Fiskars

Company report

04/25/2024 20:52

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Inderes corporate customer

This report is a summary translation of the report "Odotetun heikko alku vuodelle" published on 4/25/2024 at 08:57 pm EEST

An expected weak start to the year

Fiskars' Q1 result was at the expected level, despite weakish revenue. The company reiterated its guidance, i.e. full-year EBIT is expected to be slightly above last year's level. We only made small changes to our forecast (1-2%). We still feel the valuation prices the earnings growth of the coming years, which we believe is partly premature. We reiterate our Sell recommendation and EUR 15 target price.

Q1 results almost as expected, even though revenue was weakish

Fiskars' comparable revenue decreased by 6% in Q1, which was lower than we expected. The effect of the Georg Jensen acquisition was roughly in line with our expectations and supported reported revenue to a 3% growth, which was below our 6% forecast. The decrease in comparable revenue came steadily from both segments and all geographical areas. Fiskars' adj. EBIT decreased to 25 MEUR from 31 MEUR in the comparison period. Although sales fell somewhat short of our expectations, cost savings were more effective than expected and the result was only marginally below our forecast (26 MEUR). The decrease in revenue and the relatively strong/expected margin is also partly a result of the company's choices to focus on more profitable distribution channels/products.

Guidance of a slightly better full-year result was repeated

Fiskars' guidance remained unchanged, meaning that the company expects comparable EBIT to be slightly above the 2023 level (110 MEUR). We believe 'slightly' means 0-10%. Thus, the range is roughly 110-120 MEUR. With the acquisition, the result will increasingly focus toward the end of the year, but we suspect the operational earnings effect of the transaction will be rather neutral for the full year. Therefore, the guidance seems realistic even though the Q1 result fell short of the comparison period. Our forecast fell slightly and is now 117 MEUR. If you consider Georg Jensen for the full year 2023, Fiskars' pro forma adj, EBIT was 101 MEUR, against which our forecast is a clear improvement that will come solely from efficiency measures in the absence of organic growth. Our operational forecast changes remained at 1-2% for the next few years.

Organic growth and a clear margin improvement in 2025-26 forecasts

Under the current management, i.e. in the last three years, the company has also clearly focused more on growth, but at the same time aimed to further improve profitability. However, due to weaker demand, no growth has been achieved and the adjusted EBIT level fell to the pre-COVID level of around 100 MEUR last year (including Georg Jensen for the full year) after the strong 2021-22. We see the actions and strategy of the current management as good as such, but the performance level the company is aiming for clearly requires more volume, which calls for market recovery. Fiskars is not expecting this in the current year. We also consider the adjusted EBIT margin of 15% targeted by the company challenging, especially in the target year 2025. However, we expect clear organic growth and margin improvement in 2025-26.

Even a neutral valuation requires brisk earnings growth from last year's weak level

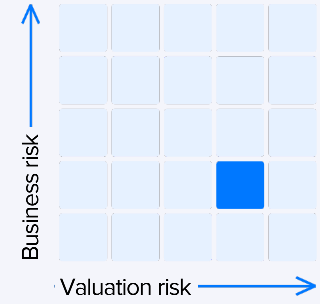
Fiskars' 2024 valuation multiples are above our acceptable multiples and, even with 2025 forecasts, they are above or at the top end of the range. Therefore, we consider the stock's expected return as weak despite good earnings growth in the coming years. We feel the clearly weakened earnings level in 2022-23 and the partly surprising acquisition bruised the company's investment profile and raised the risk level of the earnings forecasts for the coming years.

Recommendation

Sell
(previous Sell

EUR 15.00
(previous EUR 15.00)

Share price:
17.20



Key figures

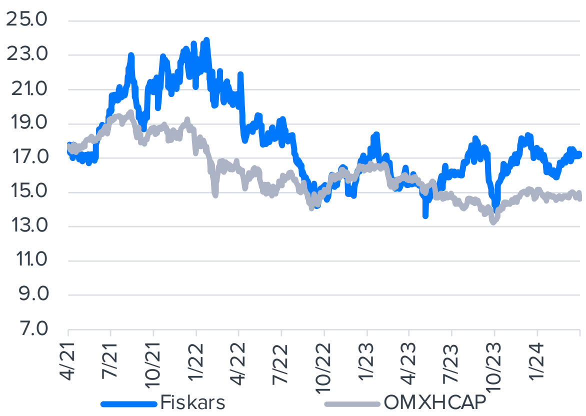
	2023	2024e	2025e	2026e
Revenue	1130	1203	1271	1323
growth-%	-10%	6%	6%	4%
EBIT adj.	110.2	117.3	144.6	158.9
EBIT-% adj.	9.8 %	9.7 %	11.4 %	12.0 %
Net Income	69.9	38.5	90.0	109.8
EPS (adj.)	1.01	1.02	1.18	1.36
P/E (adj.)	17.5	16.9	14.6	12.7
P/B	1.7	1.8	1.7	1.6
Dividend yield-%	4.7 %	4.9 %	5.2 %	5.4 %
EV/EBIT (adj.)	17.0	15.6	12.3	11.1
EV/EBITDA	11.4	12.9	8.2	7.4
EV/S	1.7	1.5	1.4	1.3

Source: Inderes

Guidance (Unchanged)

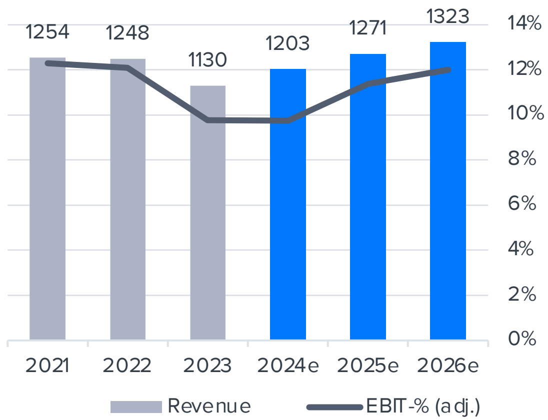
Fiskars expects comparable EBIT to be slightly above the 2023 level (110.3 MEUR

Share price



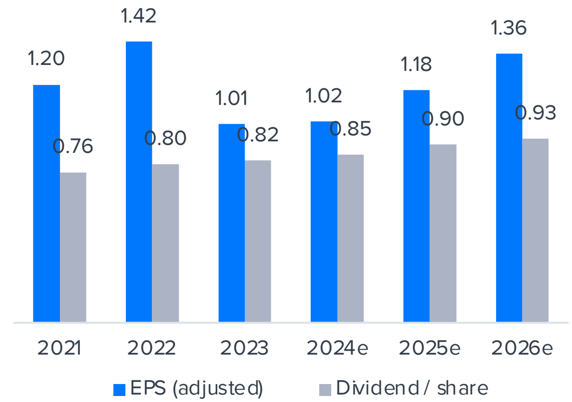
Source: Millistream Market Data AB

Revenue and EBIT-%



Source: Inderes

EPS and dividend



Source: Inderes

Value drivers

- Portfolio's focus on big and most profitable brands
- Organic growth from new markets and/or product categories
- Profitability improvement through sales and channel mix as well as growth and scale

Risk factors

- Weakening of the global economy and consumer confidence
- Rapid transition in the retail sector to digital channels and increasing price competition
- Complexity of the brand portfolio
- Activating in acquisitions increases the risk, e.g, in terms of their valuation and integration

Valuation	2024e	2025e	2026e
Share price	17.2	17.2	17.2
Number of shares, millions	80.8	80.8	80.8
Market cap	1390	1390	1390
EV	1825	1778	1760
P/E (adj.)	16.9	14.6	12.7
P/E	36.1	15.4	12.7
P/B	1.8	1.7	1.6
P/S	1.2	1.1	1.1
EV/Sales	1.5	1.4	1.3
EV/EBITDA	12.9	8.2	7.4
EV/EBIT (adj.)	15.6	12.3	11.1
Payout ratio (%)	178.2 %	80.8 %	68.4 %
Dividend yield-%	4.9 %	5.2 %	5.4 %

Source: Inderes

Margin hit expectations despite weak revenue

Comparable revenue decreased and fell short of our expectations

Fiskars' comparable revenue decreased by 6% in Q1, which was lower than we expected. The effect of the Georg Jensen acquisition was roughly in line with our expectations and supported the reported revenue growth to 3%, which was below our 6% forecast. Comparatively, the decrease was 6% in both segments and both segments also fell short of our expectations. The acquisition supported the reported growth of the Vita segment. Fiskars points to the weak market environment as a cause for the revenue decline, but the peer on the gardening side, Gardena owned by Husqvarna, reported yesterday a slight increase in Q1. Thus, Fiskars may have continued losing market position, e.g., to cheaper products, which we believe happened last year.

Cost savings were effective, earnings almost as expected

Fiskars' adj. EBIT decreased to 25 MEUR from 31 MEUR in the comparison period. Although revenue fell somewhat short of our expectations, cost savings were more effective than expected and earnings were only slightly below our forecast. The decrease in revenue and the relatively strong/expected margin is also partly a result of the company's choices to focus on more profitable distribution channels/products.

Due to non-recurring items and adjustments related to the acquisition, no reliable consensus forecast was available and the reported figures are clearly weaker than adjusted ones. By segment, the development was expected: The Vita segment's adj. EBIT deteriorated clearly from the comparison period (0 MEUR vs. 8 MEUR), due to both Georg Jensen's earnings that were seasonally in the red (EBIT loss around 2 MEUR, which was roughly as expected) and the impact of a weakened demand situation. The Fiskars segment reached almost the level of the comparison period (30 MEUR).

Last year, Fiskars Group implemented two major savings programs, the impact of which is almost fully visible from the beginning of 2024. However, wage inflation and weak demand have eaten up some of these savings.

Gearing elevated due to seasonal cash flow

Fiskars' cash flow was negative due to typical seasonality and its net debt/adj. EBITDA ratio increased to 2.9, which is above the target level (max. 2.5x). The company expects gearing to return to below the target level by the end of the year.

Estimates	Q1'23	Q1'24	Q1'24e	Q1'24e	Consensus		Difference (%)	2024e
MEUR / EUR	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. inderes	Inderes
Revenue	275	283	301	300			-6%	1203
EBIT (adj.)	31.1	25.1	26.4	-			-5%	117
EBIT	28.9	6.4	16.4	21.3			-61%	73.6
EPS (reported)	0.25	0.03	0.09	0.10			-65%	0.48
Revenue growth-%	-17.4 %	2.9 %	9.3 %	9.0 %			-6.5 pp	6.5 %
EBIT-% (adj.)	11.3 %	8.9 %	8.8 %		-		0.1 pp	9.7 %

Source: Inderes & Bloomberg, 4 analysts (consensus)

Only small adjustments to our forecasts

Guidance of slightly better full-year earnings unchanged

Fiskars' guidance remained unchanged, meaning that the company expects comparable EBIT to be slightly above the 2023 level (110 MEUR). We believe 'slightly' means 0-10%. Thus, the range is roughly 110-120 MEUR. With the acquisition, the result will increasingly focus on the end of the year, but we expect the operational earnings impact of the transaction will be rather neutral this year. The synergy effects from the Georg Jensen acquisition and, to some extent, also the effects of the latest cost savings will be more pronounced toward the end of the year. Therefore, the guidance seems realistic even though the Q1 result fell short of the comparison period. Our forecast fell slightly and is now 117 MEUR. If you consider Georg Jensen for the full year 2023, Fiskars' pro forma adj. EBIT was 101 MEUR, compared to which our forecast is a clear improvement.

Moderate changes in forecasts

Operational forecast changes were minor. Fiskars seems to be more selective in terms of revenue than we thought and/or the market weaker than expected. As a result, our revenue forecasts decreased by 2% throughout the forecast period 2024-26. However, we still expect a clear turn to positive organic growth in 2025. In terms of EBIT, our forecasts decreased by a marginal 1% through the same forecast period.

In addition, there are changes in this year's reported figures mainly for two reasons. Firstly, Q1 clearly had more non-recurring items than we expected. This may only be a timing issue, but we raised our estimate of non-recurring items slightly for the full year, which depresses the reported EBIT forecast slightly more than the adjusted EBIT forecast. On the other hand, financial costs in Q1 were lower than we expected, although mainly due to fluctuating currency items, which had a positive impact on the net profit line. These things will not be reflected in the coming years.

Earnings leverage from growth expected in 2025

Fiskars has had to cut its expenses in the past 18 months as demand has deteriorated. At the same time, its gross margin has continued to rise, partly due to structural changes, but also organically. If fixed costs remain under control when demand starts to rise, growth should provide a clear lever to the result and thus raise the margin. We expect this next year when our forecasts are 6% (organic) revenue growth and an improvement in the EBIT margin of over 1.5 percentage points. We expect the same positive trend to continue in 2026. Thus, our forecasts expect a quite clear turn after two weak years and the result to return to Fiskars' historic top level.

Estimate revisions	2024e	2024e	Change	2025e	2025e	Change	2026e	2026e	Change
MEUR / EUR	**Old**	**New**	**%**	**Old**	**New**	**%**	**Old**	**New**	**%**
Revenue	1233	1203	-2%	1302	1271	-2%	1356	1323	-2%
EBIT (exc. NRIs)	119	117	-1%	146	145	-1%	160	159	-1%
EBIT	78.7	74	-7%	141	140	-1%	160	159	-1%
EPS (excl. NRIs)	0.98	1.02	3%	1.19	1.18	-1%	1.37	1.36	-1%
DPS	0.85	0.85	0%	0.90	0.90	0%	0.93	0.93	0%

Source: Inderes

The stock already prices a better earnings level

Sell with EUR 15 target price

We feel the expected return of the stock will remain negative due to the high multiples. It is mainly supported by a dividend yield of around 5%. We feel the near-term sluggish outlook and the risk from the acquisition (lower than expected profitability or otherwise failed integration) elevate the risk profile slightly and push organic profit growth further into the future. This is why we consider a cautious view justified at this stage, even though we still believe in positive development in the coming years.

Earnings-based valuation high in 2024

Prior to the COVID pandemic, Fiskars' growth and profitability profile was modest. The company was clearly underperforming compared to its potential, but the home nesting trend that COVID sparked supported Fiskars. At the same time, the company also improved its performance both in terms of growth drivers and profitability. This was particularly reflected as significant earnings growth in the Vita segment in 2020-22, which, however, has weakened significantly in 2023 due to the slowdown in demand. We believe the company has potential for stable, albeit quite small growth, and better relative profitability than in the past. On the other hand, the company has not historically been able to achieve much growth and its markets are quite mature (and thus grow slowly), so we feel that pricing significant growth into the share price would be too optimistic.

We determined the acceptable valuation level for Fiskars' share to be P/E 12-14x and EV/EBIT 10-12x. The 2024 multiples are above the acceptable multiples and in 2025 they are at the top end of the range, and thus, we feel, the expected earnings growth in the coming years will mainly digest the multiples.

DCF valuation

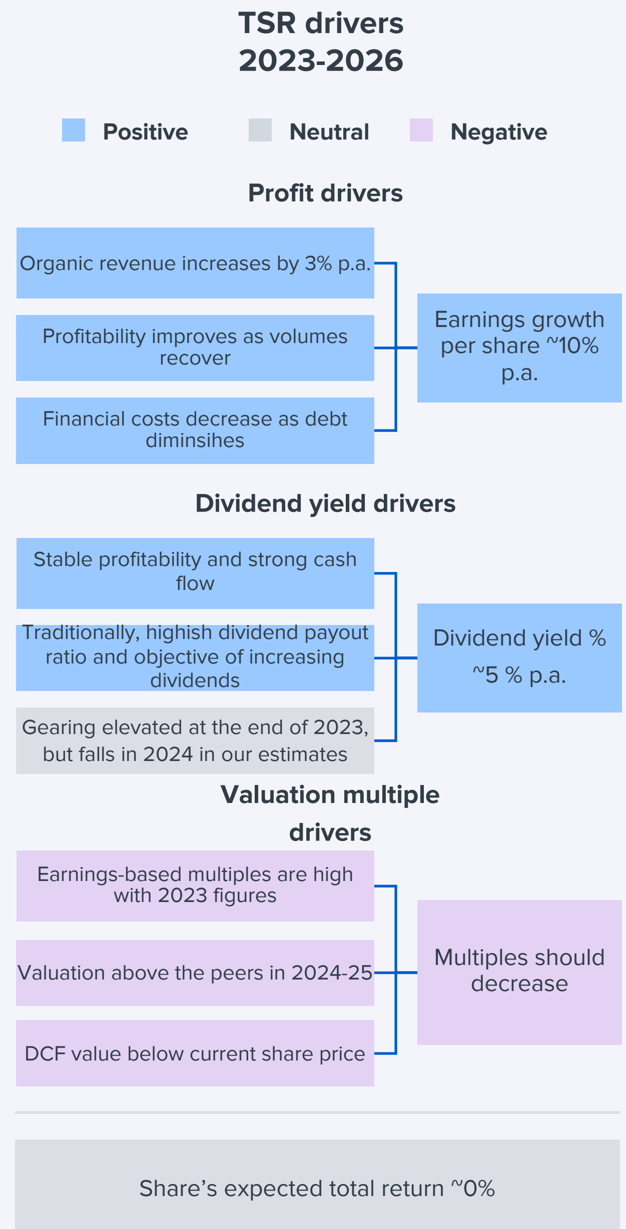
We estimate that Fiskars' revenue growth will decline from 2027 onwards to 2% p.a. We expect the EBIT margin to improve to around 12.5% by 2027, but to fall to 11% in the terminal period, which is nevertheless higher than the level in 2023 and in the years before 2019. The weight of the terminal period is around 50% in our model.

Our required return (WACC) for Fiskars is 8% and the cost of equity is 8.5%. The level is low, but we believe it is justified given Fiskars' strong brands, diversified product portfolio and low risk profile.

Our DCF model indicates that Fiskars' debt-free value is about 1.7 BNEUR and the value of the share capital is good 1.2 BNEUR, or about EUR 15 per share. The DCF relies on a margin improvement in the coming years.

Balance sheet-based valuation is also elevated

Fiskars' P/B ratio is about 1.7x for the coming years. 2024 ROE is below 10% in our forecasts, compared to which the valuation is high. Starting from 2026, we expect a 12-13% ROE, compared to which the valuation is close to an acceptable level. Here, too, we see a need for earnings growth for the multiples to neutralize.



Investment profile 1/2

1. **Wide and well-known brand portfolio**
2. **A promising growth strategy overshadowed by a weak market**
3. **Stable dividend company**
4. **Well-diversified business**
5. **Weak historical growth depresses the acceptable valuation**

Potential

- Geographical expansion
- Expanding to new product categories
- Growth in direct consumer sales
- Improved return on capital from growth and margin improvement

Risks

- Digitalization of the commerce sector and growing demands of consumers
- Consumer demand weakening and/or slower recovery
- Brand portfolio growing too large and complex
- Restructuring and efficiency programs continuing with non-recurring costs

Source: Inderes

Investment profile 2/2

Broad and well-known brand portfolio decentralizes risk

Fiskars is a family of strong iconic lifestyle brands. Through its wide international brand portfolio, the company has some degree of natural diversification into the success of several different brands. At the same time, this reduces the risk that the Group would be in a difficult position if one of the company's brands lost its competitiveness. Business diversification into a wide range of product categories, over 100 countries and distribution channels also brings stability to performance and lowers the risk profile of the stock. Of course, e.g., the Fiskars brand and the US market are large and therefore crucial for the company.

A stable dividend payer

Despite the recent acquisition, Fiskars has a relatively strong balance sheet and a historically stable performance and cash flow. The business has been consistently profitable, although at a relatively modest level until 2019, and since then profitability has fluctuated with demand. We believe that the company will continue to profile itself as a stable dividend payer.

Modest historical growth and restructuring programs are a weakness

Fiskars' revenue has been largely stagnant or even decreased when comparing our 2023 estimate to 2016, which was the first year with the current structure. Since then, the company has sold the watering business but acquired Georg Jensen, whose revenue was higher than that of the watering business. So growth has been a major challenge for the company for a long time, and earnings growth has mainly come through efficiency measures. The company's investment profile has been marked by modest growth and restructuring programs with related non-recurring costs continuing year after year in the last decade and again last year.

Positive drivers/potential

Geographical expansion

Fiskars has many high-quality brands that are under-represented in certain geographical areas or not present at all. The company’s strategy aims to utilize expansion of the brands into new markets, examples of which in recent years include the expansion of Wedgwood and Royal Copenhagen to the Chinese market. However, growth investments are only made in sufficiently good and profitable brands, and the strategy has partly shifted from growth countries to important cities.

Expanding to new product categories

Fiskars can try to stretch its brands into new product categories. In many of its well-known brands, Fiskars has product categories where it has no products at all, but which the brands could quite naturally fit into. The company strives to take advantage of these, but completely new products take time to reach a significant size for the Group.

Negative drivers/risks

Digitalization of the commerce sector and growing demands of consumers

In recent years, many players in trade have been in serious difficulties in the face of the rapid transformation in the industry and fluctuating demand. Consumers have increasingly started to favor purchases via digital channels, which has put new type of pressure on storage capacity, supply chain management, development of own online shops and profitability of own stores. At the same time, the competitive landscape of companies has become more challenging and consumer options have expanded from local brick-and-mortar stores to completely global. Naturally, Fiskars is also trying to take advantage of this trend with its own consumer sales, so to an extent this also opens opportunities.

A complex portfolio is challenging to manage

Fiskars has accumulated dozens of different brands through acquisitions made over the years. While large brands make up most of revenue, smaller local brands create complexity for production, marketing, warehousing, administration, etc. The company has stated that it will make the biggest investments in winning brands due to their stronger growth and profitability potential, but small brands also have strong regional positions and thus defend their position in the portfolio. On the other hand, the company also seeks new brands through acquisitions, which brings its own risks in terms of, e.g., price and the development of the acquired brand.

Strategy and financial objectives (1/4)

The strategy announced in 2021 was refined at the end of last year

In November 2021, Fiskars announced a new growth-oriented strategy and ambitious financial targets for 2022-25 in connection with its CMD. The company revised its strategy during the CMD held half way through the period in November 2023. Fiskars originally talked about winning brands and countries, but in the 2023 CMD the approach was specified and the brands were given different roles. In addition, instead of winning countries, they now talked about important cities. So the thinking has become more focused, which is of course good, but on the other hand, we feel the growth potential seems somewhat more limited than perhaps thought in 2021 or we understood from the strategy.

Luxury brands now head the growth strategy

The goal of making big brands bigger is still at the core of the strategy. In Fiskars' revised classification, the spearhead of the growth strategy is the luxury brands Royal Copenhagen, Georg Jensen and Wedgwood, which belong to the 'accelerate' category. This means accelerating growth by investing more than the Group average in growing these brands and especially in growing own retail sales. This can also mean prioritizing growth partly at the expense of profitability. These brands should also have opportunities for new product categories. The 'accelerate' brands account for about 30% of revenue.

The Fiskars brand is in its own 'anchor' category, where the goal is to continue to grow, but at least we do not see the same growth potential as in luxury brands and the distribution model will continue to be based on wholesale. Thus, we do not believe that significant monetary investments will be made in the growth of the Fiskars brand relative to the large size of the brand. All the brands in the accelerate and anchor categories used to be 'winning' brands, and thus we do not feel their status has changed much. The next two categories are interesting, however, where we see differences from the previous division.

Gerber continues to be US-centered, Iittala's performance declined last year

In the new classification, Moomin products and Gerber are in the 'maximize potential' category, which are seen as strong growing brands, but which aim to grow at the current profitability level. This differs from their previous rating of 'winning' brands and the 'accelerate' category in that they do not currently hold such significant international expansion potential that it would be worthwhile to invest significantly in their growth. We believe that for these brands this means that the expansion of Gerber to Europe, which has been talked about for years, will not materialize on a significant scale in the next few years either. This is not a big change compared to our expectations, but it shows on the one hand the limited potential of the brands and on the other hand Fiskars' sensible prioritization between the brands.

The less successful brands are now referred to as 'optimize' (formerly turnaround), which still includes Waterford and to which Iittala also fell last year. They are linked by glass products and glass production, which is difficult to adapt to lower volumes and whose profitability has thus suffered last year (although for Waterford it was already weak). The role of this category is the same as for the previous turnaround brands, i.e. profitability needs to be fixed before more significant growth investments can be allocated to them. However, this does not mean that growth would not be sought in these brands too. For example, Iittala has just launched new textile products that aim to expand the brand into a new category. Iittala and Waterford accounted for just under 15% of revenue in 2023.

In addition to the above, the company has numerous smaller, local brands that are tactically used, e.g., at lower price points. The smaller brands Royal Albert and Royal Doulton, previously included in the turnaround category that came from the WWRD transaction, are now included in this category of tactical brands, and the company no longer highlights them in its strategy.

Winning in channels requires getting closer to the consumer

Direct consumer sales are at the heart of the new strategy period. At Group level, direct consumer sales account for some 25% of sales and the company seeks to increase it further, mainly in the Vita segment and, on the other hand, through the growth of the Vita segment also at Group level. In wholesale, that still generates most of revenue, the company tries to select growing and profitable distribution channels.

Strategy and financial objectives (2/4)

Fiskars' strategy is to focus on winning brands, channels and countries with the help of the following growth factors:

Commercial excellence

- Commercial excellence is a very broad concept and covers, e.g., pricing, product portfolio, distribution network, focusing on the correct, i.e. growing distribution channels, cooperation with the retail sector and product displays.

Direct consumer sales

- Creating brand experiences in own distribution channels including both physical stores and online stores.
- Increasing sales through own stores

USA

- The US is clearly Fiskars' largest operating country (~30% of revenue) and the company still sees a lot of potential to grow there, e.g., by exploiting its entire product portfolio

China

- China's revenue has grown rapidly, accounting for about 5% of Fiskars in 2023 (~55 MEUR), and we expect it to soon become the fourth largest, requiring a share of over 6%
- Direct consumer sales are important
- Wedgwood the leading brand

Inderes' comments on Fiskars' growth factors

Commercial excellence

- Commercial excellence is in practice a normal part of any company's business
- However, in Fiskars' current strategy the aim is a clear improvement as the company moves from the old wholesale and demand-driven model to a more value-based model that emphasizes cooperation with distributors
- We believe Fiskars has good preconditions to support both sales and margin development in the coming years. Over time, improvements in this area naturally become more difficult

Direct consumer sales

- As e-commerce makes all competition global, companies must differentiate themselves with their brands
- Direct consumer sales are a growing trend and we find Fiskars' choice to focus on this as good In Vita, the share is already close on 50% and a significant increase in the share may be difficult
- Establishing own brand stores typically also supports distributors' sales
- Increasing consumer sales will require investments, especially in IT and will also change its earnings structure

USA

- As the company's largest country, focusing on the US is an obvious choice for Fiskars
- The company sees a strong market for brand products in the country and we agree, although consumer demand is under pressure in the near term
- Fiskars sees potential, e.g., for the Gerber brand and Vita segment. On the other hand, the market is very competitive, and we do not expect Fiskars to easily gain market shares from others. So, growth in the US requires successful products and choices, e.g., in terms of brands and distribution channels

China

- Fiskars' revenue in China were almost non-existent in 2017-18 (~5 MEUR) but has grown rapidly and it was already the 6th biggest country in 2024.
- Wedgwood has been a leading brand, but we believe that Fiskars' wide range of brands (mainly in the Vita segment) should also offer other relevant brands for the Chinese market that support growth.
- In China, growth mainly comes from own online stores and partly from own physical stores where the company can also gain expertise for other markets

Strategy and financial objectives (3/4)

Financial targets 2022-25 (published in November 2021, repeated in November 2023)

Annual organic revenue growth: around 5%

- Historically, Fiskars' growth has been modest and there has in practice been no organic growth for the current Fiskars that focuses on consumer products
- Fiskars aims for growth, especially through luxury brands and its own consumer sales
- Although 2023 was weak, Fiskars does not expect organic growth in 2024, but to reach its target growth in 2025
- Our forecasts are similar and we expect the company's growth to remain close to the target also in 2026-27 (4%).
- However, growth for the entire strategy period is clearly below the targets, partly due to the strong comparison year 2021 supported by COVID

Comparable EBIT margin: around 15% by the end of 2025

- Fiskars' margin has historically been below 10%, to which it also fell in 2023. In 2021, supported by COVID demand, the margin was over 12%
- The targeted improvement is based on both an improvement in the gross margin, mainly supported by Georg Jensen's margin structure and partly by the growth in sales of products and channels with better margins (especially own consumer sales) and the reduction in fixed costs through efficiency programs, Georg Jensen synergies and volume growth (starting from 2025).
- We believe that the margin target relies largely on the growth target being successful
- We don't expect the company to reach the target, but to improve to about 12% in 2026

Cash conversion (free cash flow/profit for the period): at least 80%

- Cash conversion depends mainly on changes in working capital and the amount of investments
- Investments will be made to the tune of about 4% of sales, especially related to digitalization, which will depress cash conversion
- Changes in working capital pushed cash conversion negative in 2022 and over 200% in 2023
- We believe that the release of working capital will continue to support a level of over 100% in 2024 and then cash conversion will level to close to the target level of 80%.

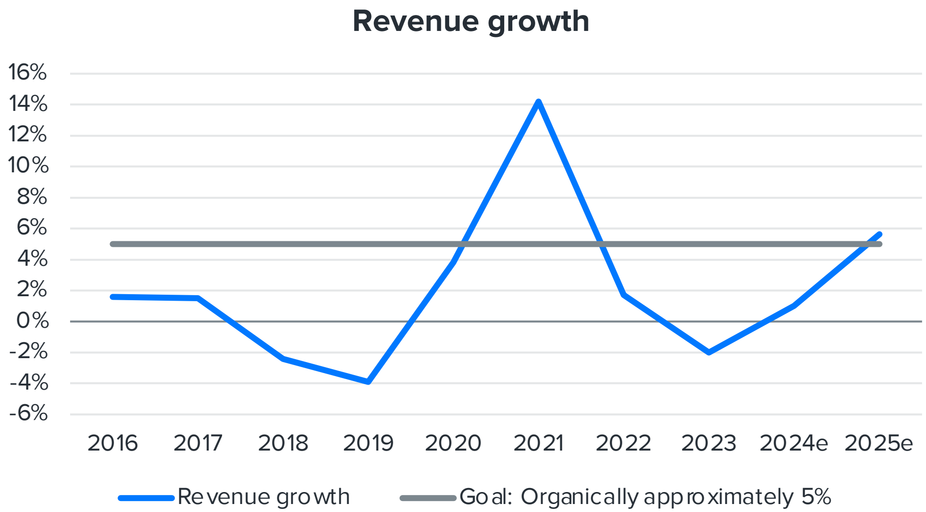
Net debt/ EBITDA: 2.5x or under

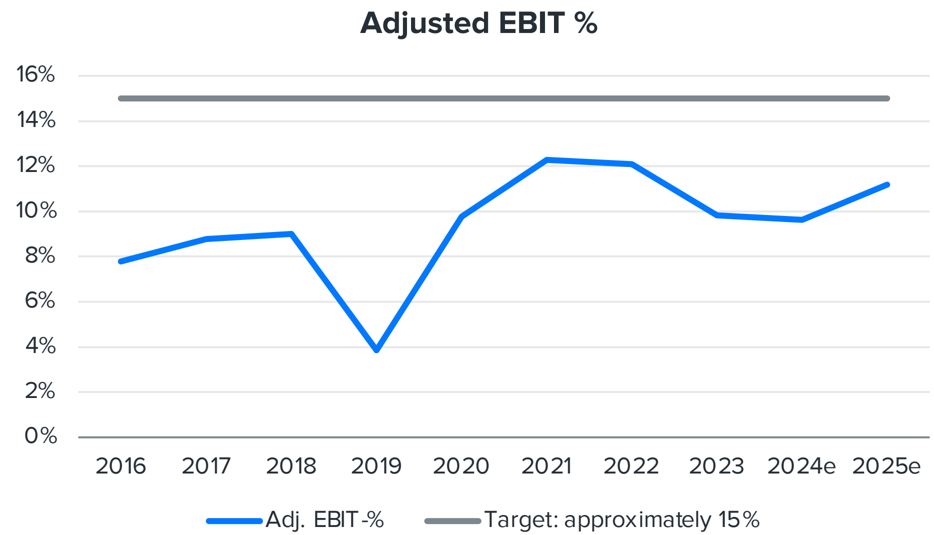
- Historically, Fiskars has had a relatively strong balance sheet that it has used for acquisitions
- The Georg Jensen acquisition at the end of 2023 raised gearing to the upper limit of the target
- We believe Fiskars will allocate its free cash flow mainly to dividends and debt repayment this year, but in a few years' time, it may also consider new acquisitions
- Without acquisitions, gearing will gradually decreases, supported by free cash flow and improved earnings

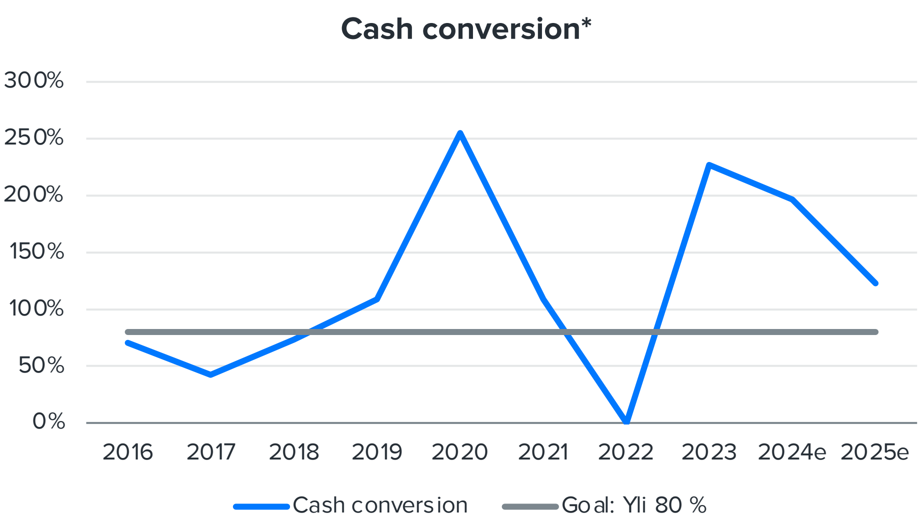
Dividend: The aim is to distribute a stable dividend that increases over time and is paid twice a year

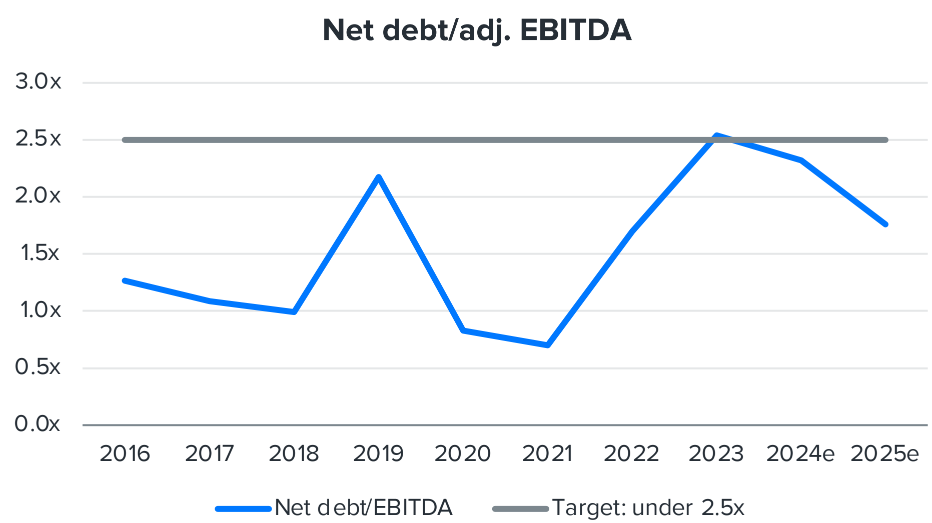
- Fiskars has traditionally paid a relatively high dividend. We believe that the company will continue to pay an increasing dividend in line with the policy.

Strategy and financial objectives (4/4)









*Partly Inderes' estimate, the company has not reported cash conversion for 2016-19

ESG

Fiskars’ business is practically outside taxonomy

Fiskars’ business is manufacturing and selling of consumer products, which at this stage is not covered by taxonomy. We believe that this is because taxonomy initially identified sectors that have the most significant impact on climate change, which does not include consumer products.

In addition to products and services intended for consumers, Fiskars Group’s activities also include museums and cultural activities, real estate activities and forest management, which are defined in taxonomy. Their share of the business is marginal, under 1% of revenue. In terms of costs and investments, taxonomy eligibility is slightly higher, but still a small part. Fiskars only has marginal taxonomy activities in terms of revenue, costs and investments.

We feel taxonomy has no impact on the business

As Fiskars' main business is currently not covered by taxonomy, we do not believe that current taxonomy will have any impact on Fiskars' business, and thus on e.g. the financial situation or financial costs.

On a side note, however, the company has a rather ambitious target of increasing the share of circular economy products and services in its revenue to 50% by 2030, compared to 14% last year (a clear increase from 5% in 2022). This is likely to mean products made from recyclable materials, but may in principle also mean selling second-hand products or renting products.

The climate goals have progressed well

Fiskars is committed to the Paris Agreement 1.5% scenario and the Science-Based-Targets project which aims at this. In this context, the company aims to reduce greenhouse gas emissions by 2030 from its own activities (scope 1&2) by 60% compared to 2017 and scope 3 (logistics and distribution) emissions by 30% vs. 2018. The company also targets that 60% of its suppliers have targets that are in line with the Science-Based-Targets project by 2024.

In terms of emissions targets, the company is clearly ahead of its targets. Scope 1&2 emissions have already decreased by 56% by 2023 and scope 3 emissions by 46%. This means that the targets have in practice already been achieved, which has likely been supported by the drop in volumes last year. We believe that this was also fueled by the dramatic increase in the price of natural gas caused by the war started by Russia, which is why Fiskars is investing in converting the Iittala glass factory to a lower emission (by switching from natural gas to electricity). 45% of the suppliers were covered by SBT in 2022, so the target is achievable, although there is still plenty to do with this target as the target year is already this year.

Taxonomy eligibility	2021	2022
Revenue	0.4%	0.5%
OPEX	6%	4%
CAPEX	4%	6%

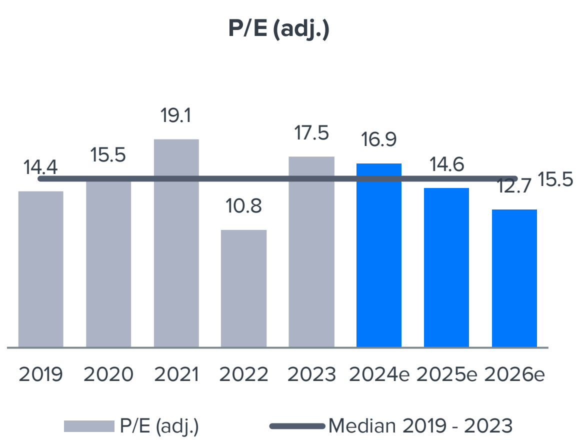
Taxonomy alignment	2021	2022
Revenue	0%	0.2%
OPEX	0%	0.3%
CAPEX	0%	1.5%

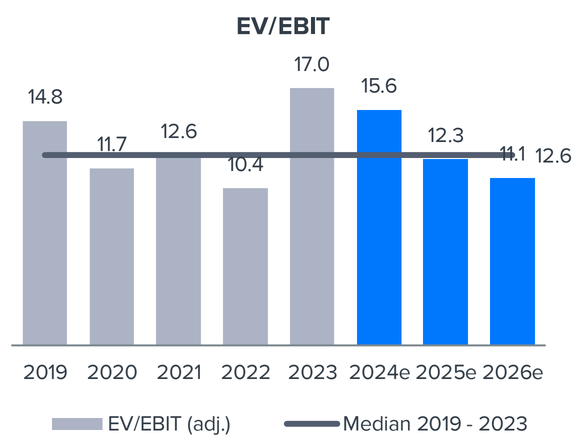
Climate		
Climate goal	Yes	Yes
Target according to Paris agreement (1.5 °C warming scenario)	Yes	Yes

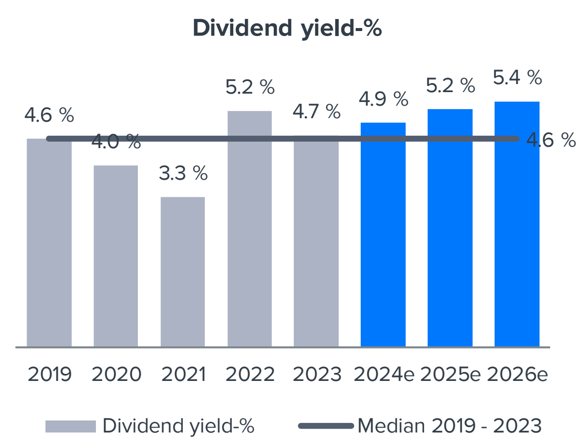
Valuation table

Valuation	2019	2020	2021	2022	2023	2024e	2025e	2026e	2027e
Share price	12.2	15.0	23.0	15.4	17.6	**17.2**	**17.2**	**17.2**	**17.2**
Number of shares, millions	81.5	81.5	81.5	80.6	80.8	**80.8**	**80.8**	**80.8**	**80.8**
Market cap	996	1220	1874	1239	1420	**1390**	**1390**	**1390**	**1390**
EV	1152	1276	1938	1570	1872	**1825**	**1778**	**1760**	**1735**
P/E (adj.)	14.4	15.5	19.1	10.8	17.5	**16.9**	**14.6**	**12.7**	**11.7**
P/E	19.3	18.0	21.7	12.6	20.3	**36.1**	**15.4**	**12.7**	**11.7**
P/B	1.3	1.6	2.3	1.5	1.7	**1.8**	**1.7**	**1.6**	**1.6**
P/S	0.9	1.1	1.5	1.0	1.3	**1.2**	**1.1**	**1.1**	**1.0**
EV/Sales	1.1	1.1	1.5	1.3	1.7	**1.5**	**1.4**	**1.3**	**1.3**
EV/EBITDA	9.6	7.4	9.5	8.1	11.4	**12.9**	**8.2**	**7.4**	**6.9**
EV/EBIT (adj.)	14.8	11.7	12.6	10.4	17.0	**15.6**	**12.3**	**11.1**	**10.2**
Payout ratio (%)	88.4 %	72.2 %	71.6 %	65.6 %	94.8 %	**178.2 %**	**80.8 %**	**68.4 %**	**70.0 %**
Dividend yield-%	4.6 %	4.0 %	3.3 %	5.2 %	4.7 %	**4.9 %**	**5.2 %**	**5.4 %**	**6.0 %**

Source: Inderes







Peer group valuation

Peer group valuation	Market cap	EV	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%		P/B
Company	**MEUR**	**MEUR**	**2024e**	**2025e**	**2024e**	**2025e**	**2024e**	**2025e**	**2024e**	**2025e**	**2024e**	**2025e**	**2024e**
Duni AB	414	504	7.7	6.8	5.6	5.1	0.7	0.7	10.0	8.8	4.9	5.3	1.2
Harvia Oyj	743	766	21.2	18.6	18.1	15.8	4.7	4.3	29.0	24.9	1.8	2.0	5.4
Leifheit AG	158	118	5.9	4.7	4.2	3.6	0.5	0.4	10.3	8.3	4.8	7.8	1.3
Marimekko Oyj	492	475	14.4	12.5	11.3	10.0	2.6	2.4	19.2	17.1	3.7	5.0	5.7
Nokian Tyres plc	1232	1759	15.9	12.4	9.2	6.8	1.2	1.2	15.9	11.9	6.2	6.2	0.9
Orthex Oyj	112	128	10.4	9.2	7.8	7.0	1.4	1.3	13.3	11.8	4.0	4.3	2.5
Rapala VMC Oyj	111	242	16.5	11.7	9.3	7.4	1.0	0.9	35.4	13.6	1.7	0.7	0.7
Stanley Black & Decker Inc	12990	19279	15.2	12.5	11.7	10.1	1.3	1.3	21.8	15.7	3.7	3.7	1.4
Villeroy & Boch AG	483	344	4.1	3.9	2.7	2.7	0.4	0.4	7.8	7.4	6.4	6.7	1.1
Husqvarna	4125	5461	13.1	11.3	8.2	7.4	1.3	1.2	15.7	12.8	3.8	4.1	1.9
Fiskars (Inderes)	**1390**	**1825**	**15.6**	**12.3**	**12.9**	**8.2**	**1.5**	**1.4**	**16.9**	**14.6**	**4.9**	**5.2**	**1.8**
Average			**12.4**	**10.4**	**8.8**	**7.6**	**1.5**	**1.4**	**17.8**	**13.2**	**4.1**	**4.6**	**2.2**
Median			**13.7**	**11.5**	**8.7**	**7.2**	**1.2**	**1.2**	**15.8**	**12.4**	**3.9**	**4.6**	**1.4**
Diff-% to median			***13%***	***7%***	***48%***	***14%***	***22%***	***17%***	***7%***	***18%***	***28%***	***13%***	***29%***

Source: Refinitiv / Inderes

Income statement

Income statement	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24	Q2'24e	Q3'24e	Q4'24e	2024e	2025e	2026e	2027e
Revenue	**1248**	**275**	**268**	**241**	**346**	**1130**	**283**	**291**	**276**	**353**	**1203.2**	**1271**	**1323**	**1377**
Vita	564	108	114	119	215	555	126	140	154	219	640	691	725	761
Fiskars	681	167	153	121	130	571	156	150	121	133	559	576	593	611
Others	3.9	0.5	1.1	1.2	1.2	4.0	1.0	1.1	1.2	1.2	4.5	4.5	4.5	4.5
EBITDA	**194**	**44.0**	**37.1**	**29.7**	**54.1**	**165**	**26.5**	**26.0**	**34.6**	**54.6**	**141.7**	**217**	**239**	**252**
Depreciation	-58.8	-15.1	-14.7	-16.1	-20.1	-66.0	-20.1	-16.0	-16.0	-16.0	-68.1	-77.8	-80.1	-82.5
EBIT (excl. NRI)	**151**	**31.1**	**23.7**	**17.7**	**37.7**	**110**	**25.1**	**20.0**	**28.6**	**43.6**	**117**	**145**	**159**	**170**
EBIT	**135**	**28.9**	**22.4**	**13.6**	**34.0**	**98.9**	**6.4**	**10.0**	**18.6**	**38.6**	**74**	**140**	**159**	**170**
Vita	85.6	7.8	3.0	16.8	34.7	62.3	-0.1	0.0	21.6	41.6	63.1	84.3	97.2	107
Fiskars	82.7	30.6	24.8	11.0	7.4	73.8	29.5	25.0	12.0	7.0	73.5	80.0	82.0	84.0
Others	-17.2	-7.2	-4.2	-10.0	-4.4	-25.8	-4.3	-5.0	-5.0	-5.0	-19.3	-19.7	-20.3	-20.7
Net financial items	-11.7	-3.6	-7.2	-3.1	-10.0	-24.0	-3.8	-7.0	-6.0	-6.0	-22.8	-20.0	-15.0	-15.0
PTP	**124**	**26.3**	**16.7**	**11.7**	**25.0**	**79.7**	**3.6**	**3.0**	**12.6**	**32.6**	**51.8**	**120**	**144**	**155**
Taxes	-25.0	-5.8	-4.0	-2.9	3.0	-9.7	-1.2	-0.8	-3.2	-8.1	-13.2	-28.7	-33.1	-35.6
Minority interest	-0.9	-0.3	0.0	0.1	0.0	-0.2	0.0	0.0	0.0	0.0	0.0	-0.9	-1.0	-1.0
Net earnings	**98.2**	**20.2**	**12.7**	**8.9**	**28.1**	**69.9**	**2.4**	**2.3**	**9.5**	**24.4**	**38.5**	**90.0**	**110**	**118**
EPS (adj.)	**1.42**	**0.28**	**0.17**	**0.16**	**0.39**	**1.01**	**0.26**	**0.15**	**0.24**	**0.36**	**1.02**	**1.18**	**1.36**	**1.46**
EPS (rep.)	**1.22**	**0.25**	**0.16**	**0.11**	**0.35**	**0.87**	**0.03**	**0.03**	**0.12**	**0.30**	**0.48**	**1.11**	**1.36**	**1.46**

Key figures	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24	Q2'24e	Q3'24e	Q4'24e	2024e	2025e	2026e	2027e
Revenue growth-%	-0.5 %	-17.4 %	-16.1 %	-17.6 %	13.8 %	-9.5 %	2.9 %	8.8 %	14.5 %	2.0 %	6.5 %	5.6 %	4.1 %	4.1 %
Adjusted EBIT growth-%	-2.1 %	-39.9 %	-34.7 %	-46.8 %	27.3 %	-27.0 %	-19.3 %	-15.6 %	61.7 %	15.6 %	6.4 %	23.3 %	9.9 %	6.9 %
EBITDA-%	15.5 %	16.0 %	13.9 %	12.3 %	15.6 %	14.6 %	9.4 %	8.9 %	12.5 %	15.5 %	11.8 %	17.1 %	18.1 %	18.3 %
Adjusted EBIT-%	12.1 %	11.3 %	8.8 %	7.3 %	10.9 %	9.8 %	8.9 %	6.9 %	10.4 %	12.4 %	9.7 %	11.4 %	12.0 %	12.3 %
Net earnings-%	7.9 %	7.4 %	4.8 %	3.7 %	8.1 %	6.2 %	0.8 %	0.8 %	3.4 %	6.9 %	3.2 %	7.1 %	8.3 %	8.6 %

Source: Inderes

Balance sheet

Assets	2022	2023	2024e	2025e	2026e
Non-current assets	**877**	**1029**	**1051**	**1062**	**1073**
Goodwill	221	220	220	220	220
Intangible assets	279	372	371	367	364
Tangible assets	257	307	330	343	357
Associated companies	0.0	0.0	0.0	1.0	2.0
Other investments	84.8	91.0	91.0	91.0	91.0
Other non-current assets	6.4	11.0	11.0	11.0	11.0
Deferred tax assets	29.0	28.4	28.4	28.4	28.4
Current assets	**709**	**726**	**619**	**616**	**641**
Inventories	365	364	301	280	291
Other current assets	8.9	5.6	5.6	5.6	5.6
Receivables	219	229	241	254	265
Cash and equivalents	116	127	72.2	76.3	79.4
Balance sheet total	**1586**	**1755**	**1670**	**1678**	**1714**

Source: Inderes

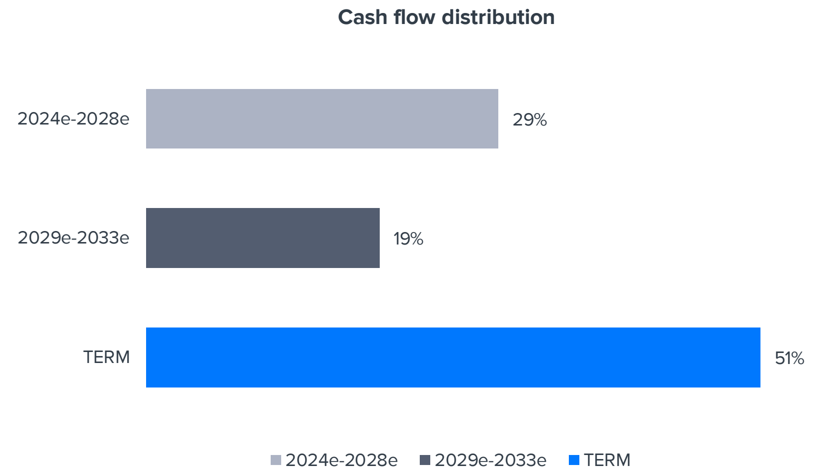
Liabilities & equity	2022	2023	2024e	2025e	2026e
Equity	**836**	**824**	**796**	**817**	**854**
Share capital	77.5	77.5	77.5	77.5	77.5
Retained earnings	754	742	715	736	773
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	0.0	0.0	0.0	0.0	0.0
Other equity	0.0	0.0	0.0	0.0	0.0
Minorities	4.1	3.8	3.8	3.8	3.8
Non-current liabilities	**275**	**506**	**460**	**411**	**408**
Deferred tax liabilities	34.5	38.8	38.8	38.8	38.8
Provisions	13.2	15.4	15.4	15.4	15.4
Interest bearing debt	223	448	401	352	350
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	4.0	4.1	4.1	4.1	4.1
Current liabilities	**475**	**425**	**414**	**450**	**452**
Interest bearing debt	218	126	101	107	95.1
Payables	250	287	301	330	344
Other current liabilities	6.9	12.5	12.5	12.5	12.5
Balance sheet total	**1585**	**1755**	**1670**	**1678**	**1714**

DCF calculation

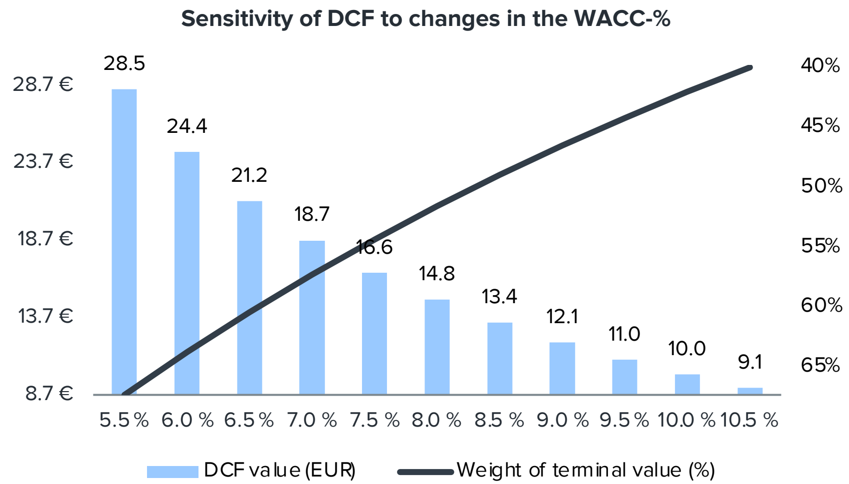
DCF model	2023	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	TERM
Revenue growth-%	-9.5 %	6.5 %	5.6 %	4.1 %	4.1 %	2.0 %	2.0 %	2.0 %	2.0 %	2.0 %	2.0 %	2.0 %
EBIT-%	8.8 %	6.1 %	11.0 %	12.0 %	12.3 %	12.5 %	12.5 %	12.0 %	11.5 %	11.0 %	11.0 %	11.0 %
EBIT (operating profit)	**98.9**	**73.6**	**140**	**159**	**170**	**176**	**179**	**175**	**171**	**167**	**171**	
+ Depreciation	66	68	78	80	82	85	86	87	85	86	88	
- Paid taxes	-5	-13	-29	-33	-36	-37	-38	-37	-36	-35	-37	
- Tax, financial expenses	-3.1	-5.9	-4.8	-3.5	-3.5	-3.5	-3.5	-3.5	-3.5	-3.5	-3.6	
+ 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	36	66.0	37.3	-8.3	-8.6	-4.4	-4.5	-4.6	-4.7	-4.8	-4.9	
Operating cash flow	**193**	**188**	**221**	**194**	**205**	**216**	**220**	**218**	**212**	**210**	**213**	
+ Change in other long-term liabilities	2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-219	-90	-88	-91	-94	-89	-91	-92	-91	-98	-103	
Free operating cash flow	**-23**	**98.5**	**133**	**103**	**111**	**126**	**129**	**125**	**121**	**112**	**109**	
+/- Other	0	40.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	-23	138	133	103	111	126	129	125	121	112	109	1855
Discounted FCFF		**131**	**117**	**84.1**	**83**	**88**	**83**	**75**	**67**	**57**	**52**	**879**
Sum of FCFF present value		1717	1586	1469	1385	1301	1213	1130	1055	988	931	879
Enterprise value DCF		**1717**										
- Interest bearing debt		-574										
+ Cash and cash equivalents		127										
-Minorities		-7										
-Dividend/capital return		-33										
Equity value DCF		**1231**										
Equity value DCF per share		**15.2**										

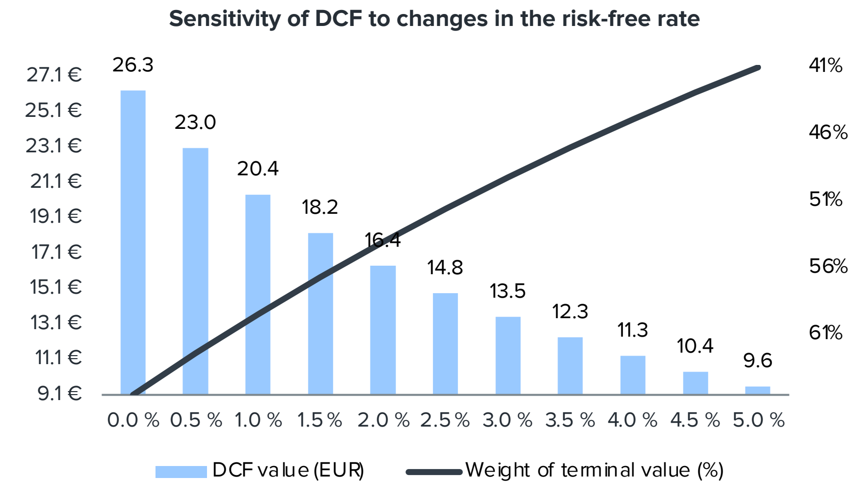
WACC	
Tax-% (WACC)	24.0 %
Target debt ratio (D/(D+E)	10.0 %
Cost of debt	5.0 %
Equity Beta	1.05
Market risk premium	4.75%
Liquidity premium	1.00%
Risk free interest rate	2.5 %
Cost of equity	**8.5 %**
Weighted average cost of capital (WACC)	**8.0 %**

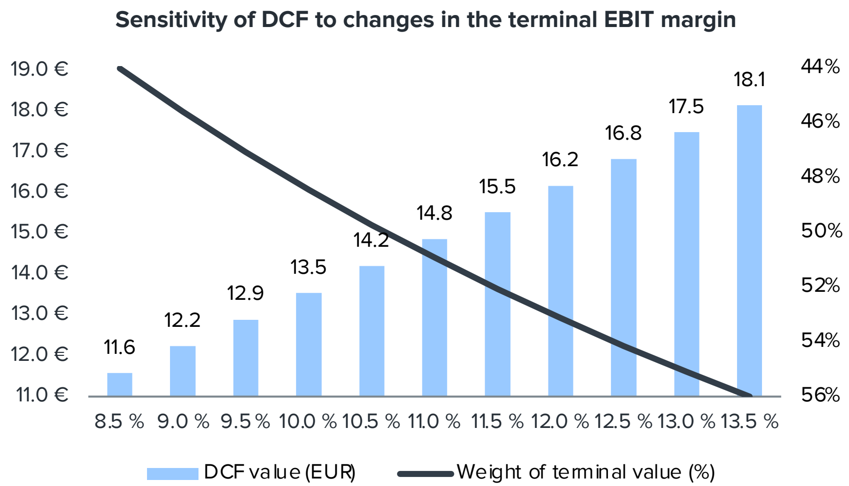
Source: Inderes

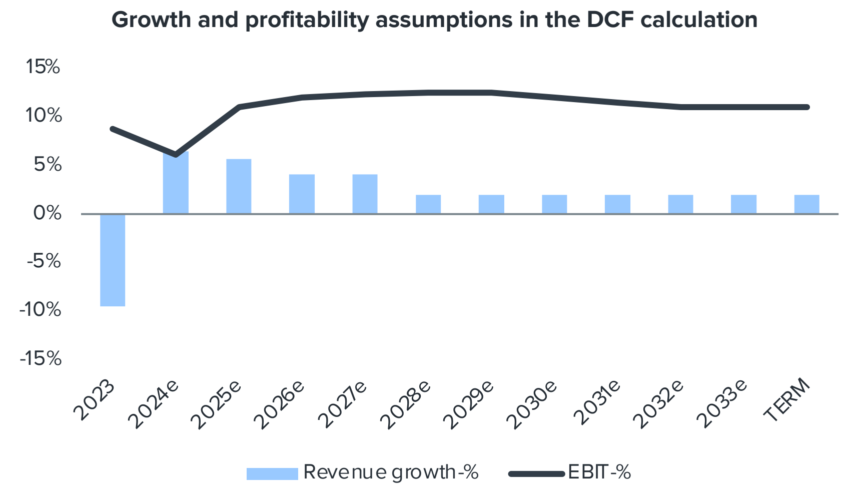


DCF sensitivity calculations and key assumptions in graphs









Source: Inderes. Note that the weight of the terminal value (%) is shown on an inverse scale for clarity.

Summary

Income statement	2021	2022	2023	2024e	2025e
Revenue	1254.3	1248.4	1129.8	**1203.2**	**1271.1**
EBITDA	204.0	193.5	164.9	**141.7**	**217.4**
EBIT	142.7	134.7	98.9	**73.6**	**139.6**
PTP	144.0	124.1	79.7	**51.8**	**119.6**
Net Income	86.5	98.2	69.9	**38.5**	**90.0**
Extraordinary items	-11.5	-16.3	-11.3	**-43.7**	**-5.0**

Per share data	2021	2022	2023	2024e	2025e
EPS (reported)	1.06	1.22	0.87	**0.48**	**1.11**
EPS (adj.)	1.20	1.42	1.01	**1.02**	**1.18**
OCF / share	1.69	-0.64	2.39	**2.33**	**2.74**
FCF / share	0.66	-1.71	-0.28	**1.71**	**1.65**
Book value / share	9.97	10.32	10.15	**9.80**	**10.07**
Dividend / share	0.76	0.80	0.82	**0.85**	**0.90**

Balance sheet	2021	2022	2023	2024e	2025e
Balance sheet total	1435.4	1585.6	1754.9	**1669.9**	**1677.6**
Equity capital	816.3	835.7	823.7	**796.0**	**817.3**
Goodwill	219.1	221.2	220.1	**220.1**	**220.1**
Net debt	56.2	325.2	446.6	**430.1**	**382.7**

Growth and profitability	2021	2022	2023	2024e	2025e
Revenue growth-%	12%	0%	-10%	**6%**	**6%**
EBITDA growth-%	18%	-5%	-15%	**-14%**	**53%**
EBIT (adj.) growth-%	41%	-2%	-27%	**6%**	**23%**
EPS (adj.) growth-%	25%	18%	-29%	**1%**	**15%**
EBITDA-%	16.3 %	15.5 %	14.6 %	**11.8 %**	**17.1 %**
EBIT (adj.)-%	12.3 %	12.1 %	9.8 %	**9.7 %**	**11.4 %**
EBIT-%	11.4 %	10.8 %	8.8 %	**6.1 %**	**11.0 %**
ROE-%	11.0 %	11.9 %	8.5 %	**4.8 %**	**11.2 %**
ROI-%	16.2 %	12.5 %	7.8 %	**5.5 %**	**10.8 %**
Equity ratio	56.9 %	52.7 %	46.9 %	**47.7 %**	**48.7 %**
Gearing	6.9 %	38.9 %	54.2 %	**54.0 %**	**46.8 %**

Cash flow	2021	2022	2023	2024e	2025e
EBITDA	204.0	193.5	164.9	**141.7**	**217.4**
Change in working capital	-10.6	-218.7	36.2	**66.0**	**37.3**
Operating cash flow	137.7	-51.7	193.3	**188.5**	**221.2**
CAPEX	-130.4	-35.8	-218.5	**-90.0**	**-88.0**
Free cash flow	53.7	-137.4	-22.9	**138.5**	**133.2**

Valuation multiples	2021	2022	2023	2024e	2025e
EV/S	1.5	1.3	1.7	**1.5**	**1.4**
EV/EBITDA (adj.)	9.5	8.1	11.4	**12.9**	**8.2**
EV/EBIT (adj.)	12.6	10.4	17.0	**15.6**	**12.3**
P/E (adj.)	19.1	10.8	17.5	**16.9**	**14.6**
P/B	2.3	1.5	1.7	**1.8**	**1.7**
Dividend-%	3.3 %	5.2 %	4.7 %	**4.9 %**	**5.2 %**

Source: Inderes

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Buy — The 12-month risk-adjusted expected shareholder return of the share is very attractive

Accumulate — The 12-month risk-adjusted expected shareholder return of the share is attractive

Reduce — The 12-month risk-adjusted expected shareholder return of the share is weak

Sell — The 12-month risk-adjusted expected shareholder return of the share is very weak

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Recommendation history (>12 mo)

Date	Recommendation	Target	Share price
1/7/2021	Accumulate	16.00 €	15.26 €
2/8/2021	Reduce	15.00 €	15.60 €
4/20/2021	Accumulate	18.00 €	16.80 €
4/29/2021	Accumulate	19.00 €	17.58 €
7/29/2021	Accumulate	22.00 €	20.20 €
11/1/2021	Accumulate	23.00 €	21.25 €
11/10/2021	Accumulate	24.00 €	21.10 €
12/28/2021	Accumulate	24.00 €	22.75 €
Analyst changed			
2/5/2022	Accumulate	24.00 €	22.05 €
5/2/2022	Accumulate	24.00 €	21.90 €
7/19/2022	Accumulate	20.00 €	18.40 €
Analyst changed			
7/29/2022	Accumulate	20.00 €	18.60 €
9/26/2022	Accumulate	18.00 €	15.20 €
10/31/2022	Accumulate	18.00 €	15.22 €
12/23/2022	Accumulate	17.00 €	15.22 €
1/16/2023	Accumulate	17.50 €	16.80 €
2/8/2023	Accumulate	18.00 €	17.10 €
3/15/2023	Accumulate	18.00 €	16.62 €
4/28/2023	Accumulate	17.50 €	15.70 €
7/18/2023	Accumulate	17.50 €	15.90 €
7/21/2023	Accumulate	17.50 €	15.88 €
10/9/2023	Reduce	17.50 €	17.56 €
10/13/2023	Reduce	16.00 €	16.20 €
10/27/2023	Reduce	15.00 €	14.28 €
1/17/2024	Sell	15.00 €	17.58 €
2/9/2024	Sell	15.00 €	17.20 €
3/20/2024	Sell	15.00 €	16.78 €
4/26/2024	Sell	15.00 €	17.20 €

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