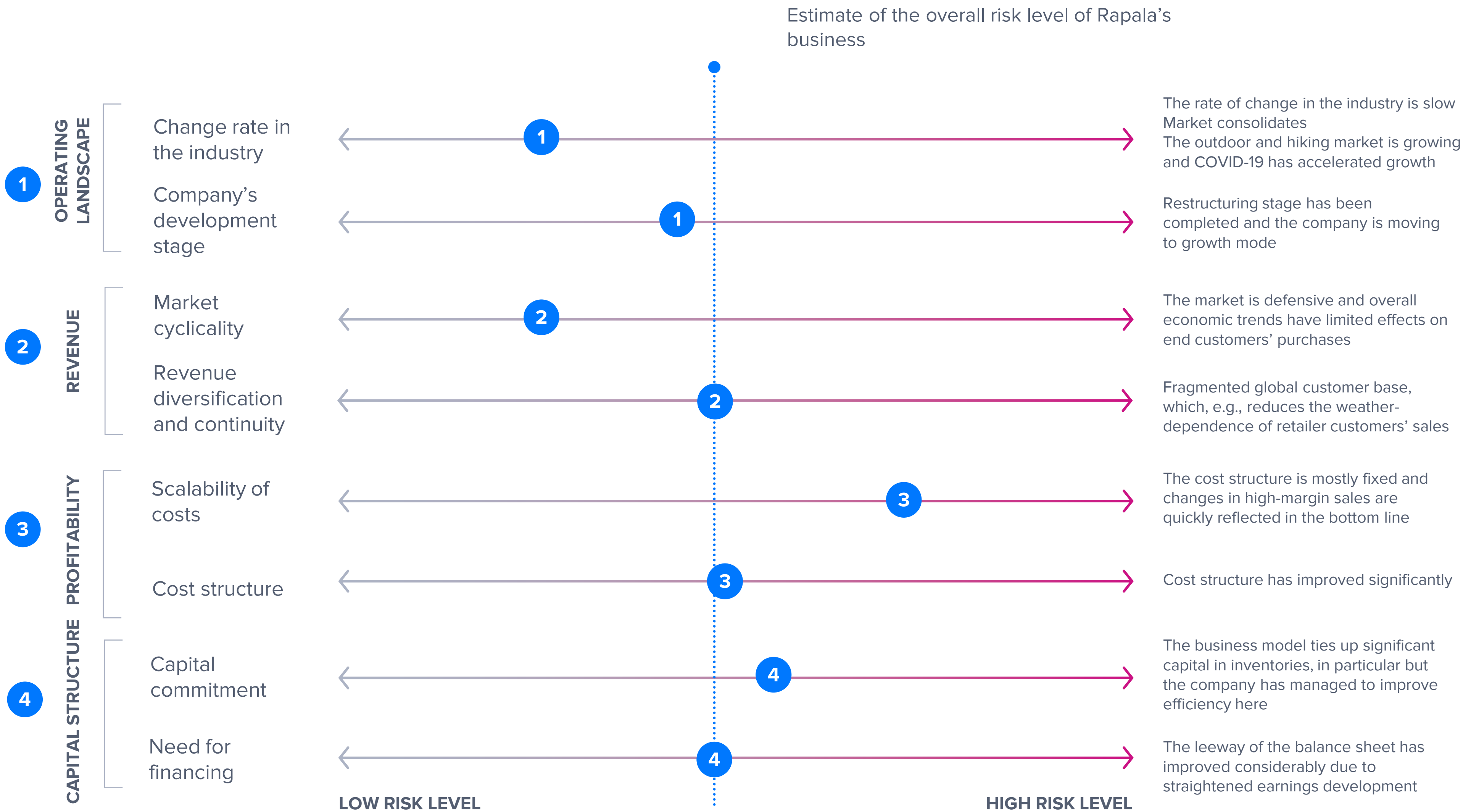
*% of net sales

Income streams



Source: Inderes

Risk profile of the business model



Source: Inderes

Investment profile

1. **Competitive advantage from brands**
2. **Defensive end demand**
3. **Significant growth potential created by the strategy being successful**
4. **Market confidence in the sustainability of the turnaround is still low**
5. **Acquisition option**

Potential

- Growth in sales of own products and especially the Rapala brand
- New rod and reel category offers synergistic growth potential
- Improving sales mix
- Improving cost efficiency
- Release of capital
- Increase in B2C sales

Risks

- Strategy unsuccessful
- High fixed costs
- High seasonal variation and weather dependence of demand
- Russia's attack on Ukraine weakens operating conditions in Russia (2021: 4% of net sales)
- Growth of private labels
- Tighter competition

Source: Inderes

Strategy

'ONE RAPALA VMC' strategy

Rapala's competitive advantages have historically been built on strong brands, product development, in-house production and distribution. However, after the 1998 listing, significant complexity and inefficiencies began to emerge within the organization. As a result, the profitability trend was negative for a long time (see sidebar).

The first phase of the strategy that started in 2017, consisted of reorganizing operations. This phase has now been largely completed. Thus, the focus is shifting toward growth and better utilization of internal synergies. The company has six objectives on which the strategy is based and they are discussed next.

Cultural change has been a critical piece

Under President and CEO Warchalowski, who started in 2020, Rapala's organization has undergone a major transformation. The cultural change has been driven by eliminating non-cooperative middle management and changes to the internal incentive system, as well as lifting new talents from within the organization to key positions, including innovation management. The company's chain of command has changed from a matrix organization to a more direct line organization, enabling much more agile change management.

Outside the company, the positive change has been visible in the implementation pace of the strategy. After organizational changes, projects have been completed ahead of schedule, when before they always progressed slower than expected.

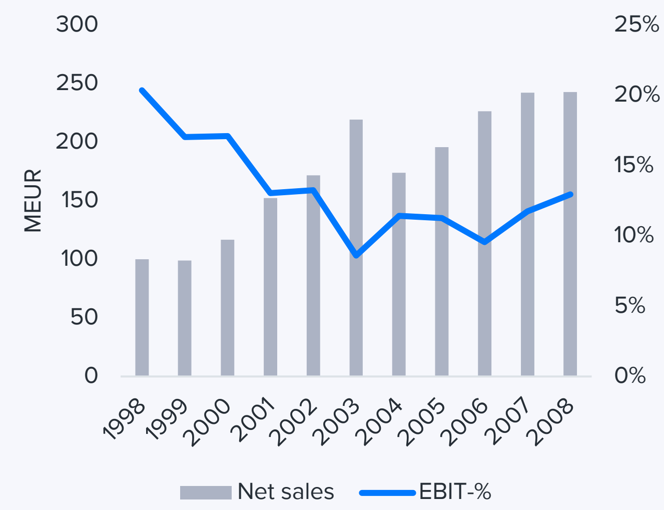
Simplified operations

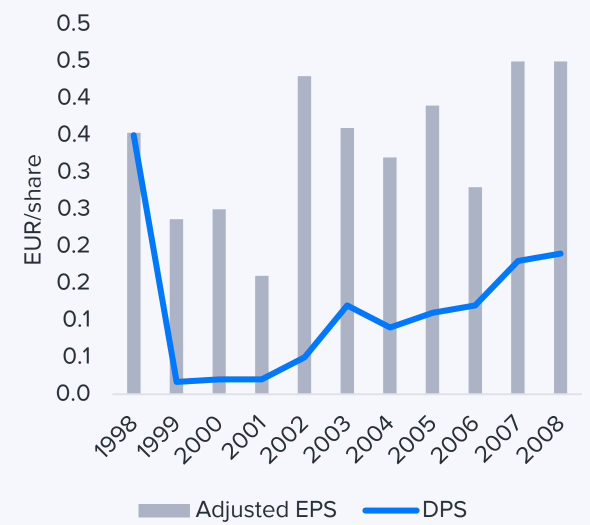
In recent years, the company has significantly improved management of its entire supply chain. This was already partly discussed in the business model section (p. 7). Key to improving the company's cost structure has been successful implementation of the 10 MEUR savings program launched at the end of 2019. About half of the savings came from shutting down the Batam lure factory. The second half of the savings consisted of centralizing the parallel administrative and background functions of European distribution companies.

The clearest example of the cost savings of some EUR 5 million in European distribution is centralized inventories. The distribution center in Pärnu currently serves all Baltic and Nordic countries. The French central warehouse serves the rest of Western Europe. The company also introduced a centralized S&OP model in 2021, which means purchases and inventory levels are centrally managed and no longer at the level of country organizations. Rapala had previously invested in an IT system which allowed centralized examination of product-specific inventory levels and product demand.

Rapala is still undergoing significant pruning of product titles and brands until the end of 2022, part of which has already been completed. We expect that this will further improve efficiency and agility in all key functions (product development, manufacturing, distribution) and focus will be restored to winning brands.

Past development





Source: Inderes, Rapala

Strategy

The manufacturing expertise at European production plants has been strong throughout Rapala's history, which is where the Group manufactures its most important Rapala balsa lures. We also believe Taiwan's sourcing unit will provide a clear competitive advantage for Rapala. We estimate that the efficiency of the European factories and the sourcing unit has also improved by the larger lot sizes allowed by centrally managed purchases and pruning of product titles.

Founded in 2011,the Batam lure factory produced Rapala's soft plastic, hard plastic and metal lures. The factory, however, faced considerable challenges throughout its operating history due to small production batches and complex product flows. The factory generated significant losses during its operating history. During 2020, production was successfully transferred to the own factory in Pärnu and Chinese subcontractors. Closing the Batam factory was a radical move, but we believe necessary for restoring the competitiveness of manufacturing operations.

Growth starts with new product innovations

Reform of Rapala's product development started already in 2017 towards a more systematic approach to generate new net sales and avoid cannibalization of other sales. The Group's R&D organization was also reorganized during 2021. As a result, the 5 units located across the world are cooperating more.

The company now aims to invest in product development, especially under the Rapala brand, and in building global success products. Previously the focus lied more on local innovations. Rapala's own brand is very strong in hard lures made of balsa, which have been sold in millions. However, the brand has not in the past been utilized in soft plastic lure launches, and utilization can also be increased clearly in accessories. The company must also be careful not to weaken Rapala brand's label of quality with poor innovations.

Among age groups, Rapala's brands are strong, especially among older generations, and the company has been able to hold on to consumers with slower innovation in the past. New product innovations are key in winning over younger fishing enthusiasts. The aim is to identify emerging trends, and to this end, cooperation between marketing and product development has also been strengthened.

Consumers are the core

Focus on end-users is also an important part of the new strategy. Under the current President and CEO, Rapala has for the first time adopted separate consumer brand strategies and KPI measurement in them.

In consumer sales (B2C), the new online platform was recently introduced in Europe and the next step is to overhaul the North American website. The new platform is clearly more modern, allowing significantly better interaction with the customer. We believe that there is still a lot of potential for sales growth online especially for the Rapala brand. We estimate that the company's margins are better online, as the company also receives a retail margin.

Rapala has a lot of followers on its social media pages and the company plans to utilize this reach much more efficiently than before. Efforts are also made to target digital marketing investments, especially in new product launches.

Cooperation with retail customers is emphasized

The strategy also highlights relationships with key customers and local market leadership. Rapala has long been a trusted partner for big retail chains, thanks to its well-known brands and delivery reliability, as well as the personal service it offers. The company has also started to shift focus increasingly toward how the retail chains and Rapala together can generate growth. The company has implemented centrally managed and coordinated pricing, which provides clarity for its customers.

Sustainable development is also part of the strategy

The company wants to be the industry bellwether in sustainable development. In coming years it will launch product families where responsibility plays a key role. In the future, we believe that fishing tackle consumers will increasingly focus on the environmental impact of products when making purchasing decisions, and thus implementation of the sustainability strategy will strengthen the company's competitive advantages in the long term.

Strategy

	1998	2017	2019	2020	2021	2022e
Net sales	EUR 100 million	EUR 253 million	EUR 275 million	EUR 261 million	EUR 294 million	EUR 296 million
EBIT % (adjusted))	20%	3.5%	6.5%	8.2%	11.1%	11.0%
Net debt/EBITDA (target under 3.8x*)	Very strong	Hybrid issued to improve ratio	Drop in inventories freed-up capital 3.5x	Significant capital released from inventories (2.1x)	Earnings growth decreased the ratio (1.6x), hybrid redeemed	Strong cash flow continues (estimate 1.2x)
Performance	↑	↘	→	→	↑	→
Comment	Listing	New strategy to halt a prolonged decline	Development in the right direction but slow	H1 weakened by the beginning of the pandemic, but a strong H2 followed	Boost from fishing boom and accelerated strategy implementation	Starting Okuma sales will compensate for slowdown in fishing boom

1998 - 2016

Inorganic growth in focus

- Decentrally managed, partially optimized organization
- Poor integration of acquisitions
- Strong net sales growth (+150%)
- Simultaneous decline in EBIT
- Growth in inventories
- Collapse of very profitable Russian business since 2015

2017 - 2021

Improving capital efficiency and profitability

- Improving delivery chain management
- Ramp-down of the factory in Batam
- 'One Rapala' organization
- Restructuring of product development
- Renewing the brand strategy
- Building own rod and reel category with acquisitions
- Termination of Shimano sales

2021

Generating growth

- Ramp-up of 13 Fishing and Okuma sales
- Utilizing the potential of the Rapala brand
- Growing B2C volume online
- Growing distribution in Central and Southern Europe in the countries freed from Shimano
- Pruning product titles and improving focus

Source: Inderes, *ratio excludes the IFRS 16 effect

Past development

1936
Lauri Rapala starts producing wobbler spoons for fishermen

1955
50,000 wobbler spoons manufactured
Lures spread to Finland and Nordic countries through orders

1959
Extensive marketing in North America starts as Ostrom Marine starts selling Rapala wobbler spoons

1973
Rapala opens a new factory in Vääksy, Asikkala. The factory is still in operation.

1993
Strategic partnership based on exclusivity begins in Europe with Shimano

1995
Rapala's annual production has risen to 14 million lures (currently around 20 million)

1998
Rapala is listed on the Helsinki Stock Exchange,
Kasslin starts as CEO

1999
Acquisition of the Storm lure brand (USA)
Acquisition of a Norwegian fishing tackle distributor
Distribution company established in Japan

2000
Acquisition of VMC, a French hooks manufacturer and distributor
Distribution company established in Estonia

2001-2003
Acquisition of Willtech lure production unit
Acquisition of a Swiss fishing tackle distributor

2004
Acquisition of South African lure brand Williamson
Distribution company established in Czech Republic
Distribution company established in Latvia and Malaysia

2005
Acquisition of the business of Luhr Jensen (USA), lure and fishing tackle manufacturer
Acquisitions of Peltonen Ski Oy and Martiini Oy

2005
Distribution company established in China and Thailand
Acquisition of a South African distributor

2006-2007
Lure factory established in Russia
Distribution cooperation with Shimano starts in Eastern Europe controlled by Rapala

2008-2009
Acquisition of the Sufix line brand Shutting down of lure factory in Ireland
Distribution company established in Romania

2010
Distribution company established in Iceland and Belarus
Acquisition of the Dynamite Baits bait manufacturing factory in Great Britain

2011
Distribution company established in Mexico
Distribution company established in Kazakhstan in cooperation with Shimano and acquisition of UK distribution company

2011
Establishing the Indonesian lure factory, hook factory and a distribution company in Indonesia

2012
Acquisition of Strike Master ice auger supplier (USA)
Acquisition of Mora Ice brand augers and ice auger bits
Distribution company established in Chile

2013-2016
Distribution company established in UAE
Acquisition of Mystic fishing attractant manufacturer (France)
Management company established in Singapore

2016-2017
Ristimäki starts as President and CEO
New strategy for Rapala
Selling 50% holding in the UK distribution company to Shimano

2018-2019
Distribution company established in Belarus
Distribution company established in Italy
Distribution company established in Germany
Distribution company established in Croatia
Batam's outsourcing progresses

2019
Canceling of the Shimano exclusive partnership
Acquiring 49% holding in the US rod and reel manufacturer (13 Fishing)
Ristimäki's position taken over by Chairman of the Board Louis d'Alançon

2020
New President and CEO Warchalowski starts in March
COVID crisis initially has a highly negative effect on company sales in the spring due to lockdowns but by fall the fishing boom caused by COVID already supports sales

2020
Strategy implementation accelerates in different areas
Shutting down the Batam lure factory
Exclusive distribution of Shimano rods and reels is terminated

2021-2022
Starting Okuma distribution in Europe and Russia at the beginning of 2022
Acquiring minority shares in Russia and Eastern Europe from Shimano at the end of 2021

Industry and competitive landscape

Very defensive sector

Only limited concrete data on the global sport fishing market is available, and the industry is fragmented. We estimate that the total size of the market relevant to Rapala is approximately EUR 7 billion. Rods and reels account for about half of that market. The next-largest product groups are lures and baits, with fishing lines being another large product category.

The sector is very defensive, and the general economic situation only has limited effects on total sales. The defensiveness of the market is particularly emphasized in lures because it is a consumption product. Updating of rods sand reels to new ones is more easily postponed in a weaker economic situation. An indication of defensiveness is that Rapala's net sales developed steadily during the financial crisis. The sharp decline in Rapala's sales at the beginning of the COVID crisis was primarily due to the lockdown of the Group's North American distribution centers and customer stores. Underlying end customer demand developed strongly visible as clear sales growth when warehouses opened and consumers could start shopping again and some leisure time activities were limited.

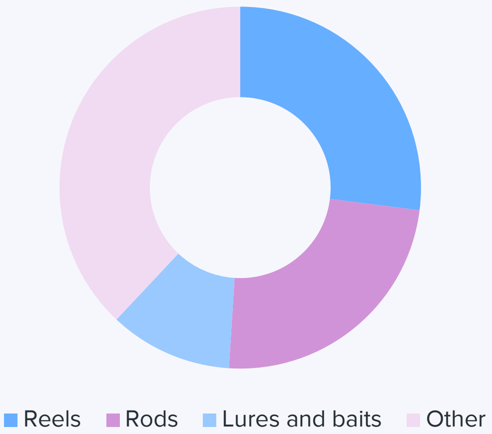
Geographical distribution

Geographically, the sport fishing market can be divided in two: developed and emerging markets. The developed markets (Europe, US and Japan) represent a majority of the global sport fishing market due to the large number of fishing enthusiasts and a higher standard of living. Among the developed markets, the US and Europe are important markets for Rapala. The development of the Japanese market is not relevant to Rapala, as its net sales there is very low with local players (Shimano and Daiwa) dominating the market. Winning market shares in developed markets is difficult for Rapala because it already has a high market share in several product groups (e.g. hooks and lures). Rapala has also sought growth by expanding its product offering. It has mainly taken place through acquisitions and in recent years the company has finally expanded to own rods and reels. Product development focus has also shifted more towards growing product categories in the market.

In emerging markets, the sport fishing market grows faster than in the developed market. There market drivers are rising living standards, the increase in the number of fishing enthusiasts and increasing awareness. Rapala's sales in emerging markets has lagged behind our overall market growth estimate for these markets. We believe this is due to lower brand recognition compared to the US and European markets.

Estimates of market growth vary depending on the source. Grand View Research estimates that the global rod and reel market will grow by 4.2% in 2020-2027 (CAGR). On average, we estimate that Rapala's target markets grow at roughly the pace of GDP in the market areas. However, regional differences are created by the development of numbers of fishing enthusiasts, as other leisure activities also compete for people's time.

Market distribution



Source: Inderes' estimates

Industry and competitive landscape

Regional differences in development of fishing enthusiasts

In Rapala's key market, the US, fishing is one of the most popular outdoor sports. There, the number of fishing enthusiasts was declining for a long time, but in 2013-2019 the overall number has turned to an upward trend of some 1% p.a. after industry organizations have become active especially among young people.

In 2019, the total number of people who had fished at least once a year in the US was 50.1 million or 17% of the total population. With the fishing boom caused by the pandemic, the total number of fishing enthusiasts rose to 55 million in 2020 (Source: 2021 Special Report on Fishing). Figures for 2021 are not yet available, but we believe that the total number of fishing enthusiasts has already fallen slightly from the peak year as other leisure activities have again become available. It is worth noting that in a more normal year (2019), the number of new fishing enthusiasts was 10.0 million, but the number of people who stopped fishing was also high at 9.3 million (Source: 2019 Special Report on Fishing).

According to the latest statistics, the number of leisure fishers in Finland fell from about 2 million in 2000 to 1.5 million in 2012, and was also close to 1.5 million in 2018 (luke). In Sweden, the number of enthusiasts has developed in the opposite direction and in 2019 the number rose to 1.6 million (1.3 million in 2018). Thus, fishing was already on the increase in Sweden before the pandemic (source: Söder Sportfisk prospectus). In the Nordic countries, the pandemic caused a clear jump in the number of enthusiasts, but no new data is yet available.

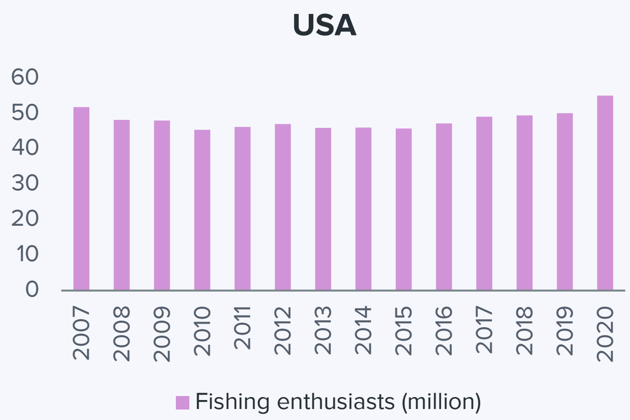
Post-pandemic market

Fishing license statistics provide a more real-time picture of the development of the fishing boom among consumers who need a license. In Finland, the number of fishing licenses rose to 290,000 in 2020 and fell to 270,000 in 2021. Relative to the 2016 figure (266,000), the market was still above normal.

The number of fishing licenses purchased in the US in 2021 was 5.2 million, down from the peak in 2020 by 6%, but remained 8% above 2019 levels (ASA fishing).

When assessing the future development of the market, it should be borne in mind that the exceptional demand spike in 2020 caused big problems for many players in the sector to meet demand. This resulted in empty shelves and part of the high demand could not be met. Therefore, the headwind on the market was not reflected in players' sales in 2021, even though fishing licenses made a downturn.

In 2022-23, we expect, however, that the market will decline slightly from 2021, but we expect it to remain above 2019 levels. The recreational boats and summer cottages acquired during the pandemic will create long-term demand for fishing tackle even after the pandemic. Rapala has also spoken in its reports about the post-pandemic "Normal +" market.



Source: Special Repot on Fishing 2021 and Natural Resources Institute Finland

Industry and competitive landscape

Competitive landscape still fragmented

The global sport fishing market is still highly fragmented. We estimate that Rapala is the fifth largest player in the sector with annual net sales of nearly EUR 300 million.

We believe the US Pure Fishing is the largest player in the sector, as its net sales has risen to around EUR 900 million thanks to recent acquisitions (Plano Synergy and Svedsen Sport). Pure Fishing has an extensive brand portfolio that covers all areas of fishing, and its competitive advantage is large volumes that is reflected in its high profitability (EBITDA ~20%).

Of the largest players in the sector, the Japanese companies Shimano and Globeride (Daiwa) have focused on rods and reels, although they do have some other product categories as well. Their competitive advantage is especially high-quality product development and manufacturing expertise. Shimano's net sales in fishing developed organically very strongly last year and rose to EUR 800 million (+20%). Its fishing side EBIT margin is also high at 22%, indicating very efficient operations and high volumes. Daiwa's (Globeride) net sales also grew almost at the pace of Shimano, but we believe that it is a slightly smaller player than Shimano in fishing. Daiwa's EBIT margin is about 10%, indicating that it is clearly behind Shimano in efficiency.

Johnson Outdoors (USA) is also a big player on the market, but it does not compete with Rapala, as the product portfolio focuses on fishing electronics.

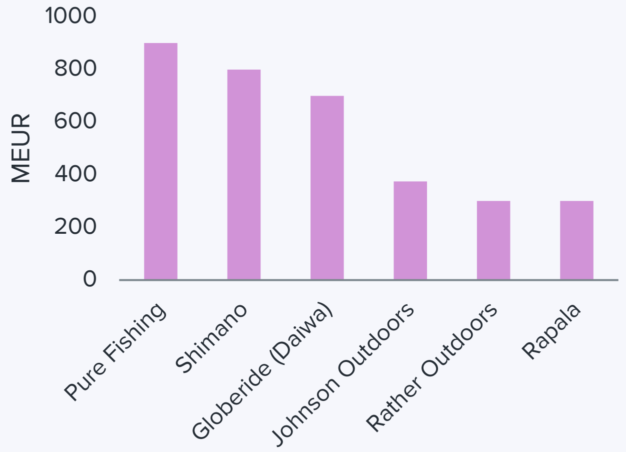
As a new entrant among the top players is the US Rather Outdoors that has reached net sales levels close to Rapala thanks to aggressive acquisitions. It also now has a product portfolio that covers nearly all categories.

Behind the biggest players, there are still medium-sized players in the sector in the EUR 25-100 million size category, but they have also been actively acquired off the market (see next page).

In addition, there are countless smaller local players, that often have a family business background (e.g. Kuusamon uistin). We have also seen a trend-like growth in the number of private labels over the past decade and active retail chains on this front have been at least Cabella/Bass Pro (USA) and Decathlon (Europe).

Brand companies in the sector typically do not have their own stores and sales is handled through retailers. This is due to high seasonal fluctuations that would make it very difficult to operate own brick-and-mortar stores. Consequently, the brand manufacturers have limited means to combat the competitive pressures created by private labels. While it is difficult to estimate the overall market share of private labels, we believe it is in the range of 15–20% in the developed markets. The figure is clearly lower in emerging markets. We estimate that large and medium-sized players together with private labels account for some two-thirds of the total market. The rest is in the hands of smaller local players.

Biggest players on the market



Source: Inderes' estimates

Industry and competitive landscape

Private equity firms' playing field

Synergies in the sector are highly obvious and larger volumes offer economies of scale and bargaining power against large retailers. Strong local brands present attractive opportunities for larger players to use their channels to distribute them more extensively.

Fishing tackle companies owned by private equity firms have led the way in the consolidation of the market in recent years and we expect this development to continue. Sale prices have also sometimes risen to high levels. Listed company Newell Brands sold Pure Fishing in November 2018 to the US private equity firm Sycamore Partners. Pure Fishing was sold for a debt-free price of USD 1.3 billion, so the EV/S multiple was a high 2.4x. Since then the company has also acquired Fin-Nor and Van Staal, Plano Synergy and most recently the Danish Svendsen Sport. The purchase prices were not published, but the price of the latest Svendsen Sport acquisition rose to some DKK 1 billion (EV/S over 2x) based on an anonymous source (Refinitiv). In 2015, Maj Invest had also acquired a majority of Svendsen with an EV/S multiple of 2x.

The US Rather Outdoors (former LEW's) has been another market consolidator, supported by the private equity firm BDT Capital. In 2017, the company acquired, e.g., the Strike King brand, whose lures are second in sales in the hard lures category in the US behind Rapala. In 2019, the company also acquired the British Fox International from private equity firms for GDP 150 million. Prior to the acquisition, Fox had achieved strong organic and inorganic growth and acquired, e.g., the Salmo brand in 2016. Fox's exact figures before the transaction are not available, but we estimate that the EV/S multiple was around 2-3x based on its 2015 net sales (30 M£). Rather Outdoors also acquired the Zebco brand in 2021, when it expanded strongly into rods and reels.

Rapala is also a potential acquisition target

Rapala has previously been an active consolidator in the sector (see p. 18). In recent years, however, the company has made very limited acquisitions and they have focused on constructing a rod and reel portfolio (2019: acquisition of 13 Fishing brand and 2020 acquisition of Okuma brand in Europe and Russia). We believe that the company's focus is currently more on organic growth, but, e.g., acquiring Okuma's entire business could be considered, as it would, in our view, create clear value for both companies.

Rapala is also a potential acquisition target and the owner of Pure Fishing has already signed up as a buyer candidate after acquiring a 19.2% holding in Rapala in February 2021 from the long-term owner Sofina. We believe a bid for Rapala in its entirety depends on the willingness of the main owner VMC, into which we do not have any visibility. However, based on the above examples, the purchase price could rise significantly above the current market cap, as Rapa's current 2021 EV/S multiple is about 1x.

Pure Fishing's acquisitions

- Fin-Nor (2019)
- Van Staal (2019)
- Plano Synergy (2020)
- Svendsen Sport (2021)

Rather Outdoors' acquisitions

- Strike King (2017)
- Fox International (2019)
- Zebco (2021)

Rapala's acquisitions

- 13 Fishing (2019)
- Okuma brand in Europe and Russia (2021)
- Shimano's minority holdings in Russia and Eastern Europe (2021)

Financial position and balance sheet

Performance improvement has worked

Rapala's financial targets are linked to its capital structure and covenants required by financers:

- Net gearing below 150%
- Net debt/EBITDA (rolling 12 months, not IFRS 16) under 3.8x

Even in difficult years, Rapala's net gearing has remained well below the maximum level and is currently 51% (see historical development on the next page). However, during weaker years, Rapala struggled with the latter, i.e., covenant related to debt sustainability. At present, however, the ratio has fallen to only 1.6x with a clear level improvement in the performance. The current balance sheet and performance give Rapala clearly more leeway for taking on additional debt at low interest rates and, therefore, the company was also able to redeem the EUR 25 million hybrid loan in November 2021.

No major changes in non-current assets

Rapala's most significant non-current assets are intangible assets, which totaled approximately EUR 81 million in the company's balance sheet in 2021. It consists of some EUR 49 million in goodwill and EUR 32 million in trademarks from historical acquisitions. The goodwill and trademarks do not include Rapala's own brand, the value of which we estimate to be clearly higher than the intangible assets recognized in the balance sheet. Thus, the goodwill and trademarks do not, in our opinion, involve any significant write-down risk.

Non-current tangible assets amounted to MEUR 24 (incl. machinery and equipment), and the balance sheet also includes some EUR 11 million in property, plant and equipment related to IFRS 16 lease liabilities. Non-current interest-bearing assets in the balance sheet were EUR 7.6 million related to loans to DQC in connection with the acquisition of the minority holding, and the investment made to DQC is visible on the shares in affiliates and participating interests line (3.6 MEUR). Remaining non-current assets consist mainly of tax receivables (10.5 MEUR).

Inventories have clearly decreased from peak years

Inventories are by far the largest item under current assets, and they amounted to EUR 86 million at the end of 2021 (29% of net sales). Inventories increased slightly from the previous year, but according to the company, this was a conscious choice and the inventories are highly current. Inventories have been raised in high demand categories and as Okuma sales is beginning. Rapala was able to efficiently unload inventories especially during the 2020 fishing boom, as the sector was plagued by availability challenges. In our estimates, we expect inventories to decrease to about 27% of net sales as Rapala's strategy implementation progresses in terms of product title pruning.

In addition to inventories, accounts receivable is another significant item under Rapala's current assets. At the end of 2021, accounts receivable totaled EUR 63 million (21.6% of net sales). We expect the ratio to remain close to the current level. We do not see much room for long-term improvement in the level of accounts receivable due to the negotiating power of Rapala's large customers.

The company also had EUR 28 million of cash and cash equivalents in the balance sheet, supported by good cash flow, and with which the company can again start paying dividends after a two-year break.

Changes in shareholders' equity

Rapala's equity at the end of 2021 was EUR 139 million (2020: 143 MEUR). From the previous year, both the minority holding in Shimano (5 MEUR) and the hybrid loan of EUR 25 million have been eliminated from equity through the acquisition and the redemption of the hybrid loan. Thus, Rapala's equity now also belongs in its entirety to Rapala's shareholders.

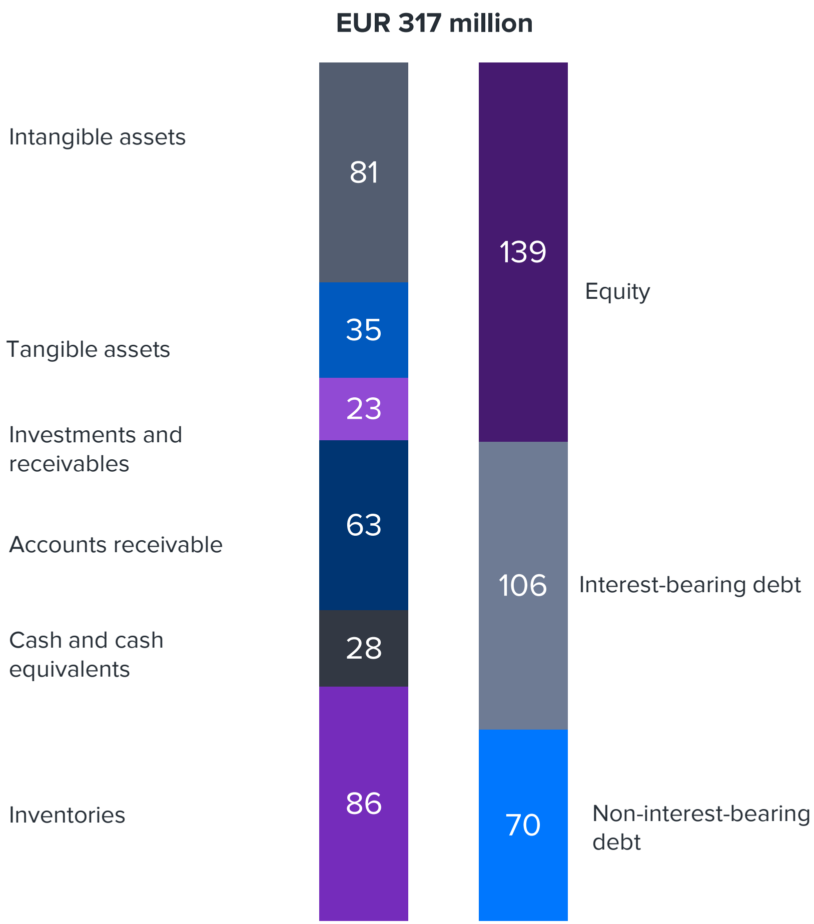
Price of loan capital has decreased

The company has approximately MEUR 106 in interest-bearing liabilities in its balance sheet as well as approximately MEUR 11 in leasing liabilities related to IFRS 16 lease liabilities. In 2021, the average interest rate for Rapala's long-term interest-bearing bank loans was 1.3%, for short-term loans 1.0% and for the commercial paper program 0.6%. Interest rates have fallen as the balance sheet has strengthened from earlier years (2019: interest rate on loans around 3%). The imputed interest of IFRS 16 lease liabilities was 4.1% in 2021.

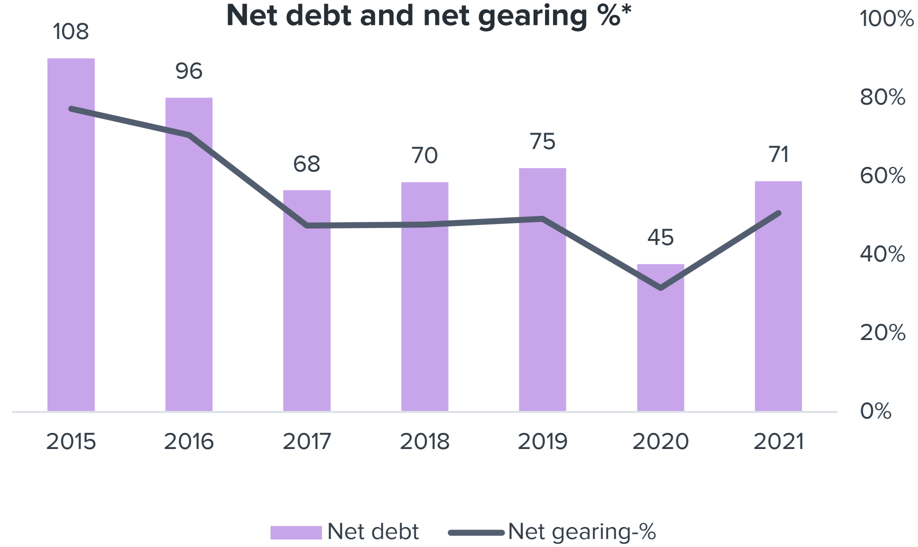
At the end of 2021, the company had EUR 57 million in non-interest-bearing accounts payable or some 20% of net sales. We expect the level to remain the same in coming years.

Financial position

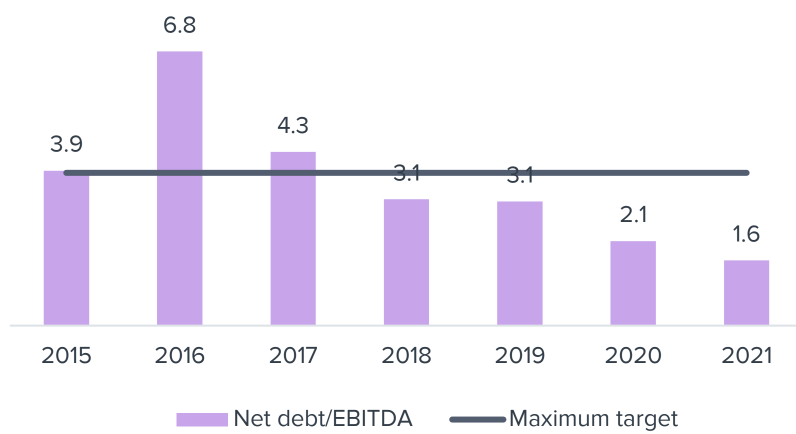
Balance sheet structure, 2021



Net debt and net gearing %*



Net debt/EBITDA development*



Source: Inderes, the *EUR 25 million hybrid loan (in 207-2020) redeemed by Rapala in 2021 is included in equity according to financial reporting standards, which improves the balance sheet indicators from the viewpoint of financers even though from the shareholder’s viewpoint the hybrid loan is interest-bearing debt

Estimates

Estimating has its own special characteristics

Rapala guides investors' expectations only with guidance for the result of the ongoing year. When giving guidance, Rapala typically has good visibility into the number of advance orders. Advance orders are orders that Rapala receives from customers before the season and they are recognized as sales when delivered. Stores make advance orders based on their own demand estimates and inventory situation. In addition, Rapala receives supplementary orders from the stores during the season that depend more on the consumer demand in the period in question, which is weather-dependent. The demand for Rapala's products is very defensive relative to economic cycles.

Rapala only reports every six months. In recent years, there have been significant sales fluctuations between H1 and H2 reports, as the important sales window for "freshwater fishing" supplementary orders is set in summer. Large orders can come in already in June, as was the case in 2021, when large retail chains ensured availability in the pandemic-induced demand spike. In 2019, the situation was reversed, and important orders were delivered only in July, as especially a large customer in the US tightened their inventory management.

However, the general rule, in terms of Rapala's sales and result is that H1 is seasonally clearly better, especially in the northern hemisphere where some 2/3 of fishing tackle with high margins is purchased during the first 6 months. In winter sports and ice fishing with lower margins, most of the sales are advance orders made in H2, and if the previous winter has been weak, it is only reflected in advance orders for the following year when the stores' inventories are still full.

Estimates for 2022

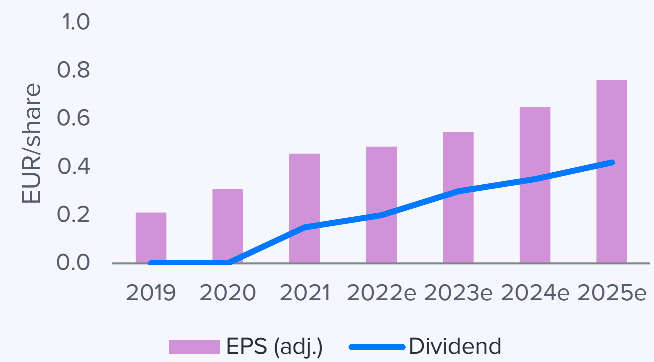
Rapala's 2022 guidance is that comparable operating profit will be in line with the previous year, when Rapala's EBIT increased by some 50% to EUR 32.7 million. We have cut our 2022 EBIT (comp.) estimate by some EUR 2 million to EUR 30.5 million (EBIT 10.5%) as we have cut our Russian sales estimate considerably since Russia attacked Ukraine. Last year, the Russian distribution company generated EUR 12.7 million in net sales and EUR 2.4 million in net result, but the sales still included Shimano sales, which was to be replaced with Okuma sales this year.

We also see a risk that Russian operations could result in a write-down of some EUR 10 million, but in the big picture balance sheet risks are under control. Rapala also has a factory in Sortavala in Karelia that employs some 100 people and that carries out the manual phase of lure production (surface finishing). Unfinished lures are transported from Vääksy to Sortavala and will then continue to Pärnu where the products are completed. If the conflict were to close the Russian border, this production phase would have to be relocated and it could mess up operations temporarily.

Even though 2022 EBIT does not grow in our estimates, EPS grows as the company no longer has to pay minority interest nor interest on the hybrid loan. Our 2022 adjusted EPS estimate is EUR 0.49 per share (2020: EUR 0.46 per share).

Net sales and EBIT-%

EPS and dividend



Estimates

Longer-term estimates

Rapala has not communicated long-term financial goals to the outside world. We are, however, very confident that in recent years the company has moved in the right direction (see strategy section) and this will also be reflected in earnings growth in the longer term.

We believe, the effects of the EUR 10 million restructuring program were fully reflected in Rapala's 2021 results. We estimate that this cost efficiency has roughly compensated for the gap in EBIT caused by the Shimano and other 3rd party (e.g. hunting) sales ending. In 2019, Rapala's EBIT (comp.) was EUR 17.9 million when the effects of both above-mentioned factors were not yet visible. In 2021, EBIT (comp.) had risen to EUR 32.7 million, but we believe this was boosted by the fishing boom.

After the restructuring program, the company's current strategy aims at achieving synergistic growth. If the growth projects succeed, Rapala has the preconditions to rise closer to the profitability levels of its best peers (EBIT: 15-20%).

In our estimates, implementation of the strategy will gradually support earnings growth in 2022-25, but at the same time we expect the decline of the fishing boom to create headwind for the market in 2022-23. We expect the size of the market to still be well above 2019 levels, supported by, e.g., increased recreational boats.

Currently we estimate sales increase of about 3% (CAGR) for Rapala in 2022-2025. Within the sales estimate, it should be noted that the sales structure and sales margin will improve as sales of own products increases by 6% (CAGR) and 3rd party sales volume decreases. In terms of EBIT, we expect that the company will reach a 13% EBT margin in 2025 (2021: 11.1%). This means EBIT of EUR 40 million (2021: 32.7 MEUR).

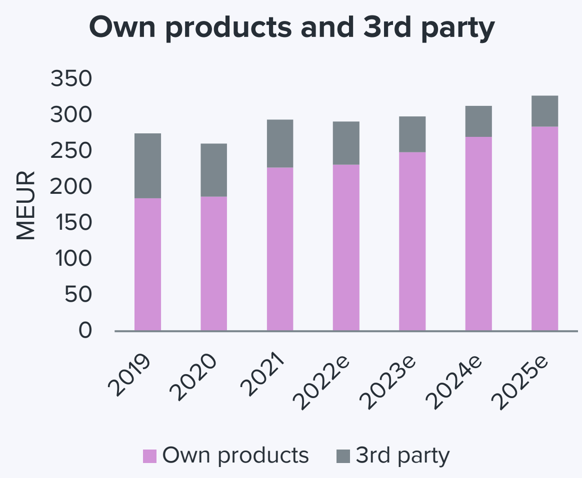
Next, we take a closer look at which strategic projects we expect to generate most profitable growth in coming years.

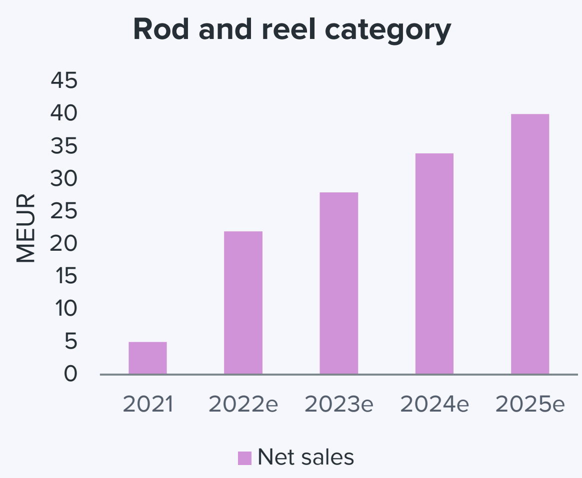
Biggest potential in the ramp-up of the rod and reel sales

We expect Okuma sales to reach the same sales level as Shimano previously distributed by Rapala (some 30 MEUR) by 2025. For 13 Fishing, we estimate that sales will reach about EUR 10 million by 2025.

We estimate that the average sales margins for the rod and reel category are about 40%. The operational leverage of sales growth is strong when additional sales are achieved through an existing wide distribution network. The growth in rod and reel sales is particularly synergistic, also because it does not cannibalize the sales of lures or other product groups.

Rapala also invests in developing the brands especially Okuma with a sizeable marketing budget, which will also add additional costs to other expenses in coming years. As a whole, we expect the Rod and Reel category to bring additional EBIT of some EUR 10 million in 2025 compared to the 2021 level.





Source: Inderes' estimates

Estimates

Full utilization of Rapala brand's potential

The Group's focus is increasingly on utilizing the flagship brand Rapala and we believe this strategy will bear fruit also on the EBIT line. It is difficult to give a precise positive impact of the utilization of Rapala's hidden brand value at this point. In our estimates, we expect a roughly EUR 5 million positive impact on the EBIT line in 2022-2025. This includes:

1) Improved pricing power and the better margins this generates

2) Reducing the number of product titles (SKU), which contributes to the organization's cost-effectiveness.

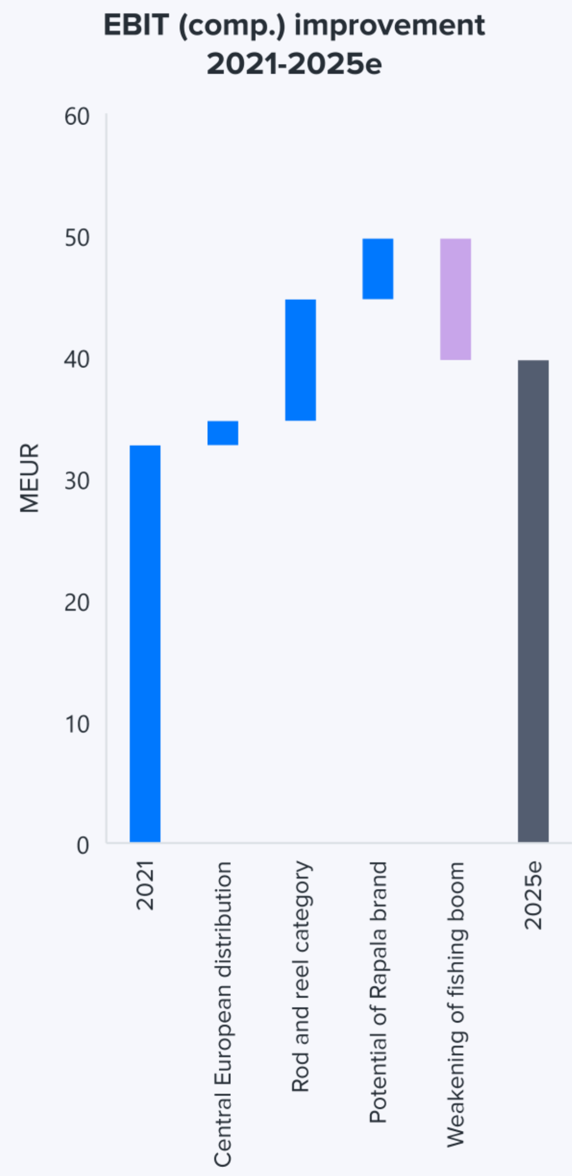
3) The growth we expect from online sales is also included in this, as we believe that consumers will choose the well-known and trusted Rapala brand online

Ramp-up of own distribution in Central Europe

Shimano previously had exclusive distribution rights to Rapala's products in Germany, the Netherlands, Belgium, Luxembourg, Italy and Great Britain. In our view, Shimano's sales volumes for Rapala's products in these countries have been disproportionately small (combined EBIT for Rapala less than 25 MEUR). Rapala began to distribute its own products in these countries starting from April 1, 2019.

Rapala did not have to start its distribution from scratch, as the Group had its own distribution for carp fishing products in Great Britain and at least for VMC hooks in Central Europe. We believe that Shimano's distribution philosophy is very different from Rapala's, as Shimano sells rods and reels through a more carefully selected number of sporting goods stores and fishing tackle retailers than what Rapala has done. We estimate that Rapala has good potential to increase sales among new customers in these countries, as in other regions, growth will come more from existing customers.

We therefore estimate that taking over distribution in Central Europe in 2021-2025 will result in additional sale of some EUR 10-20 million and EUR 2 million in EBIT, without the impact of the rods and reels, the effect of which we already consider separately.



Valuation and recommendation

The market prices Rapala on earnings basis

Rapala's adjusted 2022e earnings multiples are P/E 15x and EV/EBIT 11x, and 2023e P/E 13x and EV/EBIT 10x.

In our opinion, P/E ratios that are based on market cap and net profit attributable to Rapala's owners are the best indicator to reflect Rapala's valuation level. The P/E ratios consider the turnaround that has taken place in Rapala in recent years in full, which includes:

1) A drop in the tax rate following the removal of Batam's losses

2) Elimination of minority interests through the acquisition of Shimano's minority holdings

3) A reduction in interest expenses on debts as the company's debt sustainability improved.

EV/EBIT ratios are also partly useful, as they consider the decrease in the company's debt burden in recent years as result of decreased inventories, but they do not consider the positive development of the lines below EBIT.

Moderate valuation relative to company history

Rapala's earnings-based valuation remains moderate over the next few years compared to historical levels. Rapala's historical valuation (P/E ratio) has been between 13x and 30x with an average of 17x. With the current share price the valuation with the actualized result is 16x (2021 P/E) Current valuation is below historical levels. The valuation is also particularly moderate considering the clear improvement of company operations and track-record under the current management. They also provide a clear improvement in the earnings outlook compared to the previous years, which supports the valuation compared to history.

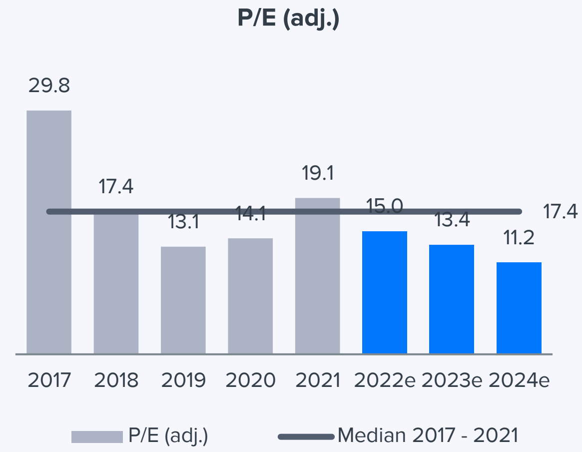
Relative discount has melted away

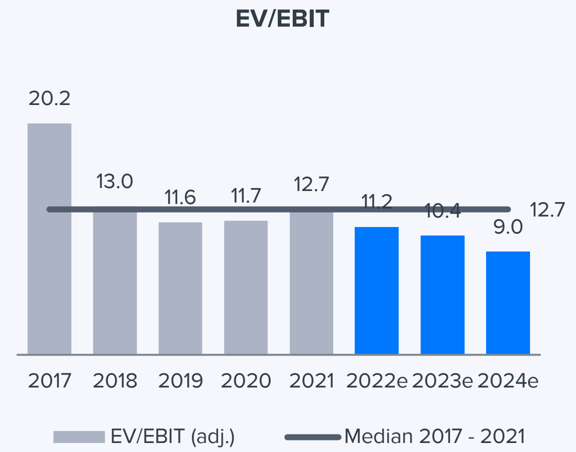
Rapala is now priced on earnings basis in line with our peer group consisting of defensive consumer brand companies.

The previous clear discount (-25%) to the peers has thus melted away since our last update in February. This is particularly due to the lower valuation levels of the peers and, at the same time, Rapala's share price has risen slightly, despite our slightly lower earnings estimates (Russian market).

DCF indicates an upside

Our DCF model indicates a value of EUR 9.7 per share. It also indicates a clear upside in the share even though it is sensitive to assumptions. DCF depicts a situation where the company's earnings level is sustainably raised in terms of EBIT to 13.0% which is the profitability we estimate after 2025 (2021: 11.1 %). The cost of equity we use for Rapala is 9.3% and the weighted average cost of capital WACC-% is 7.8%. The cost of equity we use is slightly higher than what is typically used for defensive consumer brand companies. The effects of the weakening fishing boom on Rapala raises the short-term estimate risks.





Source: Inderes

Valuation and recommendation

TSR drivers

Based on Rapala's own historical valuation and the valuation of its peers, we believe that the acceptable forward-looking P/E range for Rapala could be around 15-20x. Currently the lower end of the range is a clearly more realistic assumption and the markets require solid six-month periods before confidence in a sustainable improvement from the company can strengthen.

We do, however, find the scenario realistic that the valuation multiple could stretch to the top of the range in the next few years as market confidence in Rapala's performance strengthens. Shimano, an elite of our peer group, is now priced at 2022 P/E 23x, thanks to its excellent historical track record. In turn, Globeride (Daiwa) is only priced at a P/E ratio of 7x, as its performance was very subdued for a long time prior to the fishing boom. The market clearly does not believe that the company's net profit growth of about 100% compared to the pre-pandemic period is sustainable.

We outline Rapala's EPS drivers in the graph in the sidebar if the company progresses in line with our estimates. The total return of the share for 2021-2025 currently consists of a gradual multiple improvement, 13% earnings growth (CAGR) and 2-4% dividend yield. This year's estimated earnings growth is slower than this due to the clear decline in Russian estimates. Thus, we believe that a longer perspective will provide a better expected return (some 20%/CAGR) than the current year (10% p.a.). According to our estimates Rapala's EPS rises to EUR 0.76 per share in 2025. With a P/E ratio of 20x this would mean a share price of good EUR 15.

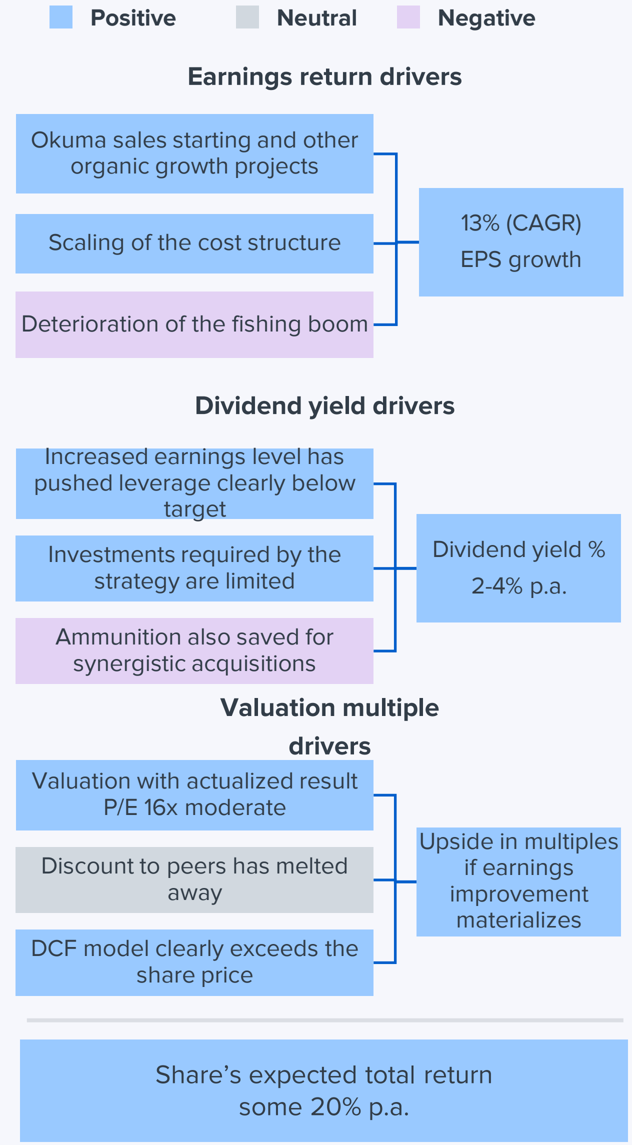
Risks related to own performance have decreased

Counterbalancing strong returns are moderate risks, the key ones relating to factors outside the company. These include the impact of the slowdown in the fishing boom on product demand in the next few years and the uncertainty of operations in the Russian region raised by its attack on Ukraine. Weather conditions also affect end demand between the years. However, our confidence in the company's own performance has increased, which reduces the uncertainty associated with positive earnings development.

A bid is a positive option for investors

We also remind investors that next to successful implementation of the strategy there is also another potential route for dismantling the value of strong brands as Rapala's competitor (Pure Fishing) previously bought a 19.2% share of the company. In this scenario the starting point for the value of the bid would still in our opinion be the level of transactions in the sector, i.e. approximately EV/S 2x, which means some EUR 14 per share. We also take the opportunity to state that we have no visibility into whether the main owner VMC is willing to sell the company. Pure Fishing recently acquired Rapala's competitor the Danish Svendsen Sport which at least indicates that the buyer is very active.

TSR drivers 2021-2025

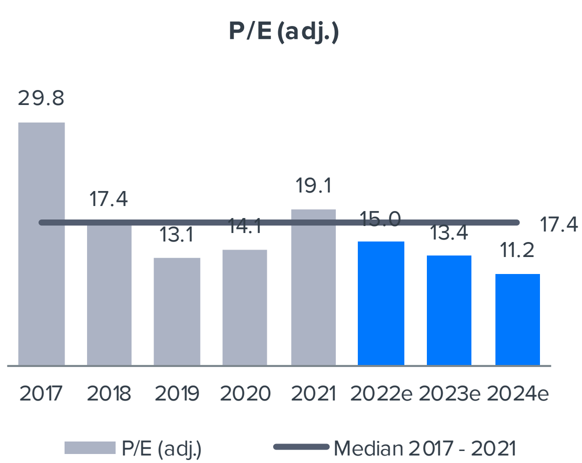


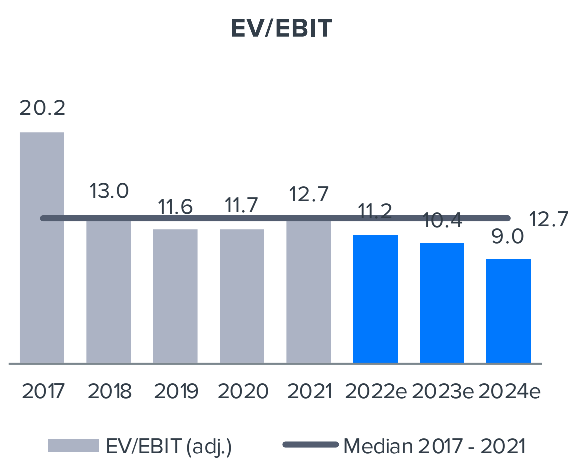
Source: Inderes

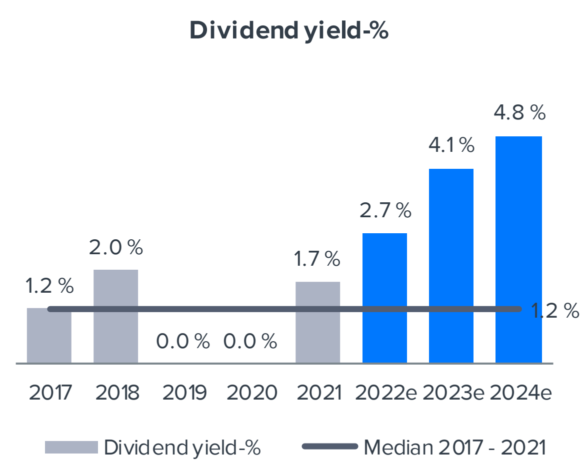
Valuation table

Valuation	2017	2018	2019	2020	2021	2022e	2023e	2024e	2025e
Share price	3.45	3.05	2.77	4.36	8.72	**7.30**	**7.30**	**7.30**	**7.30**
Number of shares, millions	38.3	38.3	38.3	38.6	38.6	**38.6**	**38.6**	**38.6**	**38.6**
Market cap	132	117	106	168	337	**282**	**282**	**282**	**282**
EV	232	216	207	252	415	**341**	**338**	**329**	**316**
P/E (adj.)	29.8	17.4	13.1	14.1	19.1	**15.0**	**13.4**	**11.2**	**9.6**
P/E	71.9	24.3	29.6	>100	19.8	**15.0**	**13.4**	**11.2**	**9.6**
P/FCF	4.9	neg.	11.4	3.3	>100	**11.1**	**21.6**	**12.7**	**9.7**
P/B	1.0	0.8	0.7	1.2	2.4	**1.9**	**1.7**	**1.6**	**1.4**
P/S	0.5	0.4	0.4	0.6	1.1	**1.0**	**0.9**	**0.9**	**0.9**
EV/Sales	0.9	0.8	0.8	1.0	1.4	**1.2**	**1.1**	**1.1**	**1.0**
EV/EBITDA	14.7	9.7	8.0	10.2	9.0	**8.4**	**7.9**	**7.0**	**6.0**
EV/EBIT (adj.)	20.2	13.0	11.6	11.7	12.7	**11.2**	**10.4**	**9.0**	**7.5**
Payout ratio (%)	83.3 %	47.9 %	0.0 %	0.0 %	34.0 %	**41.1 %**	**55.0 %**	**53.8 %**	**55.1 %**
Dividend yield-%	1.2 %	2.0 %	0.0 %	0.0 %	1.7 %	**2.7 %**	**4.1 %**	**4.8 %**	**5.8 %**

Lähde: 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**
Globeride Inc	2564.00	469	522			4.8	4.6	0.6		6.7	6.9	1.7	1.7	1.7
Shimano Inc	26265.00	18507	15863			12.0	12.4	3.8	3.0	21.4	22.2	0.9	0.9	3.6
Fiskars Oyj Abp	20.50	1708	1857	11.7	11.2	8.7	8.3	1.5	1.0	13.1	12.4	4.0	4.3	2.0
Fenix Outdoor International AG	1022.00	1122	1104	11.0	9.6	7.3	6.6	1.6	1.0	16.5	14.4	1.8	2.5	2.9
Johnson Outdoors Inc	77.70	725	571					0.8		10.4	9.1			
Deckers Outdoor Corp	263.70	6606	5688	11.6	9.6	10.7	8.9	2.0	1.0	17.5	14.4			4.8
Callaway Golf Co	22.40	3807	4575	16.5	14.3	9.8	8.8	1.3	1.0	34.2	26.3		0.0	
361 Degrees International Ltd	3.90	970	436	2.8	2.4	2.8	2.5	0.5		9.9	8.4	4.5	4.7	0.9
Columbia Sportswear Co	87.20	5171	4348	9.7	9.0	7.8	7.4	1.3	1.0	15.3	13.8	1.3	1.5	2.5
Mizuno Corp	2055.00	404	278			4.6	3.9	0.2			11.5	2.4	2.4	0.5
Yonex Co Ltd	948.00	695	583			9.4	8.9	1.1	1.0	15.0	15.8	0.8	1.0	2.0
MIPS AB	743.60	1931	1892	45.8	36.0	44.6	35.2	24.4	19.0	59.8	47.2	0.9	1.1	25.5
Rapala VMC (Inderes)	**7.30**	**282**	**341**	**11.2**	**10.4**	**8.4**	**7.9**	**1.2**	**1.1**	**15.0**	**13.4**	**2.7**	**4.1**	**1.9**
Average				**15.6**	**13.2**	**11.1**	**9.8**	**3.3**	**3.5**	**20.0**	**16.9**	**2.0**	**2.0**	**4.6**
Median				**11.6**	**9.6**	**8.7**	**8.3**	**1.3**	**1.0**	**15.3**	**14.1**	**1.7**	**1.6**	**2.3**
Diff-% to median				***-4%***	***8%***	***-3%***	***-5%***	***-10%***	***13%***	***-2%***	***-5%***	***60%***	***155%***	***-18%***

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

Income statement

Income statement	H1'20	H2'20	2020	H1'21	H2'21	2021	H1'22e	H2'22e	2022e	2023e	2024e	2025e
Revenue	**117**	**144**	**261**	**160**	**135**	**294**	**159**	**133**	**292**	**299**	**314**	**320**
Group's own products	78.3	109	188	121	107	228	124	108	232	249	271	276
3rd party products	38.8	35.0	73.8	39.2	27.4	66.6	35.0	25.0	60.0	50.0	43.0	43.9
Eliminations and NRIs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA	**6.8**	**17.9**	**24.7**	**33.9**	**12.1**	**46.0**	**29.1**	**11.3**	**40.5**	**42.7**	**47.0**	**52.5**
Depreciation	-7.6	-6.3	-13.9	-7.6	-6.3	-13.9	-5.0	-5.0	-10.0	-10.3	-10.4	-10.6
EBIT (excl. NRI)	**4.2**	**17.3**	**21.5**	**26.5**	**6.2**	**32.7**	**24.1**	**6.3**	**30.5**	**32.5**	**36.5**	**41.9**
EBIT	**-0.8**	**11.6**	**10.8**	**26.3**	**5.8**	**32.1**	**24.1**	**6.3**	**30.5**	**32.5**	**36.5**	**41.9**
Group's own products	4.3	19.1	23.4	22.1	7.5	29.5	20.4	7.5	28.0	30.0	34.4	36.2
3rd party products	-0.1	-1.8	-1.9	4.5	-1.3	3.2	3.7	-1.2	2.5	2.5	2.2	5.7
Eliminations and NRIs	-5.0	-5.7	-10.7	-0.2	-0.4	-0.6	0.0	0.0	0.0	0.0	0.0	0.0
Net financial items	-1.9	-2.3	-4.2	-1.4	-2.7	-4.1	-2.2	-2.2	-4.4	-3.2	-3.0	-2.6
PTP	**-2.7**	**9.3**	**6.6**	**24.9**	**3.1**	**28.0**	**21.9**	**4.1**	**26.1**	**29.3**	**33.5**	**39.3**
Taxes	-1.1	-2.1	-3.2	-6.9	-1.4	-8.3	-6.1	-1.2	-7.3	-8.2	-8.4	-9.8
Minority interest	-0.4	-0.5	-0.9	-1.1	-0.5	-1.6	0.0	0.0	0.0	0.0	0.0	0.0
Net earnings	**-4.9**	**6.1**	**1.2**	**16.3**	**0.8**	**17.0**	**15.8**	**3.0**	**18.8**	**21.1**	**25.1**	**29.5**
EPS (adj.)	**0.00**	**0.30**	**0.31**	**0.43**	**0.03**	**0.46**	**0.41**	**0.08**	**0.49**	**0.55**	**0.65**	**0.76**
EPS (rep.)	**-0.13**	**0.16**	**0.03**	**0.42**	**0.02**	**0.44**	**0.41**	**0.08**	**0.49**	**0.55**	**0.65**	**0.76**

Key figures	H1'20	H2'20	2020	H1'21	H2'21	2021	H1'22e	H2'22e	2022e	2023e	2024e	2025e
Revenue growth-%			-5.1 %	36.4 %	-6.7 %	12.6 %	-0.5 %	-1.4 %	-0.9 %	2.5 %	4.9 %	2.0 %
Adjusted EBIT growth-%	-65.1 %	194%	20.1 %	531.0 %	-64%	52.0 %	-9.0 %	2.5 %	-6.8 %	6.6 %	12.5 %	14.7 %
EBITDA-%	5.8 %	12.4 %	9.5 %	21.2 %	9.0 %	15.6 %	18.3 %	8.5 %	13.9 %	14.3 %	15.0 %	16.4 %
Adjusted EBIT-%	3.6 %	12.0 %	8.2 %	16.6 %	4.6 %	11.1 %	15.2 %	4.8 %	10.4 %	10.9 %	11.7 %	13.1 %
Net earnings-%	-4.2 %	4.2 %	0.5 %	10.2 %	0.6 %	5.8 %	9.9 %	2.2 %	6.4 %	7.0 %	8.0 %	9.2 %

Source: Inderes

Estimate revisions	2022	2022	Change	2023e	2023e	Change	2024e	2024e	Change
MEUR / EUR	**Old**	**New**	**%**	**Old**	**New**	**%**	**Old**	**New**	**%**
Revenue	296	292	-2%	304	299	-2%	316	314	-1%
EBIT (exc. NRIs)	32.7	30.5	-7%	34.0	32.5	-5%	36.8	36.5	-1%
EBIT	32.7	30.5	-7%	34.0	32.5	-5%	36.8	36.5	-1%
PTP	28.3	26.1	-8%	30.8	29.3	-5%	33.8	33.5	-1%
EPS (excl. NRIs)	0.53	0.49	-8%	0.57	0.55	-5%	0.66	0.65	-1%
DPS	0.20	0.20	0%	0.30	0.30	0%	0.35	0.35	0%

Source: Inderes

Balance sheet

Assets	2020	2021	2022e	2023e	2024e
Non-current assets	**123**	**138**	**136**	**137**	**137**
Goodwill	49.1	49.1	49.1	49.1	49.1
Intangible assets	22.1	31.7	31.6	31.5	31.4
Tangible assets	33.0	35.1	36.1	36.8	37.4
Associated companies	11.7	14.5	11.7	11.7	11.7
Other investments	7.2	7.6	7.6	7.6	7.6
Other non-current assets	0.0	0.0	0.0	0.0	0.0
Deferred tax assets	0.0	0.0	0.0	0.0	0.0
Current assets	**150**	**178**	**175**	**173**	**182**
Inventories	68.8	86.2	84.6	80.7	84.7
Other current assets	0.0	0.0	0.0	0.0	0.0
Receivables	53.0	63.5	62.9	64.5	67.7
Cash and equivalents	27.9	27.8	27.6	28.2	29.6
Balance sheet total	**273**	**316**	**311**	**310**	**319**

Source: Inderes

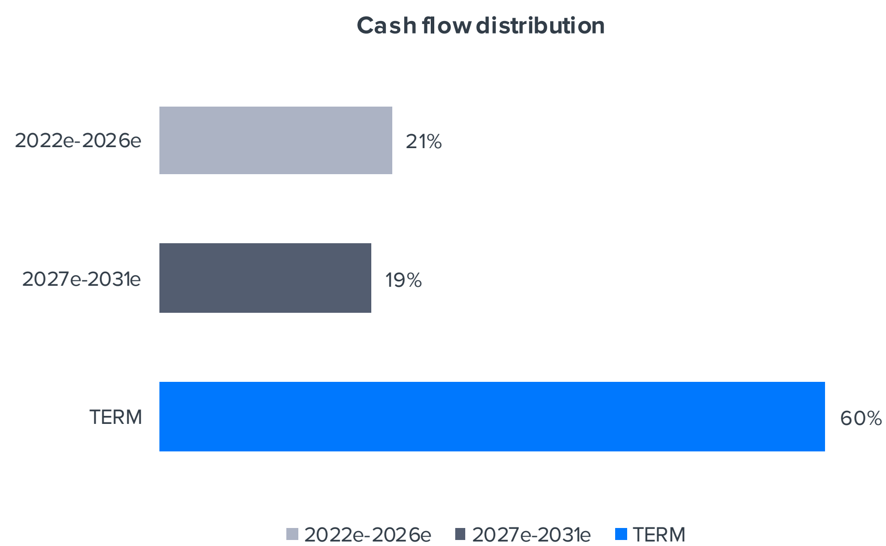
Liabilities & equity	2020	2021	2022e	2023e	2024e
Equity	**143**	**139**	**152**	**166**	**179**
Share capital	3.6	3.6	3.6	3.6	3.6
Retained earnings	109	136	149	162	176
Hybrid bonds	25.0	0.0	0.0	0.0	0.0
Revaluation reserve	0.0	0.0	0.0	0.0	0.0
Other equity	0.0	0.0	0.0	0.0	0.0
Minorities	5.2	0.0	0.0	0.0	0.0
Non-current liabilities	**69.2**	**70.0**	**61.8**	**60.5**	**56.7**
Deferred tax liabilities	0.0	0.0	0.0	0.0	0.0
Provisions	0.0	0.0	0.0	0.0	0.0
Long term debt	60.7	59.2	48.3	47.0	43.2
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	8.5	10.8	13.5	13.5	13.5
Current liabilities	**60.6**	**106**	**97.1**	**84.0**	**83.3**
Short term debt	19.6	46.7	38.1	37.1	34.1
Payables	41.0	59.5	59.0	46.9	49.2
Other current liabilities	0.0	0.0	0.0	0.0	0.0
Balance sheet total	**273**	**316**	**311**	**310**	**319**

DCF calculation

DCF model	2021	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	TERM
EBIT (operating profit)	**32.1**	**30.5**	**32.5**	**36.5**	**41.9**	**42.4**	**43.3**	**44.1**	**45.0**	**45.9**	**46.8**	
+ Depreciation	13.9	10.0	10.3	10.4	10.6	10.7	10.8	10.8	10.9	10.9	10.9	
- Paid taxes	-8.3	-7.3	-8.2	-8.4	-9.8	-10.1	-10.4	-10.7	-11.0	-11.4	-11.7	
- Tax, financial expenses	-1.3	-1.3	-1.0	-0.8	-0.7	-0.6	-0.5	-0.4	-0.3	-0.2	-0.1	
+ Tax, financial income	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	
- Change in working capital	-9.4	1.6	-9.7	-4.8	-2.1	-2.1	-2.1	-2.2	-2.2	-2.3	-2.3	
Operating cash flow	**27.1**	**33.6**	**23.9**	**33.0**	**39.9**	**40.4**	**41.1**	**41.7**	**42.4**	**43.0**	**43.7**	
+ Change in other long-term liabilities	2.3	2.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-26.0	-10.9	-10.9	-10.9	-10.9	-10.9	-10.9	-11.1	-11.1	-11.1	-10.9	
Free operating cash flow	**3.4**	**25.4**	**13.0**	**22.1**	**29.0**	**29.5**	**30.2**	**30.6**	**31.3**	**31.9**	**32.8**	
+/- Other	-1.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	2.3	25.4	13.0	22.1	29.0	29.5	30.2	30.6	31.3	31.9	32.8	573
Discounted FCFF		**24.1**	**11.5**	**18.0**	**22.0**	**20.7**	**19.6**	**18.5**	**17.5**	**16.6**	**15.8**	**276**
Sum of FCFF present value		460	436	424	406	384	364	344	325	308	291	276
Enterprise value DCF		**460**										
- Interesting bearing debt		-105.9										
+ Cash and cash equivalents		27.8										
-Minorities		0.0										
-Dividend/capital return		0.0										
Equity value DCF		**382**										
Equity value DCF per share		**9.9**										

Wacc	
Tax-% (WACC)	30.0 %
Target debt ratio (D/(D+E)	25.0 %
Cost of debt	5.0 %
Equity Beta	1.10
Market risk premium	4.80%
Liquidity premium	2.00%
Risk free interest rate	2.0 %
Cost of equity	**9.3 %**
Weighted average cost of capital (WACC)	**7.8 %**

Source: Inderes



Summary

Income statement	2019	2020	2021	2022e	2023e
Revenue	275.4	261.3	294.3	**291.7**	**298.9**
EBITDA	26.0	24.7	46.0	**40.5**	**42.7**
EBIT	13.4	10.8	32.1	**30.5**	**32.5**
PTP	9.8	6.6	28.0	**26.1**	**29.3**
Net Income	3.6	1.2	17.0	**18.8**	**21.1**
Extraordinary items	-4.5	-10.7	-0.6	**0.0**	**0.0**

Balance sheet	2019	2020	2021	2022e	2023e
Balance sheet total	289.4	272.8	315.5	**311.2**	**310.2**
Equity capital	151.5	143.0	139.3	**152.3**	**165.6**
Goodwill	49.1	49.1	49.1	**49.1**	**49.1**
Nettovelat	107.4	77.4	78.1	**58.9**	**55.9**

Cash flow	2019	2020	2021	2022e	2023e
EBITDA	26.0	24.7	46.0	**40.5**	**42.7**
Change in working capital	6.1	28.9	-9.4	**1.6**	**-9.7**
Operating cash flow	26.4	53.7	27.1	**33.6**	**23.9**
CAPEX	-32.3	-1.6	-26.0	**-10.9**	**-10.9**
Free cash flow	9.3	50.8	2.3	**25.4**	**13.0**

Valuation multiples	2019	2020	2021	2022e	2023e
EV/S	0.8	1.0	1.4	**1.2**	**1.1**
EV/EBITDA (adj.)	8.0	10.2	9.0	**8.4**	**7.9**
EV/EBIT (adj.)	11.6	11.7	12.7	**11.2**	**10.4**
P/E (adj.)	13.1	14.1	19.1	**15.0**	**13.4**
P/B	0.7	1.2	2.4	**1.9**	**1.7**
Dividend-%	0.0 %	0.0 %	1.7 %	**2.7 %**	**4.1 %**

Per share data	2019	2020	2021	2022e	2023e
EPS (reported)	0.09	0.03	0.44	**0.49**	**0.55**
EPS (adj.)	0.21	0.31	0.46	**0.49**	**0.55**
OCF / share	0.69	1.39	0.70	**0.87**	**0.62**
FCF / share	0.24	1.32	0.06	**0.66**	**0.34**
Book value / share	3.84	3.57	3.61	**3.94**	**4.29**
Dividend / share	0.00	0.00	0.15	**0.20**	**0.30**

Growth and profitability	2019	2020	2021	2022e	2023e
Revenue growth-%	5%	-5%	13%	**-1%**	**2%**
EBITDA growth-%	16%	-5%	86%	**-12%**	**6%**
EBIT (adj.) growth-%	7%	20%	52%	**-7%**	**7%**
EPS (adj.) growth-%	21%	46%	48%	**6%**	**12%**
EBITDA-%	9.4 %	9.5 %	15.6 %	**13.9 %**	**14.3 %**
EBIT (adj.)-%	6.5 %	8.2 %	11.1 %	**10.4 %**	**10.9 %**
EBIT-%	4.9 %	4.1 %	10.9 %	**10.4 %**	**10.9 %**
ROE-%	2.5 %	0.8 %	12.3 %	**12.9 %**	**13.3 %**
ROI-%	5.7 %	4.7 %	13.8 %	**12.7 %**	**13.4 %**
Equity ratio	52.3 %	52.4 %	44.2 %	**48.9 %**	**53.4 %**
Net gearing	54.4 %	36.6 %	56.1 %	**38.7 %**	**33.7 %**

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Recommendation history (>12 mo)

Date	Recommendation	Target price	Share price
10-09-18	Accumulate	4.00 €	3.50 €
14-01-19	Accumulate	3.80 €	3.33 €
17-02-19	Reduce	3.30 €	3.21 €
23-04-19	Accumulate	3.30 €	3.05 €
21-07-19	Reduce	3.10 €	3.15 €
09-01-20	Reduce	2.90 €	2.73 €
27-01-20	Accumulate	3.10 €	2.86 €
13-02-20	Accumulate	3.10 €	2.94 €
18-03-20	Reduce	2.30 €	2.38 €
26-05-20	Reduce	2.40 €	2.60 €
10-06-20	Reduce	2.60 €	2.67 €
20-07-20	Reduce	2.60 €	2.80 €
02-10-20	Accumulate	2.80 €	2.60 €
18-11-20	Accumulate	3.80 €	3.44 €
23-11-20	Buy	4.50 €	3.65 €
21-01-21	Accumulate	5.60 €	5.10 €
11-02-21	Accumulate	6.20 €	5.68 €
10-03-21	Accumulate	6.70 €	6.08 €
21-04-21	Accumulate	9.00 €	7.00 €
19-07-21	Accumulate	12.00 €	10.60 €
29-11-21	Accumulate	11.00 €	9.00 €
14-02-22	Buy	8.50 €	7.14 €
12-04-22	Accumulate	8.00 €	7.07 €

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