Stockmann

Company report

05/01/2023 18:01

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Inderes corporate customer

This report is a summary translation of the report "Lindex jatkaa vahvaa suorittamista" published on 5/2/2023 at 8:35 am

Lindex continues to perform strongly

Stockmann's Q1 result was better than expected and outperformed the comparison period, mainly due to strong margin development in Lindex. The company reiterated its guidance, but we raised our estimates to the top of the range with the good start to the year. We still feel the company is modestly valued given the possibility of value creation from the structural arrangements. We reiterate our Accumulate recommendation and raise our target price to EUR 2.35 (previous EUR 2.1) driven by the raised estimates.

The year began better than we expected and last year

Stockmann's Q1 revenue was in line with expectations, but Lindex's better than expected margin pushed earnings to the same level as in the comparison period and the Group's adjusted EBIT was EUR -2 million (Q1'22: -4 MEUR, Inderes: -9 MEUR). Despite the cost pressures, Lindex has been able to maintain its very good margin level and its rolling 12-month adjusted EBIT has stabilized at EUR 90 million in the latest quarters. The Stockmann division, on the other hand, generated a loss in line with expectations and last year (-7 MEUR). The company's cash flow was negative due to seasonality and investments, but gross cash still stood at around EUR 100 million at the end of Q1.

Guidance unchanged, but our estimate rose to the top end of the range

Stockmann repeated its guidance, i.e. it expects the full-year revenue to be EUR 960-1,020 million (2022: 980 MEUR) and adjusted EBIT EUR 60-80 million (2022: 80 MEUR). Driven by Lindex's strong profitability, we raised this year's earnings estimate to the top end of the range to EUR 80 million. We also raised our 2024-25 EPS estimates by 10-15%. Our estimate assumes that Lindex's margin level will weaken after 2023, so if the strong performance continues, there is still upside in the estimates.

No significant new information on the progress of the restructuring

The share's greater return potential in the medium term consists of a possible realization of the sum of the parts value in coming years, either through structural arrangements and/or better than expected performance in the Stockmann division. In our view, the restructuring process ending would be positive for the share, as it would enable, e.g., structural arrangements, dividend payment and making new financial arrangements. The company has reported that it aims to end the restructuring already this year, but considering several outstanding disputes in different courts, this would, require at least some of the disputes to be settled. That is what the company is aiming for. We find it more likely that the restructuring will end in 2024 and in the worst-case scenario even later.

Sufficient expected return considering possible structural arrangements in the medium term

Our estimate for Stockmann's 2023-24 P/E ratio adjusted for lease liabilities and cash is about 8x and EV/EBIT about 6x. Considering only the company's earnings and cash flow generation, these are, in our opinion, at the bottom end of the acceptable valuation multiple range. However, when assessing the company, one should also consider possible structural arrangements , which can be outlined through the sum of the parts, which we estimate to be EUR 3-4. Its release is more likely after the debt restructuring is completed. So we do not see this hidden value realizing in the near future but we consider it possible when looking 2-5 years down the road. 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

Accumulate

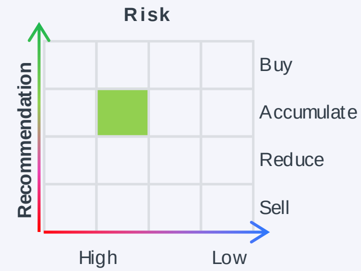
(previous Accumulate)

EUR 2.35

(previous EUR 2.10)

Share price:

2.11



Key figures

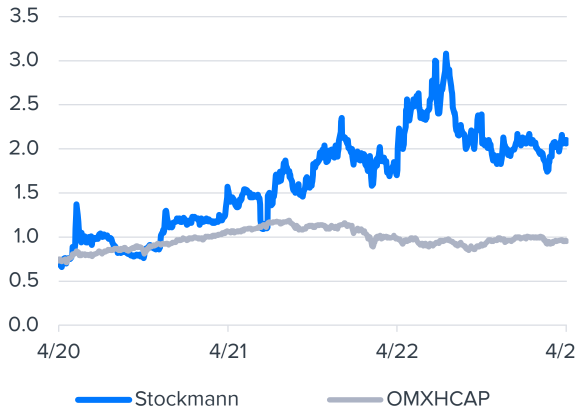
	2022	2023e	2024e	2025e
Revenue	982	981	975	995
growth-%	9%	0%	-1%	2%
EBIT adj.	80	80	68	72
EBIT-% adj.	8.1 %	8.1 %	7.0 %	7.2 %
Net Income	102	67	30	34
EPS (adj.)	0.32	0.23	0.18	0.20
P/E (adj.)	6.3	9.1	11.6	10.3
P/B	1.0	0.9	0.8	0.7
Dividend yield-%	0.0 %	0.0 %	0.0 %	3.9 %
EV/EBIT (adj.)	9.7	10.8	12.2	11.1
EV/EBITDA	3.0	4.7	4.6	4.3
EV/S	0.8	0.9	0.9	0.8

Source: Inderes

Guidance (Unchanged)

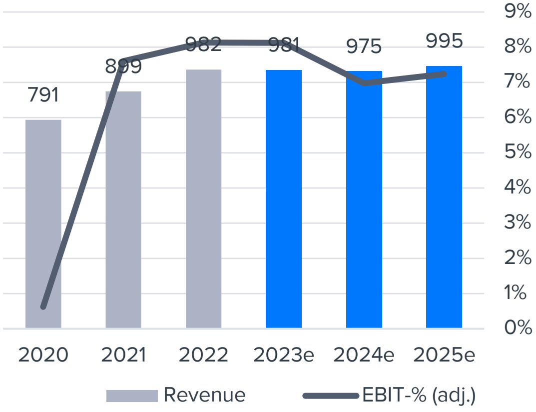
In 2023, Stockmann expects the Group's revenue to be in the range of EUR 960–1,020 million and the Group's adjusted operating result to be EUR 60–80 million, subject to foreign exchange rate fluctuation.

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	2.11	2.11	2.11
Number of shares, millions	160.5	165.0	165.0
Market cap	348	348	348
EV	862	830	799
P/E (adj.)	9.1	11.6	10.3
P/E	5.1	11.6	10.3
P/FCF	neg.	6.2	6.5
P/B	0.9	0.8	0.7
P/S	0.4	0.4	0.3
EV/Sales	0.9	0.9	0.8
EV/EBITDA	4.7	4.6	4.3
EV/EBIT (adj.)	10.8	12.2	11.1
Payout ratio (%)	0.0 %	0.0 %	40.0 %
Dividend yield-%	0.0 %	0.0 %	3.9 %

Source: Inderes

Strong result thanks to good margin from Lindex

Net sales in line with expectations, expected dispersion between divisions

Stockmann's net sales grew by 1%, almost in line with our estimate. As we assumed in our pre-comment, the development of the Stockmann division was strong (16% net sales growth), but Lindex's sales decreased by 6% due to weakened currencies and increased by 1% in local currencies. Reported figures followed Q1 market development as the Swedish clothing market grew by 1% and the clothing category of Finnish department stores and hypermarkets grew by 17%. Market development was still partly supported by the weak comparison period depressed by COVID, especially right at the beginning of the year. In Stockmann's case, net sales were also boosted by larger bargain sales than in the comparison period, related to destocking.

Lindex's result remained strong and was better than we expected

Despite net sales being lower than we expected and below the comparison figure, Lindex managed to maintain its earnings on par with the comparison period. Its sales margin improved slightly and was very good at 65%, while we expected a clear decrease. Lindex's fixed expenses were also lower than we expected and thus adjusted EBIT was EUR 5.6 million, while our estimate was zero. In the Stockmann division, the margin was weaker than we expected and, despite good net sales development, the adjusted EBIT was EUR -7 million, or on last year's level, when our estimate was EUR -8 million. Compared to last year, Stockmann division's result was affected by a weaker sales margin, increased depreciation due to the sale and leaseback of the Helsinki property, and Baltic COVID support in the comparison period.

Cash flow clearly negative

The clearly positive reported net result was due to the positive tax ruling received by Lindex in Sweden. This was in practice already known and it has no cash flow effect. Despite the negative cash flow caused by the seasonally weak result, committed working capital and investments, the company's cash assets were slightly over EUR 100 million at the end of Q1, but clearly down from the EUR 170 million level at the end of 2022. Net cash was around EUR 35 million.

No significant news on the progress of the restructuring

The result did not provide any significant news on the progress of Stockmann's restructuring or the strategy process. Negotiations on the settlement of disputed debts continue.

Estimates	Q1'22	Q1'23	Q1'23e	Q1'23e	Consensus		Difference (%)	2023e
MEUR / EUR	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. inderes	Inderes
Revenue	196	199	200	198			-1%	981
EBIT (adj.)	-3.7	-2.4	-8.5	-			-72%	79.6
EBIT	9.8	-2.9	-8.5	-8.0			-66%	79.1
EPS (adj.)	-0.05	-0.06	-0.08	-			-24%	0.23
EPS (reported)	0.02	0.13	-0.08	-0.07			-265%	0.41
Revenue growth-%	26.0 %	1.2 %	2.0 %	0.8 %			-0.8 pp	-0.1 %
EBIT-% (adj.)	-1.9 %	-1.2 %	-4.3 %				3 pp	8.1 %

Source: Inderes & Bloomberg, 3 analysts (consensus)

Estimates up driven by Lindex's good margin level

Full-year guidance was repeated

Stockmann repeated its guidance, i.e. it expects the full-year revenue to be EUR 960-1,020 million (2022: 980 MEUR) and adjusted EBIT EUR 60-80 million (2022: 80 MEUR). Q1 was better than last year, so in that sense the start was positive compared to the guidance. However, Q1 had many factors affecting comparability, such as the net sales that has recovered from COVID, COVID support disappearing and increased depreciation due to the sale of the Helsinki property. In all these respects, we believe that the end of the year will be better comparable to 2022 quarters. We note, however, that the abolition of COVID restrictions supported clothing sales in spring and summer 2022, so comparison figures may be relatively challenging at times.

Our estimate for this year is now EUR 80 million, or at the top of the guidance range.

We increased our margin estimates for Lindex

Despite rising costs and a more difficult market, we believe that Lindex's performance and profitability have held their own well. The 12-month rolling adjusted EBIT has been about EUR 90 million in the past three quarters and the gross margin has stabilized at 64%. These are better levels than our previous expectations. We have raised our estimates, especially for Lindex, and now believe that it will reach an adjusted EBIT of over EUR 85 million this year. We still expect the Stockmann division to generate a small loss at EBIT level. We also remind investors that a large share of rental costs is only reflected below EBIT in financial expenses.

For 2024-25, we maintain our assumption of a gross margin of some 63% for Lindex, which will result in its earnings falling to EUR 75 million. The estimates have, however, increased by 10-15% for EPS, mainly due to Lindex's lower fixed costs. If Lindex continues its good margin control seen in recent years and successfully introduces the new logistics center next year, there is still upside in our estimates. On the other hand, a tighter competitive situation and/or weaker products could potentially reduce the margin quickly.

Estimate revisions	2023e	2023e	Change	2024e	2024e	Change	2025e	2025e	Change
MEUR / EUR	Old	New	%	Old	New	%	Old	New	%
Revenue	980	981	0%	990	975	-2%	1005	995	-1%
EBITDA	173	183	6%	175	180	3%	179	184	3%
EBIT (exc. NRIs)	69	80	16%	63	68	8%	67	72	7%
EBIT	69	79	15%	63	68	8%	67	72	7%
PTP	39	49	28%	33	38	15%	38	43	13%
EPS (excl. NRIs)	0.19	0.23	23%	0.16	0.18	15%	0.18	0.20	13%
DPS	0.00	0.00		0.00	0.00		0.00	0.00	

Source: Inderes

Valuation and recommendation 1/3

Some challenges in valuation

We feel there are a few factors that make the valuation of Stockmann difficult. Firstly, a loss-making department store 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. We also feel that a sum of the parts approach is relevant for Stockmann but in its use one should note the timing of when the possible hidden value can realistically be released. We have also evaluated different scenarios in the sum of the parts calculations.

Valuation summary - Accumulate

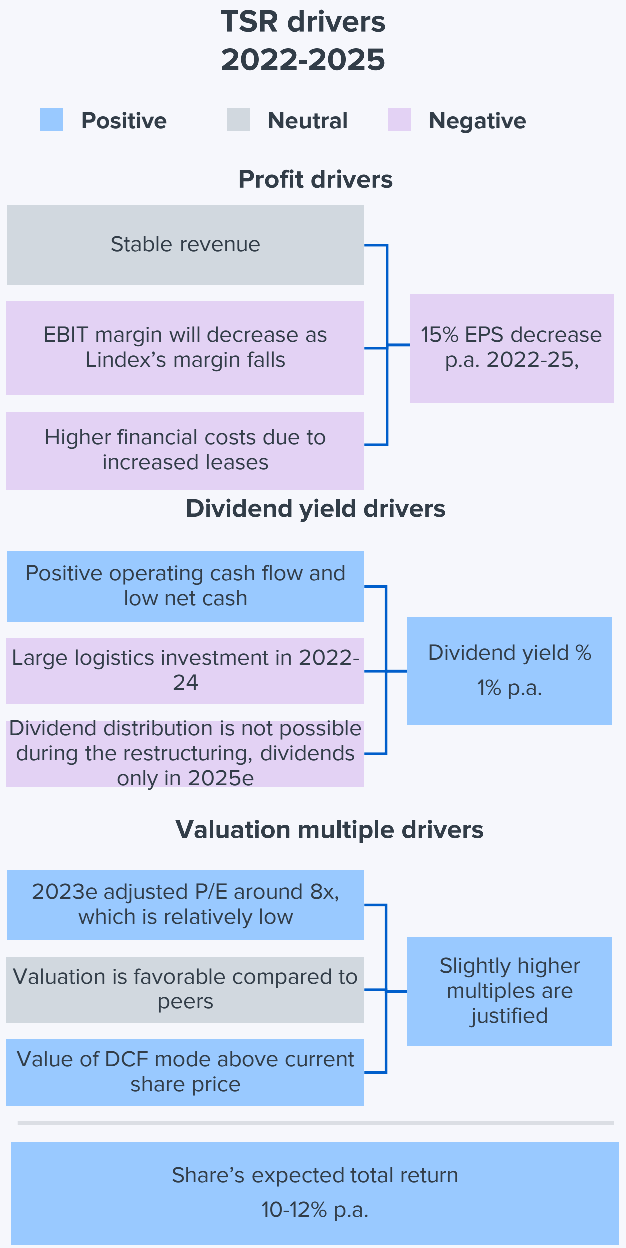
With the current performance level, we consider Stockmann's valuation interesting in terms of the risk/return ratio, given the potential of structural arrangements in the coming years. We consider the earnings-based valuation quite neutral as such and we only expect dividends in 2025 so its effect is minor.

The value indicated by the sum of the parts is well above the current share price. They, however, assume that the department stores will at some point turn cash-flow positive, which we still consider very uncertain and, in any case, years away. However, we see a realistic opportunity of the sum of the parts value realizing within 2-5-years, either through structural arrangements and/or a better-than-expected performance in the Stockmann division.

In the medium term, we expect Stockmann to reach 5-7% return on capital and 9-10% return on free cash flow. 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 necessarily sufficient to award a positive view of the share.

Earnings and cash flow multiples

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 8x and EV/EBIT (or in practice EV/PTP) 6x. For 2024, the figures are at the same level. We feel that these multiples are at the bottom end of the acceptable multiple range for Stockmann.



Source: Inderes

Valuation 2/3

We estimate Stockmann's sustainable free cash flow to be some EUR 30 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 9% 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.

Structural arrangements possible, but not our main scenario

As Stockmann consists of two clearly separate business operations and department stores generate a loss, we see sum of the parts as a useful way to determine the value of the company. Stockmann was selling Lindex in 2019-20, but the deal could not be completed before the COVID crisis. Investors should, however, note that since then Stockmann has sold its properties and during the restructuring program no significant structural arrangements can, in practice, be made. When the value of real estate and cash flow supported the department stores, separating Lindex would have been easier, while in the current situation we believe it is only possible/likely when department stores generate sufficiently good and sustainable positive earnings/cash flow. With our estimates, this situation is not on the horizon at least in the next few years. We therefore see that any (partial) sale of Lindex is only realistic on a longer horizon. Comments from the largest shareholder (a 15% stake jointly held by Konstsamfundet and JC Switzerland) also suggest that no structural measures are planned for Lindex in the short term. It is, however, also possible that a party might try to buy Stockmann as a whole and then create value by splitting it into parts.

Sum of the parts EUR 3.6 per share

Nevertheless, 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 8.5x (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 million, which we estimate to be the normalized earnings level, Lindex generates close on 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. Translated into a P/E ratio this means around 12x. This is close to the level of Nordic retail sector peers (10-15x for 2024), but well below the level of the larger global competitors H&M and Inditex of 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.

Sum of the parts calculation	Value, MEUR
Lindex	**625**
Department stores and other costs	**-100**
Total	**500**
Liabilities excl. lease liabilities	**-68**
Cash at the end pf 2024	**143**
Value of the share capital	**575**
Value / share	**3.6**

Valuation 3/3

We value department stores and group expenses, which we expect to have a negative impact on earnings and cash flow in the coming years, at a negative EUR 100 million. Most of this is the negative value of the department stores, while group expenses are only EUR 2-3 million per year.

This estimate also requires that the cash flow of department stores be at least zero in one way or another in 3-5 years, in order to stop negative cash flow. Currently, we expect the Stockmann division to generate a negative cash flow of EUR 20-30 million. The company's total EV would be EUR 525 million. We subtract the bond from this and consider the cash position at the end of 2024. We do this because the cash position at the end of 2024 considers the amount of disputed claims we assume to fall due and Lindex's large logistics investments in the next few years. As a result, the value of the share capital is EUR 600 million, or EUR 3.6 per share.

The potential relative to the current share price is considerable. If we look at this through the required return and assume that the investor would receive this EUR 3.5 in four years' time, the annual return would be about 15%. This could be further supported by dividend distribution after the restructuring, so the total return could reach 15-20 %. Even considering the uncertainty related to the value realizing (and naturally the value itself) the return potential is interesting relative to our required return of around 10%.

We do not consider this our main scenario, as we do not see the separation of Lindex as realistic with the development we estimate for the department stores. We believe Stockmann without Lindex would generate clearly negative cash flow and would therefore not be viable. We believe that the (partial) sale/listing of Lindex and using the received funds to cover the losses of the department stores would be a very risky move from the company's management, which we do not believe in either. In our view, possible value creation in the coming years is more likely to take place as the earnings levels of the department store business improve, thus reducing or eliminating the negative value currently attributed to it. Alternatively, someone could buy or at least try to buy the whole Stockmann, which would clarify the company's value if it was split.

Scenario of the sum-of-the-parts valuation

If the company were to find a buyer for its department store business (i.e. sell it off at zero price), the value of the company would only consist of Lindex and would be close to EUR 4. Therefore, structural arrangements clearly have the potential to create value in the company, especially if it can reduce/eliminate the negative impact of department stores on the value of the company.

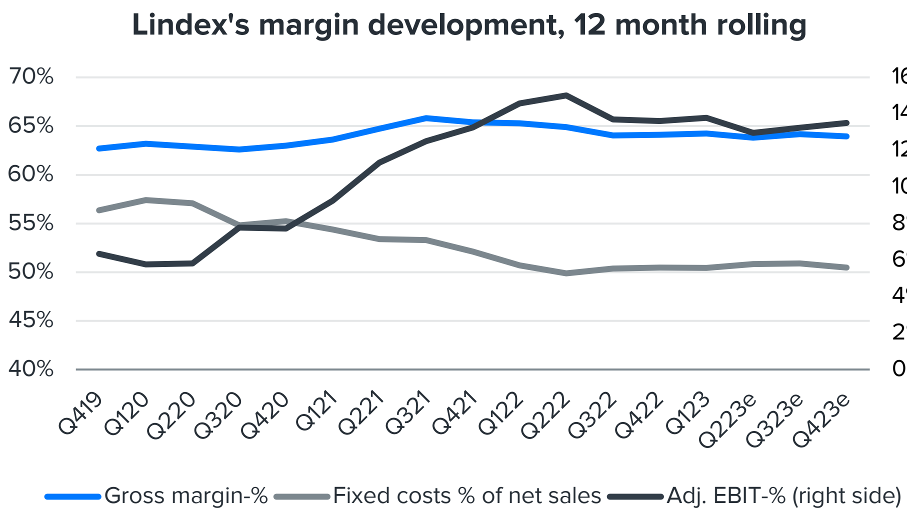
Probability weighted expected return

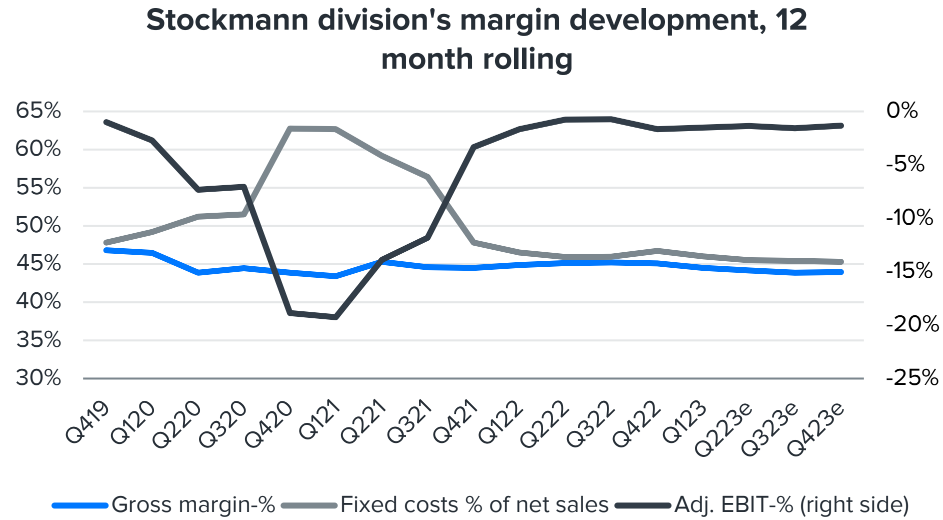
We expect that without structural arrangements, the share's expected return will be at the level of its sustainable free cash flow yield, i.e. 9-10%. If we assume that the probability of the EUR 3.5 sum of the parts value realizing is, e.g., 20% within 4 years (and the remaining 80% for the 9-10% return) the expected return rises to 10-12%.

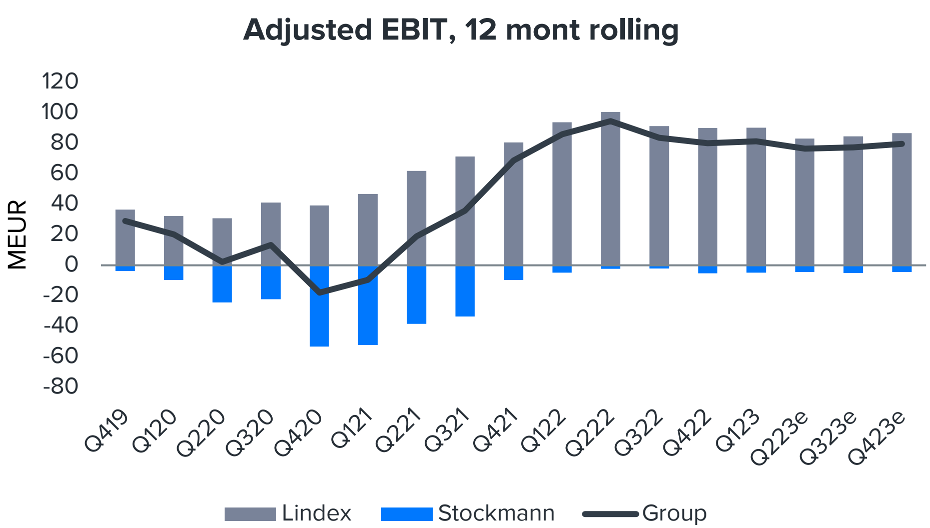
Valuation	2023e	2024e	2025e
Share price	2.11	2.11	2.11
Number of shares, millions	160.5	165.0	165.0
Market cap	348	348	348
EV	862	830	799
P/E (adj.)	9.1	11.6	10.3
P/E	5.1	11.6	10.3
P/FCF	neg.	6.2	6.5
P/B	0.9	0.8	0.7
P/S	0.4	0.4	0.3
EV/Sales	0.9	0.9	0.8
EV/EBITDA	4.7	4.6	4.3
EV/EBIT (adj.)	10.8	12.2	11.1
Payout ratio (%)	0.0 %	0.0 %	40.0 %
Dividend yield-%	0.0 %	0.0 %	3.9 %

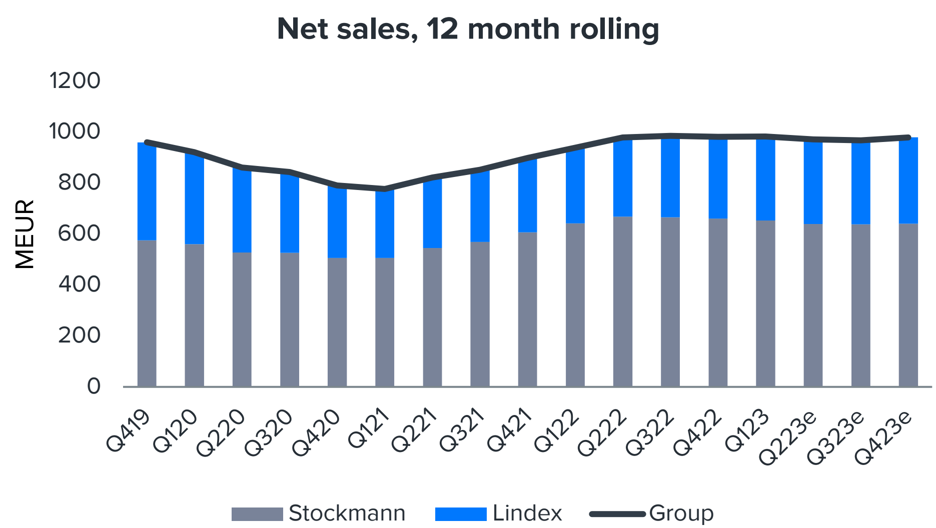
Source: Inderes

Earnings development as graphs

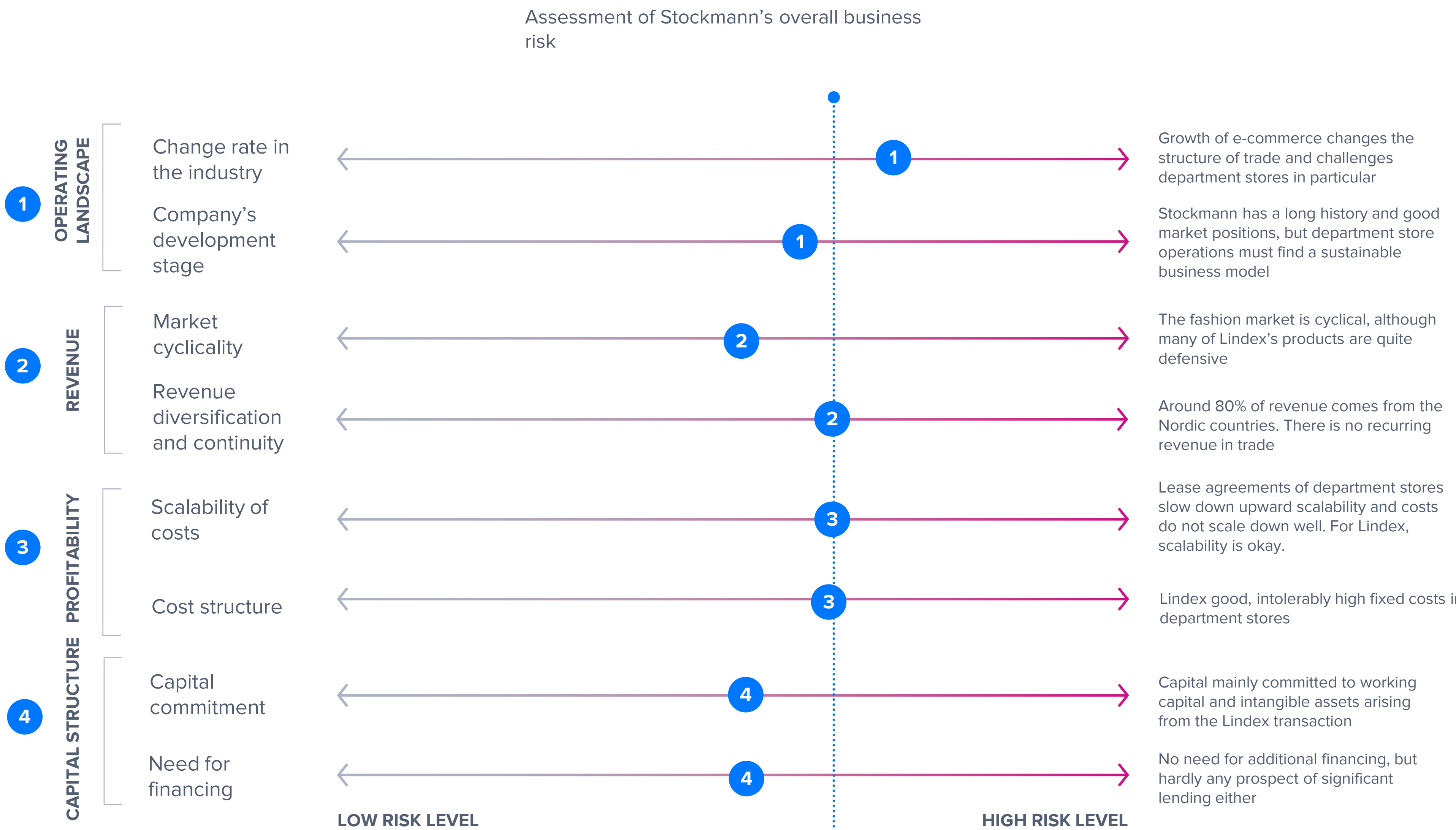








Risk profile of the business model



Source: Inderes

Investment profile

1. Lindex performance is good
2. Lindex can generate low risk and value-creating growth
3. Balance sheet net cash positive, excluding lease liabilities
4. Turning department stores cash flow positive seems difficult
5. Department stores destroy value
6. Selling / listing of Lindex could create value, but it is not possible in the next few years

Potential

- **Turnaround in department stores:** If Stockmann can turn the sales/square meter of department stores clearly up, department stores can generate a positive result, which we believe would be of great importance to the company's value and image
- **Lindex geographical expansion/better profitability than expected:** Lindex aims to grow internationally, however, mainly through third-party online stores and the franchising model. This still has significant potential for Lindex that is highly Nordic. Lindex's earnings remaining at the current level would also be clearly positive for the share
- **Selling/separation of Lindex from the company:** During the restructuring program, the company cannot sell Lindex. However, if the department stores can be turned to sustainably generate positive earnings and cash flow, we believe that this is possible in the medium term. We believe, however, that its importance for Stockmann's value decreases if the department stores are also able to achieve positive performance.
- **Dividend distribution:** During the restructuring program, the company cannot distribute dividends. However, the company is net debt-free, so it should be able to distribute dividends when the restructuring is over.

Risks

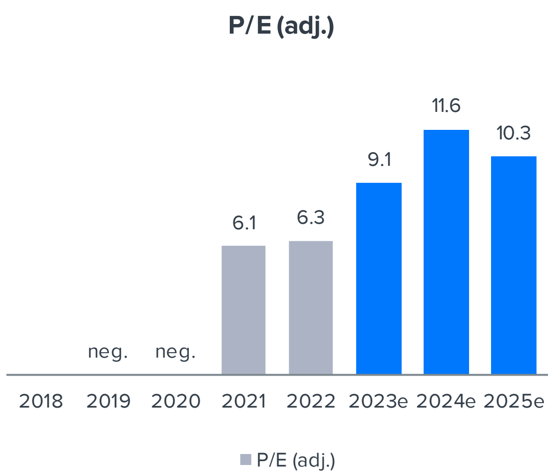
- **The decline in consumer purchasing power and cost inflation are clear risks for short-term earnings and create cyclicality in general**
- **New crisis in department stores:** If the sales of department stores fall further, the loss spiral can deepen. There are limited ways of remedy this quickly.
- **Product range/collection failure:** Lindex failed with its collection in 2017, which resulted in staggering earnings drop. A similar event would put the company in a tight spot, especially if the department stores are loss-making.
- **Financing risk:** Since Stockmann has sold its real estate, we believe it is more difficult to obtain financing. Thus, offsetting potential negative cash flow with debt financing is not possible at least for very long.

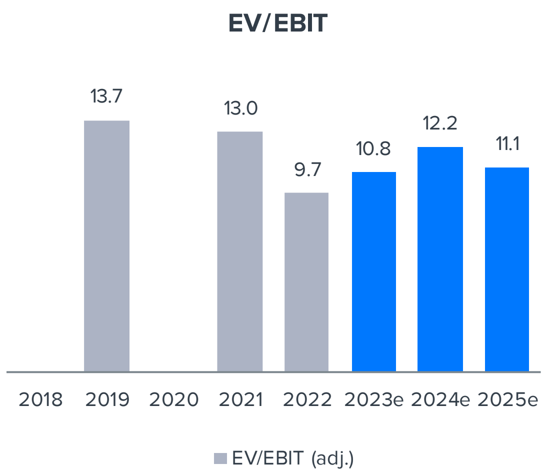
Source: Inderes

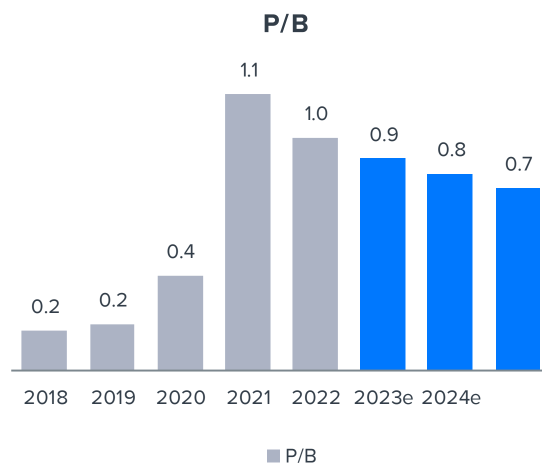
Valuation table

Valuation	2018	2019	2020	2021	2022	2023e	2024e	2025e	2026e
Share price	2.00	2.26	1.14	1.96	2.05	**2.11**	**2.11**	**2.11**	**2.11**
Number of shares, millions	72.0	72.0	72.0	114.0	155.2	**160.5**	**165.0**	**165.0**	**165.0**
Market cap	141	155	80	303	320	**348**	**348**	**348**	**348**
EV	685	542		889	774	**862**	**830**	**799**	**781**
P/E (adj.)		neg.	neg.	6.1	6.3	**9.1**	**11.6**	**10.3**	**10.1**
P/E		neg.	neg.	4.7	3.1	**5.1**	**11.6**	**10.3**	**10.1**
P/FCF	0.3	0.8	0.8	2.3	1.1	**neg.**	**6.2**	**6.5**	**6.4**
P/B	0.2	0.2	0.4	1.1	1.0	**0.9**	**0.8**	**0.7**	**0.7**
P/S	>100	0.2	0.1	0.3	0.3	**0.4**	**0.4**	**0.3**	**0.4**
EV/Sales	>100	0.6		1.0	0.8	**0.9**	**0.9**	**0.8**	**0.8**
EV/EBITDA		22.5		4.8	3.0	**4.7**	**4.6**	**4.3**	**4.2**
EV/EBIT (adj.)		13.7		13.0	9.7	**10.8**	**12.2**	**11.1**	**10.9**
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 %**	**3.9 %**	**4.9 %**

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**
Stockmann	322	776	11.3	11.9	4.5	4.4	0.8	0.8	10.9	12.9			0.9
H & M	21866	26266	23	17	9	8	1	1	27.5	19.2	4.3	4.6	5.0
Fast Retailing	68478	65242	30.2	22.9	17.6	15.8	3.6	3.3	41.1	35.8	0.8	0.9	5.7
Inditex	96585	91972	16.9	15.4	10.9	10.3	2.9	2.7	23.5	21.1	3.7	4.1	5.8
Tokmanni	786	1169	12.6	11.4	6.9	6.4	1.0	0.9	12.3	10.8	5.9	6.5	3.0
Puuilo	593	690	14.4	13.4	11.3	10.4	2.3	2.1	16.6	15.7	4.7	5.2	7.4
Kesko	8278	10382	14.0	13.6	8.4	8.1	0.9	0.8	15.2	14.8	5.2	5.3	2.9
Clas Ohlson	450	593	20.9	11.6	5.7	5.0	0.8	0.7	28.8	12.2	6.1	7.3	3.1
Stockmann (Inderes)	**348**	**862**	**10.8**	**12.2**	**4.7**	**4.6**	**0.9**	**0.9**	**9.1**	**11.6**	**0.0**	**0.0**	**0.9**
Average			**17**	**14**	**9**	**8**	**2**	**2**	**21.0**	**17.3**	**4.4**	**4.8**	**4.1**
Median			**14.4**	**13.4**	**8.4**	**7.8**	**1.2**	**1.2**	**16.6**	**14.8**	**4.5**	**4.9**	**3.6**
Diff-% to median			***-25%***	***-9%***	***-44%***	***-41%***	***-29%***	***-29%***	***-46%***	***-22%***	***-100%***	***-100%***	***-76%***

Source: Refinitiv / Inderes

Income statement

Income statement	2021	Q1'22	Q2'22	Q3'22	Q4'22	2022	Q1'23	Q2'23e	Q3'23e	Q4'23e	2023e	2024e	2025e	2026e
Revenue	**899**	**196**	**269**	**244**	**273**	**982**	**199**	**257**	**240**	**285**	**981**	**975**	**995**	**993**
Lindex	607	134	188	167	172	661	127	175	165	175	642	655	675	689
Stockmann	292	62	81	77	100	321	72	82	75	110	339	320	320	304
EBITDA	**185**	**35.5**	**141**	**31.9**	**49.3**	**258**	**22.7**	**56.5**	**49.0**	**54.5**	**183**	**180**	**184**	**184**
Depreciation	-103	-25.7	-26.9	-25.9	-24.7	-103	-25.6	-26.0	-26.0	-26.0	-104	-112	-112	-112
EBIT (excl. NRI)	**68.3**	**-3.7**	**35.4**	**22.0**	**26.1**	**80**	**-2.4**	**30.5**	**23.0**	**28.5**	**80**	**68**	**72**	**72**
EBIT	**82.1**	**9.8**	**115**	**6.0**	**24.6**	**155**	**-2.9**	**30.5**	**23.0**	**28.5**	**79**	**68**	**72**	**72**
Lindex	80	5.5	39.0	22.5	23.0	90	5.6	32.0	24.0	25.0	87	75	75	75
Stockmann	-10	-7.3	-1.5	0.1	3.3	-5	-7.0	-1.0	-0.5	4.0	-4.5	-4.0	0.0	0.0
Unallocated	-2.1	-2.0	-2.0	-0.6	-0.2	-4.8	-1.0	-0.5	-0.5	-0.5	-2.5	-3.0	-3.0	-3.0
Net financial items	-17	-5.4	-6.5	-7.3	-6.5	-26	-7.3	-7.5	-7.5	-7.5	-30	-30	-29	-29
PTP	**65**	**4.4**	**108**	**-1.3**	**18.1**	**129**	**-10.2**	**23.0**	**15.5**	**21.0**	**49**	**38**	**43**	**44**
Taxes	-17.3	-1.6	-27.4	2.0	-0.5	-27.5	29.7	-4.8	-3.3	-4.4	17.2	-8.0	-9.0	-9.1
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net earnings	**48**	**2.8**	**80.6**	**0.7**	**17.6**	**102**	**19.5**	**18.2**	**12.2**	**16.6**	**67**	**30**	**34**	**34**
EPS (adj.)	**0.32**	**-0.05**	**0.12**	**0.13**	**0.12**	**0.32**	**-0.06**	**0.11**	**0.08**	**0.10**	**0.23**	**0.18**	**0.20**	**0.21**
EPS (rep.)	**0.42**	**0.02**	**0.52**	**0.00**	**0.11**	**0.66**	**0.12**	**0.11**	**0.08**	**0.10**	**0.41**	**0.18**	**0.20**	**0.21**

Key figures	2021	Q1'22	Q2'22	Q3'22	Q4'22	2022	Q1'23	Q2'23e	Q3'23e	Q4'23e	2023e	2024e	2025e	2026e
Revenue growth-%	13.7 %	26.0 %	17.9 %	2.6 %	-1.8 %	9.2 %	1.2 %	-4.4 %	-1.7 %	4.5 %	-0.1 %	-0.6 %	2.1 %	-0.3 %
Adjusted EBIT growth-%	1293.9 %	-82.3 %	32.2 %	-33.1 %	-12.1 %	16.8 %	-35.7 %	-13.9 %	4.5 %	9.2 %	-0.3 %	-14.6 %	5.9 %	0.0 %
EBITDA-%	20.6 %	18.1 %	52.6 %	13.1 %	18.1 %	26.3 %	11.4 %	22.0 %	20.4 %	19.1 %	18.6 %	18.5 %	18.5 %	18.5 %
Adjusted EBIT-%	7.6 %	-1.9 %	13.2 %	9.0 %	9.6 %	8.1 %	-1.2 %	11.9 %	9.6 %	10.0 %	8.1 %	7.0 %	7.2 %	7.3 %
Net earnings-%	5.3 %	1.4 %	30.0 %	0.3 %	6.4 %	10.4 %	9.8 %	7.1 %	5.1 %	5.8 %	6.8 %	3.1 %	3.4 %	3.5 %

Source: Inderes

Balance sheet

Assets	2021	2022	2023e	2024e	2025e
Non-current assets	**1002**	**890**	**947**	**950**	**952**
Goodwill	272	251	251	251	251
Intangible assets	120	114	114	114	114
Tangible assets	583	498	555	558	560
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
Current assets	**414**	**385**	**332**	**358**	**393**
Inventories	155	174	172	166	169
Other current assets	0.0	0.0	0.0	0.0	0.0
Receivables	45.7	43.2	49.0	48.8	49.8
Cash and equivalents	214	168	111	143	174
Balance sheet total	**1416**	**1276**	**1279**	**1307**	**1345**

Source: Inderes

Liabilities & equity	2021	2022	2023e	2024e	2025e
Equity	**268**	**336**	**402**	**432**	**466**
Share capital	77.6	77.6	77.6	77.6	77.6
Retained earnings	103	205	271	301	335
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
Non-current liabilities	**409**	**586**	**590**	**590**	**590**
Deferred tax liabilities	40.6	40.3	40.3	40.3	40.3
Provisions	0.0	0.0	0.0	0.0	0.0
Long term 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
Current liabilities	**740**	**361**	**286**	**285**	**289**
Short term debt	470	77.3	75.0	75.0	75.0
Payables	223	179	191	190	194
Other current liabilities	46.4	105	20.0	20.0	20.0
Balance sheet total	**1416**	**1283**	**1279**	**1307**	**1345**

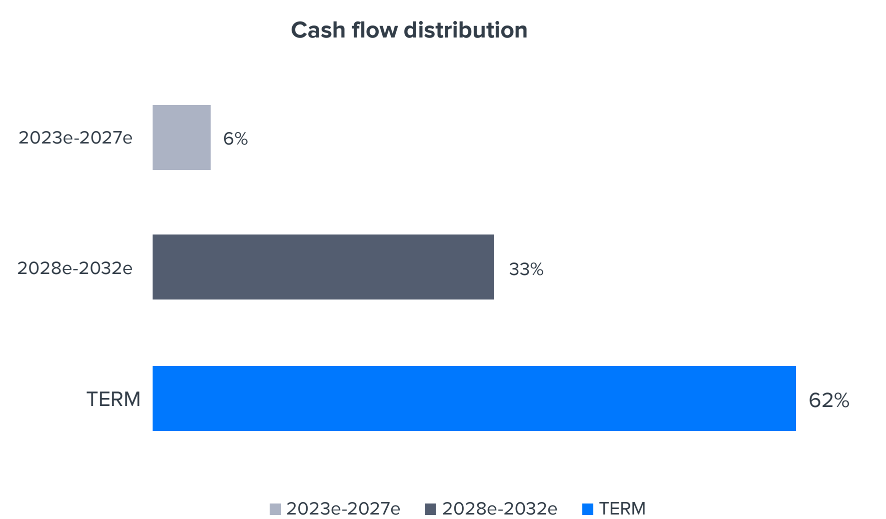
DCF calculation

DCF model	2022	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	TERM
Revenue growth-%	9.2 %	-0.1 %	-0.6 %	2.1 %	-0.3 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	1.0 %	1.0 %
EBIT-%	15.8 %	8.1 %	7.0 %	7.2 %	7.3 %	7.0 %	7.0 %	7.0 %	7.0 %	8.5 %	8.5 %	8.5 %
EBIT (operating profit)	**155**	**79**	**68**	**72**	**72**	**69**	**69**	**69**	**69**	**84**	**85**	
+ Depreciation	28	24	32	32	32	32	32	32	32	31	31	
- Paid taxes	-28	-13	-8	-9	-9	-9	-9	-9	-9	-13	-13	
- Tax, financial expenses	-5	-6	-6	-6	-6	-6	-6	-6	-5	-5	-5	
+ Tax, financial income	0	0	0	0	0	0	0	0	0	0	0	
- Change in working capital	-2	-76	5	-1	0	0	0	0	0	0	0	
Operating cash flow	**147**	**8**	**91**	**88**	**89**	**87**	**87**	**87**	**87**	**98**	**99**	
+ Change in other long-term liabilities	-49	-1	0	0	0	0	0	0	0	0	0	
- Gross CAPEX	9	-75	-30	-30	-30	-30	-30	-30	-27	-26	-37	
Free operating cash flow	**107**	**-68**	**61**	**58**	**59**	**57**	**57**	**57**	**60**	**72**	**62**	
+/- Other	100	-21	-26	-26	-26	-26	-27	-27	-27	-27	-27	
FCFF	207	-89	35	32	33	31	30	30	33	45	35	392
Discounted FCFF		**-92**	**33**	**28**	**26**	**22**	**20**	**18**	**18**	**22**	**15**	**173**
Sum of FCFF present value		280	372	340	312	286	265	245	227	210	188	173

Enterprise value DCF	**280**
- Interesting bearing debt	-68
+ Cash and cash equivalents	168
-Minorities	0,0
-Dividend/capital return	0,0
Equity value DCF	**380**
Equity value DCF per share	**2.3**

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 %
Cost of equity	**9.9 %**
Weighted average cost of capital (WACC)	**9.9 %**

Source: Inderes



Summary

Income statement	2020	2021	2022	2023e	2024e
Revenue	790.7	899.0	981.7	**980.5**	**975.0**
EBITDA	-252.4	185.0	258.1	**182.7**	**180.0**
EBIT	-252.4	82.1	154.9	**79.1**	**68.0**
PTP	-294.0	65.2	129.2	**49.3**	**38.0**
Net Income	-291.6	45.1	101.7	**66.5**	**30.0**
Extraordinary items	-257.3	13.8	75.1	**-0.5**	**0.0**

Balance sheet	2020	2021	2022	2023e	2024e
Balance sheet total	1424.3	1416.1	1275.5	**1278.5**	**1307.5**
Equity capital	206.1	268.1	335.5	**402.0**	**432.1**
Goodwill	277.5	271.5	250.9	**250.9**	**250.9**
Net debt	724.5	586.7	454.4	**513.7**	**481.6**

Cash flow	2020	2021	2022	2023e	2024e
EBITDA	-252.4	185.0	258.1	**182.7**	**180.0**
Change in working capital	-9.8	-56.9	-2.4	**-76.0**	**5.0**
Operating cash flow	-262.5	115.0	222.4	**117.6**	**170.8**
CAPEX	809.3	-17.1	8.5	**-160.0**	**-115.0**
Free cash flow	106.8	132.7	293.8	**-73.1**	**55.8**

Valuation multiples	2020	2021	2022	2023e	2024e
EV/S		1.0	0.8	**0.9**	**0.8**
EV/EBITDA (adj.)		4.8	3.0	**4.7**	**4.6**
EV/EBIT (adj.)		13.0	9.7	**10.8**	**12.2**
P/E (adj.)	neg.	6.1	6.3	**9.0**	**11.5**
P/B	0.4	1.1	1.0	**0.9**	**0.8**
Dividend-%	0.0 %	0.0 %	0.0 %	**0.0 %**	**0.0 %**

Source: Inderes

Per share data	2020	2021	2022	2023e	2024e
EPS (reported)	-4.05	0.42	0.66	**0.41**	**0.18**
EPS (adj.)	-0.48	0.32	0.32	**0.23**	**0.18**
OCF / share	-3.65	1.01	1.43	**0.73**	**1.04**
FCF / share	1.48	1.16	1.89	**-0.46**	**0.34**
Book value / share	2.86	2.35	2.16	**2.51**	**2.62**
Dividend / share	0.00	0.00	0.00	**0.00**	**0.00**

Growth and profitability	2020	2021	2022	2023e	2024e
Revenue growth-%	-18%	14%	9%	**0%**	**-1%**
EBITDA growth-%	-1147%	-173%	40%	**-29%**	**-1%**
EBIT (adj.) growth-%	-88%	1294%	17%	**0%**	**-15%**
EPS (adj.) growth-%	14%	-168%	0%	**-28%**	**-22%**
EBITDA-%	-31.9 %	20.6 %	26.3 %	**18.6 %**	**18.5 %**
EBIT (adj.)-%	0.6 %	7.6 %	8.1 %	**8.1 %**	**7.0 %**
EBIT-%	-31.9 %	9.1 %	15.8 %	**8.1 %**	**7.0 %**
ROE-%	-57.9 %	20.2 %	33.7 %	**18.0 %**	**7.2 %**
ROI-%	-22.0 %	7.6 %	15.3 %	**8.0 %**	**6.5 %**
Equity ratio	14.5 %	18.9 %	26.3 %	**31.4 %**	**33.0 %**
Gearing	351.5 %	218.8 %	135.4 %	**127.8 %**	**111.5 %**

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Recommendation history (>12 mo)

Date	Recommendation	Target	Share price
18-11-22	Reduce	2.00 €	1.97 €
20-01-23	Reduce	2.10 €	2.05 €
27-02-23	Reduce	2.10 €	2.00 €
21-03-23	Accumulate	2.10 €	1.76 €
02-05-23	Accumulate	2.35 €	2.11 €

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DCF calculation

DCF model	2022	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	TERM
Revenue growth-%	9.2 %	-0.1 %	-0.6 %	2.1 %	-0.3 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	1.0 %	1.0 %
EBIT-%	15.8 %	8.1 %	7.0 %	7.2 %	7.3 %	7.0 %	7.0 %	7.0 %	7.0 %	8.5 %	8.5 %	8.5 %
EBIT (operating profit)	**155**	**79.1**	**68.0**	**72.0**	**72.0**	**69.5**	**69.5**	**69.5**	**69.5**	**84.4**	**85.2**	
+ Depreciation	103	104	112	112	112	112	112	112	112	111	111	
- Paid taxes	-27.8	17.2	-8.0	-9.0	-9.1	-8.8	-8.9	-9.1	-9.2	-12.5	-12.6	
- Tax, financial expenses	-5.5	-6.3	-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	-76.0	5.0	-0.5	0.1	0.0	0.0	0.0	0.0	0.0	-0.2	
Operating cash flow	**222**	**118**	**171**	**168**	**169**	**167**	**167**	**167**	**167**	**178**	**179**	
+ 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	-160.0	-115.0	-115.0	-115.0	-115.0	-115.0	-115.0	-111.8	-111.5	-122.0	
Free operating cash flow	**194**	**-43.1**	**55.8**	**53.5**	**54.0**	**52.0**	**52.0**	**52.0**	**55.2**	**66.6**	**56.6**	
+/- Other	100.0	-30.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	294	-73.1	55.8	53.5	54.0	52.0	52.0	52.0	55.2	66.6	56.6	641
Discounted FCFF		**-68.6**	**47.6**	**41.5**	**38.2**	**33.4**	**30.4**	**27.7**	**26.7**	**29.3**	**22.7**	**257**
Sum of FCFF present value		486	554	507	465	427	394	363	336	309	279	257
Enterprise value DCF		**486**										
- Interesting bearing debt		-285										
+ Cash and cash equivalents		168										
-Minorities		0.0										
-Dividend/capital return		0.0										
Equity value DCF		**369**										
Equity value DCF per share		**2.2**										

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 %
Cost of equity	**9.9 %**
Weighted average cost of capital (WACC)	**9.9 %**

Source: Inderes

Cash flow distribution