

Anora

Company report

11/9/2023



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

✓ Inderes corporate customer

This report is a summary translation of the report “Ohjeistuksessa riskiä, mutta tulos kääntymässä” published on 11/9/2023 at 6:30 pm EET.

inde
res.

Risk in the guidance, but the result is turning around

Anora's Q3 missed our expectations. The company reiterated its full-year guidance, but we lowered our estimates slightly below it due to the weak Q3 result. However, we expect the result to turn positive for the first time in a while in Q4. We believe the earnings turnaround in the coming quarters will support the stock, which at next year's multiples (e.g. P/E 11x) is moderately priced. We reiterate our Buy recommendation and EUR 5.5 target price.

Q3 results weaker than expected and down year-on-year, driven by the Wine segment for familiar reasons

Anora's net sales decreased by 5% year-on-year, somewhat more than we expected. As expected, the Wine segment was particularly affected, weighed down by the loss of partner sales and exchange rates. The comparable EBITDA margin was also below both the comparison period and our expectations. The result was very weak in the Wine segment, which made only EUR 2 million in adjusted EBITDA (Q3'22 9 MEUR, our forecast 7 MEUR). This was due to the factors mentioned above, which also depressed net sales. Anora has continued to raise prices to compensate for FX effects, but the impact is felt with a lag. However, the Spirits segment managed to exceed both last year's level and our expectations, and the Industrial segment met our expectations.

Full-year guidance reiterated; we lowered our forecast slightly below it

After nine months, Anora has EUR 41 million of adjusted EBITDA, so the lower end of the guidance requires a result of EUR 29 million for Q4, compared to only EUR 21 million in the comparison period (incl. a negative inventory adjustment of 3 MEUR). The company commented in our interview that it is mainly aiming for the lower end of the guidance range. According to Anora, the Q4 result will be supported by the price increases implemented in September-October, the leveling off of raw material costs (which had a negative impact in Q4'22) and the progressive savings in fixed costs. However, the company said the result would depend partly on the success of the volumes and the movements of SEK and NOK. We lowered the full-year forecast and are now slightly below guidance at EUR 69 million. We also lowered this year's dividend forecast below last year's level due to weak earnings and a debt-laden balance sheet. Our estimates for 2024-2025 fell by 0-3%.

New CEO's focus on turning around profitability

At the end of October, Anora [announced](#) a change of CEO and Jacek Pastuszka took over immediately. The new CEO said that he believes in the strategy the company published a year ago, which means there are unlikely to be any major changes, at least not quickly. He also stressed the focus on profitability and deleveraging, which is quite natural in Anora's situation. However, management noted that some of the problems in the Wine segment will take longer to resolve (management of partner sales and Globus' profit improvement), while the impact of FX rates should be addressed in the near future through price increases and increased currency hedging. We believe fresh eyes at the top are a positive thing for the company.

Clear upside potential in the stock

In our opinion, the 2023 earnings multiples (e.g. P/E over 25x) are high, but if we look at the P/B ratio at 0.6x and the 2024 multiples (P/E 11x), the stock looks relatively cheap. However, we believe that the return on capital will remain slightly below our required return in the longer term, so just below 1x P/B is a justified level for the company. The usefulness of EV ratios is weakened by large lease liabilities and off-balance sheet sales receivables that have been sold. Our DCF value (EUR 6.5 per share) is also well above the market price.

Recommendation

Buy

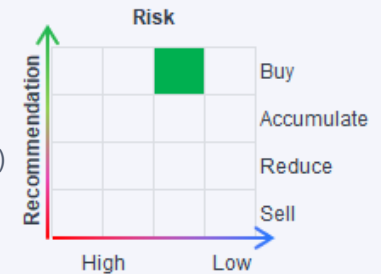
(previous Buy)

EUR 5.50

(previous EUR 5.50)

Share price:

4.44



Key figures

	2022	2023e	2024e	2025e
Revenue	702.7	723.3	725.7	743.6
growth-%	6%	3%	0%	2%
EBITDA (adj.)	76.1	68.7	81.7	86.7
EBITDA-% (adj.)	10.8 %	9.5 %	11.3 %	11.7 %
Net Income	17.9	16.0	26.1	31.2
EPS (adj.)	0.39	0.17	0.39	0.46

P/E (adj.)	19.0	26.0	11.5	9.6
P/B	1.0	0.6	0.6	0.6
Dividend yield-%	3.0 %	3.4 %	5.6 %	6.8 %
EV/EBIT (adj.)	18.1	13.0	8.5	7.2
EV/EBITDA	11.5	6.2	5.0	4.5
EV/S	1.1	0.6	0.6	0.5

Source: Inderes

Guidance

(Unchanged)

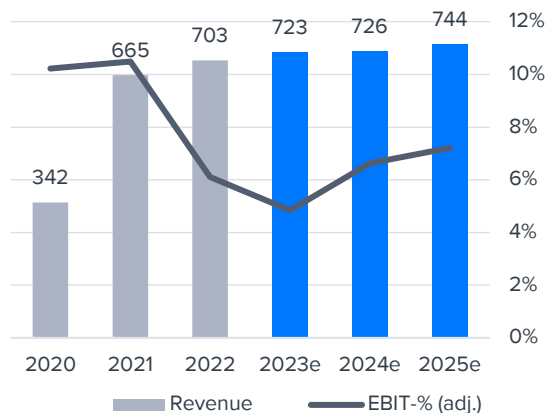
In 2023, Anora's comparable EBITDA is expected to be between EUR 70-78 million.

Share price



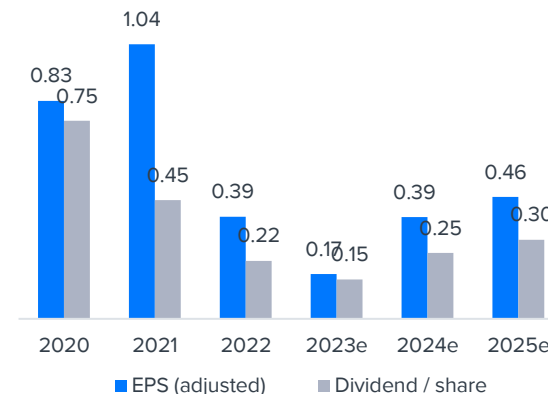
Source: Millistream Market Data AB

Revenue and EBIT-%



Source: Inderes

EPS and dividend



Source: Inderes



Value drivers

- Strong market position and extensive product portfolio
- Stable market and profitability
- Synergy benefits from the merger will support growth and profitability in coming years
- Good dividend payment capacity



Risk factors

- Normalization of demand after COVID depressed earnings
- Price fluctuations of barley affects earnings
- Anora will continue to seek acquisitions which involves risks related to the price and integration

Valuation	2023e	2024e	2025e
Share price	4.44	4.44	4.44
Number of shares, millions	67.6	67.6	67.6
Market cap	300	300	300
EV	456	410	387
P/E (adj.)	26.0	11.5	9.6
P/E	18.8	11.5	9.6
P/B	0.6	0.6	0.6
P/S	0.4	0.4	0.4
EV/Sales	0.6	0.6	0.5
EV/EBITDA	6.2	5.0	4.5
EV/EBIT (adj.)	13.0	8.5	7.2
Payout ratio (%)	63%	65%	65%
Dividend yield-%	3.4 %	5.6 %	6.8 %

Source: Inderes

Result missed our expectations and down year-on-year due to the Wine segment

Net sales decreased as expected due the Wine segment and currencies

Anora's net sales decreased by 5% year-on-year, somewhat more than we expected. As expected, this was mainly driven by the Wine segment, which was weighed down by lost partner sales and exchange rates. Net sales in the Wine segment fell short of our expectations, while the Spirits segment slightly exceeded them with flat net sales. Globus Wine increased its net sales by 11%. Net sales in the Industrial segment fell by 9% on weaker volumes, which was more than we expected.

Weakness in the Wine segment depressed results more than expected

Anora's comparable EBITDA margin was below both the comparison period and our expectations. The result was very weak in the Wine segment, which

made only EUR 2 million in adjusted EBITDA (Q3'22 9 MEUR, our forecast 7 MEUR). This was due to the factors mentioned above, which also depressed net sales. Anora has continued to raise prices to compensate for FX effects, but the impact is felt with a lag, while NOK in particular has continued to weaken. However, the Spirits segment managed to exceed both last year's level and our expectations, and the Industrial segment met our expectations. The reported figures were supported by a one-off gain of EUR 12 million from the sale of the cognac business.

Receivables sold support cash flow; debt still high

Cash flow from operating activities was negative and clearly down year-on-year, although the cumulative cash flow was positive. This was supported by the company's increased receivables sold, without which cash flow was weak.

Anora's net debt/adjusted EBITDA remained high at 3.5x at the end of Q3, despite the sale of the cognac business. This is naturally due to the weaker result. However, the company has ample cash reserves (over 150 MEUR at the end of Q3) and its main financial instrument, a bank loan, does not mature until the end of 2025. Thus, we do not see high indebtedness as a problem for Anora at the moment.

Estimates MEUR / EUR	Q3'22	Q3'23	Q3'23e	Q3'23e	Consensus		Difference (%)	2023e
	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. inderes	Inderes
Revenue	182	173	179	177			-3%	723
EBITDA (adj.)	23.2	20.2	22.6	22.1			-11%	68.7
EBITDA	21.7	28.9	30.6	23.6			-6%	73.2
EBIT (adj.)	14.3	11.8	13.8	13.6			-14%	35.1
EBIT	12.8	20.5	21.8	15.0			-6%	39.5
EPS (reported)	0.12	0.21	0.21	0.19			2%	0.24
Revenue growth-%	10.1%	-4.9%	-1.6%	-2.9%			-3.3 pp	2.9%
EBIT-% (adj.)	7.8%	6.8%	7.7%	7.7%			-0.9 pp	4.8%

Source: Inderes & Vara Research, 5 analysts (consensus)

Anora Q3'23: "Less worse"



Estimates down slightly

Full-year guidance reiterated; we lowered our forecast slightly below it

Anora reiterated its guidance and expects full-year adjusted EBITDA of EUR 70-78 million (2022: 76 MEUR). After nine months, Anora has EUR 41 million of adjusted EBITDA, so the lower end of the guidance requires a result of EUR 29 million for Q4, compared to only EUR 21 million in the comparison period (incl. an inventory adjustment of 3 MEUR). The company commented in our interview that it is mainly aiming for the lower end of the guidance range. Even this would require an adjusted EBITDA of about EUR 30 million in Q4. The company also referred to the pre-pandemic period of 2019, when in Q3 its EBITDA totaled EUR 20 million (the same as Q3'23) and in Q4'19 EUR 35 million. So, there is a strong seasonality in Anora's operations supporting Q4, which is not reflected in last year's figures.

According to Anora, the Q4 result will be supported by the price increases implemented in September-October, the leveling off of raw material costs (which had a negative impact in Q4'22) and the progressive savings in fixed costs. However, the company said the result would depend partly on the success of the volumes and the movements of SEK and NOK.

We lowered our full-year forecast for the adjusted EBITDA by EUR 2 million and are now slightly below guidance at EUR 69 million. We also lowered our dividend forecast for this year and now expect Anora to have to cut its dividend due to weak earnings and high debt.

No major changes for the coming years

For 2024-25, we slightly lowered our net sales forecasts due to lower-than-expected revenues in the Wine and Industrial segments. However, we

believe that the efficiency measures will compensate for these in the results. We also cut our estimates for the bottom line due to slightly higher financial cost forecasts.

The tide is turning, even if the level is poor

While we still see a likelihood that Anora will not meet its guidance, our forecast expects Q4 results to improve year-on-year and thus reverse the company's earnings trend. Next year, the company will start hedging its currency risk more, which will smooth out the development of its margin. At the same time, efficiency measures and the Globus Wine improvement program are progressing, which will underpin the result. Therefore, we believe that the company's direction will be better after Q3. Of course, we recognize that the baseline is weak and that there is work to be done to meet our estimates for 2024-2025.

Estimate revisions MEUR / EUR	2023e		Change %	2024e		Change %	2025e		Change %
	Old	New		Old	New		Old	New	
Revenue	741	723	-2%	749	726	-3%	764	744	-3%
EBITDA (adj.)	70.7	68.7	-3%	82.3	81.7	-1%	86.9	86.7	0%
EBIT (exc. NRIs)	36.2	35.1	-3%	48.3	48.1	0%	53.7	53.7	0%
EBIT	40.0	39.5	-1%	48.3	48.1	0%	53.7	53.7	0%
PTP	21.0	18.8	-10%	34.3	33.1	-3%	40.7	39.7	-3%
EPS (excl. NRIs)	0.17	0.17	1%	0.40	0.39	-3%	0.47	0.46	-3%
DPS	0.22	0.15	-32%	0.28	0.25	-11%	0.33	0.30	-10%

Source: Inderes

Valuation 1/2

Valuation summary - Buy

Anora's expected return for the next few years consist of both a dividend yield and moderate earnings growth, as merger synergies materialize and the current headwind from raw material prices and currencies alleviates and/or is compensated for with price increases. We do not find the share's valuation level for 2023 attractive measured with earnings multiples considering the modest organic growth potential. However, looking at other valuation methods and the earnings multiples for the coming years, the overall valuation picture seems favorable.

We see the total expected return for the stock as consisting of dividend yield, earnings growth driven by improved profitability and a rise in multiples (vs. 2022 actual level, but with multiples declining from 2023 level).

Value of DCF mode above current share price

Due to the stable industry, steady growth and relatively easily predictable business, the DCF model is, in our opinion, a relevant valuation method for Anora. Our DCF model gives Anora a debt-free value of about EUR 850 million, which means that the value of the share capital is about EUR 460 million, or EUR 6.8 per share. Here we treat sold receivables as debt. However, the DCF model assumes better profitability than currently in the longer term, whose materialization naturally entails uncertainty.

Earnings-based valuation expensive in 2023, favorable after that

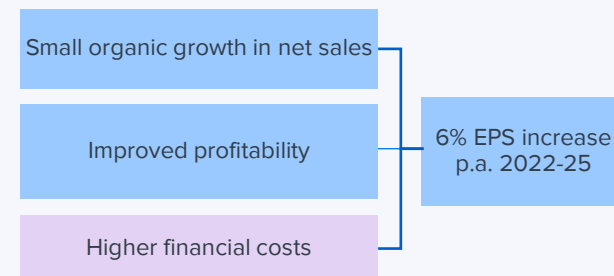
Anora's P/E ratio for 2023 is around 25x while the historical average (Anora/former Altia) is 12x. However, the historical ratios of former Arcus have been somewhat higher, P/E 14-18x. Looking at next year, the valuation is already attractive as ratios fall to P/E ~11x and EV/EBIT ~8x. The valuation of peers is clearly higher, but we see it as justified. The companies in the peer group mainly produce alcoholic beverages themselves and both their margin and return on capital are clearly higher than Anora's (Anora also has a lot of partner brand distribution). The more international business of the peers also enables a better growth profile. Thus, the valuation of these companies must be much higher than Anora's. Thus, we do not believe their valuation is directly comparable to Anora. In our view, Anora's Spirits segment is more comparable with its peers, while the Wine segment has a direct peer in Sweden (Viva Wine Group). With the sum-of-the-parts valuation, we see potential in Anora through this. However, we do not expect this to materialize in the coming years, which is why we do not base our valuation on it.

As regards the EV-based valuation, we note that Anora has a relatively high lease liability relative to its value in its balance sheet, over EUR 100 million, which is not actual financial liability. On the other hand, it has off-balance-sheet sold receivables of some EUR 100 million which can be considered as debt-like assets.

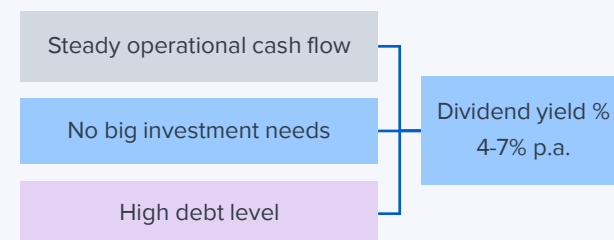
TSR drivers 2022-2025

■ Positive ■ Neutral ■ Negative

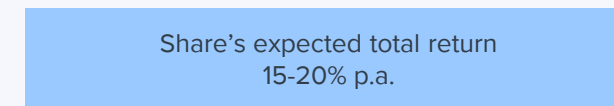
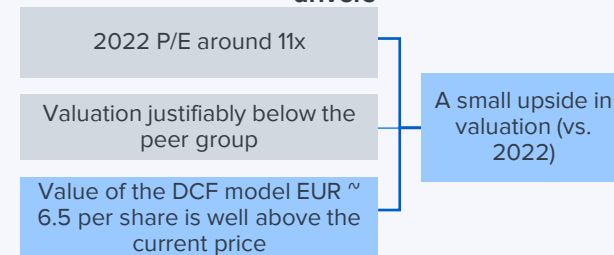
Profit drivers



Dividend yield drivers



Valuation multiple drivers



Valuation 2/2

P/B valuation is low, partly deservedly

We forecast Anora's return on capital (both on equity and total invested capital) to be around 7% in 2025-2026, but lower before that. In practice, the rate of return is slightly below our required return (8.0% for equity, 7.5% for total capital). Thus, the P/B ratio should be slightly below 1.0x. The same is true for the EV/IC ratio (i.e. enterprise value/invested capital). At the current share price, both the P/B and EV/IC ratios for 2023-2025 around 0.6x. This level is justified at current earnings levels, but we believe that medium-term return on capital levels justify figures closer to 1x. The book value per share is just over EUR 7.

Expected return is good 10% in the longer term

We believe Anora has the possibility of substantially increasing its volumes within the existing production facilities. Thus, growth in the foreseeable future will not require significant factory investments and the company can use its free cash flow mainly for dividends and possible acquisitions.

Organic growth, however, ties up working capital which limits the return on capital generated by growth. The impact of growth on earnings and return on capital naturally depends on what type of products the company can grow with. However, with our current estimates, growth is rather neutral from the point of view of return on capital and hence value creation. Therefore, the company's level of return on capital is mainly determined by its profitability level. We do not believe in significant value creation opportunities through acquisitions either, as the next natural step would be on the Central European market where cost synergies with Anora are likely to be small. The lower than expected profitability of

Globus Wine, acquired in the summer of 2022, and accounting uncertainties are unlikely to encourage Anora to actively pursue new acquisitions. However, the potential insurance compensation related to the Globus transaction should also be considered in the valuation. The company's recent CEO stated that acquisitions are generally only considered when the company's own operations (profitability and balance sheet) are in order.

Although the return on capital in our forecasts at best reaches the level of the required return also looking further into the future, Anora's expected return at current valuation is reasonably good also in the longer term. If Anora would distribute its entire free cash flow as dividends (some 35 MEUR) the dividend yield would be approximately 12%. In our opinion, this describes Anora's long-term annual return potential well. The return is above our required return of some 8%.

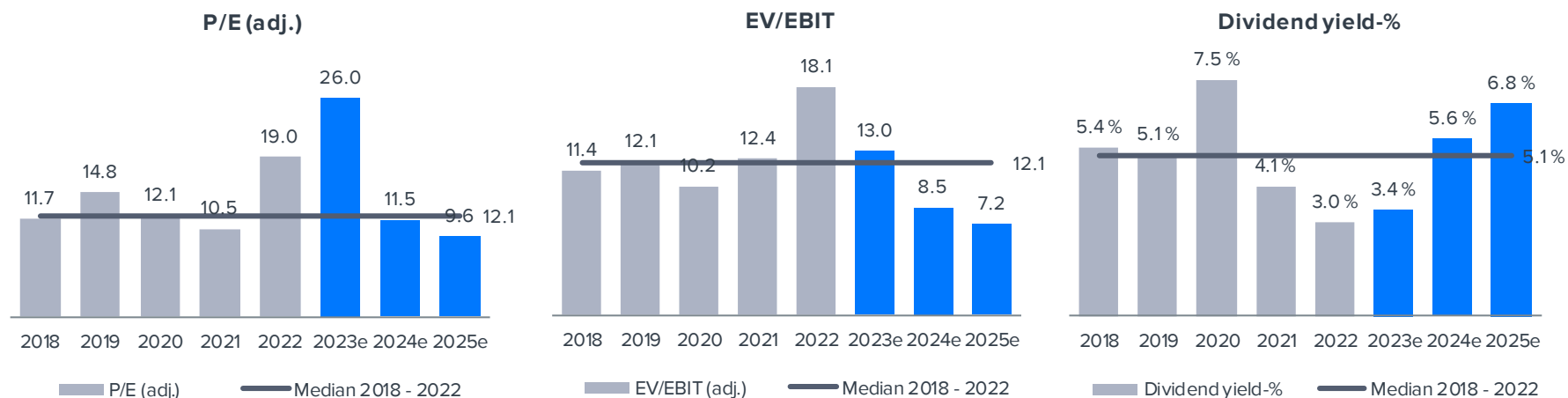
Valuation	2023e	2024e	2025e
Share price	4.44	4.44	4.44
Number of shares, millions	67.6	67.6	67.6
Market cap	300	300	300
EV	456	410	387
P/E (adj.)	26.0	11.5	9.6
P/E	18.8	11.5	9.6
P/B	0.6	0.6	0.6
P/S	0.4	0.4	0.4
EV/Sales	0.6	0.6	0.5
EV/EBITDA	6.2	5.0	4.5
EV/EBIT (adj.)	13.0	8.5	7.2
Payout ratio (%)	63%	65%	65%
Dividend yield-%	3.4 %	5.6 %	6.8 %

Source: Inderes

Valuation table

Valuation	2018	2019	2020	2021	2022	2023e	2024e	2025e	2026e
Share price	7.10	8.20	9.98	10.9	7.36	4.44	4.44	4.44	4.44
Number of shares, millions	36.1	36.1	36.1	46.6	67.6	67.6	67.6	67.6	67.6
Market cap	257	296	361	736	498	300	300	300	300
EV	304	325	357	864	778	456	410	387	361
P/E (adj.)	11.7	14.8	12.1	10.5	19.0	26.0	11.5	9.6	7.5
P/E	17.0	16.1	20.3	11.9	27.7	18.8	11.5	9.6	7.5
P/B	1.7	2.0	2.3	1.5	1.0	0.6	0.6	0.6	0.6
P/S	0.7	0.8	1.1	1.1	0.7	0.4	0.4	0.4	0.4
EV/Sales	0.9	0.9	1.0	1.3	1.1	0.6	0.6	0.5	0.5
EV/EBITDA	8.9	7.6	8.9	9.1	11.5	6.2	5.0	4.5	4.0
EV/EBIT (adj.)	11.4	12.1	10.2	12.4	18.1	13.0	8.5	7.2	6.1
Payout ratio (%)	91.3 %	82.6 %	152.7 %	71.2 %	82.9 %	63.5 %	64.8 %	64.9 %	70.0 %
Dividend yield-%	5.4 %	5.1 %	7.5 %	4.1 %	3.0 %	3.4 %	5.6 %	6.8 %	9.3 %

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	2023e	2024e	2023e	2024e	2023e	2024e	2023e	2024e	2023e	2024e	2023e
Brown-Forman	29314	31779	28.9	24.9	26.3	23.2	8.1	7.6	38.9	31.9	1.2	1.3	10.0
Davide Campari Milano	14079	15662	25.1	22.0	21.5	19.0	5.3	5.0	33.1	28.3	0.6	0.6	4.7
Diageo	82918	102408	16.5	16.6	15.0	15.0	5.1	5.2	19.3	19.2	2.6	2.6	8.5
Pernod-Ricard	45784	56086	16.1	16.0	14.3	14.2	4.6	4.5	19.1	19.0	2.6	2.7	2.8
Remy-Cointreau	7257	7708	18.1	18.6	16.3	16.7	5.0	5.2	25.1	26.3	1.6	1.7	4.2
Constellation Brands	44075	55736	20.4	18.6	17.6	16.2	6.3	5.9	24.4	22.0	1.2	1.4	4.9
Olvi	653	628	10.3	8.5	7.5	6.4	1.0	0.9	16.6	11.3	4.0	4.3	2.2
Royal Unibrew	3950	4592	20.1	17.1	15.3	13.3	2.6	2.4	24.0	20.0	2.4	2.7	5.2
Anora (Inderes)	300	456	13.0	8.5	6.2	5.0	0.6	0.6	26.0	11.5	3.4	5.6	0.6
Average			19.4	17.8	16.7	15.5	4.8	4.6	25.1	22.2	2.0	2.2	5.3
Median			19.1	17.9	15.8	15.6	5.1	5.1	24.2	21.0	2.0	2.2	4.8
Diff-% to median			-32%	-52%	-60%	-68%	-88%	-89%	8%	-45%	67%	158%	-87%

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
Revenue	665	133	166	182	222	703	160	183	173	208	723	726	744	758
Wine	303	53.2	70.4	85.1	108	317	73.3	81.6	78.0	95.0	328	341	351	358
Spirits	225	44.9	59.5	57.1	72.3	234	48.9	58.4	57.2	75.0	240	238	243	248
Industrial	255	60.8	67.5	78.5	78.7	286	67.5	70.3	71.0	70.0	279	270	276	281
Group and eliminations	-117.5	-25.5	-31.6	-38.8	-37.2	-133.2	-30.2	-27.6	-33.2	-32.0	-123	-124	-127	-129
EBITDA	95.2	11.9	15.4	21.7	18.9	67.9	6.9	10.0	28.9	27.5	73.2	81.7	86.7	90.6
Depreciation	-31.2	-7.8	-7.8	-9.0	-8.6	-33.2	-8.6	-8.3	-8.4	-8.4	-33.7	-33.6	-33.1	-31.8
EBIT (excl. NRI)	69.8	5.2	11.2	14.3	12.3	42.9	-0.7	4.9	11.8	19.1	35.1	48.1	53.7	58.8
EBIT	64.0	4.1	7.6	12.8	10.3	34.7	-1.7	1.7	20.5	19.1	39.5	48.1	53.7	58.8
Wine (EBITDA)	39.5	3.1	4.6	9.0	6.9	23.5	1.2	-1.3	2.3	7.0	9.2	23.9	27.8	30.5
Spirits (EBITDA)	47.5	8.1	9.0	9.2	11.5	37.8	5.8	7.6	11.8	16.0	41.2	40.5	41.3	42.1
Industrial (EBITDA)	18.1	3.3	4.1	5.5	4.8	17.7	2.5	5.9	6.0	5.5	19.9	18.9	19.3	19.7
Group and eliminations	-4.0	-1.4	1.2	-0.4	-2.2	-2.8	-1.6	0.8	0.2	-1.0	-1.6	-1.6	-1.6	-1.7
Share of profits in assoc. compan.	1.6	0.9	0.0	-0.4	0.1	0.6	1.1	0.0	-0.2	0.3	1.2	1.0	1.0	1.5
Net financial items	-11.1	-2.4	-2.3	-2.9	-4.4	-11.9	-5.3	-6.3	-5.8	-4.5	-21.9	-16.0	-15.0	-10.0
PTP	54.5	2.6	5.4	9.5	5.9	23.4	-5.9	-4.7	14.5	14.9	18.8	33.1	39.7	50.3
Taxes	-11.4	-0.6	-1.0	-1.5	-2.2	-5.3	0.3	0.6	-0.4	-3.0	-2.5	-6.7	-8.1	-10.3
Minority interest	-0.4	-0.1	0.0	0.0	-0.1	-0.2	0.0	0.0	0.0	-0.1	-0.1	-0.3	-0.3	-0.3
Net earnings	42.7	1.9	4.4	8.0	3.6	17.9	-5.6	-4.1	14.1	11.8	16.2	26.1	31.2	39.8
EPS (adj.)	1.04	0.04	0.12	0.14	0.08	0.39	-0.07	-0.01	0.08	0.17	0.17	0.39	0.46	0.59
EPS (rep.)	0.92	0.03	0.06	0.12	0.05	0.27	-0.08	-0.06	0.21	0.17	0.24	0.39	0.46	0.59
Key figures	2021	Q1'22	Q2'22	Q3'22	Q4'22	2022	Q1'23	Q2'23	Q3'23	Q4'23e	2023e	2024e	2025e	2026e
Revenue growth-%	94.2 %	-0.5 %	3.5 %	10.1 %	7.8 %	5.7 %	19.5 %	10.3 %	-4.9 %	-6.1 %	2.9 %	0.3 %	2.5 %	2.0 %
Adjusted EBIT growth-%	99.3 %	-41.1 %	-28.9 %	-36.0 %	-46.5 %	-38.5 %	-112.5 %	-56.8 %	-17.7 %	55.8 %	-18.4 %	37.3 %	11.5 %	9.6 %
EBITDA-%	14.3 %	8.9 %	9.3 %	11.9 %	8.5 %	9.7 %	4.3 %	5.4 %	16.7 %	13.2 %	10.1 %	11.3 %	11.7 %	11.9 %
Adjusted EBIT-%	10.5 %	3.9 %	6.8 %	7.8 %	5.5 %	6.1 %	-0.4 %	2.7 %	6.8 %	9.2 %	4.8 %	6.6 %	7.2 %	7.8 %
Net earnings-%	6.4 %	1.4 %	2.6 %	4.4 %	1.6 %	2.6 %	-3.5 %	-2.2 %	8.1 %	5.7 %	2.2 %	3.6 %	4.2 %	5.2 %

Source: Inderes

Balance sheet

Assets	2021	2022	2023e	2024e	2025e
Non-current assets	692	772	753	745	738
Goodwill	278	311	311	311	311
Intangible assets	197	226	226	226	226
Tangible assets	197	214	192	184	177
Associated companies	16.3	20.7	20.7	20.7	20.7
Other investments	0.7	0.7	1.0	1.0	1.0
Other non-current assets	0.1	0.0	0.0	0.0	0.0
Deferred tax assets	3.1	0.6	3.0	3.0	3.0
Current assets	542	529	460	500	430
Inventories	140	186	166	160	164
Other current assets	0.2	4.1	4.1	4.1	4.1
Receivables	233	248	145	145	149
Cash and equivalents	169	91.4	145	191	114
Balance sheet total	1233	1301	1213	1245	1168

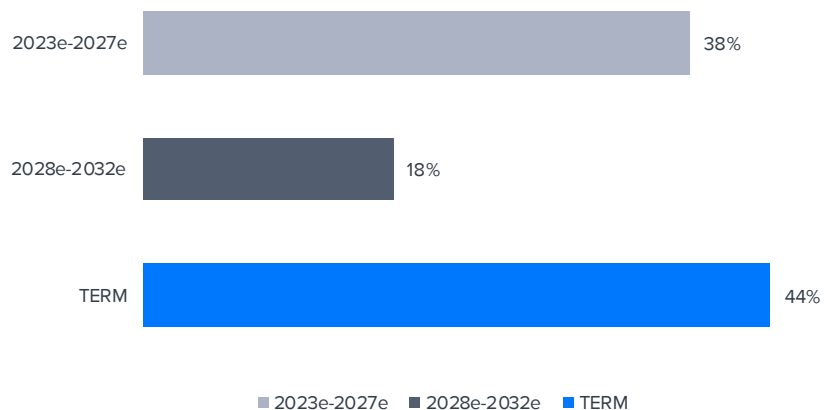
Source: Inderes

Liabilities & equity	2021	2022	2023e	2024e	2025e
Equity	508	482	483	499	514
Share capital	61.5	61.5	61.5	61.5	61.5
Retained earnings	122	111	112	128	142
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	0.0	0.0	0.0	0.0	0.0
Other equity	324	309	309	309	309
Minorities	0.9	0.9	1.1	1.3	1.5
Non-current liabilities	310	409	360	360	260
Deferred tax liabilities	48.4	57.3	57.3	57.3	57.3
Provisions	3.0	2.7	2.7	2.7	2.7
Interest bearing debt	257	348	300	300	200
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	1.7	0.6	0.0	0.0	0.0
Current liabilities	415	411	370	386	395
Interest bearing debt	38.1	43.9	20.0	20.0	20.0
Payables	374	364	347	363	372
Other current liabilities	2.8	2.8	2.8	2.8	2.8
Balance sheet total	1233	1301	1213	1245	1168

DCF calculation

DCF model	2022	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	TERM
Revenue growth-%	5.7 %	2.9 %	0.3 %	2.5 %	2.0 %	1.0 %	1.0 %	1.0 %	1.0 %	1.0 %	1.0 %	1.0 %
EBIT-%	4.9 %	5.5 %	6.6 %	7.2 %	7.8 %	6.8 %	6.8 %	6.8 %	6.8 %	6.8 %	6.8 %	6.8 %
EBIT (operating profit)	34.7	39.5	48.1	53.7	58.8	52.1	52.6	53.1	53.7	54.2	54.7	
+ Depreciation	33.2	33.6	33.6	33.1	31.8	30.9	30.2	29.7	29.4	22.7	23.0	
- Paid taxes	6.1	-4.9	-6.7	-8.1	-10.3	-9.2	-9.3	-9.4	-9.5	-9.7	-8.7	
- Tax, financial expenses	-4.1	-3.8	-4.4	-4.2	-3.2	-2.8	-2.8	-2.8	-2.8	-2.8	-2.8	
+ Tax, financial income	1.3	0.7	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	0.0	
- Change in working capital	-75.4	106	21.9	1.4	1.2	0.6	0.6	0.6	0.6	0.6	0.6	
Operating cash flow	-4.1	171	93.5	76.9	79.5	72.6	72.4	72.3	72.5	66.2	66.8	
+ Change in other long-term liabilities	-1.4	-0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-111.7	-12.3	-25.5	-26.0	-26.5	-27.1	-27.6	-28.2	7.8	-24.0	-17.1	
Free operating cash flow	-117.2	158	68.0	50.9	52.9	45.6	44.7	44.2	80.3	42.2	49.7	
+/- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	-117.2	158	68.0	50.9	52.9	45.6	44.7	44.2	80.3	42.2	49.7	758
Discounted FCFF		156	62.5	43.5	42.0	33.6	30.7	28.1	47.5	23.2	25.4	387
Sum of FCFF present value		880	723	661	617	575	542	511	483	435	412	387
Enterprise value DCF		880										
- Interest bearing debt		-517										
+ Cash and cash equivalents		91.4										
-Minorities		-0.7										
-Dividend/capital return		-14.9										
Equity value DCF		458										
Equity value DCF per share		6.8										

Cash flow distribution



WACC

Tax-% (WACC)	22.0 %
Target debt ratio (D/(D+E))	10.0 %
Cost of debt	5.5 %
Equity Beta	1.00
Market risk premium	4.75%
Liquidity premium	0.75%
Risk free interest rate	2.5 %
Cost of equity	8.0 %
Weighted average cost of capital (WACC)	7.6 %

Source: Inderes

Summary

Income statement	2020	2021	2022	2023e	2024e	Per share data	2020	2021	2022	2023e	2024e
Revenue	342.4	665.0	702.7	723.3	725.7	EPS (reported)	0.49	0.92	0.27	0.24	0.39
EBITDA	40.3	95.2	67.9	73.1	81.7	EPS (adj.)	0.83	1.04	0.39	0.17	0.39
EBIT	22.9	64.0	34.7	39.5	48.1	OCF / share	1.77	2.21	-0.06	2.53	1.38
PTP	21.3	54.5	23.4	18.7	33.1	FCF / share	1.43	-9.11	-1.73	2.34	1.01
Net Income	17.8	42.7	17.9	16.0	26.1	Book value / share	4.32	10.88	7.11	7.13	7.36
Extraordinary items	-12.1	-5.8	-8.2	4.5	0.0	Dividend / share	0.75	0.45	0.22	0.15	0.25
Balance sheet	2020	2021	2022	2023e	2024e	Growth and profitability	2020	2021	2022	2023e	2024e
Balance sheet total	455.5	1233.3	1301.3	1212.9	1244.7	Revenue growth-%	-5%	94%	6%	3%	0%
Equity capital	156.3	507.9	481.6	482.9	499.1	EBITDA growth-%	-6%	136%	-29%	8%	12%
Goodwill	81.4	277.8	310.5	310.5	310.5	EBIT (adj.) growth-%	31%	99%	-38%	-18%	37%
Net debt	-3.8	126.1	300.9	175.4	129.3	EPS (adj.) growth-%	49%	26%	-63%	-56%	126%
Cash flow	2020	2021	2022	2023e	2024e	EBITDA-%	11.8 %	14.3 %	9.7 %	10.1 %	11.3 %
EBITDA	40.3	95.2	67.9	73.1	81.7	EBIT (adj.)-%	10.2 %	10.5 %	6.1 %	4.8 %	6.6 %
Change in working capital	24.2	-10.8	-75.4	105.8	21.9	EBIT-%	6.7 %	9.6 %	4.9 %	5.5 %	6.6 %
Operating cash flow	64.0	102.9	-4.1	170.9	93.5	ROE-%	11.5 %	12.9 %	3.6 %	3.3 %	5.3 %
CAPEX	-12.0	-530.9	-111.7	-12.3	-25.5	ROI-%	9.2 %	12.1 %	4.9 %	5.4 %	6.7 %
Free cash flow	51.7	-424.4	-117.2	158.0	68.0	Equity ratio	34.3 %	41.2 %	37.0 %	39.8 %	40.1 %
						Gearing	-2.4 %	24.8 %	62.5 %	36.3 %	25.9 %
Valuation multiples	2020	2021	2022	2023e	2024e						
EV/S	1.0	1.3	1.1	0.6	0.6						
EV/EBITDA (adj.)	8.9	9.1	11.5	6.2	5.0						
EV/EBIT (adj.)	10.2	12.4	18.1	13.0	8.5						
P/E (adj.)	12.1	10.5	19.0	26.0	11.5						
P/B	2.3	1.5	1.0	0.6	0.6						
Dividend-%	7.5 %	4.1 %	3.0 %	3.4 %	5.6 %						

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
9/27/2022	Reduce	7.50 €	7.05 €
11/24/2022	Reduce	7.50 €	7.40 €
3/1/2023	Reduce	6.80 €	6.45 €
3/29/2023	Accumulate	6.20 €	5.19 €
5/12/2023	Accumulate	6.20 €	5.26 €
7/26/2023	Accumulate	5.50 €	4.80 €
8/16/2023	Accumulate	4.70 €	4.30 €
8/28/2023	Accumulate	5.00 €	4.46 €
9/7/2023	Buy	5.50 €	4.74 €
11/10/2023	Buy	5.50 €	4.44 €

Connecting investors and companies

Inderes connects investors and listed companies. We help over 400 Nordic listed companies to better serve their shareholders. Our community is home to over 70 000 active investors. Our social objective is to democratize information in the financial markets.

We build solutions for listed companies that enable seamless and effective investor relations. Majority of our revenue comes from services to listed companies, including Commissioned Research, Virtual Events, AGM services, and IR technology and consultation.

Inderes is listed on 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

**Research belongs
to everyone.**