

# Orthex

## Company report

11/16/2024 8:00 EET



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✓ Inderes corporate customer

This report is a summary translation of the report "Kurssilasku avaa pelipaikan" published on 11/18/2024 at 8:00 am EET

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# Price drop opens up the game

Orthex's growth was at a good level in Q3, but the result fell short of expectations as the company had proportioned its cost structure for stronger growth. In our opinion, the overall picture of the story remains unchanged, although with the report we expect growth in the next few years will require a heavier cost structure. With the negative earnings forecast changes, we lower our target price to EUR 6.5 (was EUR 7.0). However, we feel the share price has taken too much of a hit and we upgrade our recommendation to Buy (was Accumulate).

## Growth accelerated outside the Nordic countries, but the result disappointed

Orthex's Q3 revenue grew by 4% to 22.8 MEUR which exceeded our 22.1 MEUR estimate. Invoiced sales grew slightly in the Nordic countries (+1%), but in other markets, they grew by as much as 24%. The subdued sales development in the Nordics was to be expected, considering the weak demand for consumer goods, and we are not concerned about it. In other markets, growth was particularly strong, although we estimate that some orders have been transferred from the weak Q2 to Q3. The 12% sales increase in Europe this year is, in our view, a good achievement, as it came from winning market shares. Orthex's gross margin weakened from the comparison period in Q3, which, together with higher-than-expected sales and marketing investments resulted in a weaker earnings level than forecasted. The 2.8 MEUR EBIT was a clear disappointment relative to our 3.5 MEUR forecast and the comparison period. There were several smaller factors behind the weakened profitability, but without the pull of the raw material market, we see revenue growth as the key factor in turning the result around.

## We lowered our earnings forecasts, but the earnings growth outlook for the coming years still seems good

In connection with the report, we raised our revenue forecasts for the coming years by 1%, but cut our EBIT forecasts by some 10%. We welcome the acceleration of growth outside the Nordic countries, but based on the profitability disappointment, we cut our expectations for the relative profitability of growth in the coming years. Orthex's relative profitability is sensitive to the price development of plastic raw materials (particularly volatile in recent years), which makes it difficult to assess profitability development from a structural and cyclical perspective. We see room for the company to strengthen its gross margin slightly from the current year's soft level, which, together with revenue growth, serves as the primary driver for the 14% annual EBIT growth in our near-term forecasts. Despite Q3's soft profitability, we remain confident about the company's competitiveness. However, it is crucial for earnings growth in the coming years that the price of Orthex's plastic raw materials does not increase from the current level with geopolitical tensions.

## We feel the expected return has turned attractive

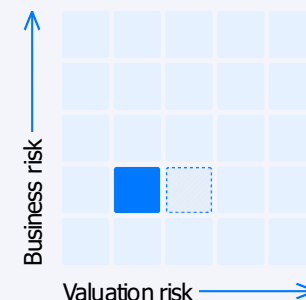
Orthex's earnings-based valuation (2024e: EV/EBIT 12x, P/E: 17x) is neutral/slightly elevated, but turns to clearly attractive with our forecasts for next year. Driven by earnings growth, we see potential for the share to generate an annual return of 15-20% with a dividend yield of 4-5% in the coming years. With our 2024-2025 EBIT forecasts, Orthex is priced at a discount of some 14-20% to peers, which we consider a wide discount. Our DCF model suggests a value of EUR 7.1 per share, which also indicates an attractive expected return.

## Recommendation

**Buy**  
(was Accumulate)

**EUR 6.50**  
(was EUR 7.00)

**Share price:**  
5.54



## Key figures

	2023	2024e	2025e	2026e
<b>Revenue</b>	85.9	89.3	95.6	101.6
<b>growth-%</b>	2%	4%	7%	6%
<b>EBIT adj.</b>	10.0	9.5	12.1	13.1
<b>EBIT-% adj.</b>	11.7 %	10.7 %	12.7 %	12.9 %
<b>Net Income</b>	6.9	5.9	8.6	9.6
<b>EPS (adj.)</b>	0.35	0.33	0.48	0.54

<b>P/E (adj.)</b>	15.5	16.6	11.5	10.3
<b>P/B</b>	2.8	2.7	2.4	2.2
<b>Dividend yield-%</b>	3.9 %	4.5 %	5.2 %	6.3 %
<b>EV/EBIT (adj.)</b>	11.8	12.3	9.4	8.4
<b>EV/EBITDA</b>	7.9	8.4	6.9	6.3
<b>EV/S</b>	1.4	1.3	1.2	1.1

Source: Inderes

## Guidance

(Unchanged)

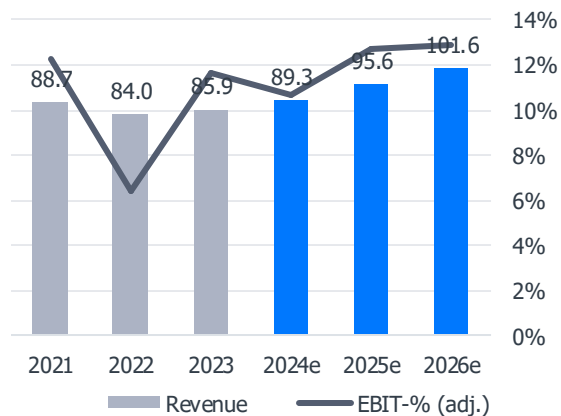
Orthex does not publish a short-term outlook. In the long term, the company targets average organic growth of over 5% and an adjusted EBITA margin of over 18%.

## Share price



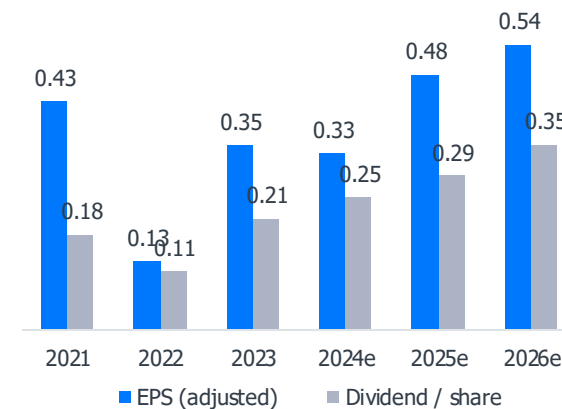
Source: Millstream Market Data AB

## 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	5.54	5.54	5.54
Number of shares, millions	17.8	17.8	17.8
Market cap	98	98	98
EV	117	114	110
P/E (adj.)	16.6	11.5	10.3
P/E	16.6	11.5	10.3
P/B	2.7	2.4	2.2
P/S	1.1	1.0	1.0
EV/Sales	1.3	1.2	1.1
EV/EBITDA	8.4	6.9	6.3
EV/EBIT (adj.)	12.3	9.4	8.4
Payout ratio (%)	75.0 %	60.2 %	65.0 %
Dividend yield-%	4.5 %	5.2 %	6.3 %

Source: Inderes

# Profitability experienced broad-based pressure

## Growth markets drove revenue development

Orthex's Q3 revenue grew by 4% to 22.8 MEUR which exceeded our 22.1 MEUR estimate. Invoiced sales in the Nordics, coloured by the weak demand environment, were on par with the comparison period, as expected. We find the performance good considering the weak retail sales figures for Nordic consumer goods and expect new sales of Orthex's category to have been flat/slightly down year-on-year.

In view of Orthex's competitive position, we find Sinituote and Tupperware particularly interesting in the Nordic countries. The Finnish Sinituote, known for its cleaning products, has expanded its presence in the storage and sorting category and now aims to grow not only in Finland but also in the Swedish market, which is important to Orthex. Tupperware, known for food storage, has achieved good distribution in S Group stores, but as the company is undergoing restructuring, its future seems uncertain.

Sales invoiced in Orthex's export markets developed strongly both in other European markets and outside Europe. Invoiced sales in the rest of Europe

increased by 20% in Q3 to 5.1 MEUR, while revenue outside Europe increased to 0.4 MEUR from 0.2 MEUR in the comparison period. In the strategically important other European markets, we estimate that growth has come from both new distribution agreements and increased shelf space in existing channels. We believe some of the company's orders were postponed from Q2 to Q3, so the development of invoiced sales in the rest of Europe is probably good in Q3. The trend of invoiced sales in Q1-Q3 will be 12% this year.

According to management comments, growth outside Europe was generated by increased purchases by current customers. Strategically, the company is currently focusing on Europe and we do not believe that it has entered into new distribution agreements outside Europe.

## Growth investments depressed the result more than expected

Despite higher revenue than we estimated, the company's gross margin was 8% below our Q3 forecasts. The gross margin experienced broad-based pressure from, e.g., a stronger focus on

campaign sales than in the comparison period, slightly increased raw material and electricity prices from the comparison period, and increased production costs due to expected growth. Orthex's Q3 revenue decreased to 2.8 MEUR, which missed both our and consensus expectations. Behind the forecast miss was a weaker-than-expected gross margin, but the company's sales and marketing expenses were also higher than our expectations. The management was not satisfied with Q3 profitability, and based on comments, the quarter's growth investments were proportioned for higher revenue than the outcome.

## A strong balance sheet

Orthex's cash flow in the early part of the year was strong and free cash flow in Q1-Q3 was 8.8 MEUR. As a result, the company's balance sheet strengthened and the net debt/EBITDA ratio following solvency decreased to 1.3, with a target level of below 2.5x. A strong balance sheet creates prerequisites for a moderate-sized M&A transaction or a larger organic growth investment to bring production capacity closer to key customers in the growth markets.

Estimates MEUR / EUR	Q3'23	Q3'24	Q3'24e	Q3'24e	Consensus		Difference (%)	2024e
	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. inderes	Inderes
Revenue	21.9	22.8	22.1	22.8	22.1	23.3	3%	88.5
Gross margin	6.9	6.5	7.1				-8%	25.5
EBIT (adj.)	3.5	2.8	3.5	3.6	3.5	3.8	-20%	11.0
EBIT	3.5	2.8	3.5	3.6	3.5	3.8	-20%	11.0
EPS (reported)	0.13		0.14	0.14	0.13	0.15		0.41
Revenue growth-%	-0.9 %	4.2 %	1.0 %	4.1 %	0.9 %	6.4 %	3.2 pp	3.9 %
EBIT-% (adj.)	16.0 %	12.3 %	15.9 %	15.8 %	15.8 %	16.3 %	-3.7 pp	12.4 %

Source: Inderes & Bloomberg (consensus)

# Profitability forecasts cut due to the earnings disappointment

## Revenue forecasts rose slightly with impressive growth...

With Orthex's good Q3 growth, we raised our revenue growth forecasts for the coming years by 1%. During the quarter, the business environment was far from ideal for the company, and we see the potential for Orthex to accelerate its growth rate, especially as the Nordic demand environment recovers. We believe that the company has performed very well in a challenging business environment and we are confident in its ability to continue to gain market share in Europe. The ability to maintain the strong growth seen in the review period in other European markets was very positive, but in our view, the weak Q2 performance softens the strong Q3 growth in the growth markets.

## ..., but profitability forecasts fell more clearly

We feel Orthex's Q3 report was surprisingly subdued in terms of profitability. There was no single reason behind this, but several factors turned to a weaker position compared from the comparison period, which makes it difficult to assess how long the profitability pressure will prevail. In the current weak demand environment, we see no significant margin/willingness in Orthex to raise its prices or substantially reduce its cost structure, which means that relative profitability depends on sales growth and the raw material market in the short term. We estimate that the current organizational structure could also sustain a higher revenue load with moderate additional costs and there is free production capacity, so there is a clear operational lever in the cost structure. Our forecasts do not expect a fall in the prices of plastic raw materials,

which are still relatively high, although this would be possible if oil prices were to fall or the economic outlook in Europe deteriorated. Similarly, we recognize the risk of a new wave of raw material inflation if geopolitical tensions in the Middle East intensify.

Estimate revisions	2024e	2024e	Change	2025e	2025e	Change	2026e	2026e	Change
MEUR/ EUR	Old	New	%	Old	New	%	Old	New	%
Revenue	88.5	89.3	1%	94.5	95.6	1%	100	102	1%
EBITDA	15.3	13.8	-10%	17.8	16.6	-7%	19.0	17.5	-8%
EBIT (exc. NRIs)	11.0	9.5	-13%	13.4	12.1	-9%	14.7	13.1	-11%
EBIT	11.0	9.5	-13%	13.4	12.1	-9%	14.7	13.1	-11%
PTP	9.3	7.6	-18%	11.9	10.8	-10%	13.4	12.0	-10%
EPS (excl. NRIs)	0.41	0.33	-18%	0.53	0.48	-10%	0.60	0.54	-10%
DPS	0.25	0.25	0%	0.29	0.29	0%	0.35	0.35	0%

Source: Inderes

# The valuation does not fully reflect the quality

## Earnings growth melts valuation multiples

Based on our updated estimates, adjusted P/E ratios for 2024 and 2025 are 17x and 12x, while the corresponding EV/EBIT ratios are 12x and 9x. We find the valuation of the stock neutral/slightly elevated with the soft profit level this year and turns clearly attractive with next year's forecasts. 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 maintain price increases, but so far the track record speaks for pricing power. However, the Q3 report gave a small blow to our view of the company's pricing power. In our forecasts, Orthex's normalized EBIT margin over the cycle is approximately 12-13%, which is still clearly below the company's own target level. In our view, relying on Orthex's targeted 18% EBITA margin is still premature at this stage of the investment story and with the current track record.

## DCF model argues for upside

Our DCF model indicates a value of EUR 7.1 per share for Orthex. Our DCF model assumes an EBIT margin of around 11-13% and revenue growth of approximately 2-6%. 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 (and pressure) of retailers to move their supply chains closer to their customers is one factor limiting the intensification of competition.

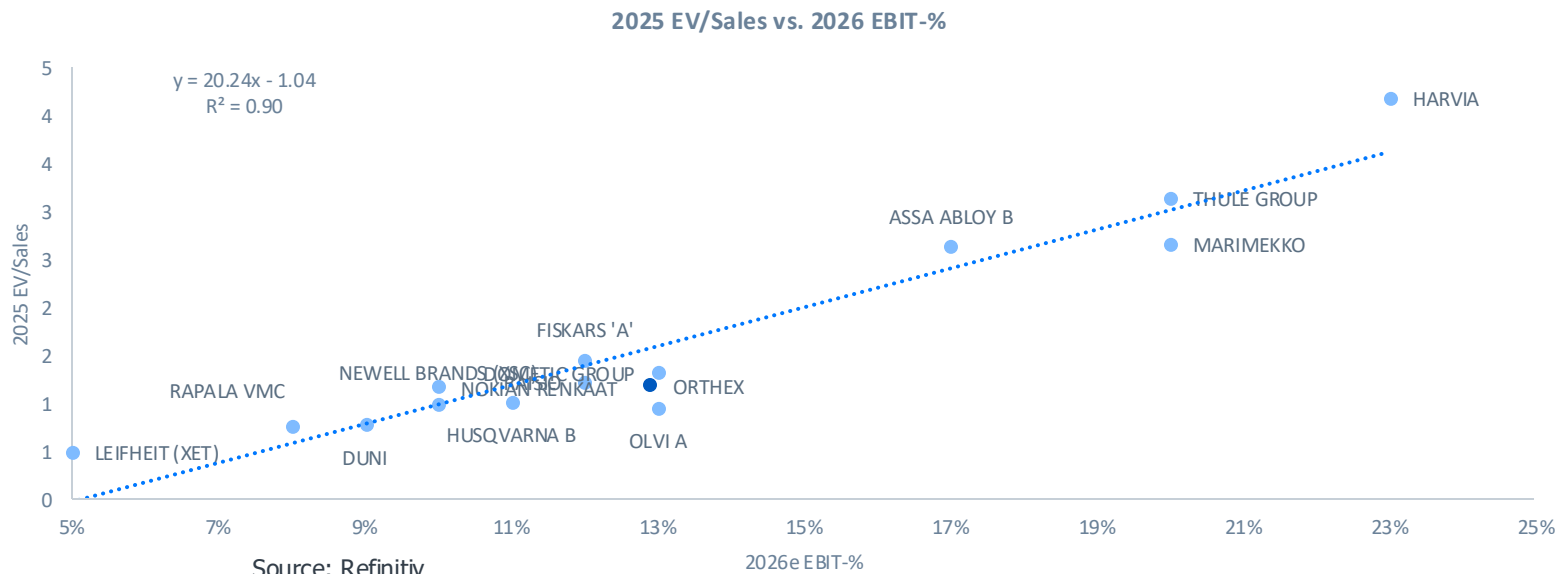
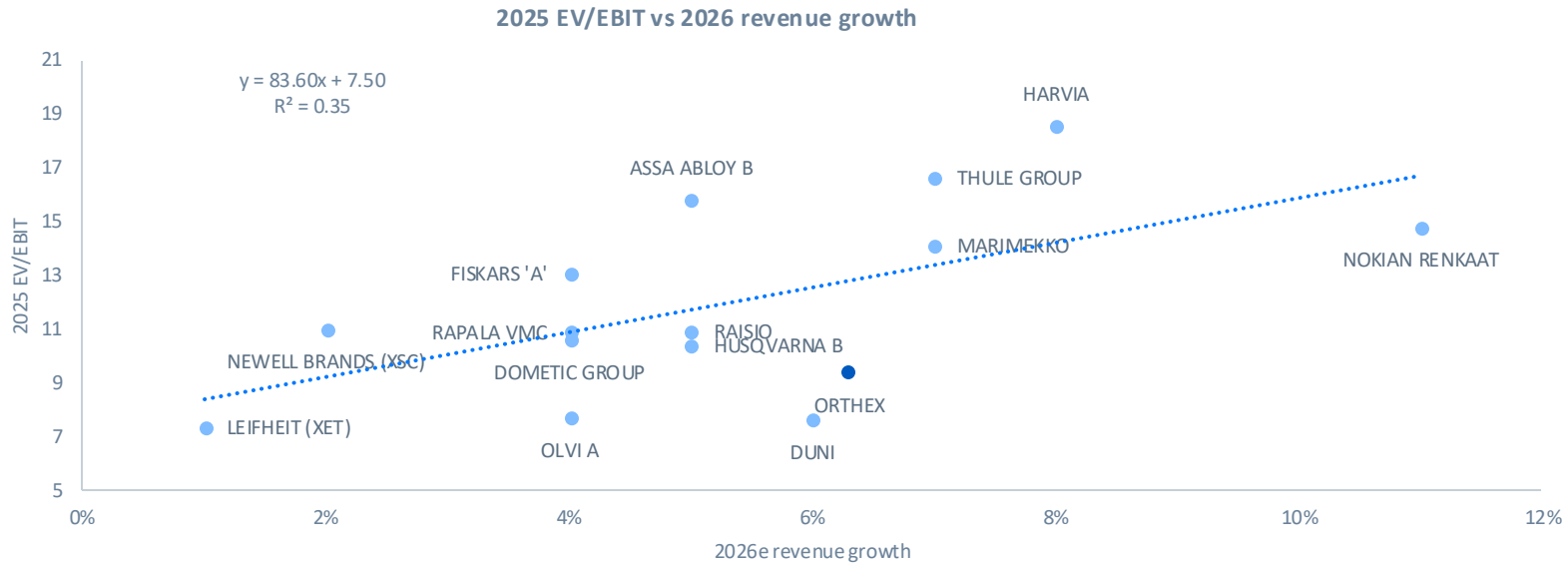
## The consolidator is also a potential takeover target

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 M&A transactions, and we estimate that with debt financing alone, the company has firepower worth 20 MEUR, which would mean a revenue potential of over 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, 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	5.54	5.54	5.54
Number of shares, millions	17.8	17.8	17.8
Market cap	98	98	98
EV	117	114	110
P/E (adj.)	16.6	11.5	10.3
P/E	16.6	11.5	10.3
P/B	2.7	2.4	2.2
P/S	1.1	1.0	1.0
EV/Sales	1.3	1.2	1.1
EV/EBITDA	8.4	6.9	6.3
EV/EBIT (adj.)	12.3	9.4	8.4
Payout ratio (%)	75.0 %	60.2 %	65.0 %
Dividend yield-%	4.5 %	5.2 %	6.3 %

Source: Inderes

# Valuation in graphs

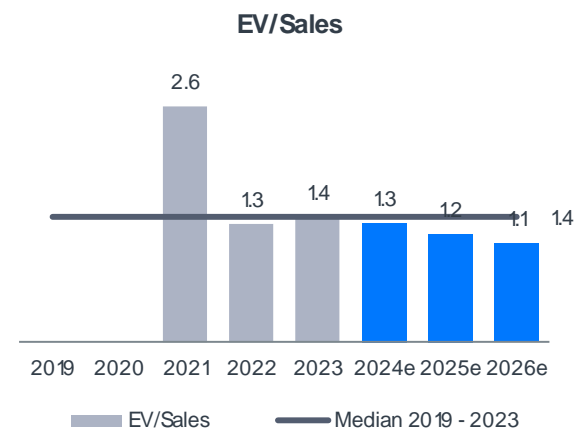
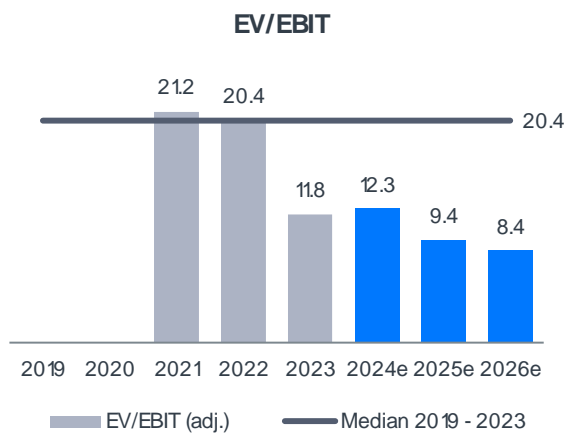
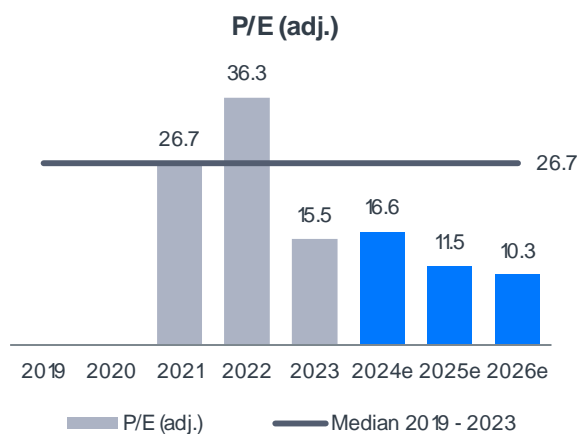


Source: Refinitiv

# Valuation table

Valuation	2019	2020	2021	2022	2023	2024e	2025e	2026e	2027e
Share price			11.5	4.68	5.40	5.54	5.54	5.54	5.54
Number of shares, millions			17.8	17.8	17.8	17.8	17.8	17.8	17.8
Market cap			204	83	96	98	98	98	98
EV			230	109	118	117	114	110	107
P/E (adj.)			26.7	36.3	15.5	16.6	11.5	10.3	9.4
P/E			33.8	39.2	13.9	16.6	11.5	10.3	9.4
P/B			6.4	2.8	2.8	2.7	2.4	2.2	2.0
P/S			2.3	1.0	1.1	1.1	1.0	1.0	0.9
EV/Sales			2.6	1.3	1.4	1.3	1.2	1.1	1.0
EV/EBITDA			17.4	11.8	7.9	8.4	6.9	6.3	5.8
EV/EBIT (adj.)			21.2	20.4	11.8	12.3	9.4	8.4	7.6
Payout ratio (%)			53.0 %	92.2 %	54.1%	75.0 %	60.2 %	65.0 %	60.8 %
Dividend yield-%			16 %	2.4 %	3.9 %	4.5 %	5.2 %	6.3 %	6.5 %

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	382	503	11.3	7.9	8.9	5.8	0.8	0.8	11.7	8.9	3.7	5.3	1.2
Fiskars Oyj Abp	1223	1756	20.0	13.6	12.3	8.4	15	15	15.7	13.3	5.5	5.8	1.6
Harvia Oyj	808	870	22.7	19.0	19.2	16.3	5.1	4.4	29.3	24.5	1.7	2.0	6.7
Leifheit AG	158	116	7.9	6.5	4.9	4.4	0.4	0.4	15.0	12.3	5.7	6.9	1.5
Marimekko Oyj	476	476	15.1	13.4	11.8	10.6	2.6	2.5	18.3	16.6	3.9	4.4	6.4
Rapala VMC Corp	80	171	13.2	9.8	6.8	5.5	0.7	0.7	412.0	14.2	1.7	1.5	0.5
Thule Group AB	3161	3236	23.5	16.2	20.2	14.3	4.0	3.2	30.8	22.8	2.6	3.3	5.1
Nokian Tyres plc	1051	1853	33.7	16.1	10.2	7.0	14	12	72.1	13.1	7.3	7.1	0.8
Assa Abloy AB	31225	36958	17.7	16.6	14.7	13.8	2.9	2.7	23.2	21.2	1.8	1.9	3.6
Newell Brands Inc	3475	7715	13.0	11.5	8.9	8.3	1.1	1.1	13.3	11.4	3.2	3.2	1.3
DOMETIC Group	1558	2695	17.8	12.1	8.7	8.2	1.3	1.2	17.4	13.1	2.7	3.1	0.7
Raisio Oyj	334	270	11.9	10.1	8.6	7.4	1.2	1.1	16.4	15.0	6.4	6.6	1.3
Husqvarna AB	3223	4075	13.8	10.6	7.4	6.4	1.0	0.9	18.4	12.8	4.4	4.8	1.6
Helen of Troy Ltd	1408	2066	7.6	8.8	6.6	7.5	1.1	1.1	7.4	9.0			1.0
<b>Orthex (Inderes)</b>	<b>98</b>	<b>117</b>	<b>12.3</b>	<b>9.4</b>	<b>8.4</b>	<b>6.9</b>	<b>1.3</b>	<b>1.2</b>	<b>16.6</b>	<b>11.5</b>	<b>4.5</b>	<b>5.2</b>	<b>2.7</b>
<b>Average</b>			<b>16.4</b>	<b>12.3</b>	<b>10.7</b>	<b>8.8</b>	<b>1.8</b>	<b>1.6</b>	<b>50.1</b>	<b>14.9</b>	<b>3.9</b>	<b>4.3</b>	<b>2.4</b>
<b>Median</b>			<b>14.5</b>	<b>11.8</b>	<b>8.9</b>	<b>7.8</b>	<b>1.2</b>	<b>1.2</b>	<b>17.8</b>	<b>13.2</b>	<b>3.7</b>	<b>4.4</b>	<b>1.4</b>
<b>Diff-% to median</b>			<b>-15%</b>	<b>-21%</b>	<b>-5%</b>	<b>-12%</b>	<b>7%</b>	<b>0%</b>	<b>-7%</b>	<b>-13%</b>	<b>21%</b>	<b>20%</b>	<b>96%</b>

Source: Refinitiv / Inderes

# Income statement

Income statement	2021	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24	Q2'24	Q3'24	Q4'24e	2024e	2025e	2026e	2027e
<b>Revenue</b>	<b>88.7</b>	<b>84.0</b>	<b>20.5</b>	<b>20.1</b>	<b>21.9</b>	<b>23.4</b>	<b>85.9</b>	<b>22.0</b>	<b>21.0</b>	<b>22.8</b>	<b>23.4</b>	<b>89.3</b>	<b>95.6</b>	<b>102</b>	<b>108</b>
Nordic countries	72.9	68.4	16.2	16.3	17.8	18.4	68.7	17.5	17.2	17.9	18.0	70.6	73.1	75.6	77.9
Rest of Europe	15.1	15.9	4.9	3.9	4.2	5.5	18.5	5.3	4.2	5.1	5.7	20.3	23.6	27.1	30.9
Rest of world	2.5	1.4	0.2	0.3	0.2	0.1	0.8	0.1	0.2	0.4	0.2	0.9	1.0	1.0	1.1
Discounts and ja refunds	-1.8	-1.7	-0.8	-0.4	-0.3	-0.5	-2.0	-0.9	-0.6	-0.6	-0.5	-2.5	-2.0	-2.1	-2.2
<b>EBITDA</b>	<b>13.2</b>	<b>9.2</b>	<b>3.4</b>	<b>3.1</b>	<b>4.6</b>	<b>3.9</b>	<b>14.9</b>	<b>3.8</b>	<b>2.6</b>	<b>3.9</b>	<b>3.5</b>	<b>13.8</b>	<b>16.6</b>	<b>17.5</b>	<b>18.7</b>
Depreciation	-4.0	-4.0	-1.0	-1.0	-1.0	-1.0	-4.1	-1.1	-1.1	-1.1	-1.1	-4.3	-4.4	-4.4	-4.5
<b>EBIT (excl. NRI)</b>	<b>10.9</b>	<b>5.4</b>	<b>2.4</b>	<b>1.3</b>	<b>3.5</b>	<b>2.9</b>	<b>10.0</b>	<b>2.8</b>	<b>1.6</b>	<b>2.8</b>	<b>2.4</b>	<b>9.5</b>	<b>12.1</b>	<b>13.1</b>	<b>14.2</b>
<b>EBIT</b>	<b>9.3</b>	<b>5.2</b>	<b>2.3</b>	<b>2.1</b>	<b>3.5</b>	<b>2.9</b>	<b>10.8</b>	<b>2.8</b>	<b>1.6</b>	<b>2.8</b>	<b>2.4</b>	<b>9.5</b>	<b>12.1</b>	<b>13.1</b>	<b>14.2</b>
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	-0.5	-0.4	-1.9	-1.4	-1.1	-1.0
<b>PTP</b>	<b>7.7</b>	<b>3.0</b>	<b>1.7</b>	<b>1.3</b>	<b>3.2</b>	<b>2.3</b>	<b>8.5</b>	<b>2.1</b>	<b>1.2</b>	<b>2.3</b>	<b>2.0</b>	<b>7.6</b>	<b>10.8</b>	<b>12.0</b>	<b>13.2</b>
Taxes	-1.6	-0.9	-0.4	-0.3	-0.8	-0.2	-1.6	-0.5	-0.3	-0.5	-0.4	-1.7	-2.2	-2.5	-2.7
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
<b>Net earnings</b>	<b>6.0</b>	<b>2.1</b>	<b>1.3</b>	<b>1.1</b>	<b>2.4</b>	<b>2.1</b>	<b>6.9</b>	<b>1.6</b>	<b>0.9</b>	<b>1.8</b>	<b>1.6</b>	<b>5.9</b>	<b>8.6</b>	<b>9.6</b>	<b>10.5</b>
<b>EPS (adj.)</b>	<b>0.43</b>	<b>0.13</b>	<b>0.08</b>	<b>0.02</b>	<b>0.13</b>	<b>0.12</b>	<b>0.35</b>	<b>0.09</b>	<b>0.05</b>	<b>0.10</b>	<b>0.09</b>	<b>0.33</b>	<b>0.48</b>	<b>0.54</b>	<b>0.59</b>
<b>EPS (rep.)</b>	<b>0.34</b>	<b>0.12</b>	<b>0.07</b>	<b>0.06</b>	<b>0.13</b>	<b>0.12</b>	<b>0.39</b>	<b>0.09</b>	<b>0.05</b>	<b>0.10</b>	<b>0.09</b>	<b>0.33</b>	<b>0.48</b>	<b>0.54</b>	<b>0.59</b>
<b>Key figures</b>	<b>2021</b>	<b>2022</b>	<b>Q1'23</b>	<b>Q2'23</b>	<b>Q3'23</b>	<b>Q4'23</b>	<b>2023</b>	<b>Q1'24</b>	<b>Q2'24</b>	<b>Q3'24</b>	<b>Q4'24e</b>	<b>2024e</b>	<b>2025e</b>	<b>2026e</b>	<b>2027e</b>
<b>Revenue growth-%</b>	16.9 %	-5.2 %	-0.5 %	-4.1 %	-0.9 %	15.0 %	2.2 %	7.5 %	4.3 %	4.2 %	0.0 %	3.9 %	7.1 %	6.3 %	5.9 %
<b>Adjusted EBIT growth-%</b>	-15.0 %	-50.7 %	33.1 %	-716.7 %	58.9 %	81.6 %	87.3 %	16.5 %	20.2 %	-20.1 %	-16.5 %	-5.3 %	27.6 %	8.0 %	8.4 %
<b>EBITDA-%</b>	14.9 %	11.0 %	16.4 %	15.1 %	20.8 %	16.7 %	17.3 %	17.4 %	12.5 %	17.0 %	14.9 %	15.5 %	17.3 %	17.2 %	17.4 %
<b>Adjusted EBIT-%</b>	12.3 %	6.4 %	11.6 %	6.4 %	16.0 %	12.3 %	11.7 %	12.5 %	7.4 %	12.3 %	10.3 %	10.7 %	12.7 %	12.9 %	13.2 %
<b>Net earnings-%</b>	6.8 %	2.5 %	6.4 %	5.3 %	10.9 %	9.1 %	8.0 %	7.1 %	4.4 %	7.9 %	6.9 %	6.6 %	8.9 %	9.4 %	9.8 %

Source: Inderes

# Balance sheet

Assets	2022	2023	2024e	2025e	2026e
<b>Non-current assets</b>	<b>43.8</b>	<b>44.0</b>	<b>43.2</b>	<b>43.2</b>	<b>43.4</b>
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	20.6	20.6	20.8
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
<b>Current assets</b>	<b>38.0</b>	<b>41.5</b>	<b>38.4</b>	<b>41.1</b>	<b>43.7</b>
Inventories	14.3	12.1	12.5	13.4	14.2
Other current assets	0.1	0.0	0.0	0.0	0.0
Receivables	13.4	17.9	15.2	16.3	17.3
Cash and equivalents	10.3	11.6	10.7	11.5	12.2
<b>Balance sheet total</b>	<b>81.8</b>	<b>85.6</b>	<b>81.6</b>	<b>84.3</b>	<b>87.1</b>

Source: Inderes

Liabilities & equity	2022	2023	2024e	2025e	2026e
<b>Equity</b>	<b>29.7</b>	<b>34.4</b>	<b>36.6</b>	<b>40.7</b>	<b>45.2</b>
Share capital	0.1	0.1	0.1	0.1	0.1
Retained earnings	22.3	26.9	29.1	33.2	37.7
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
<b>Non-current liabilities</b>	<b>32.8</b>	<b>30.4</b>	<b>27.0</b>	<b>24.8</b>	<b>22.6</b>
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	26.2	24.1	21.8
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
<b>Current liabilities</b>	<b>19.3</b>	<b>20.7</b>	<b>17.9</b>	<b>18.7</b>	<b>19.4</b>
Interest bearing debt	4.3	4.3	2.9	2.7	2.4
Payables	14.0	15.7	14.3	15.3	16.3
Other current liabilities	1.0	0.7	0.7	0.7	0.7
<b>Balance sheet total</b>	<b>81.8</b>	<b>85.5</b>	<b>81.6</b>	<b>84.3</b>	<b>87.1</b>

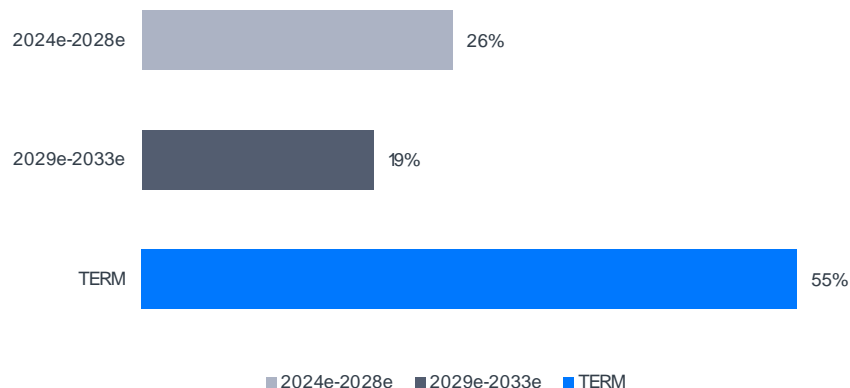
# DCF calculation

DCF model	2023	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	TERM
Revenue growth-%	2.2 %	3.9 %	7.1%	6.3 %	5.9 %	5.0 %	3.5 %	3.0 %	2.5 %	2.0 %	2.0 %	2.0 %
EBIT-%	12.5 %	10.7 %	12.7 %	12.9 %	13.2 %	12.5 %	12.0 %	12.0 %	12.0 %	11.5 %	11.5 %	11.5 %
<b>EBIT (operating profit)</b>	<b>10.8</b>	<b>9.5</b>	<b>12.1</b>	<b>13.1</b>	<b>14.2</b>	<b>14.1</b>	<b>14.0</b>	<b>14.5</b>	<b>14.8</b>	<b>14.5</b>	<b>14.8</b>	
+ Depreciation	4.1	4.3	4.4	4.4	4.5	4.6	4.7	4.8	5.0	5.1	5.3	
- Paid taxes	-1.5	-1.0	-2.2	-2.5	-2.7	-2.7	-2.7	-2.8	-2.9	-2.9	-3.0	
- Tax, financial expenses	-0.4	-0.4	-0.3	-0.2	-0.2	-0.2	-0.2	-0.2	-0.1	-0.1	-0.1	
+ 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	0.9	-1.0	-0.9	-0.9	-0.8	-0.6	-0.5	-0.5	-0.4	-0.4	
<b>Operating cash flow</b>	<b>12.1</b>	<b>13.3</b>	<b>13.1</b>	<b>13.9</b>	<b>14.9</b>	<b>15.0</b>	<b>15.3</b>	<b>15.8</b>	<b>16.3</b>	<b>16.3</b>	<b>16.6</b>	
+ 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	-4.9	-5.2	-5.4	-5.5	-5.7	-5.8	-5.8	
<b>Free operating cash flow</b>	<b>7.7</b>	<b>9.1</b>	<b>8.7</b>	<b>9.3</b>	<b>9.9</b>	<b>9.8</b>	<b>9.9</b>	<b>10.3</b>	<b>10.7</b>	<b>10.5</b>	<b>10.9</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	7.7	9.1	8.7	9.3	9.9	9.8	9.9	10.3	10.7	10.5	10.9	174
<b>Discounted FCFF</b>	<b>9.0</b>	<b>8.0</b>	<b>8.0</b>	<b>7.8</b>	<b>7.7</b>	<b>7.0</b>	<b>6.6</b>	<b>6.3</b>	<b>6.0</b>	<b>5.5</b>	<b>5.2</b>	<b>83.5</b>
Sum of FCFF present value		153	144	136	128	120	113	106	100	94.2	88.7	83.5
<b>Enterprise value DCF</b>		<b>153</b>										
- Interest bearing debt		-33.9										
+ Cash and cash equivalents		116										
-Minorities		0.0										
-Dividend/capital return		-3.7										
<b>Equity value DCF</b>		<b>127</b>										
<b>Equity value DCF per share</b>		<b>7.1</b>										

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	100%
Risk free interest rate	2.5 %
<b>Cost of equity</b>	<b>8.7 %</b>
<b>Weighted average cost of capital (WACC)</b>	<b>8.4 %</b>

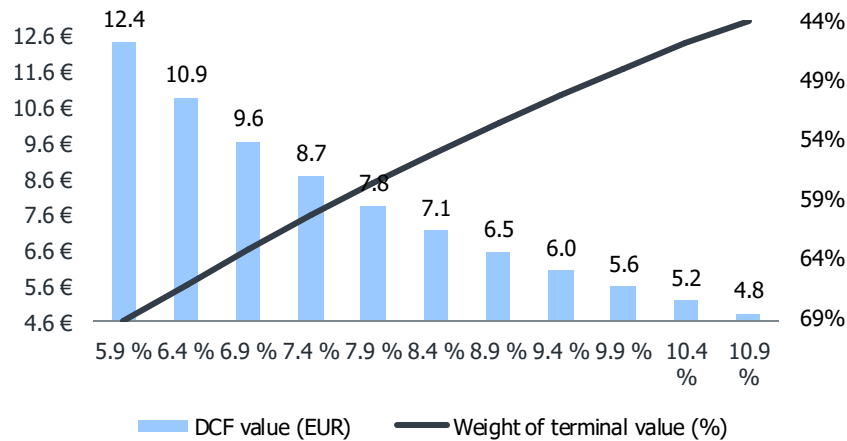
Source: Inderes

## Cash flow distribution

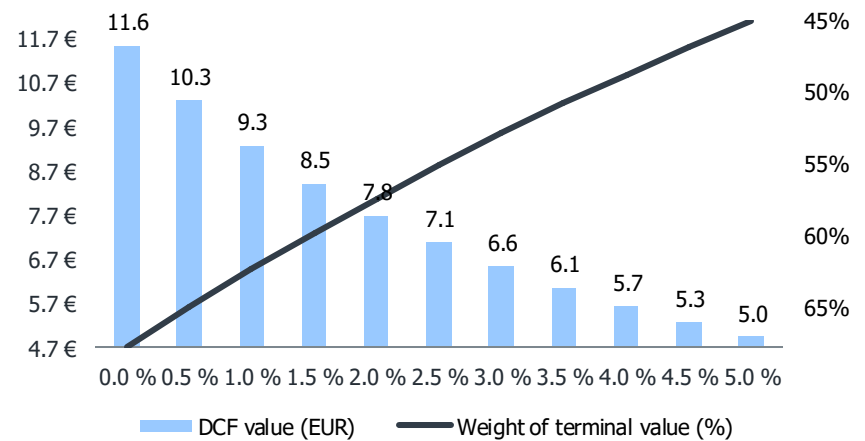


# DCF sensitivity calculations and key assumptions in graphs

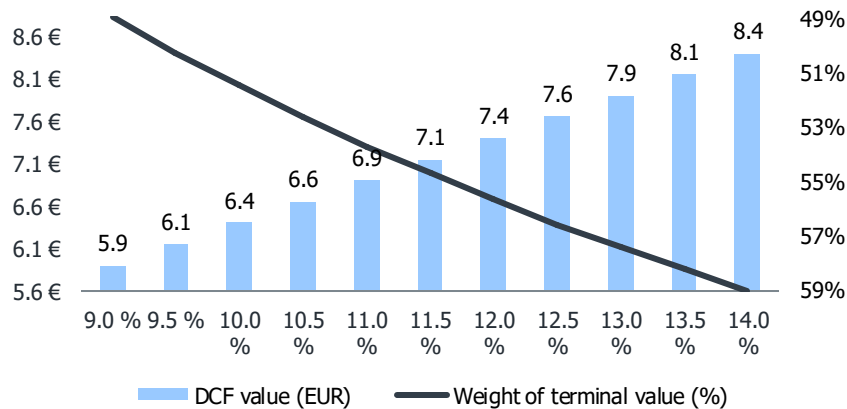
Sensitivity of DCF to changes in the WACC-%



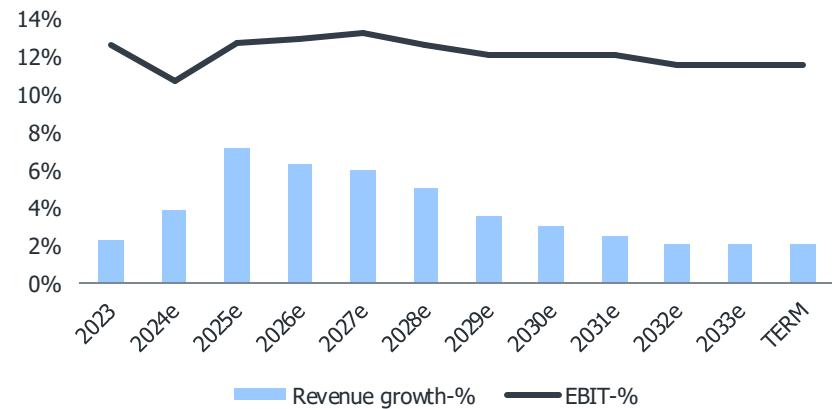
Sensitivity of DCF to changes in the risk-free rate



Sensitivity of DCF to changes in the terminal EBIT margin



Growth and profitability assumptions in the DCF calculation



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	<b>89.3</b>	<b>95.6</b>	EPS (reported)	0.34	0.12	0.39	<b>0.33</b>	<b>0.48</b>
EBITDA	13.2	9.2	14.9	<b>13.8</b>	<b>16.6</b>	EPS (adj.)	0.43	0.13	0.35	<b>0.33</b>	<b>0.48</b>
EBIT	9.3	5.2	10.8	<b>9.5</b>	<b>12.1</b>	OCF / share	0.55	0.42	0.68	<b>0.75</b>	<b>0.74</b>
PTP	7.7	3.0	8.5	<b>7.6</b>	<b>10.8</b>	FCF / share	0.31	0.31	0.43	<b>0.51</b>	<b>0.49</b>
Net Income	6.0	2.1	6.9	<b>5.9</b>	<b>8.6</b>	Book value / share	1.79	1.67	1.94	<b>2.06</b>	<b>2.29</b>
Extraordinary items	-1.6	-0.2	0.7	<b>0.0</b>	<b>0.0</b>	Dividend / share	0.18	0.11	0.21	<b>0.25</b>	<b>0.29</b>
Balance sheet	2021	2022	2023	2024e	2025e	Growth and profitability	2021	2022	2023	2024e	2025e
Balance sheet total	88.8	81.8	85.6	<b>81.6</b>	<b>84.3</b>	Revenue growth-%	17%	-5%	2%	<b>4%</b>	<b>7%</b>
Equity capital	31.8	29.7	34.4	<b>36.6</b>	<b>40.7</b>	EBITDA growth-%	-20%	-30%	61%	<b>-7%</b>	<b>20%</b>
Goodwill	23.7	22.3	22.3	<b>22.3</b>	<b>22.3</b>	EBIT (adj.) growth-%	-16%	-51%	87%	<b>-5%</b>	<b>28%</b>
Net debt	25.9	26.0	22.3	<b>18.4</b>	<b>15.3</b>	EPS (adj.) growth-%	-15%	-70%	170%	<b>-4%</b>	<b>44%</b>
Cash flow	2021	2022	2023	2024e	2025e	EBITDA-%	14.9 %	11.0 %	17.3 %	<b>15.5 %</b>	<b>17.3 %</b>
EBITDA	13.2	9.2	14.9	<b>13.8</b>	<b>16.6</b>	EBIT (adj.)-%	12.3 %	6.4 %	11.7 %	<b>10.7 %</b>	<b>12.7 %</b>
Change in working capital	-1.6	-0.6	-0.8	<b>0.9</b>	<b>-1.0</b>	EBIT-%	10.4 %	6.2 %	12.5 %	<b>10.7 %</b>	<b>12.7 %</b>
Operating cash flow	9.8	7.5	12.1	<b>13.3</b>	<b>13.1</b>	ROE-%	24.7 %	6.9 %	21.5 %	<b>16.7 %</b>	<b>22.1 %</b>
CAPEX	-4.3	-1.9	-4.4	<b>-4.2</b>	<b>-4.4</b>	ROI-%	13.9 %	7.5 %	16.0 %	<b>14.2 %</b>	<b>18.2 %</b>
Free cash flow	5.5	5.6	7.7	<b>9.1</b>	<b>8.7</b>	Equity ratio	35.8 %	36.3 %	40.3 %	<b>44.9 %</b>	<b>48.3 %</b>
						Gearing	81.4 %	87.6 %	64.8 %	<b>50.3 %</b>	<b>37.4 %</b>
Valuation multiples	2021	2022	2023	2024e	2025e						
EV/S	2.6	1.3	1.4	<b>1.3</b>	<b>1.2</b>						
EV/EBITDA	17.4	11.8	7.9	<b>8.4</b>	<b>6.9</b>						
EV/EBIT (adj.)	21.2	20.4	11.8	<b>12.3</b>	<b>9.4</b>						
P/E (adj.)	26.7	36.3	15.5	<b>16.6</b>	<b>11.5</b>						
P/B	6.4	2.8	2.8	<b>2.7</b>	<b>2.4</b>						
Dividend-%	1.6 %	2.4 %	3.9 %	<b>4.5 %</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
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 €
8/23/2024	Accumulate	7.00 €	6.34 €
11/17/2024	Buy	6.50 €	5.54 €



**Inderes democratizes investor information by connecting investors and listed companies.**

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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.

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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

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