

# Stockmann

## Company report

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**Rauli Juva**  
+358 50 588 0092  
rauli.juva@inderes.fi

✓ Inderes corporate customer

This report is a summary translation of the report "Positiivisia uutisia odotettavissa" published on 10/29/2023 at 9:31 am EET

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# Positive news expected

Stockmann's Q3 result was slightly below our expectations and the comparison period, explained by the timing of the Crazy Days campaign. Lindex exceeded both the comparison period and our expectations. The company repeated its full-year guidance and our forecast changes were small. We expect several positive news from the company over the next 12 months and, given the potential of the restructuring, we believe that the share is cheap. We reiterate our EUR 2.8 target price and raise our recommendation to Buy (was Accumulate).

## Q3 result was slightly below expectations due to the timing of Crazy Days, Lindex still strong

Stockmann's revenue decreased by 7% in Q3, mainly from negative currency impacts (in Lindex). In local currencies, the decline was 2%, mainly due to the timing of the Crazy Days campaign. Lindex grew by 5% in local currencies. In terms of adjusted EBIT, the Group remained at EUR 20.6 million, which is lower than in the comparison period (22 MEUR). By division, Lindex's adjusted EBIT at EUR 26 million, was better than we expected (24 MEUR). Stockmann division's result fell to EUR -5 million from last year's zero level, which was also weaker than our expectations (-1 MEUR). The company repeated its guidance and our forecast changes were very small.

## It seems likely that department stores will be divested

In September, Stockmann announced that it will begin a strategic assessment of the department store business. Although the company did not explicitly say that it was seeking to divest its department store business, we believe that it is in its sights and feel it would also create most value. Even if this is not successful in the short term, the company is clearly choosing its priorities for the future. We consider this good for shareholders, as we feel that the negative result/value of department stores still weighs on the company's valuation.

## Positive news is expected in the coming quarters

We expect clearly positive news from Stockmann in the next 12 months. This includes the CMD, which will be held already in November, when the company will open its outlook, plans and targets. We also believe that restructuring disputes will progress and the company will probably be able to exit the restructuring program next year. The most important positive news would, of course, be the above-mentioned exit from the department store business, some news about which will also be heard next year. In addition, Lindex's new logistics center will be completed next fall, after which the investment level should decrease and growth opportunities improve.

## The potential of the restructuring offers a good expected return

After Stockmann announced the strategic assessment of the Department Stores business we find sum of the parts to be the best valuation method. We estimate the value of the company without department stores to be around EUR 3.8 per share, i.e. clearly above the current share price. However, this should consider the uncertainties related to the manner and schedule of the possible structural changes in department stores. As a whole, we feel the expected return is good, considering at least some kind of change in the Department Stores business that is likely next year. With the current structure our estimate for Stockmann's 2023-24 P/E ratio adjusted for lease liabilities and cash is about 8-10x and EV/EBIT about 6x. In particular, the EV-based valuation is already favorable in itself. In the longer term, we do not expect significant earnings growth and with our estimates, the return on capital is close to our required return, which highlights the need for structural arrangements and their role in the share's expected return.

## Recommendation

### Buy

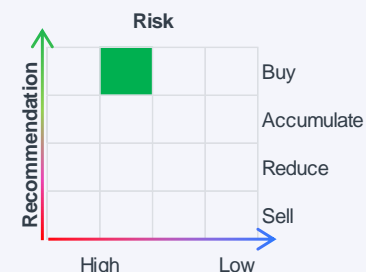
(previous Accumulate)

### EUR 2.80

(previous EUR 2.80)

### Share price:

2.13



## Key figures

|                    | 2022  | 2023e | 2024e | 2025e |
|--------------------|-------|-------|-------|-------|
| <b>Revenue</b>     | 982   | 948   | 970   | 990   |
| <b>growth-%</b>    | 9%    | -3%   | 2%    | 2%    |
| <b>EBIT adj.</b>   | 80    | 80    | 71    | 74    |
| <b>EBIT-% adj.</b> | 8.1 % | 8.5 % | 7.3 % | 7.5 % |
| <b>Net Income</b>  | 102   | 61    | 32    | 35    |
| <b>EPS (adj.)</b>  | 0.32  | 0.21  | 0.20  | 0.22  |

|                         |       |       |       |       |
|-------------------------|-------|-------|-------|-------|
| <b>P/E (adj.)</b>       | 6.3   | 10.2  | 10.8  | 9.9   |
| <b>P/B</b>              | 1.0   | 0.9   | 0.8   | 0.8   |
| <b>Dividend yield-%</b> | 0.0 % | 0.0 % | 0.0 % | 4.1 % |
| <b>EV/EBIT (adj.)</b>   | 9.7   | 10.6  | 11.4  | 10.6  |
| <b>EV/EBITDA</b>        | 3.0   | 4.8   | 4.5   | 4.2   |
| <b>EV/S</b>             | 0.8   | 0.9   | 0.8   | 0.8   |

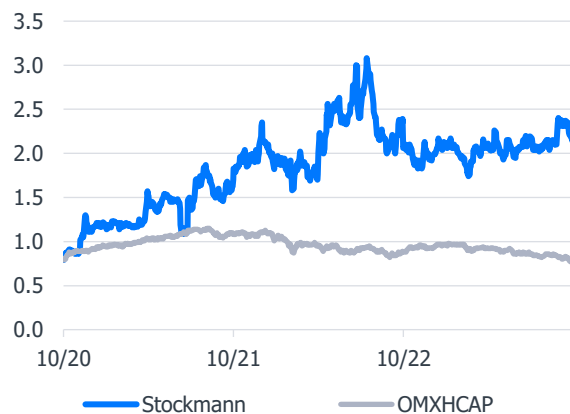
Source: Inderes

## Guidance

(Unchanged)

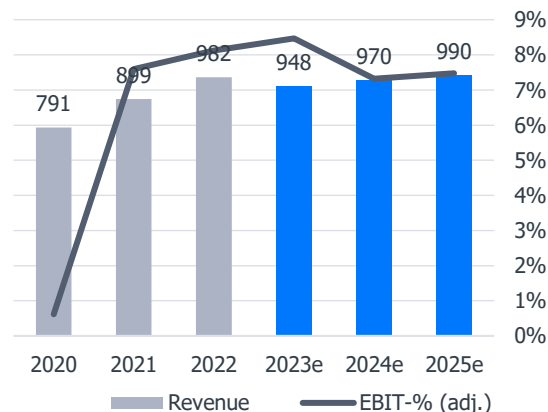
In 2023, Stockmann expects the group's revenue to be in the range of EUR 940–1,000 million and the group's adjusted operating result to be EUR 65–85 million, subject to foreign exchange rate fluctuation.

## Share price



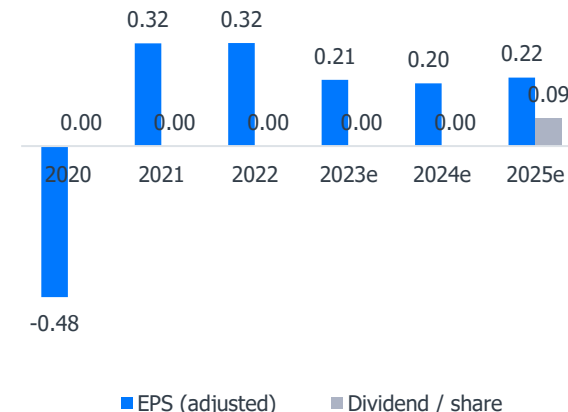
Source: Millistream Market Data AB

## Revenue and EBIT-%



Source: Inderes

## EPS and dividend



Source: Inderes



## Value drivers

- Lindex's cash flow and value creation
- Gradual improvement in the profitability of department stores
- Corporate restructuring ending, which enables, e.g., dividend distribution and structural arrangements



## Risk factors

- Department stores destroy value and we see no change to this in the next few years
- During and after the restructuring, Stockmann's access to funding may be limited
- Lindex's result, like the fashion industry in general, has been unpredictable

| Valuation                  | 2023e | 2024e | 2025e  |
|----------------------------|-------|-------|--------|
| Share price                | 2.13  | 2.13  | 2.13   |
| Number of shares, million: | 159.8 | 163.7 | 163.7  |
| Market cap                 | 349   | 349   | 349    |
| EV                         | 850   | 811   | 781    |
| P/E (adj.)                 | 10.2  | 10.8  | 9.9    |
| P/E                        | 5.6   | 10.8  | 9.9    |
| P/B                        | 0.9   | 0.8   | 0.8    |
| P/S                        | 0.4   | 0.4   | 0.4    |
| EV/Sales                   | 0.9   | 0.8   | 0.8    |
| EV/EBITDA                  | 4.8   | 4.5   | 4.2    |
| EV/EBIT (adj.)             | 10.6  | 11.4  | 10.6   |
| Payout ratio (%)           | 0.0 % | 0.0 % | 40.0 % |
| Dividend yield-%           | 0.0 % | 0.0 % | 4.1 %  |

Source: Inderes

# Lindex strong again

## Revenue fell due to currencies and the timing of Crazy Days

Stockmann's revenue decreased by 7% in Q3, mainly from negative impacts of currencies (in Lindex). In local currencies, the decline was 2%. Lindex grew by 5% in local currencies, and growth came from all major markets. Its revenue was slightly better than we expected. Stockmann division's revenue fell by 16%, explained by the Crazy Days campaign occurring in Q4 this year, compared to mainly in Q3 last year. We had not properly considered this in our forecasts, so the Stockmann division clearly fell short of our forecasts. However, we believe that revenue development in department stores was negative even without the change in timing. This was also affected by the decrease in the floor area of the Itis department store in spring.

## Result weakened slightly from the comparison period due to the Stockmann division

In terms of adjusted EBIT, the Group remained at EUR 20.6 million, which is lower than in the comparison period (22 MEUR). By division, Lindex's gross margin was in line with our expectations at some 64%, but with slightly better revenue and cost levels, adjusted EBIT was a bit better at EUR 26 million (our forecast: 24 MEUR). Stockmann division's result fell to EUR -5 million from last year's zero level, which was also weaker than our expectations (-1 MEUR). This was logically the result of lower than expected revenue, which is partly compensated by lower fixed costs than expected. Stockmann division's gross margin was slightly below our expectations, but not significantly.

## Lindex's investment is eating up cash flow, balance sheet still has net cash

Considering the leases, Stockmann's cash flow from its operations during the first nine months was slightly negative. Nearly EUR 50 million of investments have been made, mostly in Lindex's new warehouse. Consequently, the company's cash reserves have decreased, but the balance sheet still shows net cash. Seasonally, Q4 is by far the strongest in terms of cash flow, so cash flow from operations should be clearly positive toward the end of the year. Lindex's investment will continue in early 2024 and the warehouse is expected to be in use next fall.

| Estimates<br>MEUR / EUR | Q3'22      | Q3'23      | Q3'23e  | Q3'23e    | Consensus |      | Difference (%)   | 2023e   |
|-------------------------|------------|------------|---------|-----------|-----------|------|------------------|---------|
|                         | Comparison | Actualized | Inderes | Consensus | Low       | High | Act. vs. inderes | Inderes |
| Revenue                 | 244        | 227        | 235     | 236       |           |      | -3%              | 948     |
| EBIT (adj.)             | 22.0       | 20.6       | 22.5    | -         |           |      | -8%              | 80.3    |
| EBIT                    | 6.0        | 20.3       | 22.5    | 22.1      |           |      | -10%             | 78.1    |
| EPS (adj.)              | 0.13       | 0.06       | 0.07    | -         |           |      | -19%             | 0.21    |
| EPS (reported)          | 0.00       | 0.05       | 0.07    | 0.07      |           |      | -32%             | 0.38    |
| Revenue growth-%        | 2.6 %      | -7.0 %     | -3.7 %  | -3.2 %    |           |      | -3.3 pp          | -3.4 %  |
| EBIT-% (adj.)           | 9.0 %      | 9.1 %      | 9.6 %   |           |           |      | -0.5 pp          | 8.5 %   |

Source: Inderes & Bloomberg, 3 analysts (consensus)

## Stockmann Q3'23: Lindex carries



# Practically no changes to estimates

## Full-year guidance was repeated

Stockmann repeated its guidance, it expects the full-year revenue to be EUR 940-1,000 million (2022: 980 MEUR) and adjusted EBIT EUR 65-85 million (2022: 69 MEUR). Our estimate decreased marginally in terms of revenue and is at the lower end of the range, about EUR 950 million. Our earnings forecast remained unchanged and is EUR 80 million.

This year's EPS decreased slightly due to higher than expected taxes. In addition, we slightly adjusted our assumptions concerning the share conversions related to restructuring debts (which led to a slightly lower share assumption), but otherwise the forecasts for both this and coming years are practically unchanged.

## Progress in restructuring disputes

Regarding legal disputes related to the restructuring, the report showed that Stockmann has reached an agreement in one dispute in October, a dispute with Fennia insurance company concerning the Tampere department store. This is, of course, a positive development, as it leads toward the closure of the restructuring program. The EUR 2.7 million debt to Fennia has already been converted into shares and a bond, but Fennia claims a total compensation of 11 MEUR. We believe that Stockmann will not have to pay any significant additional compensation as a result of the settlement. We expect the company to publish the final amount of compensation once it is established in court.

Stockmann still has three contentious cases, which the company also seeks to settle. If the cases are reviewed in all courts, we estimate that they may run at least until

2025. Excluding the Fennia case, the total amount of these claims is some EUR 42 million, for which Stockmann has made a EUR 18 million provision. In our estimates, we have assumed that Stockmann will have to pay approximately the amount of the provision related to the disputes.

## More information about the company outlook in the CMD

The company organizes a CMD on November 16, where we expect Stockmann to tell more especially on its plans concerning Lindex and to publish some kind of financial targets.

| Estimate revisions<br>MEUR / EUR | 2023e |      | Change<br>% | 2024e |      | Change<br>% | 2025e |      | Change<br>% |
|----------------------------------|-------|------|-------------|-------|------|-------------|-------|------|-------------|
|                                  | Old   | New  |             | Old   | New  |             | Old   | New  |             |
| Revenue                          | 956   | 948  | -1%         | 970   | 970  | 0%          | 990   | 990  | 0%          |
| EBITDA                           | 179   | 179  | 0%          | 178   | 178  | 0%          | 185   | 185  | 0%          |
| EBIT (exc. NRIs)                 | 80    | 80   | 0%          | 71    | 71   | 0%          | 74    | 74   | 0%          |
| EBIT                             | 78    | 78   | 0%          | 71    | 71   | 0%          | 74    | 74   | 0%          |
| PTP                              | 49    | 50   | 1%          | 41    | 41   | 0%          | 45    | 45   | 0%          |
| EPS (excl. NRIs)                 | 0.22  | 0.21 | -3%         | 0.20  | 0.20 | 1%          | 0.21  | 0.22 | 1%          |
| DPS                              | 0.00  | 0.00 |             | 0.00  | 0.00 |             | 0.00  | 0.00 |             |

Source: Inderes

# A lot of value is hidden in the sum of the parts

## Some challenges in valuation

We feel there are a few factors that make the valuation of Stockmann difficult. Firstly, a loss-making Department Stores business affects the company's earnings multiples, which make it difficult to use group figures as a whole. Secondly, the performance of both divisions has been very volatile over the last decade, so finding some kind of normal level is not self-evident. This is also muddled by the effects of COVID and the structural changes in the Stockmann division. Thirdly, the company's large lease liabilities distort balance sheet and EV-based figures and, on the other hand, without lease liabilities, the company has net cash. Based on these facts, we feel a need to look at figures that have been adjusted in various ways. After Stockmann announced the strategic assessment of the Department Stores business we find sum of the parts to be the best valuation method. However, this should consider the uncertainties related to the manner and schedule of the possible structural changes in department stores.

## Valuation summary - Buy

We consider Stockmann's valuation interesting in terms of the risk/return ratio, given the potential of structural arrangements. Based on the company's recent announcement this potential is much more likely and closer in time than we previously outlined. In itself, we also feel the earnings-based valuation is more on the cheap side. We are not expecting a dividend until 2025, so it has a small impact.

The values indicated by the sum of the parts are well above the current share price. They assume the value of the department stores to be slightly negative or zero. This may materialize if Stockmann decides to divest the department stores at the end of the strategic assessment. On the other

hand, if department stores remain part of the group, their losses and negative cash flow continue to burden the company.

With the current structure we expect Stockmann to reach 6-7% return on capital and 8-10 % return on free cash flow in the medium term. The company could also pay this out as a dividend in the longer term if there are no bigger investments. The earnings and dividend income generated by the current estimates are not as such sufficient to award a positive view of the share.

## Getting rid of department stores would raise the value close to EUR 4

We believe that the sum of the parts is an interesting and useful perspective to the valuation of the stock. In our neutral scenario, we value Lindex at around EUR 625 million, which, with next year's earnings estimates, means an EV/EBIT of around 8x (excluding lease liabilities). Lindex's closest peers KappAhl and MQ were usually priced below 10x EV/EBIT when listed. Given the higher interest rates and the impact of IFRS 16, the valuation could be expected to be slightly lower in today's market. With an EBIT of EUR 75-80 million, which we estimate to be the normalized earnings level, Lindex generates about EUR 55 million in free cash flow/net profit. By discounting this with a 1.5% growth assumption and a 10% required return, Lindex's current value is about EUR 650 million.

| Valuation                 | 2023e | 2024e | 2025e  |
|---------------------------|-------|-------|--------|
| Share price               | 2.13  | 2.13  | 2.13   |
| Number of shares, million | 159.8 | 163.7 | 163.7  |
| Market cap                | 349   | 349   | 349    |
| EV                        | 850   | 811   | 781    |
| P/E (adj.)                | 10.2  | 10.8  | 9.9    |
| P/E                       | 5.6   | 10.8  | 9.9    |
| P/B                       | 0.9   | 0.8   | 0.8    |
| P/S                       | 0.4   | 0.4   | 0.4    |
| EV/Sales                  | 0.9   | 0.8   | 0.8    |
| EV/EBITDA                 | 4.8   | 4.5   | 4.2    |
| EV/EBIT (adj.)            | 10.6  | 11.4  | 10.6   |
| Payout ratio (%)          | 0.0 % | 0.0 % | 40.0 % |
| Dividend yield-%          | 0.0 % | 0.0 % | 4.1 %  |

Source: Inderes

# Valuation 2/2

Translated into a P/E ratio this means around 12x. This is in the same ballpark as that of Nordic retail sector peers (10-17x for 2024), but below the level of the larger global competitors H&M (16x) and Inditex (about 20x). We believe that the strong global market position and brand of these companies offer them clearly better growth prospects than Lindex, which makes the higher valuation justified.

If the company found a buyer for its Department Stores business (i.e. sell it off at zero price), the value of the company would only consist of Lindex and would be around EUR 3.8 per share (see calculation on the right). However, the calculation must consider small group costs and negative cash flow generated by department stores as long as they are part of the group. Naturally, the company can also receive a small price for divesting the department stores although we do not expect the sum to be significant for a loss-making business. It is also possible that the company would in practice have to pay the buyer of the department stores, which would mean the value in the transaction would also be negative. Thus, the structural arrangements of the Department Stores business clearly have the potential to create value in the company.

## Earnings and cash flow multiples with the current structure

We feel one should not look directly at multiples calculated based on reported figures in Stockmann's valuation. We believe a better way is to adjust the market cap for net cash in the P/E ratio and to remove lease liabilities from EV. If we remove lease liabilities from EV their earnings impact included in financial items

should, in our opinion, be considered, which gives a comparable figure without IFRS 16 effects. In addition, we consider the expected impact of the disputed debts (both on debt and number of shares). P/E for this year would be about 10x and EV/EBIT (or in practice EV/PTP) around 6x. For 2024, the figures are 8x and 6x. We feel these multiples are at the lower end of the acceptable range for Stockmann, and cheap especially in terms of EV/EBIT.

Our estimate of Stockmann's sustainable free cash flow is EUR 30-35 million and we do not expect the company to achieve substantial earnings growth in the longer term. This means a free cash flow yield of 8-10% at current market cap. If Stockmann is net cash positive, the company could at least in principle distribute the entire cash flow as dividends, as long as it is technically possible after the restructuring. However, the post-restructuring investments the company mentioned may reduce cash flow and dividend potential. In any case, the longer-term cash-flow rate is around our 10% required return.

## Probability weighted expected return

We expect that without structural arrangements, the share's expected return will be at the level of its sustainable free cash flow yield, i.e. 8-10%. If we assume that the probability of the EUR 3.8 sum of the parts value realizing is, e.g., 50% within two years (and the remaining 50% for the 8-10% return) the expected return rises to slightly above 20%.

| Sum-of-the-parts calculation      | Value, MEUR |
|-----------------------------------|-------------|
| Lindex                            | 625         |
| Department stores and other costs | -50         |
| <b>Total</b>                      | <b>575</b>  |
| Debt excluding lease liabilities  | -72         |
| Cash at the end of 2023           | 124         |
| <b>Value of the share capital</b> | <b>627</b>  |
| <b>Value per share</b>            | <b>3.8</b>  |

# ESG

## Stockmann's business remains mainly outside taxonomy

Stockmann's main business, retail, is not covered by taxonomy at this stage. We believe that this is because taxonomy initially identified sectors that have the most significant impact on climate change, which does not include retail.

Properties related to Stockmann's operations, on the other hand, are included in taxonomy. At the beginning of 2022, Stockmann still owned department store properties for which taxonomic revenue and expenses were recorded. In addition, right-of-use assets (i.e. leases) under IFRS 16 are covered by taxonomy, which explains the very high taxonomy eligibility of the capex ratio. As Stockmann sold the department store properties during 2022, we believe that the figures will be lower in terms of revenue and opex in the future. Stockmann estimates that it has no taxonomy activities in the Group.

## We feel taxonomy has no impact on the business

As Stockmann's main business is currently not covered by taxonomy, we do not believe that current taxonomy will have any impact on the business, and thus on e.g. the financial situation or financial costs. As taxonomy expands, retail trade may be included, e.g., in criteria covering the circular economy.

## Stockmann has no published climate targets

Stockmann currently has no published Group level emission targets. However, already last spring the company announced its commitment to the Science Based Targets project, related to which the company is preparing climate targets.

However, Stockmann has significantly reduced its emissions in recent years. Scope 1 emissions have dropped by about 70% and Scope 2 by over 55%. In terms of Scope 3, the company made a comprehensive calculation only for

2021-22, when emissions were at the same level. At least in terms of own emissions, the trend is good. We note that the possible separation of the department store business from the Group would also have a significant impact on emissions. Stockmann already reports emissions separately for Lindex and Stockmann, so the development can be monitored separately for each of them. Lindex already has its own target to reduce carbon dioxide emissions in the entire value chain by 50% by 2030 compared to 2017.

| Taxonomy eligibility | 2021 | 2022 |
|----------------------|------|------|
| Revenue              | -    | 2 %  |
| OPEX                 | -    | 10 % |
| CAPEX                | -    | 92 % |

| Taxonomy alignment | 2021 | 2022 |
|--------------------|------|------|
| Revenue            | -    | 0 %  |
| OPEX               | -    | 0 %  |
| CAPEX              | -    | 0 %  |

## Climate

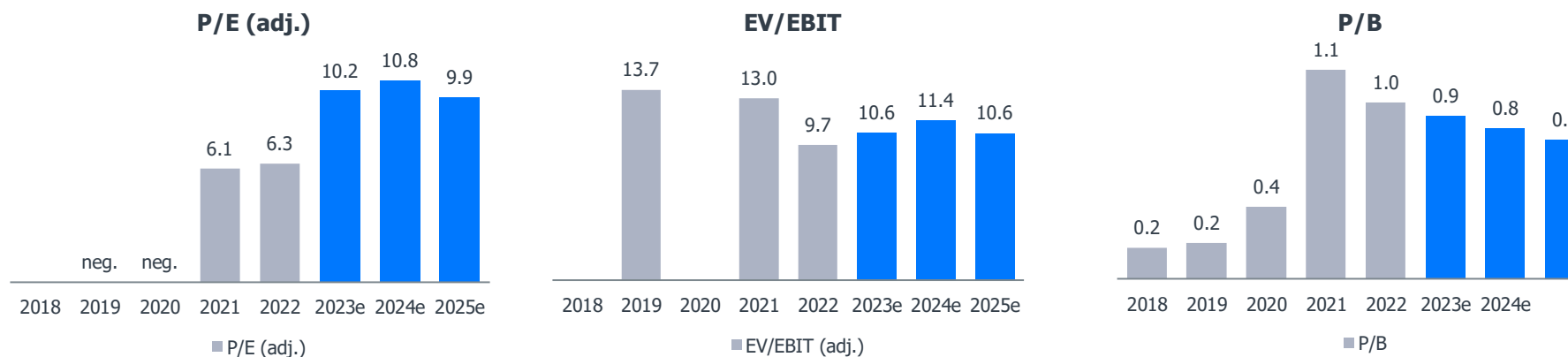
|   |    |    |
|---|----|----|
| Climate goal  | No | No |
| Target according to Paris agreement (1.5 °C warming scenario) | No | No |



# Valuation table

| Valuation                  | 2018  | 2019  | 2020  | 2021  | 2022  | 2023e | 2024e | 2025e  | 2026e  |
|----------------------------|-------|-------|-------|-------|-------|-------|-------|--------|--------|
| Share price                | 2.00  | 2.26  | 1.14  | 1.96  | 2.05  | 2.13  | 2.13  | 2.13   | 2.13   |
| Number of shares, millions | 72.0  | 72.0  | 72.0  | 114.0 | 155.2 | 159.8 | 163.7 | 163.7  | 163.7  |
| Market cap                 | 141   | 155   | 80    | 303   | 320   | 349   | 349   | 349    | 349    |
| EV                         | 685   | 542   |       | 889   | 774   | 850   | 811   | 781    | 762    |
| P/E (adj.)                 |       | neg.  | neg.  | 6.1   | 6.3   | 10.2  | 10.8  | 9.9    | 9.5    |
| P/E                        |       | neg.  | neg.  | 4.7   | 3.1   | 5.6   | 10.8  | 9.9    | 9.5    |
| P/B                        | 0.2   | 0.2   | 0.4   | 1.1   | 1.0   | 0.9   | 0.8   | 0.8    | 0.7    |
| P/S                        | >100  | 0.2   | 0.1   | 0.3   | 0.3   | 0.4   | 0.4   | 0.4    | 0.4    |
| EV/Sales                   | >100  | 0.6   |       | 1.0   | 0.8   | 0.9   | 0.8   | 0.8    | 0.8    |
| EV/EBITDA                  |       | 22.5  |       | 4.8   | 3.0   | 4.8   | 4.5   | 4.2    | 4.1    |
| EV/EBIT (adj.)             |       | 13.7  |       | 13.0  | 9.7   | 10.6  | 11.4  | 10.6   | 10.2   |
| Payout ratio (%)           |       | 0.0 % | 0.0 % | 0.0 % | 0.0 % | 0.0 % | 0.0 % | 40.0 % | 50.0 % |
| Dividend yield-%           | 0.0 % | 0.0 % | 0.0 % | 0.0 % | 0.0 % | 0.0 % | 0.0 % | 4.1 %  | 5.3 %  |

Source: Inderes



# Peer group valuation

| Peer group valuation<br>Company | Market cap | EV         | EV/EBIT     |             | EV/EBITDA   |             | EV/S        |             | P/E         |             | Dividend yield-% |              | P/B         |
|---------------------------------|------------|------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|------------------|--------------|-------------|
|                                 | MEUR       | MEUR       | 2023e       | 2024e       | 2023e       | 2024e       | 2023e       | 2024e       | 2023e       | 2024e       | 2023e            | 2024e        | 2023e       |
| Stockmann                       | 339        | 834        | 11.0        | 11.5        | 4.7         | 4.8         | 0.9         | 0.9         | 7.2         | 9.7         |                  |              | 0.9         |
| H & M                           | 20096      | 24304      | 20          | 14          | 8           | 7           | 1           | 1           | 24.0        | 15.9        | 4.5              | 4.9          | 4.9         |
| Fast Retailing                  | 67075      | 62078      | 30.8        | 22.4        | 17.2        | 15.3        | 3.6         | 3.2         | 38.8        | 33.6        | 0.9              | 1.0          | 6.0         |
| Inditex                         | 101759     | 96687      | 17.7        | 14.6        | 11.5        | 10.0        | 3.0         | 2.7         | 24.7        | 19.4        | 3.6              | 4.4          | 6.1         |
| Tokmanni                        | 736        | 1189       | 12.2        | 9.9         | 6.3         | 5.2         | 0.9         | 0.7         | 11.7        | 9.8         | 6.2              | 6.6          | 2.8         |
| Puulo                           | 651        | 730        | 15.2        | 13.5        | 12.0        | 10.5        | 2.4         | 2.2         | 18.3        | 16.5        | 4.3              | 5.0          | 8.1         |
| Kesko                           | 6272       | 8825       | 12.6        | 12.8        | 7.2         | 7.2         | 0.8         | 0.7         | 12.3        | 12.5        | 6.9              | 6.9          | 2.2         |
| Clas Ohlson                     | 644        | 784        | 28.7        | 13.7        | 7.8         | 6.5         | 1.0         | 1.0         | 42.8        | 15.2        | 4.1              | 4.3          | 4.7         |
| <b>Stockmann (Inderes)</b>      | <b>349</b> | <b>850</b> | <b>10.6</b> | <b>11.4</b> | <b>4.8</b>  | <b>4.5</b>  | <b>0.9</b>  | <b>0.8</b>  | <b>10.2</b> | <b>10.8</b> | <b>0.0</b>       | <b>0.0</b>   | <b>0.9</b>  |
| <b>Average</b>                  |            |            | <b>18</b>   | <b>14</b>   | <b>9</b>    | <b>8</b>    | <b>2</b>    | <b>2</b>    | <b>21.3</b> | <b>16.0</b> | <b>4.4</b>       | <b>4.8</b>   | <b>4.3</b>  |
| <b>Median</b>                   |            |            | <b>15.2</b> | <b>13.5</b> | <b>7.8</b>  | <b>7.2</b>  | <b>1.2</b>  | <b>1.2</b>  | <b>18.3</b> | <b>15.2</b> | <b>4.4</b>       | <b>4.9</b>   | <b>4.7</b>  |
| <b>Diff-% to median</b>         |            |            | <b>-30%</b> | <b>-15%</b> | <b>-39%</b> | <b>-37%</b> | <b>-26%</b> | <b>-27%</b> | <b>-44%</b> | <b>-29%</b> | <b>-100%</b>     | <b>-100%</b> | <b>-81%</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>899</b>  | <b>196</b>   | <b>269</b>   | <b>244</b>   | <b>273</b>   | <b>982</b>  | <b>199</b>   | <b>252</b>   | <b>227</b>   | <b>271</b>    | <b>948</b>   | <b>970</b>   | <b>990</b>   | <b>987</b>   |
| Lindex                        | 607         | 134          | 188          | 167          | 172          | 661         | 127          | 176          | 162          | 165           | 630          | 650          | 670          | 683          |
| Stockmann                     | 292         | 62           | 81           | 77           | 100          | 321         | 72           | 76           | 65           | 106           | 318          | 320          | 320          | 304          |
| <b>EBITDA</b>                 | <b>185</b>  | <b>35.5</b>  | <b>141</b>   | <b>31.9</b>  | <b>49.3</b>  | <b>258</b>  | <b>22.7</b>  | <b>55.3</b>  | <b>45.2</b>  | <b>55.5</b>   | <b>179</b>   | <b>178</b>   | <b>185</b>   | <b>186</b>   |
| Depreciation                  | -103        | -25.7        | -26.9        | -25.9        | -24.7        | -103        | -25.6        | -25.1        | -24.9        | -25.0         | -101         | -107         | -111         | -111         |
| <b>EBIT (excl. NRI)</b>       | <b>68.3</b> | <b>-3.7</b>  | <b>35.4</b>  | <b>22.0</b>  | <b>26.1</b>  | <b>80</b>   | <b>-2.4</b>  | <b>31.6</b>  | <b>20.6</b>  | <b>30.5</b>   | <b>80</b>    | <b>71</b>    | <b>74</b>    | <b>75</b>    |
| <b>EBIT</b>                   | <b>82.1</b> | <b>9.8</b>   | <b>115</b>   | <b>6.0</b>   | <b>24.6</b>  | <b>155</b>  | <b>-2.9</b>  | <b>30.2</b>  | <b>20.3</b>  | <b>30.5</b>   | <b>78</b>    | <b>71</b>    | <b>74</b>    | <b>75</b>    |
| Lindex                        | 80          | 5.5          | 39.0         | 22.5         | 23.0         | 90          | 5.6          | 36.2         | 26.2         | 24.0          | 92           | 79           | 78           | 78           |
| Stockmann                     | -10         | -7.3         | -1.5         | 0.1          | 3.3          | -5          | -7.0         | -3.5         | -4.8         | 7.0           | -8.3         | -5.0         | -1.0         | 0.0          |
| Unallocated                   | -2.1        | -2.0         | -2.0         | -0.6         | -0.2         | -4.8        | -1.0         | -1.1         | -0.8         | -0.5          | -3.4         | -3.0         | -3.0         | -3.0         |
| Net financial items           | -17         | -5.4         | -6.5         | -7.3         | -6.5         | -26         | -7.3         | -7.1         | -6.6         | -7.1          | -28          | -30          | -29          | -29          |
| <b>PTP</b>                    | <b>65</b>   | <b>4.4</b>   | <b>108</b>   | <b>-1.3</b>  | <b>18.1</b>  | <b>129</b>  | <b>-10.2</b> | <b>23.1</b>  | <b>13.7</b>  | <b>23.4</b>   | <b>50</b>    | <b>41</b>    | <b>45</b>    | <b>47</b>    |
| Taxes                         | -17.3       | -1.6         | -27.4        | 2.0          | -0.5         | -27.5       | 29.7         | -9.4         | -5.0         | -4.7          | 10.7         | -8.6         | -9.4         | -9.8         |
| Minority interest             | 0.0         | 0.0          | 0.0          | 0.0          | 0.0          | 0.0         | 0.0          | 0.0          | 0.0          | 0.0           | 0.0          | 0.0          | 0.0          | 0.0          |
| <b>Net earnings</b>           | <b>48</b>   | <b>2.8</b>   | <b>80.6</b>  | <b>0.7</b>   | <b>17.6</b>  | <b>102</b>  | <b>19.5</b>  | <b>13.8</b>  | <b>8.7</b>   | <b>18.7</b>   | <b>61</b>    | <b>32</b>    | <b>35</b>    | <b>37</b>    |
| <b>EPS (adj.)</b>             | <b>0.32</b> | <b>-0.05</b> | <b>0.12</b>  | <b>0.13</b>  | <b>0.12</b>  | <b>0.32</b> | <b>-0.06</b> | <b>0.10</b>  | <b>0.06</b>  | <b>0.12</b>   | <b>0.21</b>  | <b>0.20</b>  | <b>0.22</b>  | <b>0.22</b>  |
| <b>EPS (rep.)</b>             | <b>0.42</b> | <b>0.02</b>  | <b>0.52</b>  | <b>0.00</b>  | <b>0.11</b>  | <b>0.66</b> | <b>0.13</b>  | <b>0.09</b>  | <b>0.05</b>  | <b>0.12</b>   | <b>0.38</b>  | <b>0.20</b>  | <b>0.22</b>  | <b>0.22</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>       | 13.7 %      | 26.0 %       | 17.9 %       | 2.6 %        | -1.8 %       | 9.2 %       | 1.2 %        | -6.3 %       | -7.0 %       | -0.6 %        | -3.4 %       | 2.3 %        | 2.1 %        | -0.3 %       |
| <b>Adjusted EBIT growth-%</b> | 1293.9 %    | -82.3 %      | 32.2 %       | -33.1 %      | -12.1 %      | 16.8 %      | -35.7 %      | -10.8 %      | -6.4 %       | 16.9 %        | 0.6 %        | -11.6 %      | 4.2 %        | 1.4 %        |
| <b>EBITDA-%</b>               | 20.6 %      | 18.1 %       | 52.6 %       | 13.1 %       | 18.1 %       | 26.3 %      | 11.4 %       | 21.9 %       | 19.9 %       | 20.5 %        | 18.8 %       | 18.4 %       | 18.6 %       | 18.8 %       |
| <b>Adjusted EBIT-%</b>        | 7.6 %       | -1.9 %       | 13.2 %       | 9.0 %        | 9.6 %        | 8.1 %       | -1.2 %       | 12.5 %       | 9.1 %        | 11.3 %        | 8.5 %        | 7.3 %        | 7.5 %        | 7.6 %        |
| <b>Net earnings-%</b>         | 5.3 %       | 1.4 %        | 30.0 %       | 0.3 %        | 6.4 %        | 10.4 %      | 9.8 %        | 5.5 %        | 3.8 %        | 6.9 %         | 6.4 %        | 3.3 %        | 3.6 %        | 3.7 %        |

Source: Inderes

# Balance sheet

| Assets                     | 2021        | 2022        | 2023e       | 2024e       | 2025e       |
|----------------------------|-------------|-------------|-------------|-------------|-------------|
| <b>Non-current assets</b>  | <b>1002</b> | <b>890</b>  | <b>935</b>  | <b>942</b>  | <b>947</b>  |
| Goodwill                   | 272         | 251         | 251         | 251         | 251         |
| Intangible assets          | 120         | 114         | 114         | 114         | 114         |
| Tangible assets            | 583         | 498         | 543         | 550         | 555         |
| Associated companies       | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         |
| Other investments          | 0.5         | 0.7         | 0.7         | 0.7         | 0.7         |
| Other non-current assets   | 3.8         | 3.1         | 3.1         | 3.1         | 3.1         |
| Deferred tax assets        | 23.8        | 23.8        | 23.8        | 23.8        | 23.8        |
| <b>Current assets</b>      | <b>414</b>  | <b>385</b>  | <b>332</b>  | <b>371</b>  | <b>406</b>  |
| Inventories                | 155         | 174         | 166         | 165         | 168         |
| Other current assets       | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         |
| Receivables                | 45.7        | 43.2        | 42.7        | 43.7        | 44.6        |
| Cash and equivalents       | 214         | 168         | 124         | 162         | 193         |
| <b>Balance sheet total</b> | <b>1416</b> | <b>1276</b> | <b>1267</b> | <b>1313</b> | <b>1352</b> |

Source: Inderes

| Liabilities & equity           | 2021        | 2022        | 2023e       | 2024e       | 2025e       |
|--------------------------------|-------------|-------------|-------------|-------------|-------------|
| <b>Equity</b>                  | <b>268</b>  | <b>336</b>  | <b>396</b>  | <b>429</b>  | <b>464</b>  |
| Share capital                  | 77.6        | 77.6        | 77.6        | 77.6        | 77.6        |
| Retained earnings              | 103         | 205         | 265         | 298         | 333         |
| Hybrid bonds                   | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         |
| Revaluation reserve            | 14.4        | -18.9       | -18.9       | -18.9       | -18.9       |
| Other equity                   | 73.2        | 72.3        | 72.3        | 72.3        | 72.3        |
| Minorities                     | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         |
| <b>Non-current liabilities</b> | <b>409</b>  | <b>586</b>  | <b>590</b>  | <b>590</b>  | <b>590</b>  |
| Deferred tax liabilities       | 40.6        | 40.3        | 40.3        | 40.3        | 40.3        |
| Provisions                     | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         |
| Interest bearing debt          | 330         | 545         | 550         | 550         | 550         |
| Convertibles                   | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         |
| Other long term liabilities    | 37.8        | 0.7         | 0.0         | 0.0         | 0.0         |
| <b>Current liabilities</b>     | <b>740</b>  | <b>361</b>  | <b>280</b>  | <b>294</b>  | <b>298</b>  |
| Interest bearing debt          | 470         | 77.3        | 75.0        | 75.0        | 75.0        |
| Payables                       | 223         | 179         | 175         | 189         | 193         |
| Other current liabilities      | 46.4        | 105         | 30.0        | 30.0        | 30.0        |
| <b>Balance sheet total</b>     | <b>1416</b> | <b>1283</b> | <b>1267</b> | <b>1313</b> | <b>1352</b> |

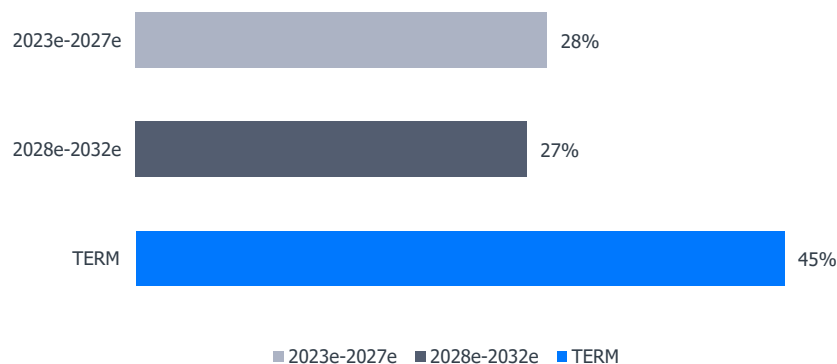
# DCF calculation

| DCF model                               | 2022       | 2023e        | 2024e       | 2025e       | 2026e       | 2027e       | 2028e       | 2029e       | 2030e       | 2031e       | 2032e       | TERM       |
|---|------------|--------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|------------|
| Revenue growth-%                        | 9.2 %      | -3.4 %       | 2.3 %       | 2.1 %       | -0.3 %      | 0.0 %       | 0.0 %       | 0.0 %       | 0.0 %       | 0.0 %       | 1.0 %       | 1.0 %      |
| EBIT-%                                  | 15.8 %     | 8.2 %        | 7.3 %       | 7.5 %       | 7.6 %       | 8.0 %       | 8.0 %       | 8.0 %       | 8.0 %       | 8.0 %       | 8.0 %       | 8.0 %      |
| <b>EBIT (operating profit)</b>          | <b>155</b> | <b>78.1</b>  | <b>71.0</b> | <b>74.0</b> | <b>75.0</b> | <b>79.0</b> | <b>79.0</b> | <b>79.0</b> | <b>79.0</b> | <b>79.0</b> | <b>79.8</b> |            |
| + Depreciation                          | 103        | 101          | 107         | 111         | 111         | 111         | 111         | 112         | 112         | 111         | 111         |            |
| - Paid taxes                            | -27.8      | 10.7         | -8.6        | -9.4        | -9.8        | -10.8       | -10.9       | -11.1       | -11.2       | -11.4       | -11.5       |            |
| - Tax, financial expenses               | -5.5       | 6.0          | -6.3        | -6.1        | -6.0        | -5.8        | -5.7        | -5.5        | -5.4        | -5.2        | -5.3        |            |
| + 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             | -2.4       | -69.8        | 13.8        | -0.4        | 0.1         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | -0.2        |            |
| <b>Operating cash flow</b>              | <b>222</b> | <b>126</b>   | <b>177</b>  | <b>169</b>  | <b>170</b>  | <b>174</b>  | <b>174</b>  | <b>174</b>  | <b>174</b>  | <b>173</b>  | <b>174</b>  |            |
| + Change in other long-term liabilities | -37.1      | -0.7         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         |            |
| - Gross CAPEX                           | 8.5        | -145.0       | -115.0      | -115.0      | -115.0      | -115.0      | -115.0      | -115.0      | -110.8      | -110.9      | -120.8      |            |
| <b>Free operating cash flow</b>         | <b>194</b> | <b>-20.2</b> | <b>62.3</b> | <b>53.6</b> | <b>55.2</b> | <b>58.6</b> | <b>58.8</b> | <b>58.9</b> | <b>63.3</b> | <b>62.4</b> | <b>53.0</b> |            |
| +/- Other                               | 100.0      | 0.0          | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         |            |
| FCFF                                    | 294        | -20.2        | 62.3        | 53.6        | 55.2        | 58.6        | 58.8        | 58.9        | 63.3        | 62.4        | 53.0        | 600        |
| <b>Discounted FCFF</b>                  |            | <b>-19.8</b> | <b>55.8</b> | <b>43.7</b> | <b>40.9</b> | <b>39.5</b> | <b>36.0</b> | <b>32.9</b> | <b>32.1</b> | <b>28.8</b> | <b>22.3</b> | <b>252</b> |
| Sum of FCFF present value               |            | 564          | 584         | 528         | 485         | 444         | 404         | 368         | 335         | 303         | 274         | 252        |
| <b>Enterprise value DCF</b>             |            | <b>564</b>   |             |             |             |             |             |             |             |             |             |            |
| - Interest bearing debt                 |            | -285         |             |             |             |             |             |             |             |             |             |            |
| + Cash and cash equivalents             |            | 168          |             |             |             |             |             |             |             |             |             |            |
| -Minorities                             |            | 0.0          |             |             |             |             |             |             |             |             |             |            |
| -Dividend/capital return                |            | 0.0          |             |             |             |             |             |             |             |             |             |            |
| <b>Equity value DCF</b>                 |            | <b>447</b>   |             |             |             |             |             |             |             |             |             |            |
| <b>Equity value DCF per share</b>       |            | <b>2.7</b>   |             |             |             |             |             |             |             |             |             |            |

| WACC   |              |
|--|--------------|
| Tax-% (WACC)                                   | 21.0 %       |
| Target debt ratio (D/(D+E))                    | 0.0 %        |
| Cost of debt                                   | 5.0 %        |
| Equity Beta                                    | 1.35         |
| Market risk premium                            | 4.75%        |
| Liquidity premium                              | 1.00%        |
| Risk free interest rate                        | 2.5 %        |
| <b>Cost of equity</b>                          | <b>9.9 %</b> |
| <b>Weighted average cost of capital (WACC)</b> | <b>9.9 %</b> |

Source: Inderes

## Cash flow distribution



# Summary

| Income statement          | 2020   | 2021   | 2022   | 2023e         | 2024e         | Per share data           | 2020    | 2021    | 2022    | 2023e          | 2024e          |
|---------------------------|--------|--------|--------|---------------|---------------|--------------------------|---------|---------|---------|----------------|----------------|
| Revenue                   | 790.7  | 899.0  | 981.7  | <b>948.4</b>  | <b>970.1</b>  | EPS (reported)           | -4.05   | 0.42    | 0.66    | <b>0.38</b>    | <b>0.20</b>    |
| EBITDA                    | -252.4 | 185.0  | 258.1  | <b>178.7</b>  | <b>178.4</b>  | EPS (adj.)               | -0.48   | 0.32    | 0.32    | <b>0.21</b>    | <b>0.20</b>    |
| EBIT                      | -252.4 | 82.1   | 154.9  | <b>78.1</b>   | <b>71.0</b>   | OCF / share              | -3.65   | 1.01    | 1.43    | <b>0.79</b>    | <b>1.08</b>    |
| PTP                       | -294.0 | 65.2   | 129.2  | <b>50.0</b>   | <b>41.0</b>   | FCF / share              | 1.48    | 1.16    | 1.89    | <b>-0.13</b>   | <b>0.38</b>    |
| Net Income                | -291.6 | 45.1   | 101.7  | <b>60.7</b>   | <b>32.4</b>   | Book value / share       | 2.86    | 2.35    | 2.16    | <b>2.48</b>    | <b>2.62</b>    |
| Extraordinary items       | -257.3 | 13.8   | 75.1   | <b>-2.2</b>   | <b>0.0</b>    | Dividend / share         | 0.00    | 0.00    | 0.00    | <b>0.00</b>    | <b>0.00</b>    |
| Balance sheet             | 2020   | 2021   | 2022   | 2023e         | 2024e         | Growth and profitability | 2020    | 2021    | 2022    | 2023e          | 2024e          |
| Balance sheet total       | 1424.3 | 1416.1 | 1275.5 | <b>1267.0</b> | <b>1313.1</b> | Revenue growth-%         | -18%    | 14%     | 9%      | <b>-3%</b>     | <b>2%</b>      |
| Equity capital            | 206.1  | 268.1  | 335.5  | <b>396.2</b>  | <b>428.6</b>  | EBITDA growth-%          | -1147%  | -173%   | 40%     | <b>-31%</b>    | <b>0%</b>      |
| Goodwill                  | 277.5  | 271.5  | 250.9  | <b>250.9</b>  | <b>250.9</b>  | EBIT (adj.) growth-%     | -88%    | 1294%   | 17%     | <b>1%</b>      | <b>-12%</b>    |
| Net debt                  | 724.5  | 586.7  | 454.4  | <b>501.3</b>  | <b>462.6</b>  | EPS (adj.) growth-%      | 14%     | -168%   | 0%      | <b>-36%</b>    | <b>-5%</b>     |
| Cash flow                 | 2020   | 2021   | 2022   | 2023e         | 2024e         | EBITDA-%                 | -31.9 % | 20.6 %  | 26.3 %  | <b>18.8 %</b>  | <b>18.4 %</b>  |
| EBITDA                    | -252.4 | 185.0  | 258.1  | <b>178.7</b>  | <b>178.4</b>  | EBIT (adj.)-%            | 0.6 %   | 7.6 %   | 8.1 %   | <b>8.5 %</b>   | <b>7.3 %</b>   |
| Change in working capital | -9.8   | -56.9  | -2.4   | <b>-69.8</b>  | <b>13.8</b>   | EBIT-%                   | -31.9 % | 9.1 %   | 15.8 %  | <b>8.2 %</b>   | <b>7.3 %</b>   |
| Operating cash flow       | -262.5 | 115.0  | 222.4  | <b>125.5</b>  | <b>177.3</b>  | ROE-%                    | -57.9 % | 20.2 %  | 33.7 %  | <b>16.6 %</b>  | <b>7.9 %</b>   |
| CAPEX                     | 809.3  | -17.1  | 8.5    | <b>-145.0</b> | <b>-115.0</b> | ROI-%                    | -22.0 % | 7.6 %   | 15.3 %  | <b>7.9 %</b>   | <b>6.8 %</b>   |
| Free cash flow            | 106.8  | 132.7  | 293.8  | <b>-20.2</b>  | <b>62.3</b>   | Equity ratio             | 14.5 %  | 18.9 %  | 26.3 %  | <b>31.3 %</b>  | <b>32.6 %</b>  |
|                           |        |        |        |               |               | Gearing                  | 351.5 % | 218.8 % | 135.4 % | <b>126.5 %</b> | <b>107.9 %</b> |
| Valuation multiples       | 2020   | 2021   | 2022   | 2023e         | 2024e         |                          |         |         |         |                |                |
| EV/S                      |        | 1.0    | 0.8    | <b>0.9</b>    | <b>0.8</b>    |                          |         |         |         |                |                |
| EV/EBITDA (adj.)          |        | 4.8    | 3.0    | <b>4.8</b>    | <b>4.5</b>    |                          |         |         |         |                |                |
| EV/EBIT (adj.)            |        | 13.0   | 9.7    | <b>10.6</b>   | <b>11.4</b>   |                          |         |         |         |                |                |
| P/E (adj.)                | neg.   | 6.1    | 6.3    | <b>10.2</b>   | <b>10.8</b>   |                          |         |         |         |                |                |
| P/B                       | 0.4    | 1.1    | 1.0    | <b>0.9</b>    | <b>0.8</b>    |                          |         |         |         |                |                |
| Dividend-%                | 0.0 %  | 0.0 %  | 0.0 %  | <b>0.0 %</b>  | <b>0.0 %</b>  |                          |         |         |         |                |                |

Source: Inderes

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|            |  |
|------------|--|
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| 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 |
|------------|----------------|--------|-------------|
| 11/18/2022 | Reduce         | 2.00 € | 1.97 €      |
| 1/20/2023  | Reduce         | 2.10 € | 2.05 €      |
| 2/27/2023  | Reduce         | 2.10 € | 2.00 €      |
| 3/21/2023  | Accumulate     | 2.10 € | 1.76 €      |
| 5/2/2023   | Accumulate     | 2.35 € | 2.11 €      |
| 7/24/2023  | Accumulate     | 2.40 € | 2.08 €      |
| 9/26/2023  | Accumulate     | 2.80 € | 2.34 €      |
| 10/30/2023 | Buy            | 2.80 € | 2.13 €      |



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### Inderes Oyj

Itämerentori 2

FI-00180 Helsinki, Finland

+358 10 219 4690

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