

Puuiilo Oyj

Company report

4/8/2024



Arttu Heikura

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✓ Inderes corporate customer

This report is a summary translation of the report “Tulevaisuus näyttää lupaavalta” published on 3/28/2024 at 8:10 EET.

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A promising future ahead

Puulo gave strong guidance indicating growth and improved profitability, ignoring the below-forecast Q4 operational figures. The outlook for 2024 is good on the basis of announced store openings and a good start to the financial year, although temporary supply chain disruptions and weak consumer confidence create uncertainty. We consider the expected return from rapid earnings growth to be sufficiently attractive despite the momentarily elevated valuation picture. We raise our target price to EUR 10.0 (was 9.0) due to positive forecast changes. Our recommendation is raised to Accumulate (previous Reduce), boosted by the improved outlook.

Solid performance in a weak market

As expected, the operational items in Puulo's Q4 report were a bit softer than in previous reports. However, revenue grew by a solid 12.4%, mainly driven by the expansion of the store network. Although comparable (like-for-like) growth was just over one percent, the company's number of customers increased significantly, which can be explained by the market share gained through the new stores. We estimate that the softness in like-for-like growth is partly due to a weak durable goods market and partly due to strong comparison numbers. In this case, the company's performance can be considered good, at the very least. In addition to revenue growth, the main driver of profitability was the improved and better-than-expected gross margin. The gross margin was supported by lower logistics costs, improved warehouse efficiency, and strong growth in private label. Other expense lines saw an increase as expected, as store openings and wage pressures pushed fixed costs higher. As a result of the above-mentioned factors, the EBITA profitability we monitor was well below our forecast at 10.7 MEUR, or 13.9% of revenue. The company's board of directors has decided to propose a dividend that corresponds to almost the entire net profit. The handsome dividend payout is supported by the company's strong cash position and cash flow and, as we see it, the lack of investment opportunities.

Very strong guidance

Puulo provided guidance indicating strong growth and improved profitability. The midpoint of the guidance implies a growth in revenue of around 17% and EBITA margin of 16.5%. The company expects to open a record number of stores in 2024, reaching 48 stores if all goes according to plan. According to management, Q1 has got off to a promising start and the softness in market we had anticipated has not impacted Puulo's demand. The company expects 2024 like-for-like growth to continue at the previous fiscal year's level (~5%), which we believe is a good pace given the current market environment. We believe that the continued like-for-like growth is justified by Puulo's still young store network, which is growing on a comparable basis as brand awareness improves. In the short term, the uncertain market environment (supply chain disruptions and weak consumer confidence) may throw a spanner in the works, but Puulo has a strong track record of gaining market share even in a weak market.

Expected return rises to an adequate level

Our earnings estimates have increased by some 3-5% for the next few years. Puulo's trailing valuation picture remains expensive, providing no support for the expected return. In the coming years, the valuation picture (P/E 2024-2025e 17-15x) becomes fairly neutral with strong earnings growth. In our view, rapid earnings growth combined with a reasonable dividend yield provides a sufficient basis for an expected return of 10-15%. We note that the share, which is already priced at elevated multiples, cannot withstand earnings disappointments, which would reduce both the acceptable valuation level and the growth expectations of the share.

Recommendation

Accumulate
(previous Reduce)

EUR 10.00
(previous EUR 9.00)

Share price:
9.18



Key figures

	2023	2024e	2025e	2026e
Revenue	338.5	390.2	421.2	453.7
growth-%	14%	15%	8%	8%
EBIT adj.	52.8	63.5	70.8	79.2
EBIT-% adj.	15.6 %	16.3 %	16.8 %	17.5 %
Net Income	38.7	47.1	53.0	59.3
EPS (adj.)	0.46	0.56	0.63	0.70

P/E (adj.)	20.3	16.5	14.7	13.1
P/B	9.2	7.8	6.8	5.9
Dividend yield-%	4.1 %	4.8 %	5.4 %	6.1 %
EV/EBIT (adj.)	16.8	13.7	12.0	10.7
EV/EBITDA	13.1	10.9	9.3	8.4
EV/S	2.6	2.2	2.0	1.9

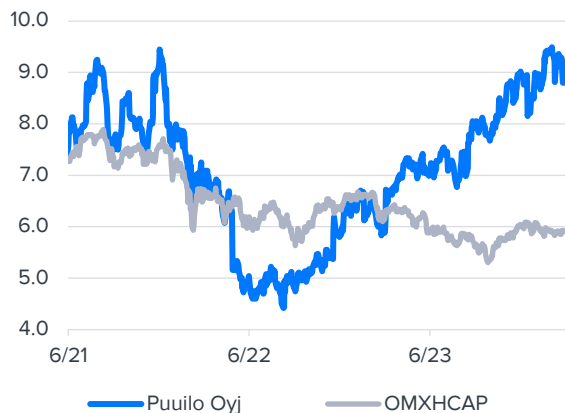
Source: Inderes

Guidance

(New guidance)

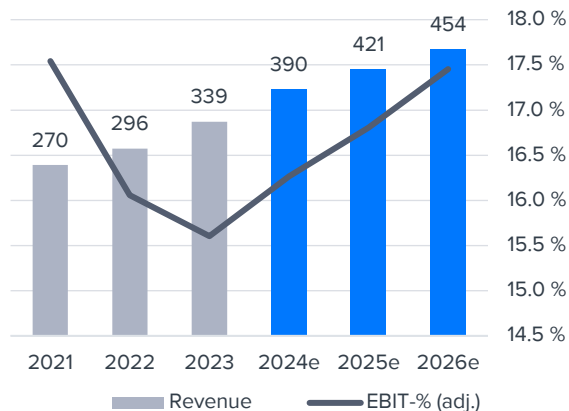
Puulo predicts that its revenue for 2024 will be 380-410 MEUR (2023: 339 MEUR) and the adjusted EBITA will be in the range of 60-70 MEUR (2023: 54.1 MEUR).

Share price



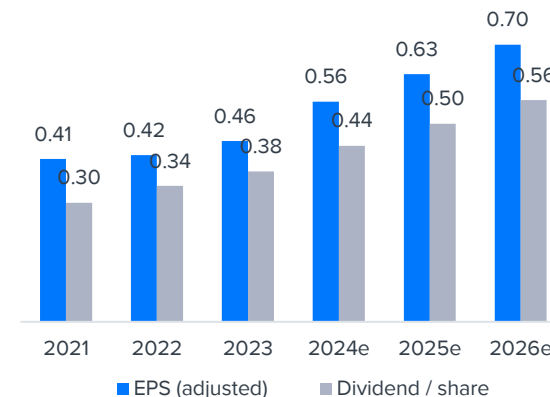
Source: Millstream Market Data AB

Revenue and EBIT-%



Source: Inderes

EPS and dividend



Source: Inderes



Value drivers

- Increasing the number of stores to 60
- Significant growth potential remaining in ramping up existing stores
- Growth in private label
- As a result of growth, improved bargaining power with suppliers and scaling of costs
- Further streamlining of operating expenditure levels



Risk factors

- Increased competition as key competitors also expand their brick-and-mortar networks
- Global disruptions in product availability and the rise of protectionism
- Successful category management
- Weakened consumer purchasing power in a cost-inflationary environment

Valuation	2024e	2025e	2026e
Share price	9.18	9.18	9.18
Number of shares, million:	84.8	84.8	84.8
Market cap	778	778	778
EV	871	853	843
P/E (adj.)	16.5	14.7	13.1
P/E	16.5	14.7	13.1
P/B	7.8	6.8	5.9
P/S	2.0	1.8	1.7
EV/Sales	2.2	2.0	1.9
EV/EBITDA	10.9	9.3	8.4
EV/EBIT (adj.)	13.7	12.0	10.7
Payout ratio (%)	80.0 %	80.0 %	80.0 %
Dividend yield-%	4.8 %	5.4 %	6.1 %

Source: Inderes

Strong guidance masks lower-than-expected operational items

Growth in revenue driven by new store openings

Puulo's Q4 revenue grew by 12.4% to 76.8 MEUR. The growth was mainly driven by the expansion of the store network. Although like-for-like growth was just over one percent, the company's number of customers increased by 12%, which we think can be explained by the market share gained through the new stores. We estimate that the softness in like-for-like growth is partly due to a weak durable goods market and partly due to strong comparison numbers. Online sales continued their downward trend, which we believe is due to the higher-priced product mix typical of online retail. In other words, consumption has shifted to daily necessities rather than expensive durable goods.

Profitability also below expectations, but once again at a good level

Puulo once again managed to deliver good Q4 profitability, but it fell somewhat short of our and consensus expectations. In addition to revenue

growth, the main driver of profitability was a good gross profit of 36.7%, which was slightly (+0.3 pp) above our expectations. The gross margin was supported by lower logistics costs, improved warehouse efficiency, and strong growth in private label (2023: 20.6% vs. 2022 20%). Expenses saw an increase as expected, as store openings and wage pressures pushed fixed costs higher. As a result of the above-mentioned factors, the EBITA profitability we monitor was well below our forecast at 10.7 MEUR, or 13.9% of revenue. Reported earnings per share were EUR 0.09, in line with our as well as consensus expectations.

In terms of profit distribution, the board of directors proposes a dividend corresponding to almost the entire net profit (EUR 0.38, 83% of EPS). The handsome dividend payout is supported by the company's strong cash position and cash flow and, as we see it, the lack of investment opportunities (investments in stores very capital-light).

Puulo's financial position remained strong, with net debt at around 0.5x EBITDA (IFRS 16 adj.). The operating cash flow for the financial year rose to 58 MEUR, which is a very good level and reflects the company's strong cash flow profile (85% cash conversion).

Guidance strong

For the financial year 2024, Puulo forecasts increasing revenue (380-410 MEUR) and improving profitability (60-70 MEUR). The midpoint of the guidance implies a growth in revenue of around 17% and EBITA margin of 16.5%. The company expects to open a record number of stores (6) in 2024, reaching 48 stores if all goes according to plan. The market environment remains uncertain and, if the Finnish port strikes prolong, product shortages and additional costs may result. However, we note that in our view the market uncertainties are only temporary and do not affect Puulo's long-term growth prospects.

Estimates MEUR / EUR	Q4'22	Q4'23	Q4'23e	Q4'23e	Consensus		Difference (%)	2023
	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. inderes	Actualized
Revenue	68.3	76.8	78.1	78.7			-2%	340
EBITA (oik.)	9.6	10.7	11.5	11.5			-7%	53.8
EBIT	9.4	10.2	11.2	11.2			-9%	53.8
EPS (reported)	0.08	0.09	0.09	0.09			-5%	0.56
DPS	0.34	0.38	0.38	0.38			0%	0.38
Revenue growth-%	9.6 %	12.4 %	14.4 %	15.3 %			-2 pp	14.2 %
EBITA-% (oik.)	14.1 %	13.9 %	14.7 %	14.6 %			-0.8 pp	15.8 %

Source: Inderes & Bloomberg (consensus)

Estimate revisions

Estimate revisions

- In the big picture, our revenue forecasts remain unchanged, and we expect the company to meet its guidance, but fall short of the midpoint. On average, we expect revenue to grow by 10% over the next three years.
- We have slightly lowered our cost forecasts, which has increased our profitability forecasts by 3-4%. This is driven by two factors: we believe that in private label sales, the trend started in Q4 will continue, thus supporting the relative gross margin. Puuilo's aim is to increase the share of sales accounted for by its profitable own brands by around 1 percentage point each year. On the fixed cost side, there is room for scaling back from the previous financial year, as the company had some one-off costs (staff training and acquisition costs) that we do not expect to be repeated in the coming years.

Operational earnings drivers:

- Expansion of the store network towards 60 stores (now 48)
- Comparable (like-for-like) growth of the young store network as brand awareness improves
- Improving gross margin by increasing the share of private label
- Cost-efficiency measures
- Improving debt position and falling interest rates (2025-26 →)
- We expect strong earnings growth of 15% in 2023-26.

Estimate revisions	2023	2023	Change	2024e	2024e	Change	2025e	2025e	Change
MEUR / EUR	Inderes	Actualized	%	Old	New	%	Old	New	%
Revenue	340	339	0%	386	390	1%	421	421	0%
EBIT (exc. NRIs)	53.8	52.8	-2%	60.8	63.5	4%	68.7	70.8	3%
EBIT	53.8	52.8	-2%	60.8	63.5	4%	68.7	70.8	3%
PTP	49.3	48.4	-2%	56.2	58.9	5%	64.2	65.8	3%
EPS (excl. NRIs)	0.46	0.46	-2%	0.53	0.56	5%	0.61	0.63	3%
DPS	0.38	0.38	0%	0.40	0.44	11%	0.49	0.50	3%

Source: Inderes

Expected return relies on rapid earnings growth

Higher valuation justified

The trailing 12-month P/E (20x) is slightly above our range of acceptable valuation levels (P/E ~16-18x) and we see a gradual downside. However, projected earnings growth will correct the high valuation in the coming years as the P/E ratio falls to a reasonable (24-25e: 17-15x) or even attractive level (26e: 13x) for a growth company. EV-based earnings multiples that take into account the balance sheet (24-25e EV/EBIT 14-12x) seem quite reasonable, but not low.

Given the company's growth profile, we believe that accepting temporarily higher multiples for the stock is justified. However, investors should note that Puuilo's growth potential is limited with the current business/concept, as according to the company's management, there is room for only a little over 60 Puuilo stores in Finland with the current concept. In this case, we do not believe that extrapolating double-digit growth far into the future is justified, but that the company should provide further evidence of new sources of growth (internationalization, acquisitions, new concept, etc.).

We forecast Puuilo's result to grow at an annual rate of around 15% over the next three years. Given the 5% dividend yield and the slightly elevated (trailing) valuation, the expected return on the stock is around 10-15%. We find this level attractive and it exceeds our required return. We note that the share, which is already priced at elevated multiples, cannot withstand earnings disappointments, which would reduce both the acceptable valuation level and the growth expectations of the share.

Valuation in line with peers

When gauging the relative valuation, we give main weight to the P/E ratio and dividend yield. The comparability of EV-based multiples within the peer group is weakened by differences in the length of IFRS 16 leases affecting net debt between the companies.

The company's P/E valuation is broadly in line with its retail peer group. In our view, the peer group's valuation level is slightly elevated in the current year, which conversely means that Puuilo, which is normally priced at a premium, is relatively neutral priced relative to its peers. In our view, Puuilo's stronger growth outlook, good track record and excellent return on capital justify its valuation above its peers.

Because of the dividend, the Puuilo share yields a better return than the peer group (~50% premium). This is supported by a generous dividend policy, made possible by a strong cash flow profile and a lack of alternative investment opportunities.

DCF model indicates upside potential

Our cash flow model gives a fair value of EUR 10.3, which suggests an upside of around 13% relative to the current share price. Puuilo's cash flow profile is fairly predictable, which allows us to incorporate the value provided by the cash flow model into our valuation of the company.

Good dividend yield per share

For 2024-26, we forecast a dividend that grows with earnings. At the current share price, the dividend yield is in the 5-6% range, providing quite solid support for the expected return. Compared to other retail companies, Puuilo's share offers an attractive dividend yield (50% premium).

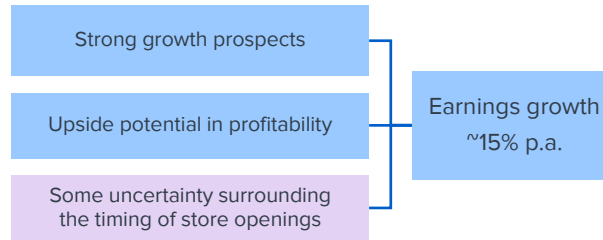
Valuation	2024e	2025e	2026e
Share price	9.18	9.18	9.18
Number of shares, millions	84.8	84.8	84.8
Market cap	778	778	778
EV	871	853	843
P/E (adj.)	16.5	14.7	13.1
P/E	16.5	14.7	13.1
P/B	7.8	6.8	5.9
P/S	2.0	1.8	1.7
EV/Sales	2.2	2.0	1.9
EV/EBITDA	10.9	9.3	8.4
EV/EBIT (adj.)	13.7	12.0	10.7
Payout ratio (%)	80.0 %	80.0 %	80.0 %
Dividend yield-%	4.8 %	5.4 %	6.1 %

Source: Inderes

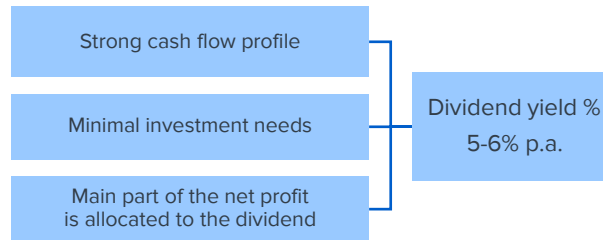
TSR drivers 2023-2026e

■ Positive ■ Neutral ■ Negative

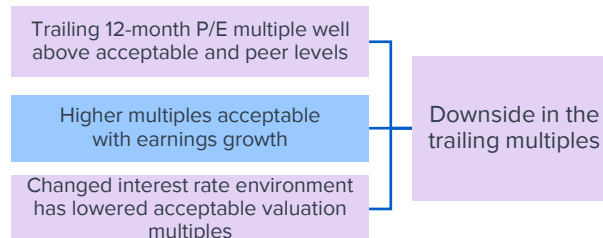
Profit drivers



Dividend yield drivers



Valuation multiple drivers

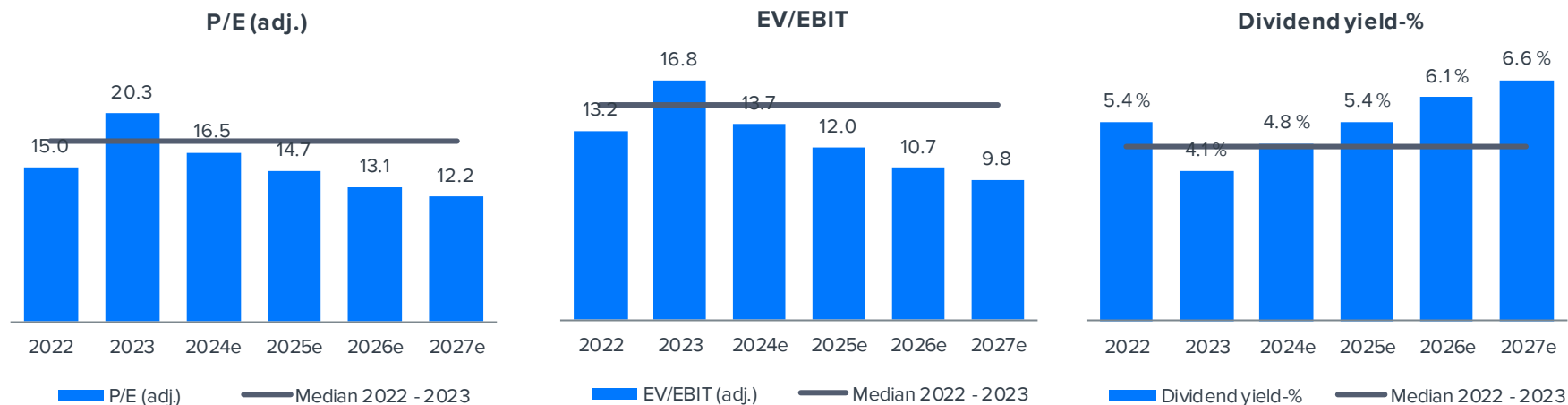


Share's expected total return ~ 10-15% p.a.

Valuation table

Valuation	2019	2020	2021	2022	2023	2024e	2025e	2026e	2027e
Share price				6.32	9.26	9.18	9.18	9.18	9.18
Number of shares, millions				84.8	84.8	84.8	84.8	84.8	84.8
Market cap				536	785	778	778	778	778
EV				630	886	871	853	843	838
P/E (adj.)				15.0	20.3	16.5	14.7	13.1	12.2
P/E				15.3	20.3	16.5	14.7	13.1	12.2
P/B				7.0	9.2	7.8	6.8	5.9	5.2
P/S				1.8	2.3	2.0	1.8	1.7	1.6
EV/Sales				2.1	2.6	2.2	2.0	1.9	1.7
EV/EBITDA				10.4	13.1	10.9	9.3	8.4	7.9
EV/EBIT (adj.)				13.2	16.8	13.7	12.0	10.7	9.8
Payout ratio (%)				82.9 %	83.3 %	80.0 %	80.0 %	80.0 %	80.0 %
Dividend yield-%				5.4 %	4.1 %	4.8 %	5.4 %	6.1 %	6.6 %

Source: Inderes



Peer group valuation

Peer group valuation	Market cap	EV	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%		P/B
Company	MEUR	MEUR	2024e	2025e	2024e	2025e	2024e	2025e	2024e	2025e	2024e	2025e	2024e
Europris ASA	1116	1372	11.7	11.0	7.7	7.4	1.6	1.6	13.7	12.6	4.4	4.5	3.3
Bygghem AB	183	421	19.5	14.1	5.4	4.9	0.8	0.7	15.4	9.7	2.7	4.2	0.9
Clas Ohlson AB	811	930	15.1	12.1	6.9	6.4	1.1	1.0	18.2	14.2	3.4	4.1	4.9
Axfood AB	5847	6665	19.7	18.4	10.5	10.0	0.9	0.9	23.9	22.2	2.8	2.9	8.4
Dollar General Corp	31305	37278	16.5	16.9	12.4	12.2	1.0	1.0	20.6	21.2	1.5	1.6	5.0
Kesko Oyj	6961	9521	14.1	13.3	7.8	7.5	0.8	0.8	14.7	13.7	5.7	6.0	2.5
Musti Group Oyj	833	967	20.4	17.4	11.5	10.4	2.1	1.9	26.2	20.9	2.8	3.3	4.6
Verkkokauppa.com Oyj	107	113	12.3	8.0	7.1	5.5	0.2	0.2	17.7	11.0	3.3	5.5	3.1
Kamux Oyj	233	287	12.2	8.8	7.8	6.2	0.3	0.3	14.1	9.8	3.3	4.7	1.9
Tokmanni Oyj	881	1611	13.2	11.5	6.5	6.0	0.9	0.9	12.7	10.2	5.5	6.4	3.0
Rusta	1096	1560	22.1	17.2	9.5	8.4	1.5	1.4	18.5	16.8	2.7	3.6	6.1
Puulo Oyj (Inderes)	778	871	13.7	12.0	10.9	9.3	2.2	2.0	16.5	14.7	4.8	5.4	7.8
Average			16.1	13.5	8.5	7.7	1.0	1.0	17.8	14.8	3.5	4.2	4.0
Median			15.1	13.3	7.8	7.4	0.9	0.9	17.7	13.7	3.3	4.2	3.3
Diff-% to median			-9%	-9%	39%	26%	137%	127%	-6%	7%	47%	30%	137%

Source: Refinitiv / Inderes

Income statement

Income statement	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24e	Q2'24e	Q3'24e	Q4'24e	2024e	2025e	2026e	2027e
Revenue	296	65.0	104	92.3	76.8	339	77.6	117	105	90.1	390	421	454	486
EBITDA	60.5	10.6	24.3	18.7	14.3	67.8	12.8	27.1	22.6	17.7	80.2	92.0	101	106
Depreciation	-13.5	-3.6	-3.7	-3.7	-4.0	-15.0	-4.0	-4.1	-4.1	-4.5	-16.7	-21.2	-21.4	-20.9
EBIT (excl. NRI)	47.6	7.0	20.6	15.0	10.3	52.8	8.8	23.0	18.5	13.3	63.5	70.8	79.2	85.3
EBIT	47.0	7.0	20.6	15.0	10.3	52.8	8.8	23.0	18.5	13.3	63.5	70.8	79.2	85.3
Net financial items	-3.1	-1.0	-1.3	-1.0	-1.2	-4.5	-1.1	-1.3	-1.0	-1.2	-4.6	-4.9	-5.0	-5.2
PTP	43.9	6.0	19.3	14.0	9.1	48.4	7.7	21.7	17.5	12.1	58.9	65.8	74.2	80.1
Taxes	-8.8	-1.2	-3.9	-2.8	-1.8	-9.7	-1.5	-4.3	-3.5	-2.4	-11.8	-12.8	-14.8	-16.0
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
Net earnings	35.1	4.8	15.4	11.2	7.3	38.7	6.1	17.4	14.0	9.6	47.1	53.0	59.3	64.0
EPS (adj.)	0.42	0.06	0.18	0.13	0.09	0.46	0.07	0.20	0.16	0.11	0.56	0.63	0.70	0.76
EPS (rep.)	0.41	0.06	0.18	0.13	0.09	0.46	0.07	0.20	0.16	0.11	0.56	0.63	0.70	0.76
Key figures	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24e	Q2'24e	Q3'24e	Q4'24e	2024e	2025e	2026e	2027e
Revenue growth-%	9.7 %	10.4 %	17.1 %	15.4 %	12.4 %	14.2 %	19.4 %	12.5 %	13.7 %	17.3 %	15.3 %	7.9 %	7.7 %	7.0 %
Adjusted EBIT growth-%	0.4 %	19.6 %	16.0 %	2.5 %	9.3 %	11.0 %	24.9 %	11.6 %	23.4 %	29.3 %	20.2 %	11.5 %	11.9 %	7.7 %
EBITDA-%	20.4 %	16.3 %	23.2 %	20.2 %	18.6 %	20.0 %	16.5 %	23.1 %	21.5 %	19.7 %	20.5 %	21.8 %	22.2 %	21.9 %
Adjusted EBIT-%	16.1 %	10.8 %	19.7 %	16.2 %	13.3 %	15.6 %	11.3 %	19.5 %	17.6 %	14.7 %	16.3 %	16.8 %	17.5 %	17.6 %
Net earnings-%	11.8 %	7.4 %	14.8 %	12.1 %	9.5 %	11.4 %	7.9 %	14.8 %	13.3 %	10.7 %	12.1 %	12.6 %	13.1 %	13.2 %

Source: Inderes

Balance sheet

Assets	2022	2023	2024e	2025e	2026e
Non-current assets	107	127	128	127	128
Goodwill	33.5	33.5	33.5	33.5	33.5
Intangible assets	17.4	16.4	16.6	17.2	17.8
Tangible assets	55.6	75.9	78.0	75.8	77.1
Associated companies	0.0	0.0	0.0	0.0	0.0
Other investments	0.0	0.0	0.0	0.0	0.0
Other non-current assets	0.0	0.0	0.0	0.0	0.0
Deferred tax assets	0.7	1.0	0.0	0.0	0.0
Current assets	124	122	150	178	200
Inventories	89.9	93.1	103	105	113
Other current assets	0.0	0.0	0.0	0.0	0.0
Receivables	5.4	7.2	7.8	8.4	9.9
Cash and equivalents	28.8	21.5	39.0	63.9	76.6
Balance sheet total	231	249	278	304	328

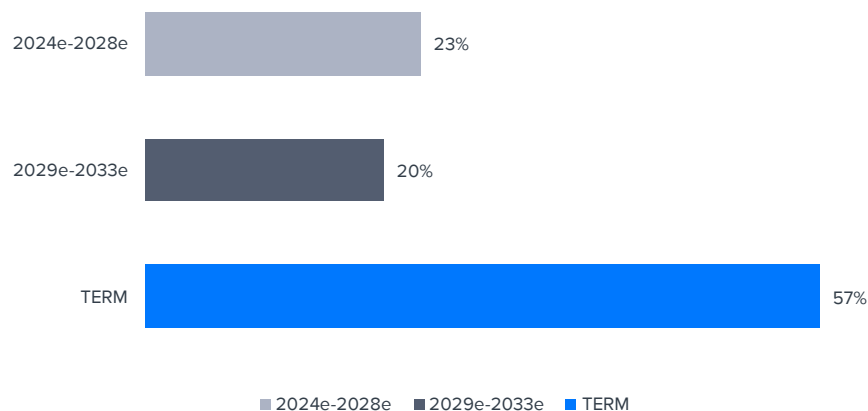
Source: Inderes

Liabilities & equity	2022	2023	2024e	2025e	2026e
Equity	76.2	85.0	99.9	115	132
Share capital	29.1	29.1	29.1	29.1	29.1
Retained earnings	47.1	55.9	70.8	86.1	103
Hybrid bonds	0.0	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	0.0	0.0	0.0	0.0	0.0
Non-current liabilities	113	112	132	138	142
Deferred tax liabilities	0.0	2.7	0.0	0.0	0.0
Provisions	0.0	0.9	0.0	0.0	0.0
Interest bearing debt	113	108	132	138	142
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
Current liabilities	41.7	51.7	46.8	50.5	54.4
Interest bearing debt	9.9	14.6	0.0	0.0	0.0
Payables	31.8	24.2	46.8	50.5	54.4
Other current liabilities	0.0	12.9	0.0	0.0	0.0
Balance sheet total	231	249	278	304	328

DCF calculation

DCF model	2023	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	TERM
Revenue growth-%	14.2 %	15.3 %	7.9 %	7.7 %	7.0 %	5.0 %	4.0 %	4.0 %	4.0 %	3.0 %	1.8 %	1.8 %
EBIT-%	15.6 %	16.3 %	16.8 %	17.5 %	17.6 %	17.6 %	17.6 %	17.6 %	17.6 %	17.0 %	17.0 %	17.0 %
EBIT (operating profit)	52.8	63.5	70.8	79.2	85.3	89.5	93.1	96.8	101	100	102	
+ Depreciation	15.0	16.7	21.2	21.4	20.9	22.3	23.4	24.4	25.4	26.4	27.2	
- Paid taxes	-7.3	-13.5	-12.8	-14.8	-16.0	-17.0	-17.6	-18.3	-19.1	-19.0	-20.3	
- Tax, financial expenses	-0.9	-0.9	-1.0	-1.0	-1.0	-0.9	-1.0	-1.0	-1.1	-1.1	-1.1	
+ Tax, financial income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0	
- Change in working capital	0.4	-1.2	1.2	-5.7	-4.8	-3.7	-3.1	-3.2	-3.4	-2.6	-1.6	
Operating cash flow	60.0	64.5	79.4	79.0	84.3	90.3	94.8	98.6	103	104	107	
+ Change in other long-term liabilities	0.9	-0.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-34.2	-19.1	-19.6	-23.3	-27.0	-27.1	-28.0	-29.0	-30.1	-30.3	-32.8	
Free operating cash flow	26.7	44.6	59.8	55.7	57.3	63.2	66.8	69.6	72.4	73.8	74.6	
+/- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	26.7	44.6	59.8	55.7	57.3	63.2	66.8	69.6	72.4	73.8	74.6	1184
Discounted FCFF		42.0	52.1	44.8	42.7	43.5	42.5	40.9	39.4	37.1	34.7	551
Sum of FCFF present value		970	929	876	832	789	745	703	662	623	585	551
Enterprise value DCF		970										
- Interest bearing debt		-122.8										
+ Cash and cash equivalents		21.5										
- Minorities		0.0										
- Dividend/capital return		0.0										
Equity value DCF		869										
Equity value DCF per share		10.3										

Cash flow distribution

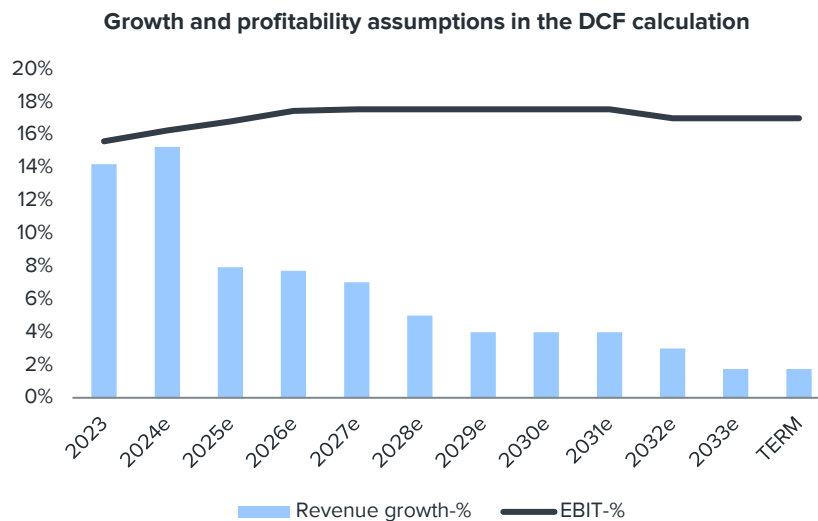
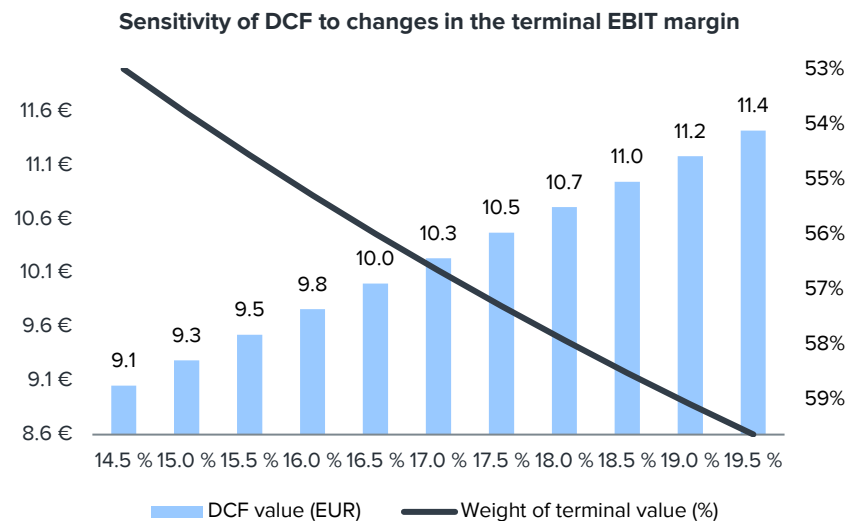
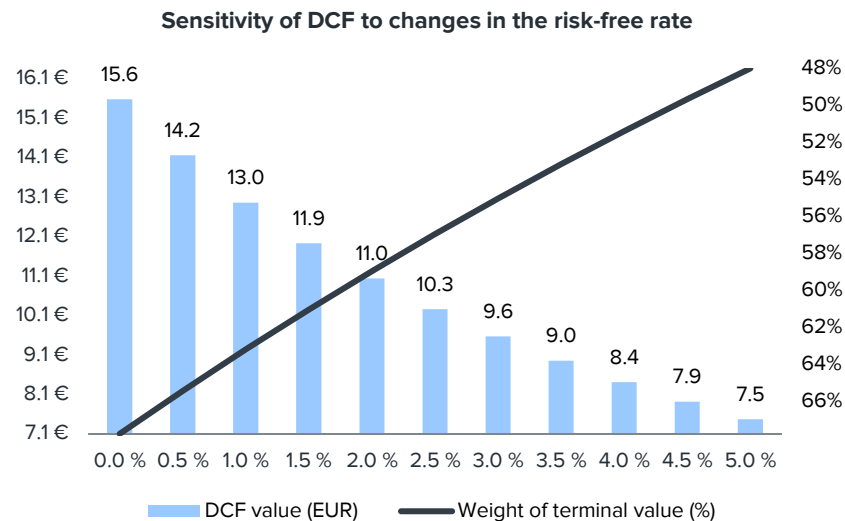
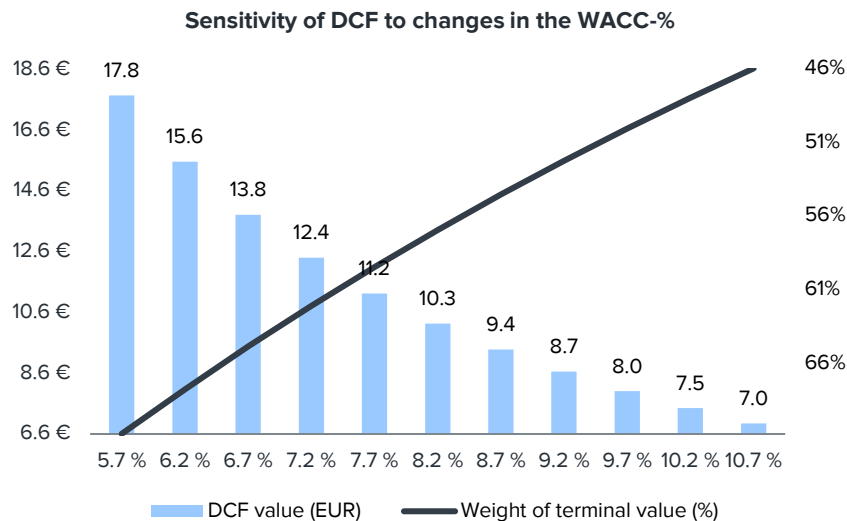


WACC

Tax-% (WACC)	20.0 %
Target debt ratio (D/(D+E))	20.0 %
Cost of debt	5.0 %
Equity Beta	1.20
Market risk premium	4.75%
Liquidity premium	1.00%
Risk free interest rate	2.5 %
Cost of equity	9.2 %
Weighted average cost of capital (WACC)	8.2 %

Source: Inderes

DCF sensitivity calculations and key assumptions in graphs



Source: Inderes. Note that the weight of the terminal value (%) is shown on an inverse scale for clarity.

Summary

Income statement	2022	2023	2024e	2025e	Per share data	2022	2023	2024e	2025e
Revenue	296.4	338.5	390.2	421.2	EPS (reported)	0.41	0.46	0.56	0.63
EBITDA	60.5	67.8	80.2	92.0	EPS (adj.)	0.42	0.46	0.56	0.63
EBIT	47.0	52.8	63.5	70.8	OCF / share	0.61	0.71	0.76	0.94
PTP	43.9	48.4	58.9	65.8	FCF / share	0.37	0.31	0.53	0.71
Net Income	35.1	38.7	47.1	53.0	Book value / share	0.90	1.00	1.18	1.36
Extraordinary items	-0.6	0.0	0.0	0.0	Dividend / share	0.34	0.38	0.44	0.50
Balance sheet	2022	2023	2024e	2025e	Growth and profitability	2022	2023	2024e	2025e
Balance sheet total	231.3	248.5	278.3	304.2	Revenue growth-%	10%	14%	15%	8%
Equity capital	76.2	85.0	99.9	115.2	EBITDA growth-%	8%	12%	18%	15%
Goodwill	33.5	33.5	33.5	33.5	EBIT (adj.) growth-%	0%	11%	20%	12%
Net debt	94.5	101.3	92.6	74.5	EPS (adj.) growth-%	2%	8%	22%	12%
Cash flow	2022	2023	2024e	2025e	EBITDA-%	20.4 %	20.0 %	20.5 %	21.8 %
EBITDA	60.5	67.8	80.2	92.0	EBIT (adj.)-%	16.1 %	15.6 %	16.3 %	16.8 %
Change in working capital	1.7	0.4	-1.2	1.2	EBIT-%	15.9 %	15.6 %	16.3 %	16.8 %
Operating cash flow	52.1	60.0	64.5	79.4	ROE-%	48.8 %	48.0 %	51.0 %	49.3 %
CAPEX	-20.4	-34.2	-19.1	-19.6	ROI-%	24.6 %	25.9 %	28.9 %	29.2 %
Free cash flow	31.7	26.7	44.6	59.8	Equity ratio	32.9 %	34.2 %	35.9 %	37.9 %
Valuation multiples	2022	2023	2024e	2025e	Gearing	124.0 %	119.2 %	92.7 %	64.6 %
EV/S	2.1	2.6	2.2	2.0					
EV/EBITDA (adj.)	10.4	13.1	10.9	9.3					
EV/EBIT (adj.)	13.2	16.8	13.7	12.0					
P/E (adj.)	15.0	20.3	16.5	14.7					
P/B	7.0	9.2	7.8	6.8					
Dividend-%	5.4 %	4.1 %	4.8 %	5.4 %					

Source: Inderes

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Recommendation history (>12 mo)

Date	Recommendation	Target	Share price
10/12/2021	Accumulate	8.50 €	7.77 €
12/17/2021	Accumulate	10.00 €	8.88 €
4/1/2022	Buy	8.50 €	6.72 €
5/27/2022	Buy	6.00 €	5.16 €
6/15/2022	Buy	6.00 €	4.79 €
9/8/2022	Buy	6.00 €	4.94 €
9/16/2022	Buy	6.00 €	4.92 €
12/16/2022	Buy	6.70 €	5.92 €
3/31/2023	Osta	7.00 €	6.11 €
5/16/2023	Accumulate	8.00 €	7.34 €
6/15/2023	Accumulate	8.00 €	7.18 €
<i>Analyst changed</i>			
9/13/2023	Accumulate	8.50 €	7.63 €
9/25/2023	Accumulate	9.00 €	7.93 €
12/14/2023	Accumulate	9.00 €	8.41 €
3/21/2024	Reduce	9.00 €	9.26 €
3/28/2024	Accumulate	10.00 €	9.18 €



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