

Orthex

Company report

5/16/2024 8:30 am EEST



Thomas Westerholm
+358 50 541 2211
thomas.westerholm@inderes.fi

✓ Inderes corporate customer

This report is a summary translation of the report “Tarina etenee käsikirjoituksen mukaisesti” published on 5/16/2024 at 8:30 am EEST.

inde
res.

Story unfolds as scripted

Orthex achieved much stronger than expected growth in a weak demand environment, although growth investments kept the result in line with our expectations. We believe the growth strategy is on track and, given the weakness in retail sales, we are confident that the company is gaining market share in its key markets. We do not see much upside in the stock's multiples, but the earnings growth and dividend yield over the next few years still lead to a positive view at the current price. We revise our target price to EUR 7.2 (was EUR 7.0) and reiterate our Accumulate recommendation.

Revenue beat; earnings in line with expectations due to growth investments

Orthex's Q1 revenue grew 8%, exceeding both our and consensus expectations. Sales grew well in both the Nordic countries (+8%) and the rest of Europe (+10%), despite weak consumer good sales figures. Growth in the Nordic countries in particular was impressive due to Orthex's strong market share. Going forward, the growth story will increasingly focus on the rest of Europe, where market share does not impose similar constraints on growth, and as a result we want to see stronger growth in euro terms outside the Nordic region. The strong growth did not rely on discounting, as Orthex's gross margin exceeded our forecast. Despite the stronger-than-expected gross margin, the company's EBIT was exactly in line with our forecasts, as growth investments were higher than expected. However, we believe the company bought more visibility than usual during the quarter to support sales. Orthex has a strong track record of profitable growth and as a result we are positive about increasing our growth investments.

We expect profitable growth in the coming years

We have slightly raised our growth forecasts for Orthex as a result of stronger-than-expected growth and higher growth investments, but slightly lowered our earnings forecast for the current year in anticipation of an earlier heavier cost structure. Our revenue forecasts for the coming years increased by 1-3% and our EBIT forecasts by -3...+3%. We expect Orthex's revenue to grow by approximately 6-7% over the next few years, driven by the rest of Europe, in line with our revenue growth target of over 5%. Orthex's existing production facilities are capable of supporting our projected growth over the next several years without significant capital investment, making growth in this size class particularly profitable. We expect the company's EBITA margin to increase to 14-15% in the coming years, which is still below the company's EBITA target of 18%. Orthex's strong balance sheet provides the company with the flexibility to pursue M&A should attractive targets become available.

Multiples moderating with growth

Orthex's earnings-based valuation (2024e: EV/EBIT 11x, P/E: 15x) is neutral or slightly elevated in our view but driven by a 3-4% dividend yield and 13% annualized earnings growth over the next few years, we see the stock primed for an annualized return of around 8-13%. Our EBIT forecasts for 2024-2025 price Orthex at a discount of about 10% to peers. In our view, the discount appears to be on the wide side, but we do not yet see any drivers for its narrowing. Our DCF model suggests a value of EUR 7.4 per share, which also supports a positive view.

Recommendation

Accumulate
(previous Accumulate)

EUR 7.20
(previous EUR 7.00)

Share price:
6.74



Key figures

	2023	2024e	2025e	2026e
Revenue	85.9	91.1	97.7	104.5
growth-%	2%	6%	7%	7%
EBIT adj.	10.0	11.9	13.9	15.3
EBIT-% adj.	11.7 %	13.1 %	14.2 %	14.6 %
Net Income	6.9	8.0	9.8	11.1
EPS (adj.)	0.35	0.45	0.55	0.63
P/E (adj.)	15.5	15.0	12.2	10.8
P/B	2.8	3.1	2.7	2.4
Dividend yield-%	3.9 %	3.7 %	4.3 %	5.2 %
EV/EBIT (adj.)	11.8	11.4	9.6	8.3
EV/EBITDA	7.9	8.5	7.2	6.5
EV/S	1.4	1.5	1.4	1.2

Source: Inderes

Guidance

(Unchanged)

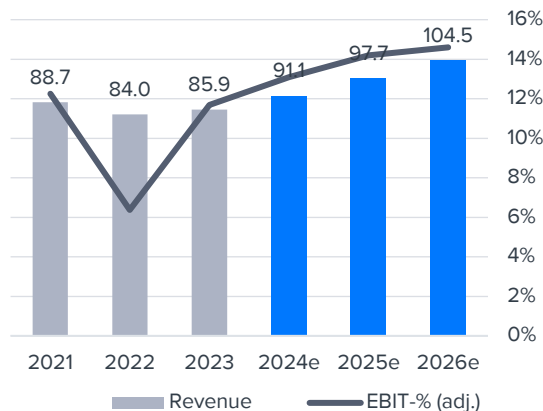
Orthex does not publish a short-term outlook. In the long term, the company targets average organic growth of over 5% and an adjusted EBITA margin of over 18%.

Share price



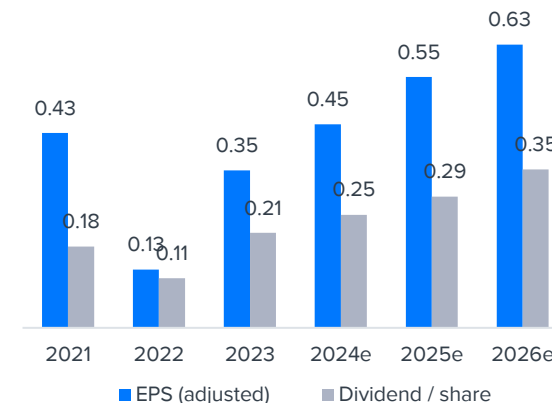
Source: Millstream Market Data AB

Revenue and EBIT-%



Source: Inderes

EPS and dividend



Source: Inderes



Value drivers

- Large and defensive target market
- Favorable megatrends drive product demand growth
- Leading position in the Nordic countries and the possibility of expanding to Europe through key customers
- Fragmented industry offers opportunities for acquisitions
- Known consumer brands
- Strong relations with retail chains
- Efficient and automated production with short delivery times



Risk factors

- Fluctuations in raw material prices and disruptions in availability
- Dependence on the operation of own production facilities
- Production capacity limits growth
- Success on export markets
- Risks involved in achieving financial targets
- M&A risks
- Plastics have a bad reputation as a raw material

Valuation	2024e	2025e	2026e
Share price	6.74	6.74	6.74
Number of shares, millions	17.8	17.8	17.8
Market cap	120	120	120
EV	137	133	127
P/E (adj.)	15.0	12.2	10.8
P/E	15.0	12.2	10.8
P/B	3.1	2.7	2.4
P/S	1.3	1.2	1.1
EV/Sales	1.5	1.4	1.2
EV/EBITDA	8.5	7.2	6.5
EV/EBIT (adj.)	11.4	9.6	8.3
Payout ratio (%)	55.5 %	52.3 %	56.0 %
Dividend yield-%	3.7 %	4.3 %	5.2 %

Source: Inderes

Growth continued stronger than expected

Surprisingly strong growth in the Nordics

Orthex's Q1 revenue increased by 7.5% to 22.0 MEUR, which exceeded both our and consensus expectations. In Q1, the Nordic currencies still caused a slight headwind to growth and adjusted for currency effects, revenue grew by 8.3%. By market, invoiced sales grew strongly in the Nordic countries (8%) and the rest of Europe (10%), while the rest of the world remained weak. Orthex was up against a relatively strong comparison period that benefited from a shift in retailer orders from Q4'22 to Q1'23.

Orthex has a strong market share in the Nordic countries and good retail penetration. Compared to the sluggish sales performance of Nordic furniture and hardware retailers, Orthex's sales performed very well, and the company gained significant market share.

We would like to see stronger growth outside the Nordic region in euro terms, as the longer-term growth story is more dependent on the European growth market. In Q4, the company opened a new sales office for Benelux, which we believe did not yet have an impact on Q1 growth. We don't think it's worth focusing too much on the sluggish

performance in the rest of the world, as the company has one big customer outside of Europe that alone will swing the numbers. The market area is also not the focus of the growth strategy at the present time.

Revenue exceeded our expectations, and so did the gross margin

Despite stronger-than-expected growth, Orthex's gross margin margin narrowly exceeded our forecast. This shows that the stronger-than-expected revenue did not come at a price, although we believe the company made more of a sales effort in Q1.

At EBIT level, the operating result of 2.8 MEUR was in line with our forecasts, despite a higher-than-expected gross margin. This was due to higher-than-expected sales, marketing and administrative expenses. The income statement shows that Orthex is investing more heavily in growth than expected, which is positive in our book due to the company's profitable growth and spare production capacity. However, there is a time lag before the fruits of the growth efforts are visible, which makes it difficult to assess a single quarter.

On the bottom lines of the income statement, the company's financing costs were higher than expected and increased year-on-year despite a significant reduction in net debt. In our view, the development was due to hedging derivatives.

Strong balance sheet provides room to maneuver

Orthex generated a cash flow of 4.1 MEUR in Q1 (Q1'23: 2.5 MEUR), supported by a release of working capital. As a result of the strong cash flow, the company had only 19.4 MEUR net debt on its balance sheet, which is 1.3x adjusted EBITDA (Q1'23: 2.4x).

The company's target is to maintain the leverage ratio below 2.5x, so with current profitability, the company could afford to leverage its balance sheet by some 18 MEUR to reach the upper limit. The company has indicated that the debt ratio may temporarily exceed the target level in connection with M&A. We estimate that the company has a total of more than 30 MEUR of gunpowder for M&A (including 10 MEUR of treasury shares), but the company does not have an urgent need for larger deals due to available factory capacity.

Estimates MEUR / EUR	Q1'23	Q1'24	Q1'24e	Q1'24e	Consensus		Difference (%)	2024e
	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. inderes	Inderes
Revenue	20.5	22.0	21.2	21.8	21.2	22.8	4%	91.1
Gross profit	5.4	6.7	6.3		-		6%	27.6
EBIT (adj.)	2.4	2.8	2.8		-		-2%	11.9
EBIT	2.3	2.8	2.8	2.8	2.7	3.1	-2%	11.9
EPS (reported)	0.07	0.09	0.10	0.10	0.10	0.11	-15%	0.45
Revenue growth-%	-0.5 %	7.5 %	3.7 %	6.5 %	3.5 %	11.4 %	3.8 pp	6.0 %
EBIT-% (adj.)	11.6 %	12.5 %	13.3 %		-		-0.8 pp	13.1 %

Source: Inderes & Bloomberg (consensus)

Growth investments up slightly

Growth investments slightly raised growth forecasts

In connection with the update, we have slightly increased Orthex's growth investments in our forecasts (sales and marketing and slightly increased administrative expenses), which has slightly lowered our earnings forecasts for the current year. Together with strong Q1 sales, this increased our growth forecasts for the next few years.

Increasing focus on European growth markets

Orthex's growth has been really strong in the last two quarters, supported by really strong growth in the Nordic countries. We understand that Orthex storage products are already present in virtually every major distribution channel of interest to the company in this market. The company can still grow in the Nordic countries by gaining shelf space and introducing new

products, but the lack of significant new distribution channels will inevitably limit the growth potential of the Nordic countries compared to the European growth market.

We believe that the caution of retailers has limited the company's growth outside the Nordic countries as well, but new successes are coming, judging by the growth. With a significant market share in the Nordic countries and moderate market growth in Orthex's product categories, the growth story is increasingly about how much absolute growth the company can achieve outside the Nordic countries, where market size is not a constraint to growth. We expect the company's invoiced sales in this market to grow by around 15% per year over the next few years, while in the Nordic region we expect growth of 3-4%.

Estimate revisions	2024e		Change	2025e		Change	2026e		Change	
	MEUR / EUR	Old		New	Old		New	Old		New
Revenue		90.2	91.1	1%	96.1	97.7	2%	102	105	3%
EBITDA		16.2	16.1	-1%	17.9	18.3	2%	19.3	19.7	2%
EBIT (exc. NRIs)		12.1	11.9	-1%	13.4	13.9	3%	14.9	15.3	3%
EBIT		12.1	11.9	-1%	13.4	13.9	3%	14.9	15.3	3%
PTP		10.4	10.2	-2%	11.9	12.4	4%	13.6	14.0	3%
EPS (excl. NRIs)		0.46	0.45	-3%	0.53	0.55	4%	0.61	0.63	3%
DPS		0.25	0.25	0%	0.27	0.29	7%	0.32	0.35	9%

Source: Inderes

Valuation is justifiable

Earnings growth melts valuation multiples

Based on our updated estimates, adjusted P/E ratios for 2024 and 2025 are 15x and 11x, while the corresponding EV/EBIT ratios are 12x and 10x. In our view, the valuation of the stock seems neutral, especially on EV-based multiples, given the quality of the business.

We have assumed that the company's gross margin will normalize around the historical average of 29% in the coming years. Orthex's relative profitability can stretch further if raw material prices continue to decline in the next few years. We do not expect this to be fully reflected in Orthex's profitability, as we believe that competition would cause pressure in the future to either lower prices or rely more on campaign sales to protect the market position (however, storage solutions are not Giffen goods).

We have reservations about the company's ability to sustain price increases, but so far the evidence is undeniably in favor of the company's pricing power and management seems confident about pricing. In our forecasts, Orthex's normalized EBIT margin over the cycle is approximately 12-14%, which is still clearly below the company's own target level. We believe a full commitment to Orthex's 18% EBITA margin target is premature at this stage of the investment story and on current evidence, but recent signs of a recovery in profitability are undeniably encouraging.

The DCF model argues for a slight upside

Our DCF model indicates a value of EUR 7.4 per share for Orthex. Our DCF model assumes an EBIT margin of around 11-14% and revenue growth of approximately 4-6%. We believe that these assumptions are realistic, but because of the

company's short stock market history, its track record of maintaining these levels is still limited. We suspect that bulking of the storage solution product group is a key risk for maintaining the company's longer-term profitability. However, in our view, the desire of retailers to move their supply chains closer to their customers is one factor limiting the intensification of competition.

The consolidator is also a potential takeover target

In connection with the IPO, Orthex said that the plastic industry is suitable for consolidation, and it intends to actively monitor the acquisition targets. The growing balance sheet provides more leeway in acquisitions, and we estimate that with debt financing alone, the company has firepower worth some 20 MEUR (gearing that only considers Orthex's EBITDA would be 3x after the transaction), which would mean a revenue potential of approximately 20 MEUR to be purchased with a 1x revenue multiple. However, at current valuation levels, Orthex itself could be an attractive target for an industrial buyer. Newell Brands acquired Sistema, Orthex's competitor, with a 3.2x revenue multiple in 2016. In the current interest rate environment, asking for similar multiples would be challenging, but takeover activity is still visible among consumer product companies. For example, Fiskars bought Georg Jensen, who had a lower normalized performance than Orthex, this year, at significantly higher multiples than Orthex (EV/EBITDA 9.5x), compared to which the valuation of Orthex's valuation seems rather moderate.

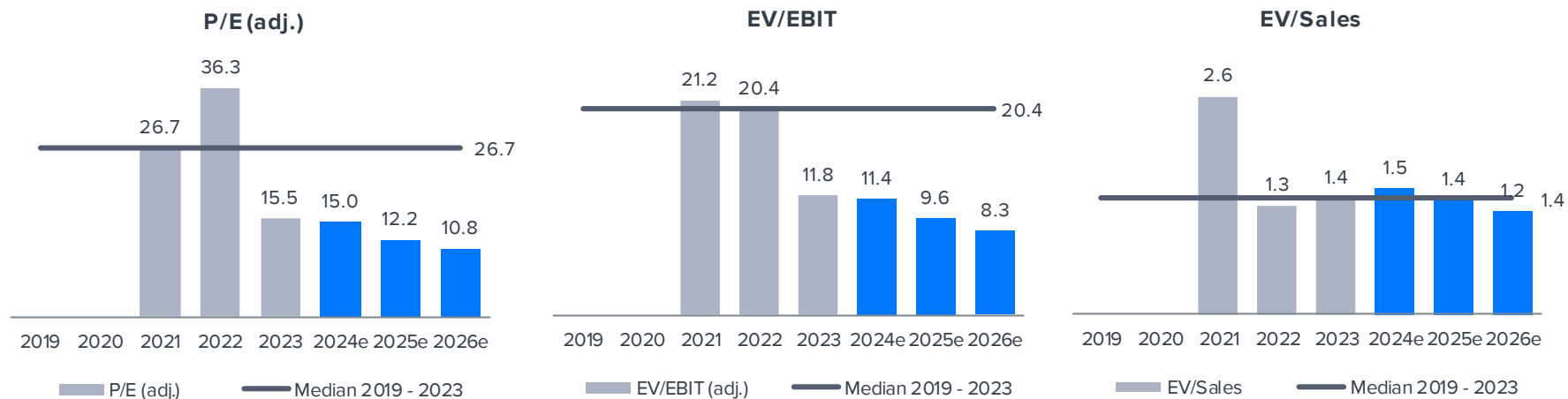
Valuation	2024e	2025e	2026e
Share price	6.74	6.74	6.74
Number of shares, millions	17.8	17.8	17.8
Market cap	120	120	120
EV	137	133	127
P/E (adj.)	15.0	12.2	10.8
P/E	15.0	12.2	10.8
P/B	3.1	2.7	2.4
P/S	1.3	1.2	1.1
EV/Sales	1.5	1.4	1.2
EV/EBITDA	8.5	7.2	6.5
EV/EBIT (adj.)	11.4	9.6	8.3
Payout ratio (%)	55.5 %	52.3 %	56.0 %
Dividend yield-%	3.7 %	4.3 %	5.2 %

Source: Inderes

Valuation table

Valuation	2019	2020	2021	2022	2023	2024e	2025e	2026e	2027e
Share price			11.5	4.68	5.40	6.74	6.74	6.74	6.74
Number of shares, millions			17.8	17.8	17.8	17.8	17.8	17.8	17.8
Market cap			204	83	96	120	120	120	120
EV			230	109	118	137	133	127	122
P/E (adj.)			26.7	36.3	15.5	15.0	12.2	10.8	9.8
P/E			33.8	39.2	13.9	15.0	12.2	10.8	9.8
P/B			6.4	2.8	2.8	3.1	2.7	2.4	2.1
P/S			2.3	1.0	1.1	1.3	1.2	1.1	1.1
EV/Sales			2.6	1.3	1.4	1.5	1.4	1.2	1.1
EV/EBITDA			17.4	11.8	7.9	8.5	7.2	6.5	5.9
EV/EBIT (adj.)			21.2	20.4	11.8	11.4	9.6	8.3	7.5
Payout ratio (%)			53.0 %	92.2 %	54.1 %	55.5 %	52.3 %	56.0 %	52.5 %
Dividend yield-%			1.6 %	2.4 %	3.9 %	3.7 %	4.3 %	5.2 %	5.3 %

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
Duni AB	436	554	9.2	7.8	6.6	5.8	0.8	0.8	11.1	9.3	4.5	5.1	1.3
Fiskars Oyj Abp	1390	1904	18.0	12.9	11.0	9.1	1.6	1.5	16.2	13.5	4.7	5.2	1.8
Harvia Oyj	806	833	21.6	19.5	18.5	16.9	5.0	4.6	29.3	26.1	1.7	1.9	6.6
Leifheit AG	170	129	8.3	6.8	5.4	4.7	0.5	0.5	15.4	12.7	5.1	6.6	1.5
Marimekko Oyj	544	540	16.3	14.5	12.7	11.4	3.0	2.8	21.1	18.7	3.2	3.8	7.1
Rapala VMC Corp	115	226	15.6	11.9	8.7	7.1	0.9	0.9	45.4	17.4	1.2	1.0	0.7
Thule Group AB	2916	3091	20.7	17.9	17.8	15.7	3.7	3.4	26.4	22.7	3.0	3.3	4.6
Nokian Tyres plc	1196	1591	19.7	12.8	7.2	5.7	1.2	1.1	28.4	14.9	6.3	6.1	0.9
Assa Abloy AB	29817	35539	17.1	15.9	14.2	13.3	2.8	2.6	22.1	19.8	1.8	2.0	3.4
Newell Brands Inc	3341	7604	13.5	11.9	9.1	8.5	1.1	1.1	14.6	11.4	3.3	3.3	1.1
DOMETIC Group	2283	3574	13.4	11.4	9.7	8.6	1.5	1.5	15.8	12.2	2.3	3.1	1.0
Raisio Oyj	308	243	10.5	9.2	7.3	6.5	1.1	1.0	14.9	13.6	7.4	7.4	1.2
Husqvarna AB	4479	5806	14.0	12.1	8.7	7.9	1.3	1.3	17.1	14.0	3.5	3.7	2.1
Helen of Troy Ltd	2402	3000	11.0	11.0	9.8	9.9	1.6	1.6	12.5	12.1			1.6
Orthex (Inderes)	120	137	11.4	9.6	8.5	7.2	1.5	1.4	15.0	12.2	3.7	4.3	3.1
Average			14.9	12.5	10.5	9.4	1.9	1.7	20.7	15.6	3.7	4.0	2.5
Median			14.8	12.0	9.4	8.5	1.4	1.4	16.6	13.8	3.3	3.7	1.6
Diff-% to median			-23%	-20%	-10%	-15%	4%	0%	-10%	-12%	13%	15%	99%

Source: Refinitiv / Inderes

Income statement

Income statement	2021	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24	Q2'24e	Q3'24e	Q4'24e	2024e	2025e	2026e	2027e
Revenue	88.7	84.0	20.5	20.1	21.9	23.4	85.9	22.0	21.5	23.6	24.1	91.1	97.7	105	111
Nordics	72.9	68.4	16.2	16.3	17.8	18.4	68.7	17.5	17.4	18.7	18.0	71.5	74.0	77.0	79.3
Rest of Europe	15.1	15.9	4.9	3.9	4.2	5.5	18.5	5.3	4.4	5.1	6.5	21.3	25.2	29.2	33.3
Rest of the world	2.5	1.4	0.2	0.3	0.2	0.1	0.8	0.1	0.1	0.1	0.1	0.4	0.4	0.4	0.5
Discounts and rebates	-1.8	-1.7	-0.8	-0.4	-0.3	-0.5	-2.0	-0.9	-0.4	-0.3	-0.5	-2.2	-2.0	-2.1	-2.3
EBITDA	13.2	9.2	3.4	3.1	4.6	3.9	14.9	3.8	2.8	5.0	4.4	16.1	18.3	19.7	20.8
Depreciation	-4.0	-4.0	-1.0	-1.0	-1.0	-1.0	-4.1	-1.1	-1.0	-1.0	-1.0	-4.1	-4.5	-4.4	-4.5
EBIT (excl. NRI)	10.9	5.4	2.4	1.3	3.5	2.9	10.0	2.8	1.8	4.0	3.4	11.9	13.9	15.3	16.3
EBIT	9.3	5.2	2.3	2.1	3.5	2.9	10.8	2.8	1.8	4.0	3.4	11.9	13.9	15.3	16.3
Share of profits in assoc. compan.	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	0.0
Net financial items	-1.6	-2.2	-0.6	-0.7	-0.3	-0.6	-2.2	-0.7	-0.4	-0.4	-0.3	-1.8	-1.5	-1.3	-1.0
PTP	7.7	3.0	1.7	1.3	3.2	2.3	8.5	2.1	1.4	3.6	3.1	10.2	12.4	14.0	15.3
Taxes	-1.6	-0.9	-0.4	-0.3	-0.8	-0.2	-1.6	-0.5	-0.3	-0.7	-0.6	-2.2	-2.5	-2.9	-3.1
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	0.0
Net earnings	6.0	2.1	1.3	1.1	2.4	2.1	6.9	1.6	1.1	2.9	2.4	8.0	9.8	11.1	12.2
EPS (adj.)	0.43	0.13	0.08	0.02	0.13	0.12	0.35	0.09	0.06	0.16	0.14	0.45	0.55	0.63	0.69
EPS (rep.)	0.34	0.12	0.07	0.06	0.13	0.12	0.39	0.09	0.06	0.16	0.14	0.45	0.55	0.63	0.69
Key figures	2021	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24	Q2'24e	Q3'24e	Q4'24e	2024e	2025e	2026e	2027e
Revenue growth-%	16.9 %	-5.2 %	-0.5 %	-4.1 %	-0.9 %	15.0 %	2.2 %	7.5 %	6.6 %	7.7 %	2.8 %	6.0 %	7.2 %	7.0 %	6.0 %
Adjusted EBIT growth-%	-15.0 %	-50.7 %	33.1 %	-716.7 %	58.9 %	81.6 %	87.3 %	16.5 %	39.4 %	13.9 %	17.8 %	18.9 %	16.1 %	10.1 %	6.7 %
EBITDA-%	14.9 %	11.0 %	16.4 %	15.1 %	20.8 %	16.7 %	17.3 %	17.4 %	13.1 %	21.3 %	18.3 %	17.6 %	18.8 %	18.9 %	18.8 %
Adjusted EBIT-%	12.3 %	6.4 %	11.6 %	6.4 %	16.0 %	12.3 %	11.7 %	12.5 %	8.4 %	16.9 %	14.1 %	13.1 %	14.2 %	14.6 %	14.7 %
Net earnings-%	6.8 %	2.5 %	6.4 %	5.3 %	10.9 %	9.1 %	8.0 %	7.1 %	5.2 %	12.3 %	10.1 %	8.8 %	10.1 %	10.6 %	11.0 %

Source: Inderes

Balance sheet

Assets	2022	2023	2024e	2025e	2026e
Non-current assets	43.8	44.0	43.4	43.3	43.6
Goodwill	22.3	22.3	22.3	22.3	22.3
Intangible assets	0.1	0.0	0.2	0.2	0.2
Tangible assets	20.6	20.9	20.8	20.7	21.0
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	0.1	0.1	0.1	0.1	0.1
Deferred tax assets	0.8	0.7	0.0	0.0	0.0
Current assets	38.0	41.5	39.2	42.5	44.9
Inventories	14.3	12.1	12.8	14.2	14.6
Other current assets	0.1	0.0	0.0	0.0	0.0
Receivables	13.4	17.9	15.5	16.6	17.8
Cash and equivalents	10.3	11.6	10.9	11.7	12.5
Balance sheet total	81.8	85.6	82.6	85.8	88.5

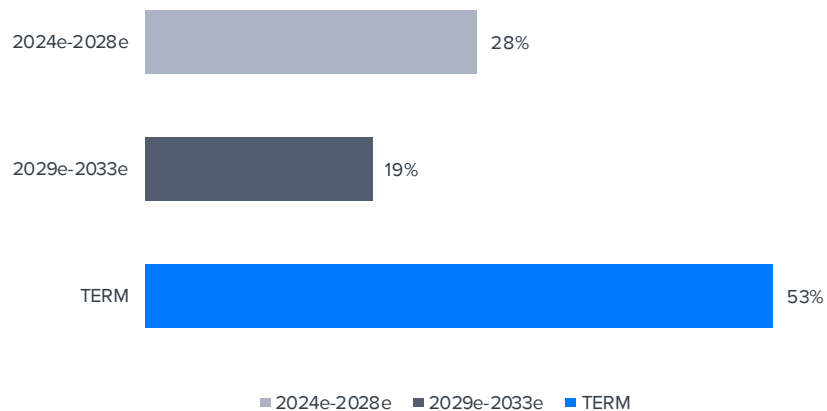
Source: Inderes

Liabilities & equity	2022	2023	2024e	2025e	2026e
Equity	29.7	34.4	38.7	44.1	50.1
Share capital	0.1	0.1	0.1	0.1	0.1
Retained earnings	22.3	26.9	31.2	36.6	42.6
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	-0.5	-0.4	-0.4	-0.4	-0.4
Other equity	7.9	7.9	7.9	7.9	7.9
Minorities	0.0	0.0	0.0	0.0	0.0
Non-current liabilities	32.8	30.4	25.8	22.9	19.0
Deferred tax liabilities	0.8	0.8	0.8	0.8	0.8
Provisions	0.0	0.0	0.0	0.0	0.0
Interest bearing debt	32.0	29.6	25.0	22.1	18.2
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	19.3	20.7	18.1	18.8	19.5
Interest bearing debt	4.3	4.3	2.8	2.5	2.0
Payables	14.0	15.7	14.6	15.6	16.7
Other current liabilities	1.0	0.7	0.7	0.7	0.7
Balance sheet total	81.8	85.5	82.6	85.8	88.5

DCF calculation

DCF model	2023	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	TERM
Revenue growth-%	2.2 %	6.0 %	7.2 %	7.0 %	6.0 %	5.0 %	3.5 %	3.0 %	2.5 %	2.0 %	2.0 %	2.0 %
EBIT-%	12.5 %	13.1 %	14.2 %	14.6 %	14.7 %	12.5 %	12.0 %	12.0 %	12.0 %	11.5 %	11.5 %	11.5 %
EBIT (operating profit)	10.8	11.9	13.9	15.3	16.3	14.5	14.5	14.9	15.3	14.9	15.2	
+ Depreciation	4.1	4.1	4.5	4.4	4.5	4.6	4.7	4.8	5.0	5.1	5.2	
- Paid taxes	-1.5	-1.5	-2.5	-2.9	-3.1	-2.8	-2.9	-3.0	-3.1	-3.0	-3.1	
- Tax, financial expenses	-0.4	-0.4	-0.3	-0.3	-0.2	-0.1	-0.1	-0.1	0.0	0.0	0.0	
+ Tax, financial income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Change in working capital	-0.8	0.6	-1.5	-0.5	-0.4	-0.5	0.3	-0.5	-0.4	-0.3	-0.4	
Operating cash flow	12.1	14.8	14.0	16.0	17.1	15.7	16.5	16.2	16.7	16.6	17.0	
+ Change in other long-term liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-4.4	-4.2	-4.4	-4.7	-5.0	-5.1	-5.3	-5.4	-5.6	-5.7	-5.7	
Free operating cash flow	7.7	10.6	9.6	11.3	12.1	10.5	11.2	10.7	11.1	10.9	11.3	
+/- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	7.7	10.6	9.6	11.3	12.1	10.5	11.2	10.7	11.1	10.9	11.3	180
Discounted FCFF		10.1	8.4	9.2	9.0	7.3	7.1	6.3	6.0	5.5	5.2	83.2
Sum of FCFF present value		157	147	139	130	121	113	106	99.9	93.9	88.4	83.2
Enterprise value DCF		157										
- Interest bearing debt		-33.9										
+ Cash and cash equivalents		11.6										
-Minorities		0.0										
-Dividend/capital return		-3.7										
Equity value DCF		131										
Equity value DCF per share		7.4										

Cash flow distribution

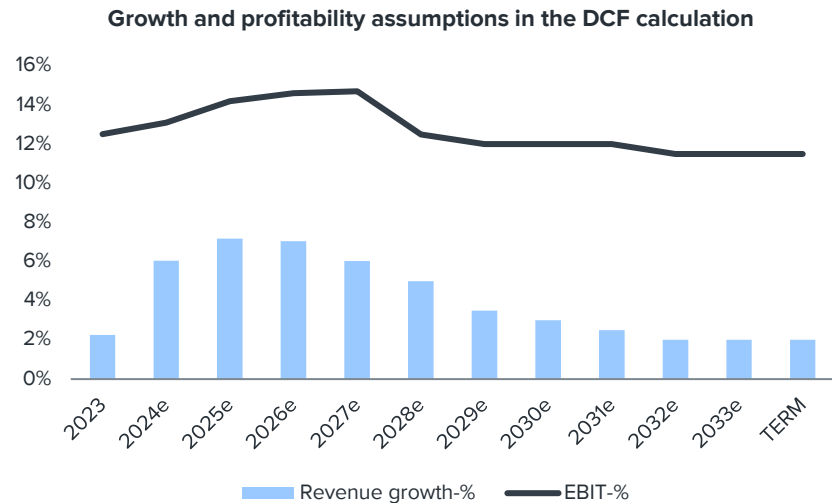
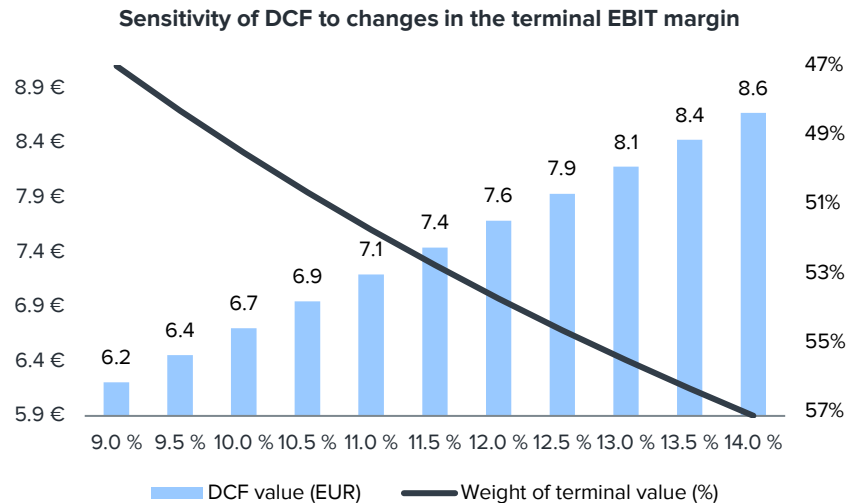
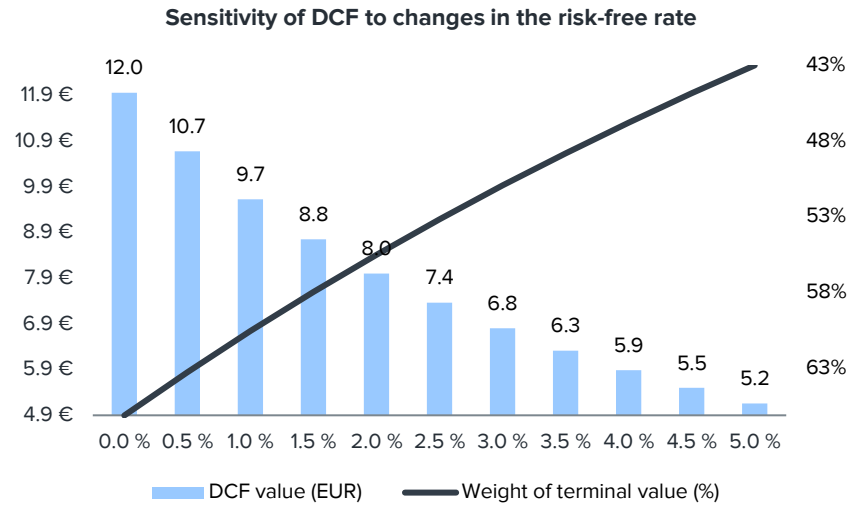
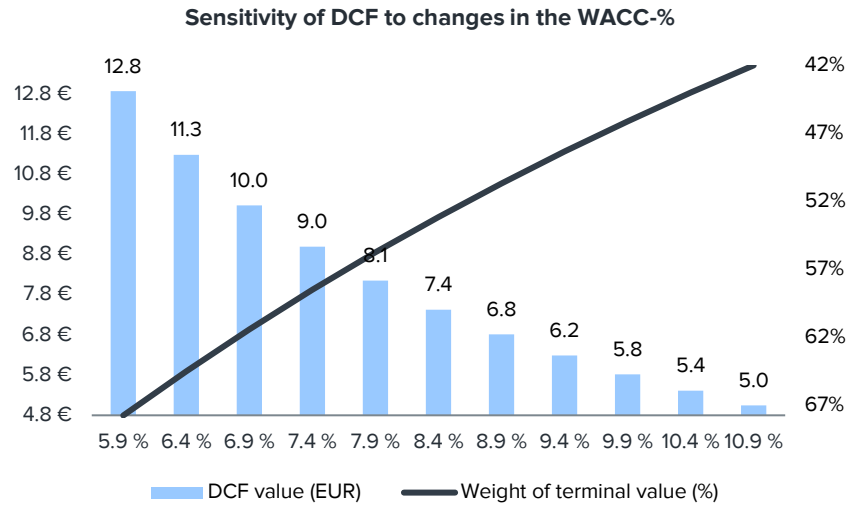


WACC

Tax-% (WACC)	20.0 %
Target debt ratio (D/(D+E))	10.0 %
Cost of debt	6.5 %
Equity Beta	1.10
Market risk premium	4.75%
Liquidity premium	1.00%
Risk free interest rate	2.5 %
Cost of equity	8.7 %
Weighted average cost of capital (WACC)	8.4 %

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	2021	2022	2023	2024e	2025e	Per share data	2021	2022	2023	2024e	2025e
Revenue	88.7	84.0	85.9	91.1	97.7	EPS (reported)	0.34	0.12	0.39	0.45	0.55
EBITDA	13.2	9.2	14.9	16.1	18.3	EPS (adj.)	0.43	0.13	0.35	0.45	0.55
EBIT	9.3	5.2	10.8	11.9	13.9	OCF / share	0.55	0.42	0.68	0.83	0.79
PTP	7.7	3.0	8.5	10.2	12.4	FCF / share	0.31	0.31	0.43	0.60	0.54
Net Income	6.0	2.1	6.9	8.0	9.8	Book value / share	1.79	1.67	1.94	2.18	2.48
Extraordinary items	-1.6	-0.2	0.7	0.0	0.0	Dividend / share	0.18	0.11	0.21	0.25	0.29
Balance sheet	2021	2022	2023	2024e	2025e	Growth and profitability	2021	2022	2023	2024e	2025e
Balance sheet total	88.8	81.8	85.6	82.6	85.8	Revenue growth-%	17%	-5%	2%	6%	7%
Equity capital	31.8	29.7	34.4	38.7	44.1	EBITDA growth-%	-20%	-30%	61%	8%	14%
Goodwill	23.7	22.3	22.3	22.3	22.3	EBIT (adj.) growth-%	-16%	-51%	87%	19%	16%
Net debt	25.9	26.0	22.3	16.8	12.8	EPS (adj.) growth-%	-15%	-70%	170%	29%	23%
Cash flow	2021	2022	2023	2024e	2025e	EBITDA-%	14.9 %	11.0 %	17.3 %	17.6 %	18.8 %
EBITDA	13.2	9.2	14.9	16.1	18.3	EBIT (adj.)-%	12.3 %	6.4 %	11.7 %	13.1 %	14.2 %
Change in working capital	-1.6	-0.6	-0.8	0.6	-1.5	EBIT-%	10.4 %	6.2 %	12.5 %	13.1 %	14.2 %
Operating cash flow	9.8	7.5	12.1	14.8	14.0	ROE-%	24.7 %	6.9 %	21.5 %	21.9 %	23.8 %
CAPEX	-4.3	-1.9	-4.4	-4.2	-4.4	ROI-%	13.9 %	7.5 %	16.0 %	17.7 %	20.5 %
Free cash flow	5.5	5.6	7.7	10.6	9.6	Equity ratio	35.8 %	36.3 %	40.3 %	46.9 %	51.4 %
						Gearing	81.4 %	87.6 %	64.8 %	43.5 %	29.1 %
Valuation multiples	2021	2022	2023	2024e	2025e						
EV/S	2.6	1.3	1.4	1.5	1.4						
EV/EBITDA (adj.)	17.4	11.8	7.9	8.5	7.2						
EV/EBIT (adj.)	21.2	20.4	11.8	11.4	9.6						
P/E (adj.)	26.7	36.3	15.5	15.0	12.2						
P/B	6.4	2.8	2.8	3.1	2.7						
Dividend-%	1.6 %	2.4 %	3.9 %	3.7 %	4.3 %						

Source: Inderes

Disclaimer and recommendation history

The information presented in Inderes reports is obtained from several different public sources that Inderes considers to be reliable. Inderes aims to use reliable and comprehensive information, but Inderes does not guarantee the accuracy of the presented information. Any opinions, estimates and forecasts represent the views of the authors. Inderes is not responsible for the content or accuracy of the presented information. Inderes and its employees are also not responsible for the financial outcomes of investment decisions made based on the reports or any direct or indirect damage caused by the use of the information. The information used in producing the reports may change quickly. Inderes makes no commitment to announcing any potential changes to the presented information and opinions.

The reports produced by Inderes are intended for informational use only. The reports should not be construed as offers or advice to buy, sell or subscribe investment products. Customers should also understand that past performance is not a guarantee of future results. When making investment decisions, customers must base their decisions on their own research and their estimates of the factors that influence the value of the investment and take into account their objectives and financial position and use advisors as necessary. Customers are responsible for their investment decisions and their financial outcomes.

Reports produced by Inderes may not be edited, copied or made available to others in their entirety, or in part, without Inderes' written consent. No part of this report, or the report as a whole, shall be transferred or shared in any form to the United States, Canada or Japan or the citizens of the aforementioned countries. The legislation of other countries may also lay down restrictions pertaining to the distribution of the information contained in this report. Any individuals who may be subject to such restrictions must take said restrictions into account.

Inderes issues target prices for the shares it follows. The recommendation methodology used by Inderes is based on the share's 12-month expected total shareholder return (including the share price and dividends) and takes into account Inderes' view of the risk associated with the expected returns. The recommendation policy consists of four tiers: Sell, Reduce, Accumulate and Buy. As a rule, Inderes' investment recommendations and target prices are reviewed at least 2–4 times per year in connection with the companies' interim reports, but the recommendations and target prices may also be changed at other times depending on the market conditions. The issued recommendations and target prices do not guarantee that the share price will develop in line with the estimate. Inderes primarily uses the following valuation methods in determining target prices and recommendations: Cash flow analysis (DCF), valuation multiples, peer group analysis and sum of parts analysis. The valuation methods and target price criteria used are always company-specific and they may vary significantly depending on the company and (or) industry.

Inderes' recommendation policy is based on the following distribution relative to the 12-month risk-adjusted expected total shareholder return.

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

The assessment of the 12-month risk-adjusted expected total shareholder return based on the above-mentioned definitions is company-specific and subjective. Consequently, similar 12-month expected total shareholder returns between different shares may result in different recommendations, and the recommendations and 12-month expected total shareholder returns between different shares should not be compared with each other. The counterpart of the expected total shareholder return is Inderes' view of the risk taken by the investor, which varies considerably between companies and scenarios. Thus, a high expected total shareholder return does not necessarily lead to positive performance when the risks are exceptionally high and, correspondingly, a low expected total shareholder return does not necessarily lead to a negative recommendation if Inderes considers the risks to be moderate.

The analysts who produce Inderes' research and Inderes employees cannot have 1) shareholdings that exceed the threshold of significant financial gain or 2) shareholdings exceeding 1% in any company subject to Inderes' research activities. Inderes Oyj can only own shares in the target companies it follows to the extent shown in the company's model portfolio investing real funds. All of Inderes Oyj's shareholdings are presented in itemised form in the model portfolio. Inderes Oyj does not have other shareholdings in the target companies analysed. The remuneration of the analysts who produce the analysis are not directly or indirectly linked to the issued recommendation or views. Inderes Oyj does not have investment bank operations.

Inderes or its partners whose customer relationships may have a financial impact on Inderes may, in their business operations, seek assignments with various issuers with respect to services provided by Inderes or its partners. Thus, Inderes may be in a direct or indirect contractual relationship with an issuer that is the subject of research activities. Inderes and its partners may provide investor relations services to issuers. The aim of such services is to improve communication between the company and the capital markets. These services include the organisation of investor events, advisory services related to investor relations and the production of investor research reports.

More information about research disclaimers can be found at www.inderes.fi/research-disclaimer.

Inderes has made an agreement with the issuer and target of this report, which entails compiling a research report.

Recommendation history (>12 mo)

Date	Recommendation	Target	Share price
3/26/2021	Accumulate	8.50 €	7.42 €
5/12/2021	Accumulate	11.00 €	10.15 €
8/26/2021	Accumulate	13.00 €	11.48 €
9/20/2021	Buy	13.00 €	10.50 €
11/11/2021	Accumulate	12.50 €	11.63 €
<i>Analyst changed</i>			
1/13/2022	Accumulate	11.50 €	10.44 €
3/10/2022	Accumulate	8.00 €	7.14 €
5/11/2022	Reduce	7.00 €	6.68 €
8/26/2022	Reduce	5.00 €	5.42 €
10/11/2022	Accumulate	4.40 €	3.93 €
11/14/2022	Accumulate	5.80 €	5.27 €
3/9/2023	Accumulate	5.60 €	5.05 €
5/18/2023	Accumulate	5.60 €	4.99 €
8/25/2023	Accumulate	5.40 €	4.64 €
11/8/2023	Buy	6.00 €	4.95 €
3/6/2024	Accumulate	7.00 €	6.39 €
3/22/2024	Accumulate	7.00 €	6.26 €
5/16/2024	Accumulate	7.20 €	6.74 €



Inderes democratizes investor information by connecting investors and listed companies.

We help over 400 listed companies better serve investors. Our investor community is home to over 70,000 active members.

We build solutions for listed companies that enable frictionless and effective investor relations. For listed companies, we offer Commissioned Research, IR Events, AGMs, and IR Software.

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

Inderes Oyj

Itämerentori 2

FI-00180 Helsinki, Finland

+358 10 219 4690

Award-winning research at [inderes.fi](https://www.inderes.fi)



**STARMINE
ANALYST AWARDS
FROM REFINITIV**



THOMSON REUTERS
ANALYST AWARDS



Juha Kinnunen
2012, 2016, 2017, 2018, 2019, 2020



Mikael Rautanen
2014, 2016, 2017, 2019



Sauli Vilén
2012, 2016, 2018, 2019, 2020



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



Olli Koponen
2020



Joni Grönqvist
2019, 2020



Erkki Vesola
2018, 2020



Petri Gostowski
2020



Atte Riikola
2020

**Connecting investors
and listed companies.**