

# H&M

## Company report

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# Share price drop offers an entry point

H&M's Q4 earnings fell short of expectations and also fiscal 2024 seems to be off to a soft start. This pushed our EBIT estimates down 8% and 1% for 2024-25 respectively, which also led us to trim our target price to SEK 165 (was 170). The share is, however, notably down in the last 1.5 months, which triggers us to upgrade to Accumulate (was Reduce).

## Margins fell short of expectations due to higher-than-expected opex

H&M's Q4 sales were reported already earlier. On gross margin level, H&M showed a strong, and expected, improvement to 53.7% vs. 49.8% in the comparison period. This was supported by easing pressure from input costs as well as the company's efficiency measures. The opex was however at a higher level than expected despite H&M's ongoing efforts to bring it down, although partly impacted by write-downs. Due to this, the EBIT fell quite clearly short of our estimates (-19%) as well as below the consensus (-7%). H&M maintained its dividend at SEK 6.50, as widely expected. This is still higher than the 2023 EPS, which ended up at SEK 5.35.

## 10% EBIT margin ambition unchanged, but looks very challenging for 2024

H&M does not give any guidance, but it reiterated the "ambition" to reach a 10% EBIT margin during 2024. This would require a further step-up in the profitability from 7-8% seen in the three previous quarters, which we believe is unlikely to happen. H&M also commented that sales in Dec-Jan, i.e. the first two months of the current fiscal year declined 4% in local currencies. It's also expecting a net reduction of 60 stores during 2024, or a bit over 1%, which is likely to have some negative impact on sales in our view. More importantly, the higher-than-expected opex level prompted us to cut our margin expectations for 2024 in particular, driving EBIT estimates 8% and 1% down respectively. Nevertheless, we continue to see a positive margin trend and H&M reaching an EBIT margin of around 9.5% in 2025.

## CEO change with immediate effect

Surprisingly, H&M also announced a change of CEO in conjunction with the Q4 report. Helena Helmersson, who headed the company for four years is stepping down and Daniel Erver is taking the position. Erver has held several leading positions in H&M for 18 years and has most recently been responsible for the H&M chain/brand, a responsibility he will maintain while also taking up the CEO position. H&M's financial performance during Helmersson's era has been weak, although it has been driven by external events like COVID, Russia's attack on Ukraine and related cost inflation, as well as weaker consumer demand. We see an internal nomination with a solid background as a good pick, although have no insight into Mr. Erver.

## Share drop has turned risk/reward appealing again

H&M's share has dropped over 15% since we turned to Reduce in mid-December. P/E for 2024 is around 18x, which we believe is quite a fair level. For 2025 however, the margin improvement drives P/E to only 14x, which looks appealing. The multiples are also behind the closest peer Inditex, trading at P/E 23x and 21x for 2024-25, suggesting a potential upside for H&M. We estimate that H&M's free cash flow and dividend yields are around 4-5% in the coming years. After a larger earnings improvement in 2024-25, driven by the increasing margin, we expect a steady 5% sales/earnings growth in the mid-term.

## Recommendation

**Accumulate**  
(prev. Reduce)

**165 SEK**  
(prev. 170 SEK)

**Share price:**  
147



## Key indicators

	2023	2024e	2025e	2026e
<b>Revenue</b>	236,035	232,400	243,296	255,154
<b>growth-%</b>	6%	-2%	5%	5%
<b>EBIT adj.</b>	13,538	19,635	23,228	24,325
<b>EBIT-% adj.</b>	5.7 %	8.4 %	9.5 %	9.5 %
<b>Net Income</b>	8,723	13,526	16,631	17,611
<b>EPS (adj.)</b>	4.7	8.4	10.3	10.9

<b>P/E (adj.)</b>	37.6	17.6	14.3	13.5
<b>P/B</b>	6.1	4.7	4.2	3.9
<b>Dividend yield-%</b>	3.7 %	4.7 %	5.1 %	5.8 %
<b>EV/EBIT (adj.)</b>	25.1	14.7	12.4	11.8
<b>EV/EBITDA</b>	9.1	6.8	6.3	6.1
<b>EV/S</b>	1.4	1.2	1.2	1.1

Source: Inderes

## Guidance

(Unchanged)

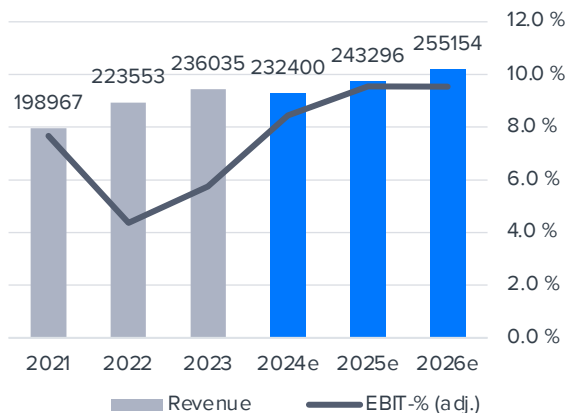
No guidance

### Share price



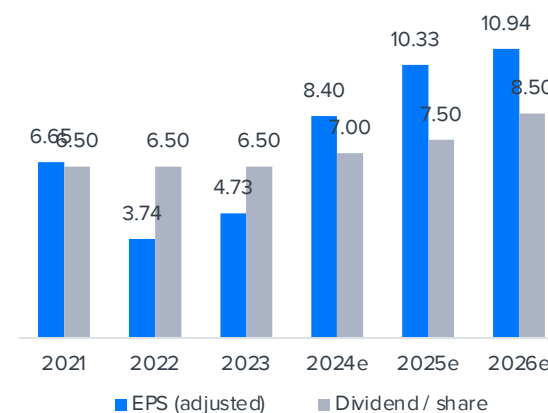
Source: Millistream Market Data AB

### Sales and EBIT-%



Source: Inderes

### EPS and dividend



Source: Inderes



### Value drivers

- Very strong brand and market presence in fashion retail
- Potential to grow in emerging markets and increase market share
- Margin improvement towards 10% EBIT-margin target
- Portfolio chains / ventures could create value in the mid-/long-term



### Risk factors

- Fashion industry is fiercely competed and somewhat cyclical in nature
- H&M's track record from the past decade is poor and a "normal" margin level is uncertain
- Increased regulation could have a negative impact
- Reputational risk for H&M
- Change in consumer preferences away from fast fashion

Valuation	2024e	2025e	2026e
Share price	147	147	147
Number of shares, m	1610	1610	1610
Market cap	237,443	237,443	237,443
EV	289,434	288,070	287,276
P/E (adj.)	17.6	14.3	13.5
P/E	17.6	14.3	13.5
P/B	4.7	4.2	3.9
P/S	1.0	1.0	0.9
EV/Sales	1.2	1.2	1.1
EV/EBITDA	6.8	6.3	6.1
EV/EBIT (adj.)	14.7	12.4	11.8
Payout ratio (%)	83%	73%	78%
Dividend yield-%	4.7 %	5.1 %	5.8 %

Source: Inderes

# Earnings fell short of expectations

## Gross margin improved strongly, but EBIT fell short of expectations

H&M always reports sales separately ahead of the earnings report and hence the focus in the full release is on margins. On gross margin level, H&M showed a strong, and expected, improvement to 53.7% vs. 49.8% in the comparison period. This was supported by easing pressure from input costs, as well as the company's efficiency measures.

The opex was, however, at a higher level than expected despite H&M's ongoing efforts to bring it down. This was impacted by write-downs of some 700 MSEK related to the right-of-use assets of leases, which we do not see recurring every quarter, although they are not fully a one-off either. Due to the higher-than-expected opex, the EBIT fell quite clearly short of our estimates as well as below the consensus. Taxes were abnormally high in Q4 due to

taxes related to previous years, which further hit the EPS. This should not, however, recur going forward.

Cash flow for the quarter and hence the full-year 2023 was well in line with our expectations, maintaining H&M at a net cash position.

## Dividend unchanged, as expected

H&M maintained its dividend at SEK 6.50, as widely expected. This is still higher than the 2023 EPS, which ended up at SEK 5.35. H&M said it is also planning to continue the 3 BNSEK share buyback program until the end of March. By the end of last week, H&M had utilized some 2.1b BNSEK of this program.

## H&M issued a balance sheet target

In conjunction with the Q4 report, H&M published a balance sheet target. The net debt/EBITDA target

also includes IFRS 16 debt, i.e. lease liabilities and a target range of 1.0-2.0x was set. The company is currently well in line with this at a level of 1.4x.

It currently has a clear financial net cash position excluding lease debt and hence the new target range implies the company is likely to remain net debt free also going forward, which has been our assumption as well. Hence, the new target does not change our balance sheet assumptions. Given that H&M is currently in the middle of the range, it supports our assumption that free cash flows can be distributed to shareholders going forward through dividends and share buybacks.

Estimates MEUR / EUR	Q4'22	Q4'23	Q4'23e	Q4'23e	Consensus		Difference (%)	2023e
	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. inderes	Act.
Revenue	62433	62650	62573	62629	62629	- 62629	0%	236035
EBIT	821	4332	5317	4673	3297	- 5442	-19%	14537
EPS (reported)	-0.53	0.97	2.29	1.96	1.37	- 2.35	-58%	
DPS	6.50	6.50	6.50	6.35	5.76	- 6.74	0%	6.50
Revenue growth-%	9.9 %	0.3 %	0.2 %	0.3 %	0.3 %	- 0.3 %	0.1 pp	5.6 %
EBIT-%	1.3 %	6.9 %	8.5 %	7.5 %	5.3 %	- 8.7 %	-1.6 pp	6.2 %

Source: Inderes & Infront (consensus)

# Estimates lower especially on the margin improvement curve

## 10% EBIT margin ambition for 2024 unchanged

H&M does not give any guidance, but it reiterated the "ambition" to reach a 10% EBIT margin during 2024. This would require a further step-up in the profitability from 7-8% seen in the three previous quarters, which we believe is unlikely to happen. Nevertheless, we continue to see a positive margin trend and H&M reaching an EBIT margin of around 9.5% in 2025.

## Estimates lower mostly for 2024

H&M also commented that sales in Dec-Jan, i.e. the first two months of the current fiscal year declined 4% in local currencies. Regarding Q1 it also commented that markdowns are expected to have 1pp higher impact to the gross margin than in the comparison period, while external factors impacting the margin is expected to remain positive.

H&M is also expecting a net reduction of 60 stores during 2024, or a bit over 1%, which is likely to have some negative impact on sales in our view. This has driven our topline estimates slightly down and we expect a negative sales development in 2024 due to the above factors and continued soft consumer demand.

More importantly, the higher -than- expected opex level prompted us to cut our margin expectations for 2024-25, driving EBIT estimates 8% and 1% down respectively. H&M said the 2 BNSEK cost savings program will be completed in 2024 and hence it should continue to give support bringing opex/sales down and the margin towards the targeted 10% level.

H&M's capex guidance for 2024 is 11-12 BNSEK, which was some 1 BNSEK higher than our earlier

estimate and hence we have adjusted our capex forecasts accordingly.

Estimate revisions	2023e	2023e	Change	2024e	2024e	Change	2025e	2025e	Change
MEUR / EUR	Inderes	Actualized	%	Old	New	%	Old	New	%
Revenue	235958	236035	0%	233764	232400	-1%	244779	243296	-1%
EBIT	15522	14537	-6%	21333	19635	-8%	23541	23228	-1%
PTP	14011	13010	-7%	20133	18035	-10%	22542	22028	-2%
EPS (excl. NRIs)	6.06	4.73	-22%	9.38	8.40	-10%	10.51	10.33	-2%
DPS	6.50	6.50	0%	7.00	7.00	0%	7.50	7.50	0%

Source: Inderes

# Valuation and recommendation

## Valuation summary - Accumulate

We forecast earnings growth in 2024 as margins continue to improve. We expect H&M to distribute most of its earnings and free cash flow as dividends, amounting to a dividend yield of 4-5%. Combining this with an expected 5% mid-term growth, we get an expected return of just below 10% in the mid-term assuming unchanged multiples. Overall, we see the multiples to be more on the cheap side for 2024-25.

## Absolute multiples acceptable/attractive in 2024-25

H&M's valuation multiples for 2023 are fairly high with P/E close to 30x. H&M is, however, showing a continuing margin recovery and targeting a 10% EBIT margin in 2024, as discussed before. We expect the margin improvement to stretch out to 2024-25. The 2024 headline multiples are P/E 18x and EV/EBIT 15x, which look relatively fair. If one adjusts for lease liabilities the EV/EBIT is some 13x and P/E adjusted for net cash excl. IFRS 16 is around 17x. Given the continued growth potential and high returns on capital, which we see in the company, these are within our range for acceptable multiples. As we expect further margin improvement in 2025, the multiples start to look clearly attractive with headline P/E falling below 15x. Obviously, they require that the expected margin improvement is realized.

Looking from 2025 onwards, when we expect stable growth and profitability going forward, we believe H&M's acceptable P/E is 15-20x and EV/EBIT with reported figures 13-15x.

Our estimate of H&M's sustainable free cash flow in 2024-26 is 11-12 BNSEK, which means a free cash flow yield of around 4-5%.

## Valuation compared to the peer group

All retail chains have significant lease liabilities that muddle up the EV-based valuation. Thus, we look mainly at the P/E ratios of the peer group. The peer group's median P/E is 17x for 2024, close to H&M's 18x and 16x for 2024, which is higher than H&M's 14x. The values for the peer group vary broadly from low double-digits to over 30x. Hence, the peer group median is somewhat dependent on which companies one chooses to include in the group, given that there are also other potential peers in the fashion industry. We note that H&M's EV/EBIT valuation is above our peer group. H&M's closest peer Inditex is valued with P/E 23x for 2024 and 21x for 2025, i.e., clearly higher than H&M. Compared to peers we see some upside to H&M's valuation.

## DCF suggests some upside

We expect a steady growth and margin during 2025-2031. In the terminal period, we expect the EBIT margin to remain largely flat around 9.5% while our terminal growth rate assumption is 3%.

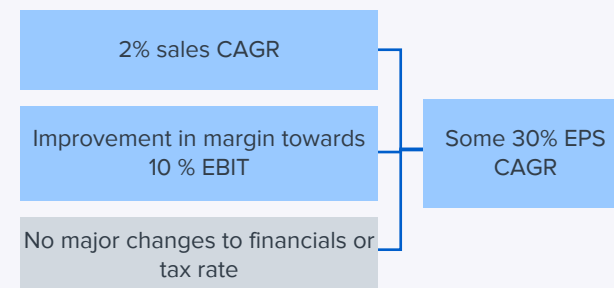
We estimate the cost of equity and WACC (due to no financial debt) for H&M to be 8.0%, which is fairly low given its strong and wide market presence and strong global brand.

With these assumptions, our DCF model arrives at an EV of 263 BNSEK, which translates into a slightly higher equity value, or around SEK 170 per share.

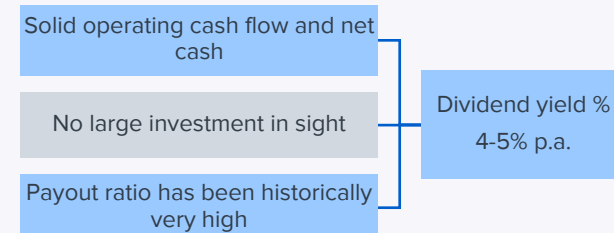
## TSR drivers 2023-2026

■ Positive ■ Neutral ■ Negative

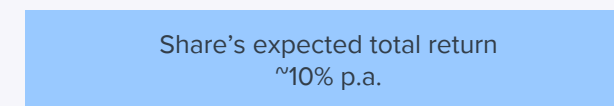
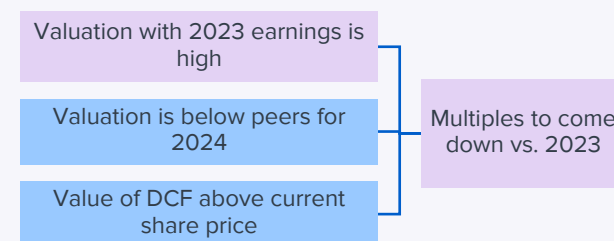
### Profit drivers



### Dividend yield drivers



### Valuation multiple drivers



# Investment profile 1/2

- 1. Global footprint with solid growth potential**
- 2. One of the strongest brands in fashion retail**
- 3. EBIT margin recovering towards 10%**
- 4. High return on capital, making growth value creative**
- 5. Intense competition in the industry**

## Potential



- Market share is still small in the global fashion industry, so there is room to grow especially outside Europe
- Cost efficiency program and more "normal" market circumstances (after COVID-19 and its aftermath) should enable higher margins
- Clear focus on sustainability could support demand/image
- Some of the portfolio chains / ventures could create more value than currently expected

## Risks



- The fashion industry is fiercely competed, and some collections might not appeal to customers
- H&M has a poor track record of declining margins from the past decade, which could recur
- Potential regulation regarding durability and recycling of textiles (mostly in EU) could have a negative impact
- Reputational risk especially for H&M brand, including the risk of the whole industry being viewed as negative for the climate

# Investment profile 2/2

## Investment profile

There is no doubt in our mind that H&M Group's investment profile is that of a growth company. It has shown strong long-term growth throughout its history, which we expect it will continue to deliver going forward as well. However, the challenge has been the margins, which deteriorated through the previous decade from over 20% EBIT margin at best to only mid-single digits more recently. Hence, in some respect, the Group is currently also a turnaround company in earnings terms.

## Positive drivers and opportunities

Clearly the biggest positive driver for H&M Group is continued sales growth. We believe this can be achieved in all markets, but growth outside Europe should be the main driver, given that in Europe the markets are quite mature and H&M Group's share is also already strong. In addition to sales growth, we expect improving margin levels in the next two years to support earnings growth as well. Over time, we believe the margin is however unlikely to improve further, as the competition is fierce, the company wants to maintain attractive pricing and it also needs to constantly invest (meaning both capex and opex increase) into omni-channel capabilities.

In the longer term, there are clear possibilities in H&M Group's several portfolio chains and smaller business ventures to grow into major businesses and hence drive earnings and value for the Group. Perhaps currently the most promising ones in this respect are the second-hand fashion platforms

Sellpy and Afound, both aiming to gain support and benefit from the increasing circular economy needs/trend.

In our view, H&M Group is quite strongly committed to reducing its climate impact and contributing to more sustainable fashion. This could be a competitive edge if consumers increasingly take sustainability matters into consideration when making fashion purchases.

## Risks and threats

The fashion industry is inherently dependent on consumer preferences, it's also at risk for changes in those preferences. This means that some collections might not sell that well and even the style of the whole brand might go out of fashion at times. This is clearly a risk for H&M Group, like any player in the industry. The industry is also fiercely competitive and fragmented. Especially online sales have enabled new entrants to enter a global market more easily than before, hence intensifying the competition. This means consumers always have a wide range of choices and price pressure is also likely to remain high in the Group's affordable fashion category.

While we see some possibilities in the circular economy/sustainability for H&M Group, it certainly poses a risk for the company as well.

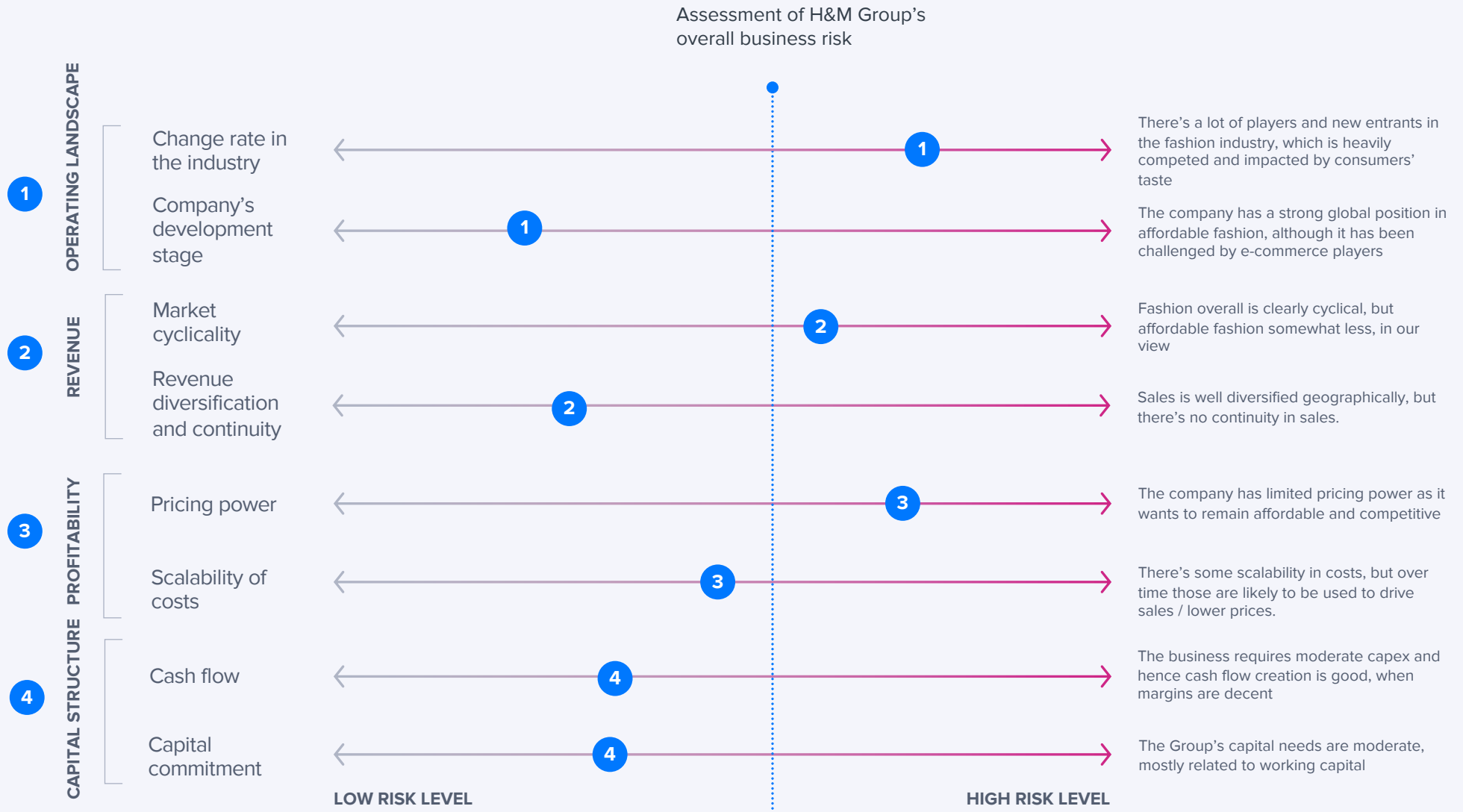
Affordable/fast fashion is seen as somewhat resource-consuming and hence negative for the climate. If such a view strengthens among consumers, it could hurt the Group's business in the longer-term. The brand could also face other

reputational risks regarding, e.g., labor conditions of subcontractors or the impacts of sourcing cotton, etc. On the sustainability side we also see a regulation risk (currently mostly regarding EU), which could somehow limit H&M Group's business or burden them with more costs related to the durability or circularity of the products.

In earnings terms, we note that H&M Group had a weak period in margin development from 2010 to 2020. Despite a somewhat better outlook currently, there's a risk that margins will remain clearly below historic levels and also below our expectations.



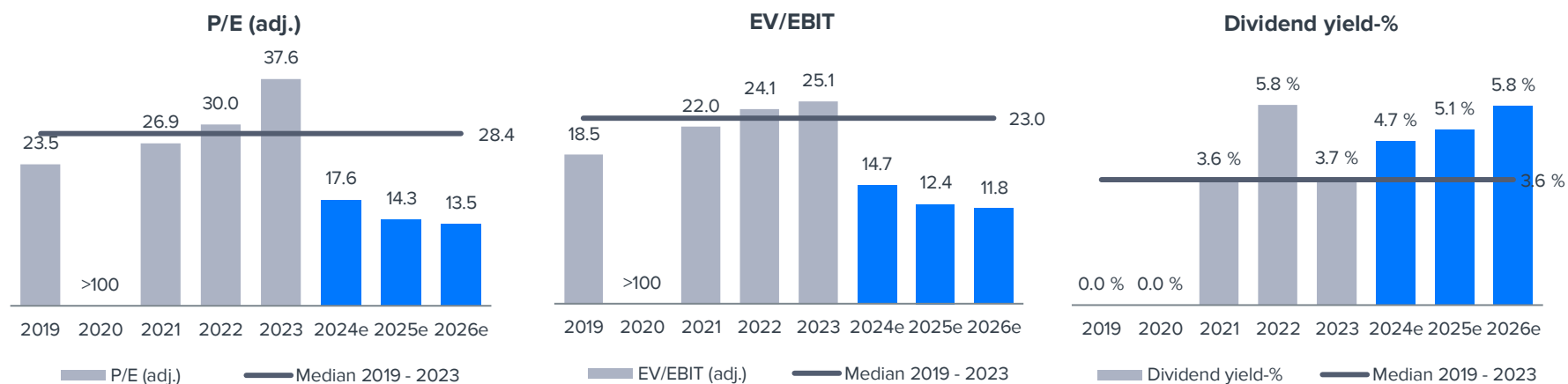
# Risk profile of the business model



# Valuation table

Valuation	2019	2020	2021	2022	2023	2024e	2025e	2026e	2027e
Share price	190	172	179	112	178	147	147	147	147
Number of shares, millions	1655.1	1655.1	1655.1	1645.5	1633.5	1610.0	1610.0	1610.0	1610.0
Market cap	315,258	284,672	295,927	184,569	288,002	237,443	237,443	237,443	237,443
EV	320,644	348,197	335,147	235,497	339,574	289,434	288,070	287,276	287,482
P/E (adj.)	23.5	>100	26.9	30.0	37.6	17.6	14.3	13.5	12.6
P/E	23.5	>100	26.9	51.8	33.3	17.6	14.3	13.5	12.6
P/B	5.5	5.2	4.9	3.6	6.1	4.7	4.2	3.9	3.6
P/S	1.4	1.5	1.5	0.8	1.2	1.0	1.0	0.9	0.9
EV/Sales	1.4	1.9	1.7	1.1	1.4	1.2	1.2	1.1	1.1
EV/EBITDA	11.3	12.0	8.9	7.9	9.1	6.8	6.3	6.1	6.0
EV/EBIT (adj.)	18.5	>100	22.0	24.1	25.1	14.7	12.4	11.8	11.3
Payout ratio (%)	0.0 %	0.0 %	97.7 %	299.8 %	120.9 %	83.3 %	72.6 %	77.7 %	100.0 %
Dividend yield-%	0.0 %	0.0 %	3.6 %	5.8 %	3.7 %	4.7 %	5.1 %	5.8 %	7.9 %

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	2024e	2025e	2024e	2025e	2024e	2025e	2024e	2025e	2024e	2025e	2024e
Inditex	124666	118686	17.5	16.1	12.1	11.2	3.3	3.1	23.2	21.3	3.7	4.1	6.8
Fast Retailing	78300	71350	23.9	21.8	17.6	16.1	3.8	3.4	38.7	35.3	0.8	0.9	6.1
Next	12875	14821	12.9	12.4	10.9	10.5	2.3	2.2	15.3	14.4	2.4	2.6	8.0
GAP	6622	6748	14.9	11.6	7.1	6.3	0.5	0.5	16.5	15.8	3.1	3.1	3.0
Zalando	5049	4943	13.4	9.4	7.0	5.7	0.5	0.4	23.4	16.2			1.9
Victoria's Secret	1913	3214	11.2	10.0	6.0	5.6	0.6	0.6	12.6	10.8			4.4
Abercrombie & Fitch	4916	4546	10.3	9.6	7.9	7.5	1.2	1.1	17.4	16.7			5.2
Urban Outfitters	3376	2968	8.0	7.4	6.3	5.8	0.6	0.6	12.1	11.3			1.6
<b>H&amp;M (Inderes)</b>	<b>20469</b>	<b>24951</b>	<b>14.7</b>	<b>12.4</b>	<b>6.8</b>	<b>6.3</b>	<b>1.2</b>	<b>1.2</b>	<b>17.6</b>	<b>14.3</b>	<b>4.7</b>	<b>5.1</b>	<b>4.7</b>
<b>Average</b>			<b>14.0</b>	<b>12.3</b>	<b>9.4</b>	<b>8.6</b>	<b>1.6</b>	<b>1.5</b>	<b>19.9</b>	<b>17.7</b>	<b>2.5</b>	<b>2.7</b>	<b>4.6</b>
<b>Median</b>			<b>13.2</b>	<b>10.8</b>	<b>7.5</b>	<b>6.9</b>	<b>0.9</b>	<b>0.9</b>	<b>17.0</b>	<b>16.0</b>	<b>2.7</b>	<b>2.8</b>	<b>4.8</b>
<b>Diff-% to median</b>			<b>12%</b>	<b>15%</b>	<b>-9%</b>	<b>-9%</b>	<b>40%</b>	<b>38%</b>	<b>4%</b>	<b>-11%</b>	<b>74%</b>	<b>80%</b>	<b>-3%</b>

Source: Refinitiv / Inderes

# Income statement

Income statement	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24e	Q2'24e	Q3'24e	Q4'24e	2024e	2025e	2026e	2027e
Revenue	223,553	54,872	57,616	60,897	62,650	236,035	53,000	56,900	59,800	62,700	232,400	243,296	255,154	267,912
EBITDA	29,748	6,230	10,234	10,466	10,562	37,492	7,253	11,342	12,096	11,745	42,435	45,702	46,920	48,306
Depreciation	-22,579	-5,505	-5,493	-5,727	-6,230	-22,955	-5,700	-5,700	-5,700	-5,700	-22,800	-22,474	-22,595	-22,855
EBIT (excl. NRI)	9,760	-274	4,741	4,739	4,332	13,538	1,553	5,642	6,396	6,045	19,635	23,228	24,325	25,452
EBIT	7,169	725	4,741	4,739	4,332	14,537	1,553	5,642	6,396	6,045	19,635	23,228	24,325	25,452
Net financial items	-953	-329	-416	-366	-416	-1,527	-400	-400	-400	-400	-1,600	-1,200	-1,000	-500
PTP	6,216	396	4,325	4,373	3,916	13,010	1,153	5,242	5,996	5,645	18,035	22,028	23,325	24,952
Taxes	-2,650	144	-1,037	-1,054	-2,340	-4,287	-288	-1,310	-1,499	-1,411	-4,509	-5,397	-5,715	-6,113
Minority interest	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net earnings	3,566	540	3,288	3,319	1,576	8,723	865	3,931	4,497	4,233	13,526	16,631	17,611	18,838
EPS (adj.)	3.7	-0.3	2.0	2.0	1.0	4.7	0.5	2.4	2.8	2.6	8.4	10.3	10.9	11.7
EPS (rep.)	2.2	0.3	2.0	2.0	1.0	5.3	0.5	2.4	2.8	2.6	8.4	10.3	10.9	11.7
<b>Key figures</b>	<b>2022</b>	<b>Q1'23</b>	<b>Q2'23</b>	<b>Q3'23</b>	<b>Q4'23</b>	<b>2023</b>	<b>Q1'24e</b>	<b>Q2'24e</b>	<b>Q3'24e</b>	<b>Q4'24e</b>	<b>2024e</b>	<b>2025e</b>	<b>2026e</b>	<b>2027e</b>
Revenue growth-%	12.4 %	11.6 %	5.7 %	6.0 %	0.3 %	5.6 %	-3.4 %	-1.2 %	-1.8 %	0.1 %	-1.5 %	4.7 %	4.9 %	5.0 %
Adjusted EBIT growth-%	-36.0 %	-159.8 %	-5.0 %	78.6 %	160.8 %	38.7 %	-666.8 %	19.0 %	35.0 %	39.5 %	45.0 %	18.3 %	4.7 %	4.6 %
EBITDA-%	13.3 %	11.4 %	17.8 %	17.2 %	16.9 %	15.9 %	13.7 %	19.9 %	20.2 %	18.7 %	18.3 %	18.8 %	18.4 %	18.0 %
Adjusted EBIT-%	4.4 %	-0.5 %	8.2 %	7.8 %	6.9 %	5.7 %	2.9 %	9.9 %	10.7 %	9.6 %	8.4 %	9.5 %	9.5 %	9.5 %
Net earnings-%	1.6 %	1.0 %	5.7 %	5.5 %	2.5 %	3.7 %	1.6 %	6.9 %	7.5 %	6.8 %	5.8 %	6.8 %	6.9 %	7.0 %

Source: Inderes

# Balance sheet

Assets	2022	2023	2024e	2025e	2026e
<b>Non-current assets</b>	<b>102525</b>	<b>100744</b>	<b>102944</b>	<b>105470</b>	<b>108611</b>
Goodwill	64.0	1013	1013	1013	1013
Intangible assets	9092	8712	9212	9712	10212
Tangible assets	82736	81536	83236	85262	87903
Associated companies	503	209	209	209	209
Other investments	2654	2363	2363	2363	2363
Other non-current assets	939	1204	1204	1204	1204
Deferred tax assets	6537	5707	5707	5707	5707
<b>Current assets</b>	<b>79523</b>	<b>80529</b>	<b>73206</b>	<b>74205</b>	<b>70167</b>
Inventories	42495	37358	37184	38927	40825
Other current assets	0.0	0.0	0.0	0.0	0.0
Receivables	15321	16773	15106	15814	16585
Cash and equivalents	21707	26398	20916	19464	12758
<b>Balance sheet total</b>	<b>182048</b>	<b>181273</b>	<b>176150</b>	<b>179676</b>	<b>178778</b>

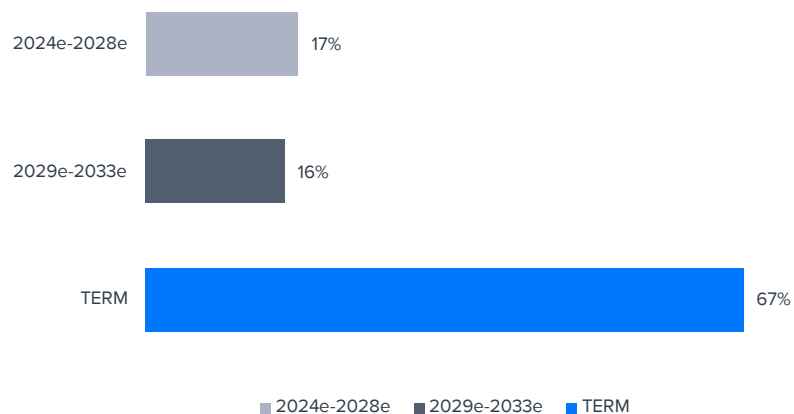
Source: Inderes

Liabilities & equity	2022	2023	2024e	2025e	2026e
<b>Equity</b>	<b>50757</b>	<b>47601</b>	<b>50584</b>	<b>55945</b>	<b>61481</b>
Share capital	207	207	207	207	207
Retained earnings	44694	41198	44181	49542	55078
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	5856	6196	6196	6196	6196
Minorities	0.0	0.0	0.0	0.0	0.0
<b>Non-current liabilities</b>	<b>62956</b>	<b>65745</b>	<b>50000</b>	<b>50000</b>	<b>50000</b>
Deferred tax liabilities	3273	2416	0.0	0.0	0.0
Provisions	575	384	0.0	0.0	0.0
Interest bearing debt	58925	62813	50000	50000	50000
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	183	132	0.0	0.0	0.0
<b>Current liabilities</b>	<b>68335</b>	<b>67927</b>	<b>75566</b>	<b>73730</b>	<b>67297</b>
Interest bearing debt	13710	15157	22907	20091	12590
Payables	21090	21027	20916	21897	22964
Other current liabilities	33535	31743	31743	31743	31743
<b>Balance sheet total</b>	<b>182048</b>	<b>181273</b>	<b>176150</b>	<b>179676</b>	<b>178778</b>

# DCF calculation

DCF model	2023	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	TERM
Revenue growth-%	5.6 %	-1.5 %	4.7 %	4.9 %	5.0 %	5.0 %	5.0 %	5.0 %	5.0 %	5.0 %	3.0 %	3.0 %
EBIT-%	6.2 %	8.4 %	9.5 %	9.5 %	9.5 %	9.5 %	9.5 %	9.5 %	9.5 %	9.5 %	9.5 %	9.5 %
<b>EBIT (operating profit)</b>	<b>14537</b>	<b>19635</b>	<b>23228</b>	<b>24325</b>	<b>25452</b>	<b>26724</b>	<b>28060</b>	<b>29463</b>	<b>30937</b>	<b>32483</b>	<b>33458</b>	
+ Depreciation	22955	22800	22474	22595	22855	23215	23649	24631	25574	26052	27354	
- Paid taxes	-4314	-6925	-5397	-5715	-6113	-6425	-6752	-7096	-7457	-7836	-8075	
- Tax, financial expenses	-503	-400	-294	-245	-123	-123	-123	-123	-123	-123	-123	
+ Tax, financial income	0	0	0	0	0	0	0	0	0	0	0	
- Change in working capital	1830	1730	-1471	-1601	-1722	-1808	-1899	-1994	-2093	-2198	-1385	
<b>Operating cash flow</b>	<b>34505</b>	<b>36840</b>	<b>38540</b>	<b>39359</b>	<b>40348</b>	<b>41584</b>	<b>42936</b>	<b>44882</b>	<b>46837</b>	<b>48379</b>	<b>51230</b>	
+ Change in other long-term liabilities	-242	-516	0	0	0	0	0	0	0	0	0	
- Gross CAPEX	-22298	-25000	-25000	-25735	-26492	-27272	-28075	-28902	-27975	-31897	-31037	
<b>Free operating cash flow</b>	<b>11965</b>	<b>11324</b>	<b>13540</b>	<b>13624</b>	<b>13856</b>	<b>14312</b>	<b>14861</b>	<b>15980</b>	<b>18862</b>	<b>16481</b>	<b>20193</b>	
+/- Other	-1766	-2000	-2000	-2000	-2000	-2000	-2000	-2000	-2000	-2000	-2000	
FCFF	10199	9324	11540	11624	11856	12312	12861	13980	16862	14481	18193	377615
<b>Discounted FCFF</b>		<b>8692</b>	<b>9963</b>	<b>9296</b>	<b>8782</b>	<b>8447</b>	<b>8173</b>	<b>8229</b>	<b>9194</b>	<b>7313</b>	<b>8510</b>	<b>176635</b>
Sum of FCFF present value		263235	254544	244580	235284	226502	218054	209881	201652	192459	185145	176635
<b>Enterprise value DCF</b>		<b>263235</b>										
- Interest bearing debt		-17082										
+ Cash and cash equivalents		26398										
-Minorities		0,0										
-Dividend/capital return		0,0										
<b>Equity value DCF</b>		<b>272551</b>										
<b>Equity value DCF per share</b>		<b>169</b>										

Cash flow distribution



WACC	
Tax-% (WACC)	24.0 %
Target debt ratio (D/(D+E))	0.0 %
Cost of debt	5.0 %
Equity Beta	1.15
Market risk premium	4.75 %
Liquidity premium	0.00 %
Risk free interest rate	2.5 %
<b>Cost of equity</b>	<b>8.0 %</b>
<b>Weighted average cost of capital (WACC)</b>	<b>8.0 %</b>

Source: Inderes

# Summary

Income statement	2021	2022	2023	2024e	2025e	Per share data	2021	2022	2023	2024e	2025e
Revenue	198967	223553	236035	<b>232400</b>	<b>243296</b>	EPS (reported)	6.7	2.2	5.3	<b>8.4</b>	<b>10.3</b>
EBITDA	37575	29748	37492	<b>42435</b>	<b>45702</b>	EPS (adj.)	6.7	3.7	4.7	<b>8.4</b>	<b>10.3</b>
EBIT	15255	7169	14537	<b>19635</b>	<b>23228</b>	OCF / share	27.1	15.2	21.1	<b>22.9</b>	<b>23.9</b>
PTP	14300	6216	13010	<b>18035</b>	<b>22028</b>	FCF / share	18.8	1.0	6.2	<b>5.8</b>	<b>7.2</b>
Net Income	11010	3566	8723	<b>13526</b>	<b>16631</b>	Book value / share	36.3	30.8	29.1	<b>31.4</b>	<b>34.7</b>
Extraordinary items	0	-2591	999	<b>0</b>	<b>0</b>	Dividend / share	6.5	6.5	6.5	<b>7.0</b>	<b>7.5</b>
Balance sheet	2021	2022	2023	2024e	2025e	Growth and profitability	2021	2022	2023	2024e	2025e
Balance sheet total	179781	182048	181273	<b>176150</b>	<b>179676</b>	Revenue growth-%	6 %	12 %	6 %	<b>-2 %</b>	<b>5 %</b>
Equity capital	60018	50757	47601	<b>50584</b>	<b>55945</b>	EBITDA growth-%	29 %	-21 %	26 %	<b>13 %</b>	<b>8 %</b>
Goodwill	64	64	1013	<b>1013</b>	<b>1013</b>	EBIT (adj.) growth-%	392 %	-36 %	39 %	<b>45 %</b>	<b>18 %</b>
Net debt	39220	50928	51572	<b>51991</b>	<b>50627</b>	EPS (adj.) growth-%	786 %	-44 %	26 %	<b>78 %</b>	<b>23 %</b>
Cash flow	2021	2022	2023	2024e	2025e	EBITDA-%	18.9 %	13.3 %	15.9 %	<b>18.3 %</b>	<b>18.8 %</b>
EBITDA	37575	29748	37492	<b>42435</b>	<b>45702</b>	EBIT (adj.)-%	7.7 %	4.4 %	5.7 %	<b>8.4 %</b>	<b>9.5 %</b>
Change in working capital	11083	-539	1830	<b>1730</b>	<b>-1471</b>	EBIT-%	7.7 %	3.2 %	6.2 %	<b>8.4 %</b>	<b>9.5 %</b>
Operating cash flow	44849	25091	34505	<b>36840</b>	<b>38540</b>	ROE-%	19.2 %	6.4 %	17.7 %	<b>27.6 %</b>	<b>31.2 %</b>
CAPEX	-13751	-23581	-22298	<b>-25000</b>	<b>-25000</b>	ROI-%	11.7 %	5.7 %	11.7 %	<b>15.8 %</b>	<b>18.6 %</b>
Free cash flow	31094	1660	10199	<b>9324</b>	<b>11540</b>	Equity ratio	33.4 %	27.9 %	26.3 %	<b>28.7 %</b>	<b>31.1 %</b>
Valuation multiples	2021	2022	2023	2024e	2025e	Gearing	65.3 %	100.3 %	108.3 %	<b>102.8 %</b>	<b>90.5 %</b>
EV/S	1.7	1.1	1.4	<b>1.2</b>	<b>1.2</b>						
EV/EBITDA (adj.)	8.9	7.9	9.1	<b>6.8</b>	<b>6.3</b>						
EV/EBIT (adj.)	22.0	24.1	25.1	<b>14.7</b>	<b>12.4</b>						
P/E (adj.)	26.9	30.0	37.6	<b>17.6</b>	<b>14.3</b>						
P/B	4.9	3.6	6.1	<b>4.7</b>	<b>4.2</b>						
Dividend-%	3.6 %	5.8 %	3.7 %	<b>4.7 %</b>	<b>5.1 %</b>						

Source: Inderes

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## Recommendation history (>12 mo)

Date	Recommendation	Target	Share price
10.10.2023	Accumulate	165	148
17.12.2023	Reduce	170	178
1.2.2024	Accumulate	165	147





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