

# Tokmanni

## Company report

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✓ Inderes corporate customer

This report is a summary translation of the report "CMD:n antina kasvun jatkuminen" published on 2/14/2024 at 7:24 am EET

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# Takeaway from CMD: growth continues

Tokmanni hosted a CMD on Tuesday, where it announced its updated strategy for 2024-25. Growth will continue, driven by Sweden and Denmark instead of Finland. We made forecast changes that focus especially on 2025 thanks to higher store opening plans than expected. Tokmanni's share price has risen clearly since our last update, so we feel the previously low valuation is catching up with the earnings growth potential. Hence, we lower our recommendation to Reduce (was Accumulate) but raise the target price to EUR 15.5 (was 14.0) reflecting our forecast changes.

## International businesses continue as the main growth drivers

Tokmanni's updated strategy remained unchanged in the big picture and the message of the CMD was continuing growth. The expected growth rate has increased with the Dollarstore acquisition, which we expect to be the company's growth engine in the future. Internationalization will at some point continue either through an acquisition or by expanding the Dollarstore concept to other northern European countries. We believe that this is justified by the concept's attractiveness in Sweden and a promising start in Denmark. We feel Dollarstore differs in some respects from other players, which means the concept has good preconditions to find demand elsewhere. Future growth in Finland will increasingly rely on accelerating like-for-like growth as the store network is already very extensive and established.

## Relative profitability is improved by cost efficiency and improving per store sales in Dollarstore

The absolute earnings level will naturally improve thanks to increased volumes, but the company aims to improve relative profitability by increasing sales per store in Dollarstore. We believe that this is possible to some extent, but we are waiting for stronger signals of it materializing. Therefore, relative profitability is primarily driven by synergies from the acquisition, whose primary impact is on the sales margin. We believe that the short-term impact of cost efficiency is weakened by cost pressure from freight costs and wage inflation.

## Guidance was expected, we made reasonable forecast changes

The company also announced its guidance for 2024, when it expects to achieve revenue of 1,660-1,760 MEUR and EBIT of 110-130 MEUR. Our forecasts were largely in line with the guidance, so our positive forecast changes relied on a higher estimated store opening rate, but we also revised our 2024 cost forecasts upwards. In total, our 2025 profitability forecasts increased by 5%.

## Earnings growth is priced in the share

Projected earnings growth for 2023-26 is strong (+19%), which is, however, priced in the share for the next few years. On one hand, the Dollarstore acquisition creates growth potential, but on the other one, it raises the risk profile of the Tokmanni Group. However, we see the level of risk as limited as Dollarstore continues as an independent concept and the former management is responsible for the development of the company. Considering the 5-6% dividend yield, the total expected return rises to some 9% when we consider the slightly elevated realized valuation level. However, we do not find the risk/reward ratio sufficient, which means we believe that the moderately valued Helsinki stock exchange offers purchase opportunities at a better risk/reward ratio.

## Recommendation

### Reduce

(previous Accumulate)

### EUR 15.50

(previous EUR 14.00)

### Share price:

15.42



## Key figures

	2022	2023e	2024e	2025e
<b>Revenue</b>	1168.0	1393.0	1672.7	1790.2
<b>growth-%</b>	2%	19%	20%	7%
<b>EBIT adj.</b>	85.7	99.7	118.6	143.3
<b>EBIT-% adj.</b>	7.3 %	7.2 %	7.1 %	8.0 %
<b>Net Income</b>	58.8	57.9	70.0	91.8
<b>EPS (adj.)</b>	1.03	1.04	1.19	1.56

<b>P/E (adj.)</b>	11.0	14.8	13.0	9.9
<b>P/B</b>	2.7	3.5	3.2	2.8
<b>Dividend yield-%</b>	6.7 %	5.1 %	5.2 %	6.1 %
<b>EV/EBIT (adj.)</b>	12.2	17.1	14.0	11.1
<b>EV/EBITDA</b>	6.7	9.0	6.0	5.6
<b>EV/S</b>	0.9	1.2	1.0	0.9

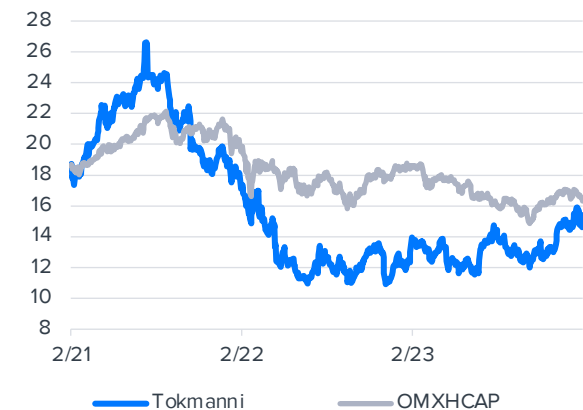
Source: Inderes

## Guidance

(New guidance)

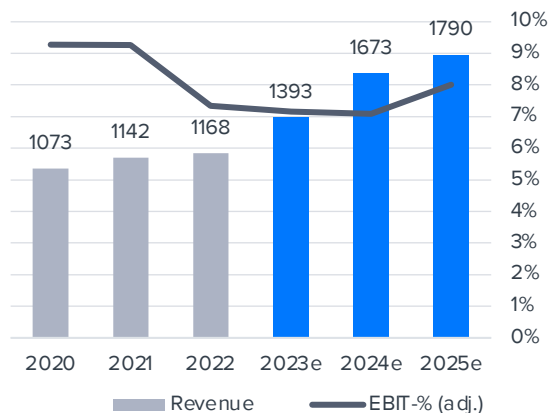
In 2024, Tokmanni expects its revenue to be 1,660-1,760 MEUR (2023: 1,393 MEUR). Comparable EBIT is expected to be EUR 110-130 million (2023: 99 MEUR).

### Share price



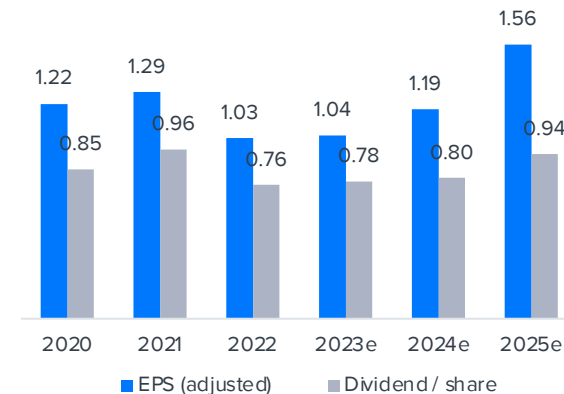
Source: Millistream Market Data AB

### Revenue and EBIT-%



Source: Inderes

### EPS and dividend



Source: Inderes



### Value drivers

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



### Risk factors

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

Valuation	2023e	2024e	2025e
Share price	15.4	15.4	15.4
Number of shares, millions	58.9	58.9	58.9
Market cap	908	908	908
EV	1702	1655	1589
P/E (adj.)	14.8	13.0	9.9
P/E	15.7	13.0	9.9
P/B	3.5	3.2	2.8
P/S	0.7	0.5	0.5
EV/Sales	1.2	1.0	0.9
EV/EBITDA	9.0	6.0	5.6
EV/EBIT (adj.)	17.1	14.0	11.1
Payout ratio (%)	79.3 %	67.2 %	60.0 %
Dividend yield-%	5.1 %	5.2 %	6.1 %

Source: Inderes

# The agenda of the updated strategy is to accelerate growth

## Tokmanni's updated strategy remained unchanged in the big picture

Tokmanni's updated strategy remained unchanged in the big picture and the message of the CMD was continuing growth. The expected growth rate has increased with the Dollarstore acquisition, which we expect to be the company's growth engine in the future. Internationalization will at some point continue either through an acquisition or by expanding the Dollarstore concept to other northern European countries. We believe that this is justified by the concept's attractiveness in Sweden and a promising start in Denmark. We feel Dollarstore differs in some respects from other players, which means the concept has good preconditions to find demand elsewhere. Future growth in Finland will increasingly rely on accelerating like-for-like growth as the store network is already very extensive and established.

## Profitability is supported by several factors

The absolute earnings level will improve thanks to the higher volumes, but the company aims to

improve relative profitability by increasing sales per store in Dollarstore. We believe that this is possible to some extent, but we are waiting for stronger signals of it materializing. Therefore, relative profitability is primarily driven by synergies from the acquisition, whose primary impact is on the sales margin. We believe there is some room for a decrease in delivery chain costs especially through making internal logistics more efficient. For example, concentrating warehousing to Mäntsälä brings some cost savings, as (external) rented warehouses are naturally more expensive. In addition, the company aims to increase direct imports and the share of private label products, both of which increase margins. The company also identified digitalization as one of the elements supporting profitability, but it is difficult to assess the real potential of this in the early stages.

## Objectives are achievable

We believe that the new financial targets (specified in the lower margin) are realistic and achievable. They also do not require significant acquisitions but can be achieved with the current businesses. Based on our

new forecasts, Tokmanni will fall slightly short of its targets, which means that they will be exceeded in the financial year 2026.

## Expanding the store network increases sales

In addition to the store network target, Tokmanni explained the estimated store openings in 2024-25 in more detail. The company plans to open 4 new stores in Finland that we already knew of. The company expects to open 6 new stores in Sweden and 4 new stores in Denmark during the 2024 financial year, of which only 2 have been [announced](#) so far. Starting from today, the company expects to open at least 25 new stores in 2024-25, meaning at least 11 new stores in 2025. As shown by 2024, we believe that most of the store openings will take place in Sweden or Denmark, but we expect that the store opening rate in Finland will accelerate, as the company said it would reach the milestone of 220 stores by 2026 at the latest.

## Strategic objectives for 2021-25:

	New target	Old target
Revenue	1.8 BNEUR	1.5 BNEUR
Adj. EBIT	150 MEUR	150 MEUR
Store network	Over 360 stores in the Nordic countries	Over 220 stores in Finland
Net debt/EBITDA (excl. IFRS16)	< 2.25x	< 3.2x (incl. IFRS16)
Dividend	70% of net result	70% of net result

# Interest in CMD directed at Dollarstore

## The Dollarstore concept has been proven to work

The Dollarstore (DS) concept and pricing strategy differ somewhat from Tokmanni and its closest peers. DS offers 'always cheap' prices, which we believe means price spinning is completely ruled out. This also means that discount campaigns are rare, unlike for Tokmanni, whose pricing is based on low-price campaigns. For three consecutive years, DS has been selected as cheaper than its two main competitors in an independent price comparison, being generally (60% of the compared products) the cheapest option in the industry.

Like Tokmanni, DS emphasizes the extent of its selection, and it has currently reached a nice level of about 15,000 articles. In terms of synergies, it is positive that the companies' selections largely correspond to each other and that purchasing activities can thus be combined. According to the CEO, one of the reasons for selling Dollarstore was to

improve its efficiency through purchasing cooperation.

## A store becomes profitable almost immediately

DS can turn a store profitable within the first month of opening, which is an exceptionally good level in the retail sector. Puuilo is one of the few Finnish retail companies with a similar profitability profile. We estimate that Tokmanni stores turn profitable within a year. In the daily goods trade, turning a store profitable can take years.

Turning a store profitable quickly increases the return of the investment (ROI-%) and guarantees a quick payback period. From this point of view, we believe that a rapid expansion of the store network is well-founded.

## Denmark is an interesting opening

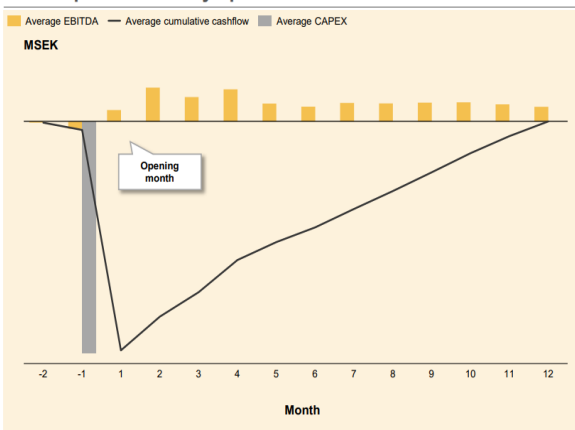
DS said that it is a unique concept in Denmark, where there seem to be no close peers. In the price range,

DS challenges Normal, while the selection of nearly all players is behind DS. The track looks promising, as the company opened 4 stores in its first two years and will open 4 stores in 2024. If DS manages to establish itself in Denmark quickly, we believe that the concept can be replicated in other northern European countries.

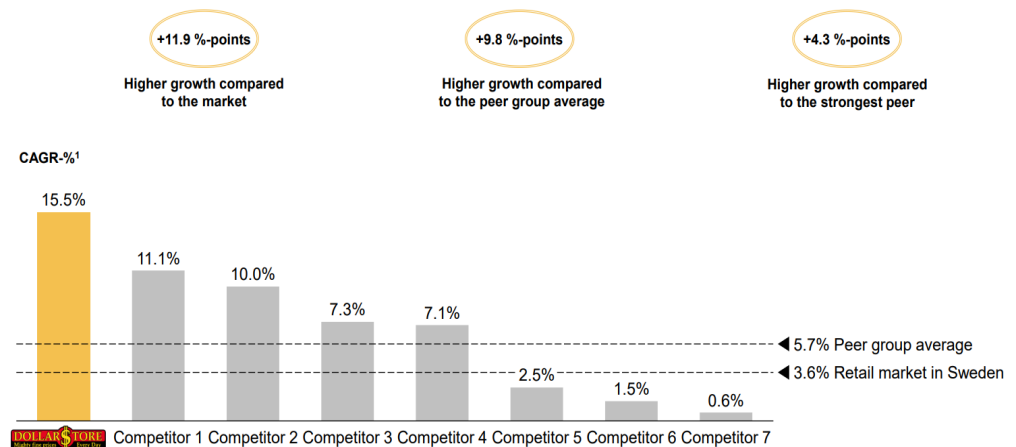
## DS' value creation is based on growing the store network and comparable growth

One of DS' goals is to increase its comparable growth. Currently, the average sales of a Dollarstore store is around 3 MEUR per year, while for Tokmanni it is 6 MEUR. Increasing the sales of a store also helps increase relative profitability, as stores can be operated with fairly similar cost structures as sales grow.

Development of newly opened stores<sup>(1)</sup>



Source: Tokmanni Group



# Preliminary information reveal that Q4 was better than expected

## Estimates vs. outcome Q4'23

- In connection with its press release, the company provided preliminary information on the main lines of Q4 and 2023.
- Q4 revenue exceeded our (3%) and consensus (1%) forecasts. We suspect that the ourperformance comes from better-than-expected Christmas sales.
- Q4's EBIT was clearly stronger than expected (6-9%), and the better-than-expected volume was visible in the bottom lines.
- Q4 growth drivers were not examined at the CMD or in the release.
- The official result will be published on March 22, 2024.

## 2024 guidance

- Tokamni estimates that its revenue for 2024 will be 1,660–1,760 MEUR. The midpoint indicates a 23% increase.
- The company expects EBIT of 110-130 MEUR. The midpoint indicates an EBIT margin of 7%.
- The guidance provided by the company is in line with our previous expectations (2024 EBIT: Inderes 119.2 and consensus 119.9 MEUR).
- The guidance considers the increase in freight costs and the risks arising from it, such as possible delivery difficulties in the spring season. The company says it is currently waiting for several spring season containers to arrive.

Estimates MEUR / EUR	Q4'22	Q4'23	Q4'23e	Q4'23e	Consensus		Difference (%)	2023e
	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. inderes	Toteutunut
Revenue	339	472	458	374	0.0	0.0	3%	1393
EBIT (adj.)	35.8	46.5	42.7	27.7	0.0	0.0	9%	99.0
PTP	30.1	-	33.7	-	0.0	0.0		-
EPS (reported)	0.41	-	0.45	-	0.00	0.00		-
Revenue growth-%	1.5 %	39.1 %	35.1 %	10.4 %	-		4 pp	19.3 %
EBIT-% (adj.)	10.6 %	9.9 %	9.3 %	7.4 %	-		0.5 pp	7.1 %

Source: Inderes & Bloomberg (consensus)

# Higher-than-expected store openings raised our earnings forecasts

## Small increase in revenue from more store openings than expected

Tokmanni said it would open at least 25 new stores in 2024-25. We expected a slightly more moderate figure and thus raised the number of stores in our forecast model. This increased revenue in 2024-25 by 1% and 3% respectively. We believe that Dollarstore will be the main growth driver but we anticipate the increase in the number of stores in Finland to accelerate in 2025-26. Finland's store openings have been slowed down by the real estate rental market that has suffered from interest increases, i.e. rents have been too high for Tokmanni's liking. Overall, we expect Tokmanni's top line to grow by about 10% annually in 2024-26.

## Profitability will improve through increased volumes in 2025

We added a degree of caution to our 2024 profitability forecasts due to increased freight costs and wage pressures. We believe that good growth

will scale in 2025 through synergies and improved cost efficiency. Our 2025 EBIT forecast increased by 5% as a result. This is reflected with some kind of leverage in the bottom lines, as we believe that lower interest rates will reduce financing costs. We expect annual EPS to grow by some 19% in 2024-26.

## Free cash flow improves as investments slow down

We believe that investments will slow down and Tokmanni will reach a level of normalized investments. Investments are driven by the expansion of the store network, which is reflected as an increase in both fixed and right-of-use assets. Combined with an improved cash flow, we believe that free cash flow will be at a good level of 110-130 MEUR in the coming years. At the same time, we expect, the company will reach its targeted 2.25x net debt/EBITDA ratio (excl. IFRS16) at the end of 2024. This is explained by the fact that we do not believe there is need for additional financial liability and the rising result improves the denominator of the figure.

## Forecasting risks exist

Forecasting risks focus on the number of store openings and cost pressures. If, for some reason, the company does not reach the estimated number of stores in 2024-25, our sales forecast is too optimistic. We see this risk as essential, but falling short of our estimates by a few stores does not change the big picture (i.e., the number of stores should be significantly lower than we expect). We have reduced the pressure stemming from increased freight costs by increasing caution in our near - term forecasts.

Estimate revisions	2023e	2023e	Change	2024e	2024e	Change	2025e	2025e	Change
MEUR / EUR	Inderes	Actualized	%	Old	New	%	Old	New	%
Revenue	1379	1393	1%	1659	1673	1%	1737	1790	3%
EBIT (exc. NRIs)	96	100	4%	119	119	0%	136	143	5%
EBIT	93	96	4%	119	119	0%	136	143	5%
PTP	69	73	5%	89	89	0%	106	116	9%
EPS (excl. NRIs)	1.00	1.04	5%	1.19	1.19	0%	1.42	1.56	9%
DPS	0.78	0.78	0%	0.80	0.80	0%	0.83	0.94	13%

Source: Inderes

# Short-term valuation has turned challenging

## Earnings growth priced in the share

Tokmanni is priced at 13-10x P/E multiples (24-25e). The multiples have thus risen slightly since our last update and we see that there is no significant upside in the valuation level given the recent price rally. At actual earnings, the valuation seems elevated (P/E 15x) and EV-based earnings multiples (24-25e EV/EBIT14-11x) that take into account the leveraged balance sheet signal a rather neutral/elevated valuation. We feel the expected earnings growth of the coming years has been largely priced in the share, but also note that the share does not seem expensive for a long-term investor.

## Valuation below peers

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

Throughout its history, Tokmanni has been priced below its peers. The discount to the peer group remains unchanged and the company's P/E-valuation is at a 10 % discount to its retail peers. Given the high level of indebtedness and the resulting increased level of risk, we consider the discount to peers to be justified. In addition, the peer group includes fast-growing and high-quality companies that raise the median valuation of the peer group.

## DCF model indicates small upside

Our cash flow model gives a fair value of around EUR 16, which suggests an upside of around 2 % relative to the current share price. We consider the cash flow model suitable for the valuation of Tokmanni and use it as part of the valuation of the stock.

## Current share price offers a good dividend yield

We forecast an increasing dividend for 2024-25. At the current share price, the dividend yield remains at a good level of around 5-6%, which supports the overall expected return on the share. Tokmanni's share offers a much better dividend yield compared to the peers (40 and 7% premium in 2024-25).

## Expected return below the required return

Projected earnings growth for 2023-26 is strong (+19%), which is, however, priced in the share for the next few years. On one hand, the Dollarstore acquisition creates growth potential, but on the other one, it raises the risk profile of the Tokmanni Group. However, we see the level of risk as limited as Dollarstore continues as an independent concept and the former management is responsible for the development of the company. Considering the 5-6% dividend yield, the total expected return rises to some 9% when we consider the slightly elevated realized valuation level. However, we do not find the risk/reward ratio sufficient, which means that we believe that the moderately valued Helsinki stock exchange offers purchase opportunities at a better risk/reward ratio.

Valuation	2023e	2024e	2025e
Share price	15.4	15.4	15.4
Number of shares, millions	58.9	58.9	58.9
Market cap	908	908	908
EV	1702	1655	1589
P/E (adj.)	14.8	13.0	9.9
P/E	15.7	13.0	9.9
P/B	3.5	3.2	2.8
P/S	0.7	0.5	0.5
EV/Sales	1.2	1.0	0.9
EV/EBITDA	9.0	6.0	5.6
EV/EBIT (adj.)	17.1	14.0	11.1
Payout ratio (%)	79.3 %	67.2 %	60.0 %
Dividend yield-%	5.1 %	5.2 %	6.1 %

Source: Inderes



# ESG

## Tokmanni's business remains mainly outside taxonomy

According to Tokmanni, activities typical to the retail sector are not currently specifically mentioned in taxonomy, since the sale of goods is not covered by taxonomy. Therefore, Tokmanni does not report any taxonomy-eligible figures at all.

Thus, we do not see taxonomy as having any impact on Tokmanni's business, and, e.g., on the financial situation or financing costs. As taxonomy expands, retail trade may be included, e.g. in criteria covering the circular economy.

## Promotion of direct climate targets was successful

In terms of climate targets, Tokmanni was the third Nordic retail company that set its Science Based Targets. The company aims to be carbon neutral in 2025 for its own operations (Scope 1 and 2). In addition, the company is committed to ensuring that 80% of its suppliers meet Science Based Targets.

As a means of achieving these goals, Tokmanni calls for efficient use of resources and discusses factors that promote environmental friendliness, such as Science Based Targets, with its suppliers in high-risk countries. During 2022, Tokmanni increased the use of solar panels and all the electricity it consumes was carbon neutral. The company achieved most of its 2022 sustainability targets (CDP result B, Scope 1 and 2 emissions -2%, biodiversity roadmap planned, and CO2 emission targets for transport).

In addition to other targets, Tokmanni's biggest targets are to achieve a recycling and reuse rate of 85% in 2023 (2022: 82%), A or better CDP, and reducing Scope 1 and 2 emissions by 2% from the previous year.

From the starting levels in 2018, Tokmanni has reduced Scope 1 and 2 emissions by over 60%, with the largest drop in Scope 2 emissions (70%). The

development of indirect value chain emissions (Scope 3) has been contrary to the above, rising by 18% from 2020 levels. The biggest challenges lie in managing the emission targets in the value chain due to their significant contribution. At the beginning of 2023, about 100 Tokmanni suppliers had set themselves Science Based Targets. This is still a low level compared to the thousands of suppliers.

The company has succeeded in cutting its own emissions and we estimate that it has a good chance of achieving its targets in terms of its own operations. Reducing total emissions requires considerable work on Scope 3 emissions, which we consider to be more challenging to reduce than own emissions. Climate education in the value chain plays an important role in this respect and must be successful.

Taxonomy eligibility	2021*	2022
Revenue	-	-
OPEX	-	-
CAPEX	-	-

Taxonomy alignment	2021*	2022
Revenue	-	-
OPEX	-	-
CAPEX	-	-

## Climate

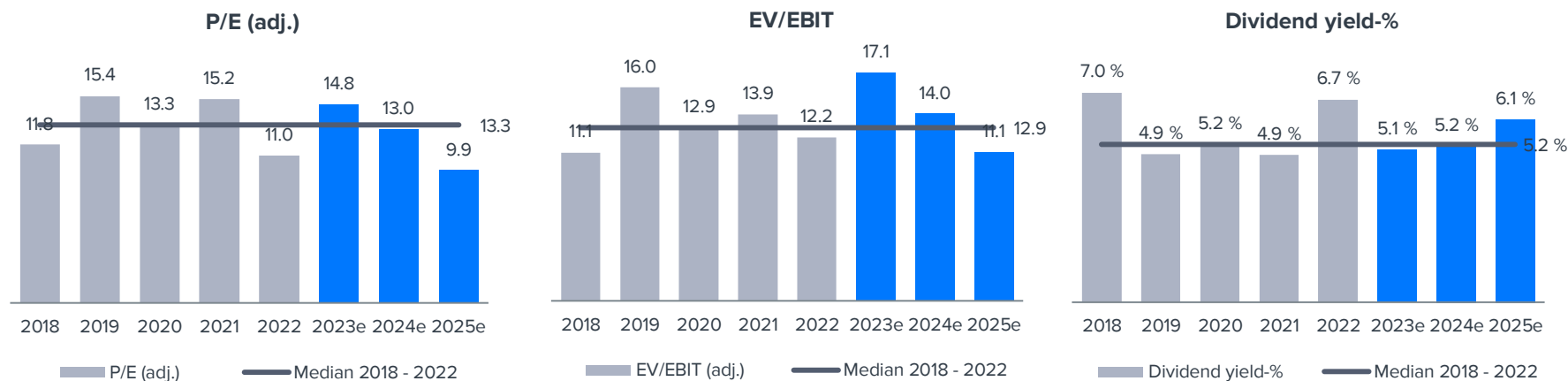
Climate target	Yes	Yes
Target according to the Paris Agreement (1.5 °C warming scenario)	Yes	Yes

\*the figures are not comparable due to taxonomy development

# Valuation table

Valuation	2018	2019	2020	2021	2022	2023e	2024e	2025e	2026e
Share price	7.18	12.6	16.2	19.7	11.3	15.4	15.4	15.4	15.4
Number of shares, millions	58.9	58.9	58.8	58.9	58.9	58.9	58.9	58.9	58.9
Market cap	423	743	956	1157	665	908	908	908	908
EV	558	1123	1288	1471	1048	1702	1655	1589	1531
P/E (adj.)	11.8	15.4	13.3	15.2	11.0	14.8	13.0	9.9	8.8
P/E	11.8	15.8	13.4	14.8	11.3	15.7	13.0	9.9	8.8
P/B	2.4	4.0	4.4	4.7	2.7	3.5	3.2	2.8	2.4
P/S	0.5	0.8	0.9	1.0	0.6	0.7	0.5	0.5	0.5
EV/Sales	0.6	1.2	1.2	1.3	0.9	1.2	1.0	0.9	0.8
EV/EBITDA	8.6	8.6	7.9	8.4	6.7	9.0	6.0	5.6	5.4
EV/EBIT (adj.)	11.1	16.0	12.9	13.9	12.2	17.1	14.0	11.1	10.0
Payout ratio (%)	82.2 %	77.5 %	70.2 %	72.5 %	76.1 %	79.3 %	67.2 %	60.0 %	65.0 %
Dividend yield-%	7.0 %	4.9 %	5.2 %	4.9 %	6.7 %	5.1 %	5.2 %	6.1 %	7.4 %

Source: Inderes



# Peer group valuation

Peer group valuation	Market cap	EV	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%		P/B
Company	MEUR	MEUR	2023e	2024e	2023e	2024e	2023e	2024e	2023e	2024e	2023e	2024e	2023e
Europris ASA	1082	1352	11.4	10.7	7.5	7.2	1.6	1.5	13.1	12.2	4.6	4.8	3.1
Bygghmax Group AB	178	419	13.9	11.8	4.8	4.5	0.7	0.7	9.5	7.6	4.8	6.0	0.8
Clas Ohlson AB	866	1026	15.1	12.7	7.2	6.7	1.2	1.1	17.0	14.5	3.2	3.7	5.0
Axfood AB	5359	6187	18.1	16.9	9.6	9.1	0.8	0.8	21.7	20.1	3.0	3.2	7.6
Dollar General Corp	26987	33355	14.6	14.6	11.0	10.8	0.9	0.9	17.6	17.5	1.8	1.9	4.3
Kesko Oyj	6873	9433	14.0	13.2	7.7	7.4	0.8	0.8	14.5	13.6	5.8	6.0	2.4
Musti Group Oyj	875	1009	22.1	18.7	12.0	10.7	2.2	2.0	27.1	22.3	2.6	3.1	4.7
B&M European Value Retail	5807	8147	11.5	10.8	8.3	7.7	1.3	1.2	13.2	12.2	4.4	4.9	6.7
Puuhilo Oyj	763	842	15.0	12.9	11.6	10.2	2.4	2.1	18.4	15.7	4.4	5.3	8.3
Verkkokauppa.com Oyj	107	113	11.5	7.6	6.9	5.3	0.2	0.2	15.7	10.4	3.3	5.3	3.0
Kamux Oyj	208	277	10.0	7.4	6.7	5.4	0.3	0.2	10.5	7.7	4.1	5.7	1.6
Rusta	941	1397	17.0	14.4	8.5	7.4	1.4	1.2	23.4	15.3	2.1	3.2	5.1
<b>Tokmanni (Inderes)</b>	<b>908</b>	<b>1702</b>	<b>17.1</b>	<b>14.0</b>	<b>9.0</b>	<b>6.0</b>	<b>1.2</b>	<b>1.0</b>	<b>14.8</b>	<b>13.0</b>	<b>5.1</b>	<b>5.2</b>	<b>3.5</b>
<b>Average</b>			<b>14.5</b>	<b>12.6</b>	<b>8.5</b>	<b>7.7</b>	<b>1.1</b>	<b>1.1</b>	<b>16.8</b>	<b>14.1</b>	<b>3.7</b>	<b>4.4</b>	<b>4.4</b>
<b>Median</b>			<b>14.3</b>	<b>12.8</b>	<b>8.0</b>	<b>7.4</b>	<b>1.0</b>	<b>1.0</b>	<b>16.3</b>	<b>14.0</b>	<b>3.7</b>	<b>4.8</b>	<b>4.5</b>
<b>Diff-% to median</b>			<b>19%</b>	<b>9%</b>	<b>12%</b>	<b>-19%</b>	<b>17%</b>	<b>0%</b>	<b>-9%</b>	<b>-8%</b>	<b>37%</b>	<b>7%</b>	<b>-22%</b>

Source: Refinitiv / Inderes

# Income statement

Income statement	2021	Q1'22	Q2'22	Q3'22	Q4'22	2022	Q1'23	Q2'23	Q3'23	Q4'23e	2023e	2024e	2025e	2026e
<b>Revenue</b>	<b>1142</b>	<b>227</b>	<b>307</b>	<b>295</b>	<b>339</b>	<b>1168</b>	<b>238</b>	<b>319</b>	<b>364</b>	<b>472</b>	<b>1393</b>	<b>1673</b>	<b>1790</b>	<b>1878</b>
Group	1142	227	307	295	339	1168	238	319	364	472	1393	1673	1790	1878
<b>EBITDA</b>	<b>175</b>	<b>17.5</b>	<b>46.7</b>	<b>41.3</b>	<b>51.8</b>	<b>157</b>	<b>17.5</b>	<b>48.5</b>	<b>49.6</b>	<b>74.0</b>	<b>190</b>	<b>275</b>	<b>285</b>	<b>284</b>
Depreciation	-66.8	-17.8	-18.1	-18.5	-18.8	-73.2	-19.5	-19.8	-26.6	-27.5	-93.4	-156.4	-142.1	-130.4
<b>EBIT (excl. NRI)</b>	<b>106</b>	<b>-0.5</b>	<b>27.0</b>	<b>23.5</b>	<b>35.8</b>	<b>85.7</b>	<b>-1.8</b>	<b>28.9</b>	<b>26.4</b>	<b>46.3</b>	<b>99.7</b>	<b>119</b>	<b>143</b>	<b>153</b>
<b>EBIT</b>	<b>108</b>	<b>-0.3</b>	<b>28.6</b>	<b>22.8</b>	<b>33.0</b>	<b>84.0</b>	<b>-2.0</b>	<b>28.7</b>	<b>23.0</b>	<b>46.5</b>	<b>96.2</b>	<b>119</b>	<b>143</b>	<b>153</b>
Group	108	-0.3	28.6	22.8	33.0	84.0	-2.0	28.7	23.0	46.5	96.2	119	143	153
Net financial items	-10.2	-2.5	-2.5	-2.8	-2.9	-10.7	-3.2	-4.3	-6.8	-9.2	-23.5	-29.9	-27.1	-22.6
<b>PTP</b>	<b>97.5</b>	<b>-2.8</b>	<b>26.1</b>	<b>20.0</b>	<b>30.1</b>	<b>73.3</b>	<b>-5.3</b>	<b>24.5</b>	<b>16.2</b>	<b>37.2</b>	<b>72.7</b>	<b>88.7</b>	<b>116</b>	<b>131</b>
Taxes	-19.6	0.6	-5.2	-4.0	-5.9	-14.6	1.0	-4.8	-3.5	-7.4	-14.8	-18.6	-24.4	-27.5
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net earnings</b>	<b>78.0</b>	<b>-2.2</b>	<b>20.8</b>	<b>16.0</b>	<b>24.2</b>	<b>58.8</b>	<b>-4.3</b>	<b>19.6</b>	<b>12.7</b>	<b>29.8</b>	<b>57.9</b>	<b>70.0</b>	<b>91.8</b>	<b>103</b>
<b>EPS (adj.)</b>	<b>1.29</b>	<b>-0.04</b>	<b>0.33</b>	<b>0.28</b>	<b>0.46</b>	<b>1.03</b>	<b>-0.07</b>	<b>0.34</b>	<b>0.27</b>	<b>0.50</b>	<b>1.04</b>	<b>1.19</b>	<b>1.56</b>	<b>1.76</b>
<b>EPS (rep.)</b>	<b>1.32</b>	<b>-0.04</b>	<b>0.35</b>	<b>0.27</b>	<b>0.41</b>	<b>1.00</b>	<b>-0.07</b>	<b>0.33</b>	<b>0.22</b>	<b>0.51</b>	<b>0.98</b>	<b>1.19</b>	<b>1.56</b>	<b>1.76</b>
<b>Key figures</b>	<b>2021</b>	<b>Q1'22</b>	<b>Q2'22</b>	<b>Q3'22</b>	<b>Q4'22</b>	<b>2022</b>	<b>Q1'23</b>	<b>Q2'23</b>	<b>Q3'23</b>	<b>Q4'23e</b>	<b>2023e</b>	<b>2024e</b>	<b>2025e</b>	<b>2026e</b>
<b>Revenue growth-%</b>	6.4 %	0.6 %	1.7 %	5.3 %	1.5 %	2.3 %	4.7 %	4.0 %	23.5 %	39.1 %	19.3 %	20.1 %	7.0 %	4.9 %
<b>Adjusted EBIT growth-%</b>	6.2 %	-107%	-16.5 %	-9.9 %	-11.6 %	-18.9 %	268.0 %	7.4 %	12.1 %	29.3 %	16.3 %	18.9 %	20.9 %	7.1 %
<b>EBITDA-%</b>	15.3 %	7.7 %	15.2 %	14.0 %	15.3 %	13.5 %	7.3 %	15.2 %	13.6 %	15.7 %	13.6 %	16.4 %	15.9 %	15.1 %
<b>Adjusted EBIT-%</b>	9.3 %	-0.2 %	8.8 %	8.0 %	10.6 %	7.3 %	-0.8 %	9.1 %	7.2 %	9.8 %	7.2 %	7.1 %	8.0 %	8.2 %
<b>Net earnings-%</b>	6.8 %	-1.0 %	6.8 %	5.4 %	7.1 %	5.0 %	-1.8 %	6.2 %	3.5 %	6.3 %	4.2 %	4.2 %	5.1 %	5.5 %

Source: Inderes

# Balance sheet

Assets	2021	2022	2023e	2024e	2025e
<b>Non-current assets</b>	<b>449</b>	<b>475</b>	<b>877</b>	<b>834</b>	<b>799</b>
Goodwill	136	136	266	266	266
Intangible assets	4.7	4.0	7.0	8.4	9.0
Tangible assets	306	330	602	557	522
Associated companies	0.1	0.2	0.0	0.0	0.0
Other investments	0.2	0.7	0.7	0.7	0.7
Other non-current assets	0.0	2.1	0.0	0.0	0.0
Deferred tax assets	1.4	1.6	1.6	1.6	1.6
<b>Current assets</b>	<b>368</b>	<b>319</b>	<b>438</b>	<b>484</b>	<b>499</b>
Inventories	264	281	327	376	403
Other current assets	0.0	2.5	2.5	2.5	2.5
Receivables	23.0	26.4	31.5	37.8	40.5
Cash and equivalents	81.3	9.1	76.6	66.9	53.7
<b>Balance sheet total</b>	<b>817</b>	<b>794</b>	<b>1315</b>	<b>1318</b>	<b>1299</b>

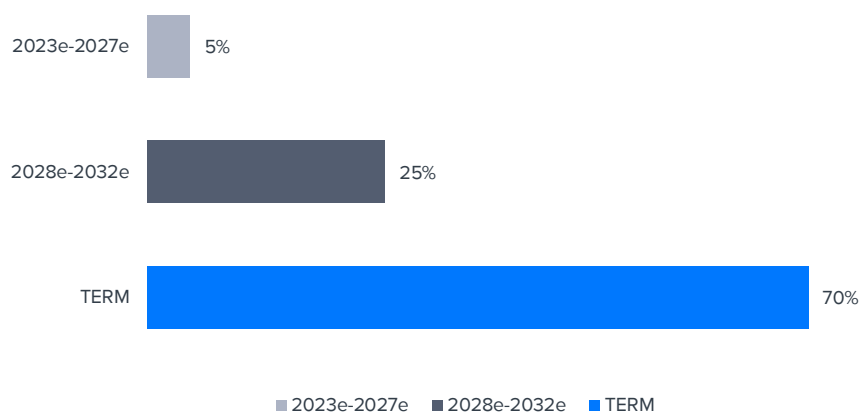
Source: Inderes

Liabilities & equity	2021	2022	2023e	2024e	2025e
<b>Equity</b>	<b>245</b>	<b>247</b>	<b>261</b>	<b>285</b>	<b>330</b>
Share capital	0.1	0.1	0.1	0.1	0.1
Retained earnings	137	138	151	175	220
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	-2.0	-0.8	0.0	0.0	0.0
Other equity	110	110	110	110	110
Minorities	0.0	0.0	0.0	0.0	0.0
<b>Non-current liabilities</b>	<b>345</b>	<b>328</b>	<b>789</b>	<b>737</b>	<b>667</b>
Deferred tax liabilities	0.0	0.0	0.0	0.0	0.0
Provisions	0.0	0.0	0.0	0.0	0.0
Interest bearing debt	340	323	784	733	662
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	5.3	4.8	4.8	4.8	4.8
<b>Current liabilities</b>	<b>227</b>	<b>219</b>	<b>265</b>	<b>295</b>	<b>302</b>
Interest bearing debt	55.9	69.7	87.1	81.4	73.5
Payables	165	149	177	213	228
Other current liabilities	6.4	1.1	1.1	1.1	1.1
<b>Balance sheet total</b>	<b>816</b>	<b>794</b>	<b>1315</b>	<b>1318</b>	<b>1299</b>

# DCF calculation

DCF model	2022	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	TERM
Revenue growth-%	2.3 %	19.3 %	20.1 %	7.0 %	4.9 %	4.0 %	3.0 %	2.5 %	2.0 %	2.0 %	2.0 %	2.0 %
EBIT-%	7.2 %	6.9 %	7.1 %	8.0 %	8.2 %	9.0 %	9.0 %	8.2 %	8.2 %	8.5 %	8.5 %	8.5 %
<b>EBIT (operating profit)</b>	<b>84.0</b>	<b>96.2</b>	<b>119</b>	<b>143</b>	<b>153</b>	<b>176</b>	<b>181</b>	<b>169</b>	<b>172</b>	<b>182</b>	<b>186</b>	
+ Depreciation	73.2	93.4	156	142	130	125	127	131	134	137	140	
- Paid taxes	-14.8	-14.8	-18.6	-24.4	-27.5	-32.5	-33.8	-31.2	-32.0	-34.4	-35.3	
- Tax, financial expenses	-2.1	-4.8	-6.3	-5.7	-4.8	-4.4	-4.2	-4.1	-4.0	-3.9	-3.7	
+ Tax, financial income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Change in working capital	-44.9	-22.7	-19.6	-14.1	-10.6	-9.0	-7.1	-6.1	-5.0	-5.1	-5.2	
<b>Operating cash flow</b>	<b>95.4</b>	<b>147</b>	<b>230</b>	<b>241</b>	<b>241</b>	<b>255</b>	<b>263</b>	<b>258</b>	<b>265</b>	<b>276</b>	<b>282</b>	
+ Change in other long-term liabilities	-0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-98.8	-496.1	-113.4	-107.2	-110.1	-132.5	-142.5	-144.1	-145.2	-150.2	-148.9	
<b>Free operating cash flow</b>	<b>-3.9</b>	<b>-348.8</b>	<b>117</b>	<b>134</b>	<b>131</b>	<b>123</b>	<b>120</b>	<b>114</b>	<b>120</b>	<b>126</b>	<b>133</b>	
+/- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	-3.9	-348.8	117	134	131	123	120	114	120	126	133	2018
<b>Discounted FCFF</b>		<b>-352.3</b>	<b>109</b>	<b>114</b>	<b>103</b>	<b>88.6</b>	<b>80.1</b>	<b>69.6</b>	<b>67.3</b>	<b>65.0</b>	<b>63.3</b>	<b>960</b>
Sum of FCFF present value		1368	1721	1612	1497	1394	1306	1226	1156	1089	1024	960
<b>Enterprise value DCF</b>		<b>1368</b>										
- Interest bearing debt		-392.4										
+ Cash and cash equivalents		9.1										
-Minorities		0.0										
-Dividend/capital return		-44.7										
<b>Equity value DCF</b>		<b>940</b>										
<b>Equity value DCF per share</b>		<b>16.0</b>										

Cash flow distribution

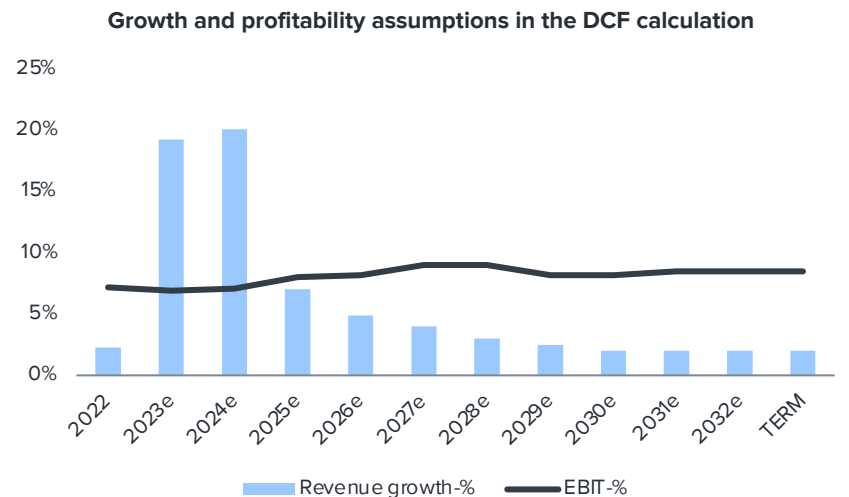
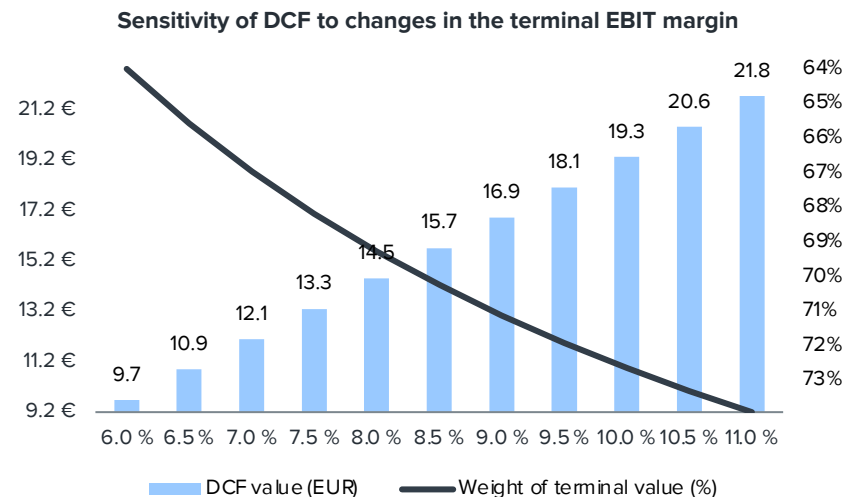
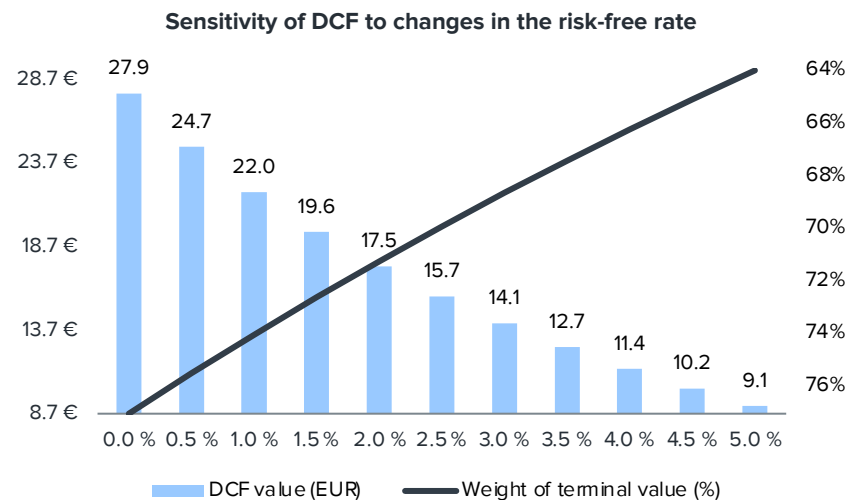
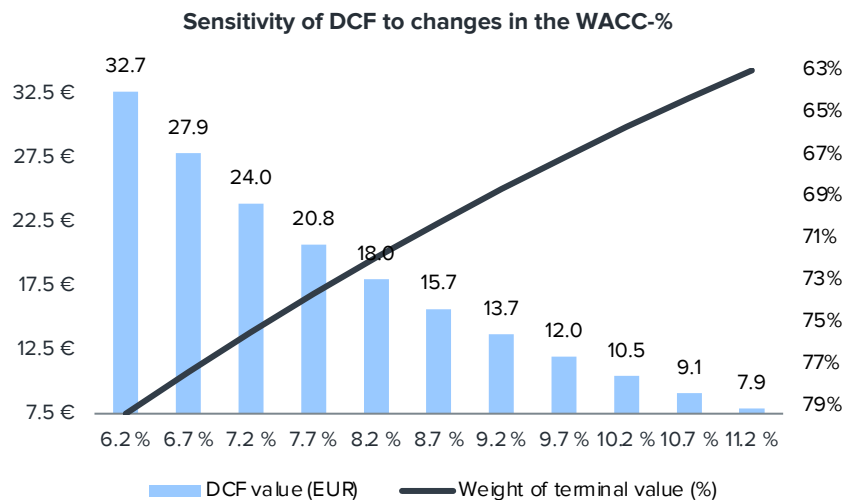


## WACC

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	1.70%
Risk free interest rate	2.5 %
<b>Cost of equity</b>	<b>9.9 %</b>
<b>Weighted average cost of capital (WACC)</b>	<b>8.7 %</b>

Source: Inderes

# 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	2020	2021	2022	2023e	2024e	Per share data	2020	2021	2022	2023e	2024e
Revenue	1073.2	1141.8	1168.0	<b>1393.0</b>	<b>1672.7</b>	EPS (reported)	1.21	1.32	1.00	<b>0.98</b>	<b>1.19</b>
EBITDA	163.6	174.6	157.2	<b>189.6</b>	<b>275.0</b>	EPS (adj.)	1.22	1.29	1.03	<b>1.04</b>	<b>1.19</b>
EBIT	98.9	107.7	84.0	<b>96.2</b>	<b>118.6</b>	OCF / share	2.70	2.27	1.62	<b>2.50</b>	<b>3.92</b>
PTP	88.9	97.5	73.3	<b>72.7</b>	<b>88.7</b>	FCF / share	1.60	1.31	-0.07	<b>-2.25</b>	<b>1.99</b>
Net Income	71.2	78.0	58.8	<b>57.9</b>	<b>70.0</b>	Book value / share	3.69	4.16	4.20	<b>4.43</b>	<b>4.84</b>
Extraordinary items	-0.6	2.1	-1.7	<b>-3.5</b>	<b>0.0</b>	Dividend / share	0.85	0.96	0.76	<b>0.78</b>	<b>0.80</b>
Balance sheet	2020	2021	2022	2023e	2024e	Growth and profitability	2020	2021	2022	2023e	2024e
Balance sheet total	785.0	816.5	793.8	<b>1314.9</b>	<b>1317.6</b>	Revenue growth-%	14%	6%	2%	<b>19%</b>	<b>20%</b>
Equity capital	217.3	244.7	247.0	<b>260.9</b>	<b>285.0</b>	EBITDA growth-%	25%	7%	-10%	<b>21%</b>	<b>45%</b>
Goodwill	135.8	136.2	136.2	<b>266.2</b>	<b>266.2</b>	EBIT (adj.) growth-%	41%	6%	-19%	<b>16%</b>	<b>19%</b>
Net debt	332.8	314.3	383.3	<b>794.6</b>	<b>747.0</b>	EPS (adj.) growth-%	49%	6%	-20%	<b>2%</b>	<b>14%</b>
Cash flow	2020	2021	2022	2023e	2024e	EBITDA-%	15.2 %	15.3 %	13.5 %	<b>13.6 %</b>	<b>16.4 %</b>
EBITDA	163.6	174.6	157.2	<b>189.6</b>	<b>275.0</b>	EBIT (adj.)-%	9.3 %	9.3 %	7.3 %	<b>7.2 %</b>	<b>7.1 %</b>
Change in working capital	15.2	-20.0	-44.9	<b>-22.7</b>	<b>-19.6</b>	EBIT-%	9.2 %	9.4 %	7.2 %	<b>6.9 %</b>	<b>7.1 %</b>
Operating cash flow	158.6	133.7	95.4	<b>147.3</b>	<b>230.5</b>	ROE-%	35.4 %	33.8 %	23.9 %	<b>22.8 %</b>	<b>25.7 %</b>
CAPEX	-64.3	-55.8	-98.8	<b>-496.1</b>	<b>-113.4</b>	ROI-%	16.2 %	17.0 %	13.1 %	<b>10.9 %</b>	<b>10.6 %</b>
Free cash flow	94.0	77.3	-3.9	<b>-132.3</b>	<b>117.1</b>	Equity ratio	27.7 %	30.0 %	31.1 %	<b>19.8 %</b>	<b>21.6 %</b>
						Gearing	153.1 %	128.5 %	155.2 %	<b>304.5 %</b>	<b>262.1 %</b>
Valuation multiples	2020	2021	2022	2023e	2024e						
EV/S	1.2	1.3	0.9	<b>1.2</b>	<b>1.0</b>						
EV/EBITDA (adj.)	7.9	8.4	6.7	<b>9.0</b>	<b>6.0</b>						
EV/EBIT (adj.)	12.9	13.9	12.2	<b>17.1</b>	<b>14.0</b>						
P/E (adj.)	13.3	15.2	11.0	<b>14.8</b>	<b>13.0</b>						
P/B	4.4	4.7	2.7	<b>3.5</b>	<b>3.2</b>						
Dividend-%	5.2 %	4.9 %	6.7 %	<b>5.1 %</b>	<b>5.2 %</b>						

Source: Inderes



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

Accumulate The 12-month risk-adjusted expected shareholder return of the share is attractive

Reduce The 12-month risk-adjusted expected shareholder return of the share is weak

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

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## Recommendation history (>12 mo)

Date	Recommendation	Target	Share price
5/8/2021	Buy	25.00 €	21.68 €
7/29/2021	Accumulate	27.00 €	24.66 €
10/31/2021	Buy	25.00 €	19.68 €
<i>Analyst changed</i>			
2/14/2022	Buy	20.00 €	17.90 €
4/27/2022	Buy	17.00 €	14.78 €
5/2/2022	Buy	15.00 €	12.40 €
5/27/2022	Accumulate	13.50 €	12.17 €
8/1/2022	Accumulate	14.00 €	12.82 €
9/30/2022	Accumulate	12.50 €	11.04 €
10/31/2022	Accumulate	12.50 €	11.83 €
12/19/2022	Accumulate	12.50 €	11.63 €
2/13/2023	Accumulate	14.00 €	12.98 €
4/13/2023	Accumulate	14.20 €	13.20 €
5/2/2023	Accumulate	13.50 €	12.41 €
8/7/2023	Accumulate	14.50 €	13.73 €
<i>Analyst changed</i>			
11/20/2023	Accumulate	14.00 €	12.61 €
2/14/2024	Reduce	15.50 €	15.42 €



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Antti Viljakainen  
2014, 2015, 2016, 2018, 2019, 2020



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Joni Grönqvist  
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