

# Fiskars

## Extensive report

03/14/2023 18:30



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This report is a summary translation of the report "Tulos rakenteellisella kasvutrendillä" published on 3/14/2023 at 6:51 pm

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# Earnings on a structural growth trend

We believe, Fiskars has completed its long-term transformation into a consumer goods company and its profitability is already structurally better than its historical levels. We believe that the current strategy supports growth and profitability improvement in 2024-25, but 2023 will be weaker than 2022 in line with the guidance. We consider the expected return reasonable, and reiterate our Accumulate recommendation and EUR 18.0 target price.

## Fiskars has a wide brand range of consumer products and almost global geographical coverage

Fiskars is a consumer goods company with a wide and prestigious brand portfolio whose products focus on home, gardening and outdoor activities. The current Fiskars has been created around its historic main brand Fiskars through several acquisitions that have taken the company into new geographical areas and product categories. The Group's brand portfolio includes, e.g., Fiskars, Iittala, Royal Copenhagen, Gerber, Wedgwood and Waterford. Fiskars is a global player, although the main focus of net sales (~85%) is on the US and Europe. Fiskars' products are available in over 100 countries and it has operations in more than 30 countries.

## We feel Fiskars' performance has improved structurally in recent years and there is still potential for improvement

Over the past 15 years, Fiskars has changed from a somewhat confusing holding company to a clear consumer product entity. We believe that the company is already structurally performing better than before the COVID pandemic. This is illustrated, e.g., by the adjusted EBIT of EUR 135 million that we expect for this year in a rather difficult market situation, compared to an average pre-COVID level of just under EUR 100 million. Under the current management, i.e. the last two years, the company has also clearly focused more on growth, but at the same time aims to further improve profitability. We see the actions and strategy of the current management as good that we believe will help Fiskars to improve its performance in the coming years and generate a new record result already in 2024. However, we do not believe that the company will achieve the targeted 15% adjusted EBIT margin in 2025.

## Fiskars' guidance is that comparable EBIT will decline slightly from 2022

Fiskars' 2023 guidance is that comparable EBIT will be slightly below the 2022 level (2022: 151.0 MEUR). If this is assumed to mean, e.g., a 0-10% decrease, it would mean a profit of some EUR 135-150 million (Inderes: 135 MEUR). Fiskars' guidance does not include net sales but the company said it assumes it will decrease in 2023 as customers continue destocking, consumer demand is weaker and the weaker USD hits reported figures. To some extent last year's figures and the figures for the early part of this year are depressed by recovery from the strong demand in the COVID era visible especially in the Terra segment. We only made cosmetic estimate changes in this report, which increased EPS estimates by 1-2%.

## We still see a positive change story in Fiskars that offers a reasonable expected return

We believe that the strategy launched by the company's current management in 2021 will support 2024-25 the net sales growth and profitability improving to record levels. We feel the earnings-based valuation (EV/EBIT: 11x and adjusted P/E: 14x) for 2023 is at the top end of acceptable multiples but earnings growth starting from 2024 and the dividend yield of about 5% raises the share's expected return to an adequate level.

## Recommendation

**Accumulate**

(previous Accumulate)

**EUR 18.00**

(previous EUR 18.00)

**Share price:**

16.62



## Key figures

	2022	2023e	2024e	2025e
<b>Revenue</b>	1248	1187	1260	1300
<b>growth-%</b>	0%	-5%	6%	3%
<b>EBIT adj.</b>	151.0	135.4	157.3	169.5
<b>EBIT-% adj.</b>	12.1 %	11.4 %	12.5 %	13.0 %
<b>Net Income</b>	98.2	91.8	115.5	123.6
<b>EPS (adj.)</b>	1.42	1.20	1.43	1.53

<b>P/E (adj.)</b>	10.8	13.9	11.6	10.9
<b>P/B</b>	1.5	1.6	1.5	1.4
<b>Dividend yield-%</b>	5.2 %	4.8 %	4.9 %	5.4 %
<b>EV/EBIT (adj.)</b>	10.4	11.4	9.5	8.4
<b>EV/EBITDA</b>	8.1	8.1	6.8	6.1
<b>EV/S</b>	1.3	1.3	1.2	1.1

Source: Inderes

## Guidance

(Unchanged)

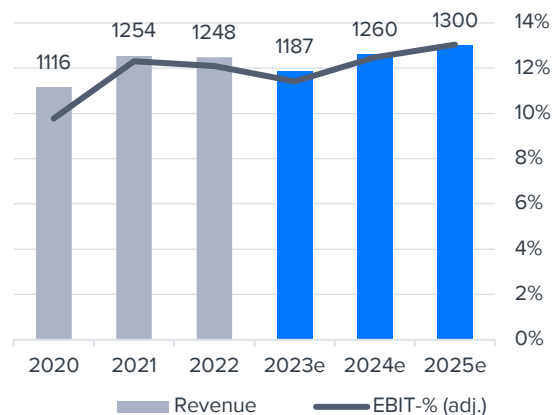
Fiskars expects comparable EBIT to be slightly below the 2022 level (2022: 151 MEUR).

## 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

Valuation	2023e	2024e	2025e
Share price	16.6	16.6	16.6
Number of shares, millions	80.7	80.7	80.7
Market cap	1341	1341	1341
EV	1546	1489	1430
P/E (adj.)	13.9	11.6	10.9
P/E	14.6	11.6	10.9
P/FCF	6.6	10.3	10.0
P/B	1.6	1.5	1.4
P/S	1.1	1.1	1.0
EV/Sales	1.3	1.2	1.1
EV/EBITDA	8.1	6.8	6.1
EV/EBIT (adj.)	11.4	9.5	8.4
Payout ratio (%)	70.4 %	57.3 %	58.8 %
Dividend yield-%	4.8 %	4.9 %	5.4 %

Source: Inderes

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# Fiskars in brief

Fiskars is a Finnish consumer goods company whose vision is to have a positive and lasting impact on people's lives. The company's main product groups are linked to home, creating, gardening, outdoor activities, cooking, interior decoration, drinkware and tableware. Fiskars' products are sold in over 100 countries. Fiskars serves people around the world with a brand portfolio that includes internationally recognized brands such as Fiskars, Gerber, Iittala, Royal Copenhagen, Waterford and Wedgwood.

**1649**

Year of establishment

**1915**

Listing

**1,248 MEUR** (+2 % vs. 2021)

Revenue 2022

**151 MEUR** (margin 12.1%)

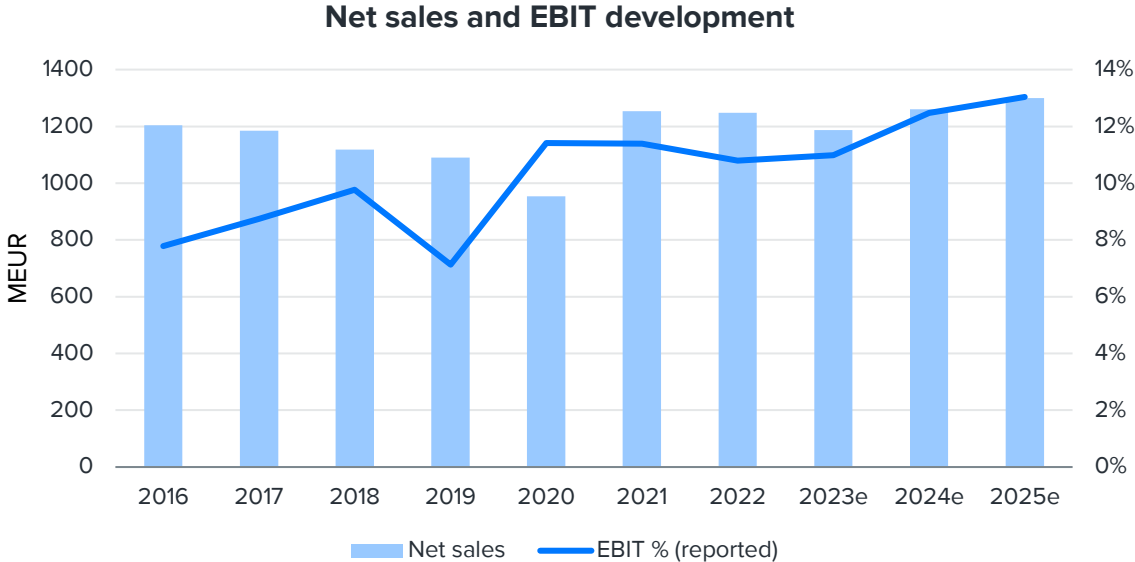
Comparable EBIT 2022

**17%**

Share of net sales outside Europe and America

**6,273**

Personnel (FTE) on average 2022



# Company description and business model 1/12

## Fiskars in brief

Fiskars is the oldest company in Finland and was founded in 1649. The company serves people around the world with a brand portfolio that includes well-known brands such as Fiskars, Gerber, Iittala, Royal Copenhagen, Waterford and Wedgwood. The company builds a family of iconic lifestyle brands and Fiskars' vision is to have a positive and sustainable impact on people's lives.

Fiskars has operations in some 30 countries and its products are available in more than 100 countries. The company's largest markets are Europe (48% of net sales) and North America (35% of net sales). At the end of 2022, Fiskars had some 350 own stores, most of which are located in Asia-Pacific. Most of the stores (68%) are shop-in-shops run by partners and the rest are outlet stores (19%) or regular shops (12%).

## Three business units

The company has, since the beginning of 2020, consisted of three business units: Terra, Vita and Crea, which have a shared supply chain and support functions. The Group's Other business includes group investments, the real estate unit and group operations.

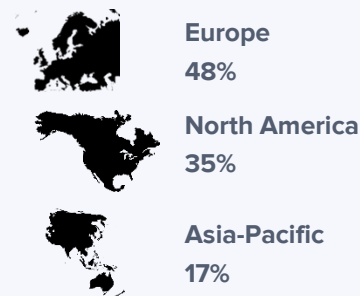
**Terra** (41% of net sales) offers equipment and tools for gardening and outdoor activities. The segment's spearhead brands are Fiskars and Gerber. Terra's sales are seasonally focused on the first half of the year. The segment's products are sold almost exclusively in third party stores.

**Vita** (45% of net sales) consists of the Group's premium tableware, drinkware and interior categories. Iittala, Royal Copenhagen, Waterford, Wedgwood brands act as the spearhead of the segment. The Christmas season is very important for the segment's products, and therefore its net sales and EBIT focus on the last quarter of the year.

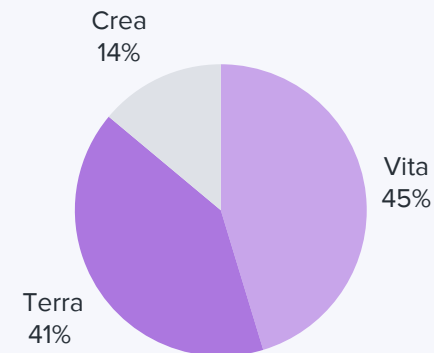
**Crea** (14% of net sales) includes Fiskars' cooking, creating and scissors categories. The segment's main brand is Fiskars. Crea is the Group's smallest segment measured by net sales, but it is the most profitable and stood for 23% of adjusted EBIT in 2022.

**Other** segment includes the Group's investments, real estate unit, group operations and joint services. The net sales of the Other segment are marginal at Group level and the result is negative because Group administration expenses are not allocated to units and, therefore, remain in the Other segment.

## Net sales distribution, 2022



## Fiskars' net sales by segment



# Company description and business model 2/12

## Traditional wholesale model still the main distribution channel

Fiskars has historically been a conventional wholesale supplier, selling its products to retailers who have managed consumer sales. This still represents around 80% of Fiskars' net sales. However, less than 10 percentage points of this goes to external online stores and e-commerce as a whole account for about 15% of net sales. Wholesale is also referred to as indirect sales.

Acquisitions have also brought direct consumer sales (originally own stores, now also e-commerce) to the company, mainly for Vita segment's big brands. In the Terra and Crea segments, wholesale represent more than 90% of net sales, while Vita's direct consumer sales already represented over 40% of net sales in 2022. At Group level, own stores account for 14% of net sales and own e-commerce for 6%, so direct consumer sales brings more than 20% of net sales.

The company's strategic objective is to increase direct consumer sales, but also to cooperate more actively with customers in wholesale (commercial excellence). More about this in the strategy section.

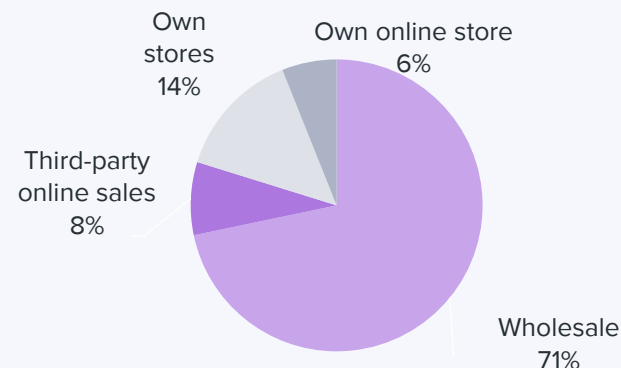
## Own stores focus on Asia

At the end of 2022, Fiskars had about 350 stores or shop-in-shops. The majority of these were smaller shop-in-shops, run by Fiskars partners. The rest are outlet stores and "regular" stores (see distribution on the right), which are Fiskars' own business.

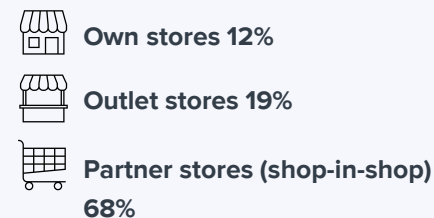
Geographically, the stores focus on Asia, where around 2/3 stores are located. The Asian market is brand-driven and, on the other hand, Fiskars does not have the same history as a wholesaler as in Europe and North America, so we think this is natural. In Asia, Fiskars has shops, e.g., under littala, Royal Copenhagen and Wedgwood brands. Fiskars' other stores are primarily located in Europe, where it mainly has littala and Royal Copenhagen stores. Fiskars currently only has one store in America and the stores there have mainly been former WWRD's brands, e.g., Waterford and Wedgwood, which the company has reduced.

Although Fiskars' aim is to increase direct consumer sales and sales in its own stores, the number of own stores has decreased in recent years. This is due to closing down weaker stores and/or shop concepts. Naturally the COVID pandemic also brought its own challenges to brick-and-mortar stores in the past years. Despite the decrease in the number of stores, total sales in own stores have been on an upward trend, which indicates that their efficiency has improved clearly. In our opinion, increasing direct consumer sales in the longer term will also require growing the store network. Growing e-commerce can also increase the company's own consumer sales.

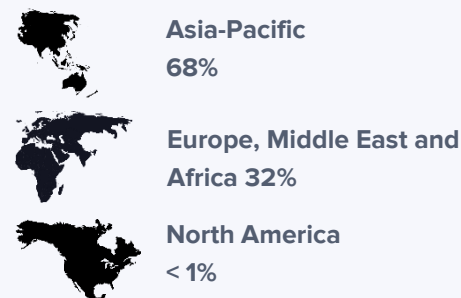
## Net sales by sales channel, 2022



## Stores by type (~350 at end of 2022 )



## Geographical distribution of stores




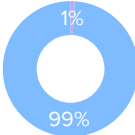

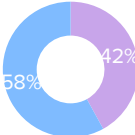

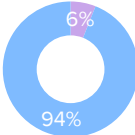

# Company description and business model 3/12 – Overview of segments

Business area (share of 2022 net sales)

Main product categories and brands

Main markets









Distribution channels

Business area (share of 2022 net sales)	Main product categories and brands	Main markets	Distribution channels
<b>Terra (41%)</b>	 <ul style="list-style-type: none"> <li>Gardening products (Fiskars) 75%</li> <li>Outdoor (Gerber) 21%</li> <li>Watering 4% (we estimate that about half of this is divested Nelson and Gilmour brands*, the rest Fiskars)</li> </ul>	<ul style="list-style-type: none"> <li>USA (~50%)</li> <li>Northern and Central Europe (44 %)</li> </ul>	 <p>■ Direct consumer sales ■ Indirect</p>
<b>Vita (45%)</b>	 <ul style="list-style-type: none"> <li>Tableware 64%</li> <li>Drinkware 18%</li> <li>Interior design 18%</li> </ul>	<ul style="list-style-type: none"> <li>Europe (51%), especially Northern Europe and Great Britain</li> <li>Americas (16%), especially the USA</li> <li>Asia-Pacific 34% (especially China and Japan)</li> </ul>	 <p>■ Direct consumer sales ■ Indirect</p>
<b>Crea (14%)</b>	 <ul style="list-style-type: none"> <li>Scissors (47%)</li> <li>Cooking 35%</li> <li>Creating 17%</li> </ul>	<ul style="list-style-type: none"> <li>USA (~50%)</li> <li>Northern and Central Europe (50 %)</li> </ul>	 <p>■ Direct consumer sales ■ Indirect</p>
<b>Other (&gt;1 %)</b>	 <ul style="list-style-type: none"> <li>Group administration</li> <li>Fiskars' ironworks, real estate, land and forest property</li> </ul>		

Source: Fiskars, Inderes' estimates. All figures from 2022 net sales \*Nelson and Gilmour brands were sold in early 2022, but still included in Fiskars' figures for January 2022



# Company description and business model 4/12 - Fiskars' main brands\*

Brand	% of net sales	Description	Established	Becomes part of Fiskars	Segment
 FISKARS	43% <sup>1</sup> (~540 MEUR)	Products for gardening, cooking and creating	1649	1649	Crea & Terra
	10% <sup>1</sup> (~120 MEUR)	High quality Danish porcelain products: Interior decoration and tableware	1775	2013	Vita
 WEDGWOOD <small>ENGLAND 1759</small>	8% <sup>1</sup> (~110 MEUR)	Dishes and tea sets of porcelain, as well as ornamental items	1759	2015	Vita
 GERBER	8% <sup>1</sup> (~110 MEUR)	Knives, multi-purpose tools and problem-solving gear	1939	1986	Terra
 Iittala	8% <sup>1</sup> (~100 MEUR)	Nordic design: Interior design, tableware, giftware	1881	2007	Vita
WATERFORD	6% <sup>1</sup> (~80 MEUR)	Irish crystal: Interior decoration, tableware, giftware	1783	2015	Vita
 MOOMIN <small>ARABIA</small>	3 % <sup>1</sup> (~40 MEUR)	Strategic cooperation with Rights & Brands (owner of the Moomin brand)	2016	2016	Vita
ROYAL DOULTON <small>LONDON 1815</small>	~ 2% <sup>2</sup>	English tableware and interior design brand	1815	2015	Vita
 Rörstrand	< 2 % <sup>2</sup>	Swedish tableware brand, Europe's 2nd oldest porcelain brand	1726	2007	Vita
ARABIA 1873	< 2 % <sup>2</sup>	Finnish tableware brand	1873	2007	Vita
ROYAL ALBERT <small>ENGLAND 1904</small>	< 2 % <sup>2</sup>	English giftware brand: Tea sets with floral patterns	1896	2015	Vita
 ROGASKA	< 2 % <sup>2</sup>	High quality Slovenian crystal, giftware, interior decoration, drinkware	1665	2015	Vita
 HACKMAN®	< 2 % <sup>2</sup>	Cutlery (cookware moved under the Fiskars brand)	1789	2007	Crea

\* The list does not include all brands owned by Fiskars Source: 1) reported figures for 2022 2) Inderes' estimate of the size class of net sales

# Company description and business model 5/12 – Terra segment

## Equipment and tools for home, garden and outdoor activities

The Terra segment offers tools for home, garden and outdoor activities. The segment's key brands are Fiskars and Gerber. Net sales in 2022 was EUR 507 million and comparable EBIT was EUR 48 million (margin 9.5%).

The biggest product category in the Terra segment is Gardening (75% of 2022 net sales). This includes, e.g., rakes, axes, etc. under the Fiskars brand. The Outdoor category (21% of 2022 net sales) consists of Gerber products, such as activity-specific knives and multi-tools. The Watering category (4% of 2022 net sales) includes water hoses and nozzles by Fiskars brands. The category shrunk significantly when the company sold the Nelson and Gilmour brands business at the beginning of 2022 (which operated mainly in North America). At the beginning of 2022, these brands still generated some net sales, estimated to be about half of the net sales in the watering category in 2022, which will not continue in 2023.

## Fiskars and Gerber are the segment's spearheads

Fiskars is the largest brand in the Terra segment (and in the whole Group). Fiskars brand products are found in almost all Terra segment's product categories. Fiskars' well-known garden products include axes, rakes, spades, hedge trimmers and saws. Fiskars' products are also sold in most countries where the Group has operations, and it's the largest gardening brand in the US.

Gerber is an American outdoor brand known for multi-purpose tools and knives used for camping,

hiking, hunting and fishing. Gerber also offers a variety of hatchets, folding spades and other products, e.g., used by the US army. Gerber is strong in North America, but in other parts of the world it isn't very big. In recent years, Gerber has striven to expand its product portfolio to new categories and to be more of an outdoor brand than merely a knife/military brand.

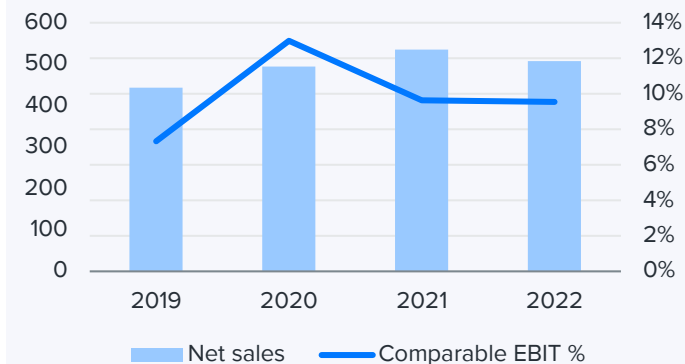
## Distribution almost exclusively through third parties

Terra's products are sold, e.g., in hardware stores, building supply stores and garden centers. In North America, large retail operators, such as Home Depot and Walmart sell products in their own stores and online shops. Distribution channels are mainly DIY shops and various garden centers. Due to the extensive third-party distribution network only 1% of the segment's sales are direct consumer sales. We believe that Terra's products also have potential both in Fiskars' own stores and online stores. For example, 25% of the competitor Gardena's sales were generated online already in 2021.

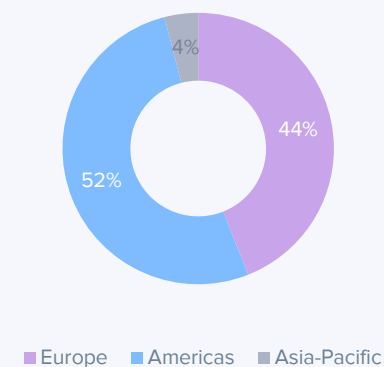
## Seasonally strong weight on H1

Terra's sales and earnings have been strongly focused on the first half of the year due to the products focusing on the spring/summer season. Last year about 54% of the segment's net sales and as much as 68% of the comparable EBITA were generated in H1. Since the demand for the season is somewhat weather-dependent, weather conditions have a clear impact on the annual sales of Terra's products.

Terra segment's net sales and profitability



Geographical net sales (507 MEUR) distribution, 2022



# Company description and business model 6/12 – Vita segment

## Premium and luxury tableware, giftware and interior design products

The Vita segment offers premium and luxury tableware, giftware and interior design products. The segment's net sales in 2022 were EUR 564 million and comparable EBIT was EUR 86 million (margin 15.2%). About 70% of the Fiskars Group's personnel is employed in the Vita segment. The high number of employees is explained by the fact that the company has its own factories, which require a lot of manual work (glassblowing, porcelain painting etc.) and several own brand stores, whose employees are on Fiskars' payroll.

The segment was formed from three acquisitions: Iittala in 2007, Royal Copenhagen in 2013 and WWRD in 2015. The following page describes the targets at the time of the acquisition and the brands they contain. We estimate that Royal Copenhagen was a clearly successful purchase and the brand has grown well under Fiskars' ownership. For Iittala, the development has been mediocre and WWRD was, in our view, a clear failure as an acquisition. This was due to the fact that the company's net sales at the time of Fiskars' acquisition was strongly focused on declining sales channels, like department stores and discount-driven sales. As a result, Fiskars had to drastically cut the sales of the company's brands and this resulted in cost cutting before profitability started to recover. This was partly visible as a net sales decrease until 2020 but as a big profitability improvement in 2021.

We estimate that the brand entity, now known as English & Crystal (former WWRD), is already generating a reasonable profit, and especially the

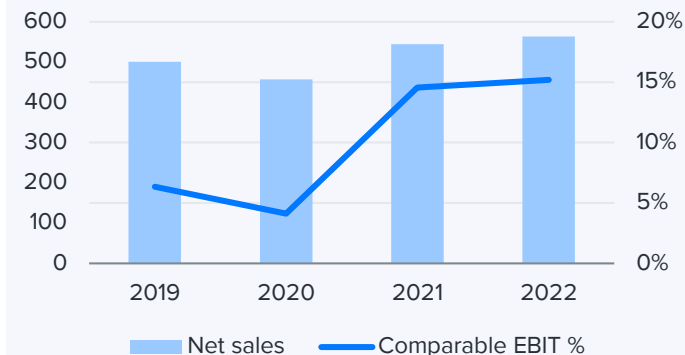
Wedgwood brand has developed well. However, other brands (Waterford, Royal Doulton, Royal Albert) are still in the turnaround category for Fiskars, i.e., depress the Group's EBIT margin. We estimate that despite the positive development in recent years, the sales of WWRD brands was less than EUR 300 million compared to EUR 400 million when Fiskars acquired it. Compared to the current performance level, we feel that the EUR 400 million paid by Fiskars was too high. However, the acquisition was carried out by the previous management and as far as we know the brands and products themselves are in decent condition.

## Product categories

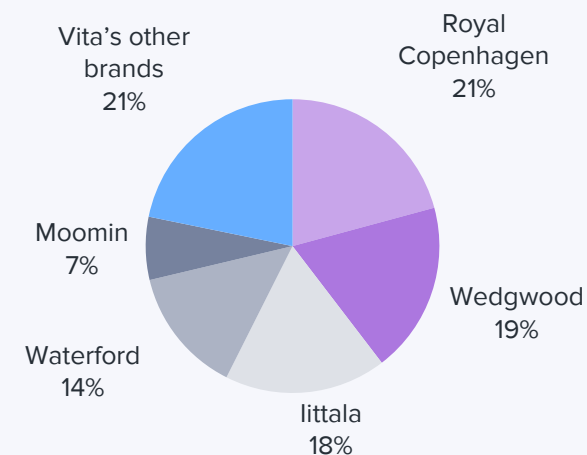
The largest product category in the Vita segment is Tableware which we estimate to account for about 65% of the segment's net sales in 2022. Almost all the segment's brands offer tableware. The segment's other categories are Interior and Drinkware, both of which generated about 18% of the segment's net sales in 2022. The portfolio contains products/brands in price categories from everyday low price levels to clear luxury products (Royal Copenhagen, Waterford and Wedgwood brands).

The company aims to expand Vita's brands to more extensively cover the entire home and interior design category (e.g. towels, linens, duvets, etc.) and not just the currently strong tableware category. There is not much experience or a track record of this yet, but we believe that at least one of the four leading brands could be successful in this type of brand expansion.

Vita segment's net sales and profitability



Vita's net sales by brand



# Company description and business model 7/12 - Vita segment was formed from acquisitions

## littala Group (2007)

### Situation at time of acquisition

- Brand portfolio: Iittala, Arabia, Hackman, Rörstrand, Höganäs Keramik, BodaNova and Hoyang-Polaris
- Debt-free value of the acquisition 230 MEUR
- Net sales 190 MEUR (EV/S 1.2x)
- EBIT 17 MEUR (EV/EBIT 14x)
- Employees 1,350
- 30 Iittala stores in total, 7 in Finland
- 50 shop-in-shops of different sizes in Europe and Japan
- Production facilities: Finland (Helsinki, Nuutajärvi, Iittala, Sorsakoski, Vähäkyrö), Sweden (Högnäs) and Norway (Moss)
- Seller: venture capitalist ABN AMRO Capital

## Royal Copenhagen (2013)

### Situation at time of acquisition

- Brand portfolio: Royal Copenhagen
- Debt-free value of the acquisition 66 MEUR
- Net sales 66 MEUR (EV/S 1.0x)
- EBIT 5 MEUR (EV/EBIT 13x)
- Employees 650
- 12 stores and outlet stores (Denmark, Japan and Korea)
- 117 shop-in-shops (Denmark, Asia, Germany and USA)
- Production facilities: Denmark and Thailand
- Seller: Private equity company Axcel

## WWRD (2015)

### Situation at time of acquisition

- Brand portfolio: Waterford, Wedgwood, Royal Doulton, Royal Albert and Rogaska
- Debt-free value of the acquisition 406 MEUR
- Net sales 402 MEUR (EV/S 1.0x)
- EBIT 31 MEUR (EV/EBIT 13x)
- Employees 3,800
- 226 stores of which WWRD owns 76, the remaining 150 shop-in-shops
- Production facilities: England, Ireland, Slovenia and Indonesia
- Seller: Private equity company KPS Capital Partners



# Company description and business model 8/12 – Vita segment

## Wholesale trade dominates sales

Nearly 60% of the Vita segment's net sales come from wholesale, which enables the products to find their way to, e.g., large department stores (e.g. Macy's and Bloomingdale's in the US, Stockmann in Finland or Harrods in the UK). Vita segment's products are often sold in high-end channels, as they represent a premium and/or luxury level in terms of quality and pricing.

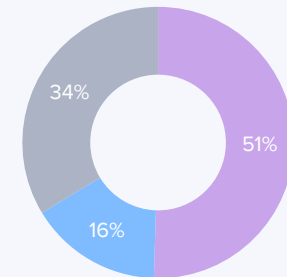
## A significant proportion of sales from own channels

Over 40% of Vita segment's net sales come from the company's own direct channels, which include own stores, shop-in-shops, outlets and own online store. The share of the four main brands is somewhat higher, as they are the only ones with own stores. These are important channels for developing the brand image and can be used not only to provide expert service, but also to familiarize consumers with the Group's other brands and create new growth opportunities. In general, own stores raise the relative gross margin, as in addition to the wholesale margin, the company also receives the retail margin. However, own stores tend to clearly increase the company's relative sales and marketing cost. This has been visible in the Group's cost structure after the Iittala, Royal Copenhagen and WWRD acquisitions.

## H2 seasonally important

Vita segment's net sales and earnings have focused on the latter half of the year. When examining the actual figures for 2021-2022, about 58% of the segment's net sales were made in H2 and 71% of the comparable EBIT realized in H2. Q4 and especially Christmas sales are very important for the segment, as these products are often bought as gifts. Vita segment's H1 has historically been in the red or at zero level but as the general earnings level increased it managed to generate a profit also in H1 in 2021-22.

## Geographical net sales (564 MEUR) distribution, 2022



■ Europe ■ Americas ■ Asia-Pacific

# Company description and business model 9/12 – Crea segment

## Iconic scissors and products that support creativity

The Crea segment includes the Fiskars Group's Creating, Cooking and Scissors categories. The segment's biggest brand is Fiskars and the products it offers include the classic orange-handled Fiskars' scissors, paper cutters, kitchen utensils, cookware and knives. Crea also includes many small local brands.

Crea does not have its own stores, but some of Crea segment's products (e.g. cooking products and scissors) are sold in Vita segment's own stores. However, Crea segment's products are mainly sold through wholesale channels. The Crea segment's products are also sold through the Group's own online stores and B2B sales.

Crea is the smallest of the Group's three main segments measured by net sales, but it's clearly the most profitable. Net sales in 2022 was EUR 173 million and comparable EBIT was EUR 34 million (margin 19.8%). The high margin is supported by efficient distribution and the very strong position of the brand in, e.g., the segment's main market in the US. The seasonality of the segment is also clearly lower than in the Terra or Vita segment and Crea's net sales are fairly evenly distributed throughout the year (excl. the back-to-school season, which is important for the segment, especially in the US, and supports Q2-Q3 figures).

## Fiskars is the world's largest scissor brand

By far the biggest brand in the Crea segment is Fiskars, whose product range includes, e.g., knives,

cutlery and cookware. However, the brand's best known product is its orange-handle scissors and the scissors category generates nearly half of the segment's net sales. According to Fiskars, the company has already sold more than one billion pairs of scissors worldwide, making it the world's largest scissor brand.

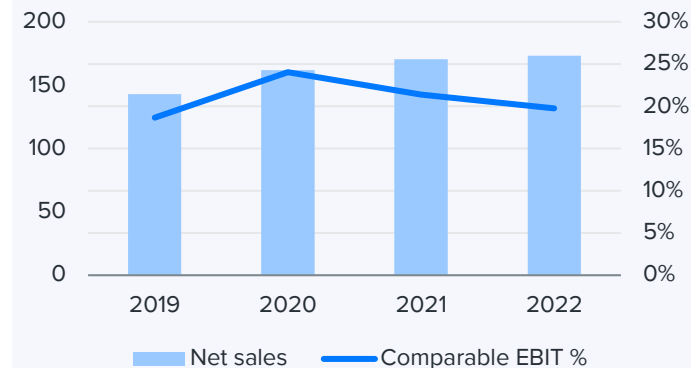
## Portfolio covers many small local brands

The Fiskars brand accounts for the clearly largest part of Crea segment's net sales. The segment also includes several small local brands that became part of the Group through acquisitions, but even their aggregate net sales are modest for the Group. As key international brands have been found to have better growth prospects and relatively better profitability, Fiskars has paid less attention to the sales, marketing and product development activities of smaller brands. Smaller brands have also previously been merged with the Fiskars brand, e.g., the cookware of the Hackman brand. Small brands are used tactically to complement the range of lower-priced products in certain distribution channels, where Fiskars does not want to introduce its main brand.

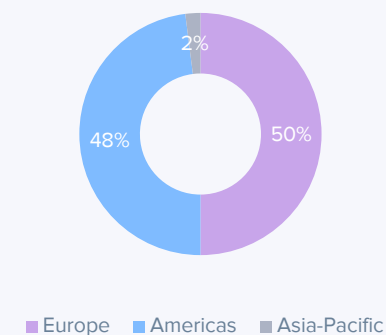
## Other segment

The Other segment includes the company's land and property assets. It generates marginal net sales (about 4 MEUR per year), but also includes the Group's common expenses, which make the segment's result clearly negative (adjusted EBIT 17 MEUR in 2022).

Crea segment's net sales and profitability



Geographical net sales (173 MEUR) distribution, 2022



# Company description and business model 10/12 – Raw materials and production

## Purchase of raw materials

Fiskars Group's products use a wide range of raw materials, as the company has a wide spectrum of different product categories. The products of the Vita segment are mainly glass or porcelain items of premium grade, manufactured using, e.g., sand, clay and bone. For example, glass processing requires a lot of professional skills and craftsmanship but is also energy intensive. The glass factory in Rogaska makes significant use of natural gas and the Iittala plant is investing in replacing natural gas with electricity.

In the products of the Terra and Crea segments, e.g., metals and plastics are important and used, e.g., in scissors, frying pans and axes. Individual raw materials account for a relatively small share of the final product prices and a large part of the cost structure comes from labor. Investments in design, sales and marketing in premium design products also account for a large part of the product's price. In other words, their production cost is relatively small compared to the sales price, i.e. their gross margin is high. Raw materials are bought in many different currencies and there is production in many countries and currencies, which balances the risk of fluctuations in raw materials and currencies in terms of sourcing and manufacturing.

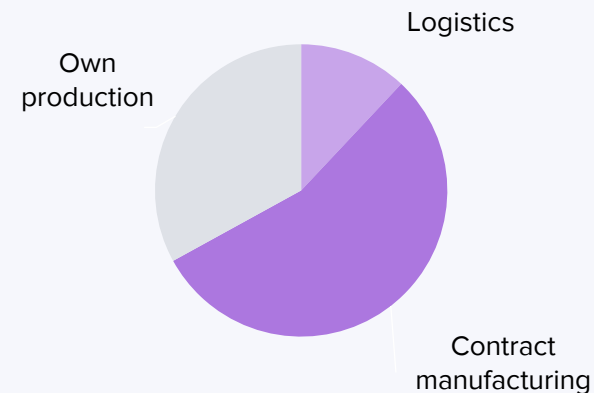
## Product manufacturing more from outside

Close on 40% of Fiskars' products are manufactured at own factories and the rest come from contract manufacturers. The company has a total of ten key suppliers, a large number of component and material

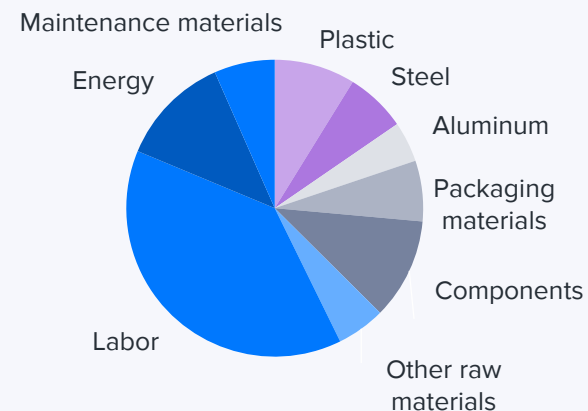
suppliers and suppliers of smaller volumes. Some of the contract manufacturers are Fiskars' long-term partners, because, e.g., due to detailed molds, you cannot easily shop around for manufacturers which means the relationship is deeper. In addition, Fiskars' quality standards are high, which is an important factor when forming partnerships. The Vita segment has three large sub-suppliers in Thailand, China and Romania. In 2016, the Arabia factory in Finland was shut down and its production was transferred to Thailand and Romania. In China, a contract manufacturer produces, e.g., Royal Doulton products. Fiskars' contract manufacturers in Europe produce, e.g., wine glass stems, concrete parts and electrical parts for Iittala lamps, as well as water hoses. Serviettes and other kitchen textiles also come from contract manufacturers.

Contract manufacturing purchases are typically priced in USD, which exposes the company to exchange rate fluctuations. The company hedges its foreign currency position for about a year ahead, which means it has time to prepare for the changes from exchange rate fluctuations by, e.g., price increases.

Acquisition cost distribution of purchased goods



Cost structure of own production



# Company description and business model 11/12 - Fiskars' factories

Location	Brand	Segment	Product categories
<b>Bigger factories</b>			
Indonesia, Banten	Wedgwood, Royal Albert, Royal Doulton	Vita	Ceramic tableware and interior decoration products
Slovenia, Rogaska	Rogaska, Waterford	Vita	Crystal glass and gift products
Thailand	Royal Copenhagen	Vita	Ceramic tableware
Poland	Fiskars	Terra, Crea	Cutting tools and shovels
Finland, Iittala	Iittala	Vita	Drinkware, plates, bowls, vases, art objects
Finland, Billnäs	Fiskars	Terra, Crea	Axes, scissors, snow tools
USA, Portland	Gerber	Terra	Knives and multi-purpose tools
<b>Smaller factories</b>			
Ireland, Waterford	Waterford	Vita	Crystal glass products
Finland, Sorsakoski	Fiskars	Crea	Cookware
England, Barlaston	Wedgwood	Vita	Ceramic tableware and giftware
Denmark, Copenhagen	Royal Copenhagen	Vita	Customized made-to-order products from porcelain



# Company description and business model 12/12

## Concentrated ownership structure

Fiskars' ownership structure is highly concentrated and power is exercised by the Ehrnrooth family, whose members' investment companies hold the top three positions on the shareholder list and own over 40% of the company. In addition, the Ehrnrooth/Fromond and Hartwall families have several significant individual owners. Among institutional investors, Fiskars is mainly owned by the three largest domestic pension companies (Varma, Ilmarinen and Elo), while ownership by investment funds is limited. Another striking aspect is the very low share of nominee-registered or foreign ownership, good 3%. With the significant main owners, ownership is highly concentrated and the 20 largest shareholders own 2/3 of the company.

The main owners hold three Board seats, of whom Paul Ehrnrooth is the Chairman of the Board. So the company has a clear main owner, which we think is fundamentally a good thing. Of the other Board members, two have a reasonable holding in Fiskars (3,000-4,000 shares), three have no holding at all.

## Management has been renewed in recent years

The current CEO, Nathalie Ahlström, started at Fiskars in 2020. She has a history with brands at Fazer and before that, in the packaging industry (Amcor and Huhtamaki), when she also worked in Asia for years. We see this background as a good thing for Fiskars' management.

Since 2021, Jussi Siitonen has been the CFO and he is also known to the stock markets as Amer Sports'

CFO in 2010-21. During Jussi Siitonen's run as CFO, Amer made a significant turnaround from a poorly performing holding company to a more integrated and growing consumer product entity. Fiskars' current strategy contains many of the same elements as the strategy launched by Amer Sports in 2010 and we see Jussi Siitonen as an excellent person to implement Fiskars' current strategy.

Ahlström has about 90,000 Fiskars shares and Siitonen about 70,000, so both have significant holdings in the company, which they have gradually increased. We consider this to be a very good sign of management's commitment and faith in the company.

Five of the remaining eight members of the Management Team have begun working at the company while Ahlström has been CEO, so there has been quite a lot of attrition in management in recent times.

In February, Fiskars announced a new share-based long-term incentive scheme. It involves 60 people and is measured by the total return on the company's share and cumulative comparable EBIT, as well as promotion of products and services in the circular economy. We feel a scheme based on operational performance and, e.g., capital returns or its components would be better but without knowing the weight of the various indicators, we feel this is good as well. The incentive scheme also includes minimum requirements for the number of shares, i.e. the employees who receive share bonuses must own a certain number of shares.

Biggest owners on 2/28/2023	% share
<b>Viral Oy</b>	15.7%
<b>Turret Oy</b>	14.1%
<b>Holdix Oy</b>	12.6%
<b>Sophie von Julins Stiftelse</b>	3.2%
<b>Julius Tallberg Oy</b>	3.2%
<b>Gerda Gripenberg db</b>	2.5%
<b>Varma</b>	2.1%
<b>Ilmarinen</b>	2.0%
<b>The estate of Greta von Julin</b>	1.9%
<b>Albert Ehrnrooth</b>	1.1%

Source: Inderes

# Investment profile 1/2

1. Wide and well-known brand portfolio
2. Clear strategy for creating sustainable growth and improving profitability
3. Stable dividend company
4. Well-diversified business
5. Weak historical growth depresses valuation
6. Relatively stable profitability that has improved in recent years

## Potential



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

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## Risks



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

# 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 or prestige. Business diversification into a wide range of product categories (interior decoration, cooking, gardening, outdoor and crafts), over 100 countries and distribution channels also brings stability to performance and lowers the risk profile of the share. Of course, e.g., the Fiskars brand and/or the US market are large and therefore crucial for the company.

## **A stable dividend payer**

Fiskars has a strong balance sheet, stable earnings and good cash flow. Historically, the business has been consistently profitable although rather modest until 2019 and profitability has improved in recent years thanks to increased net sales, portfolio changes and restructuring. Fiskars is known for its shareholder-friendly dividend policy and we believe that the company will continue to be profiled as a stable dividend payer.

## **Modest historical growth and restructuring programs are a weakness**

Fiskars' net sales have been largely stagnant when comparing our 2023 estimate to 2016, which was the first year with the current structure. Since then,

the company has sold its watering business, so small organic growth has been achieved, but nothing significant. 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 has been continuously engaged in various restructuring programs that have depressed the reported result. The company's investment profile has been marked by modest growth and restructuring programs continuing year after year in the last decade and to some extent even in recent years.

## **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 make more use of brand expansion in new markets. Examples of this in recent years include The expansion of Royal Copenhagen to Australia, or the expansion of Wedgwood and Royal Copenhagen to the Chinese market.

### **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.

## **Negative drivers/risks**

### **Digitalization of the commerce sector and growing demands of consumers**

In recent years, many players in commerce have been in serious difficulties in the face of the rapid upheaval in the industry. 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 winning brands make up most of net sales, 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.

# Industry and competitor field

## The competitor field is fragmented

Because of Fiskars' wide brand portfolio and geographical presence, its competitor field is quite fragmented and not all businesses have a clear strong competitor. We have, however, mentioned some of the companies/brands that we consider to be competitors/benchmarks for Fiskars' different main brands below.

## Husqvarna's Gardena is the clearest individual competitor

In the Terra segment, the most obvious competitor for garden products (Fiskars brand) is the Gardena brand owned by Husqvarna. Husqvarna is listed in Sweden, so up-to-date figures are also available for Gardena. Gardena's net sales in 2022 was approximately EUR 1.3 billion and its comparable EBIT margin was 8.6%. So, the company is clearly larger than Fiskars' garden business and its profitability has historically been better (see figure). However, Gardena's product range is strongly focused on irrigation products, which Fiskars has very little of. We believe there are no major national competitors in garden products in the US and Fiskars' competitors are mainly local brands and the own brands of large retail chains.

For Terra's second major brand, Gerber, the business is concentrated on the US, where there are numerous unlisted competitors. The most famous is perhaps Leatherman, others include, e.g., Buck Knives, Kershaw and Spyderco.

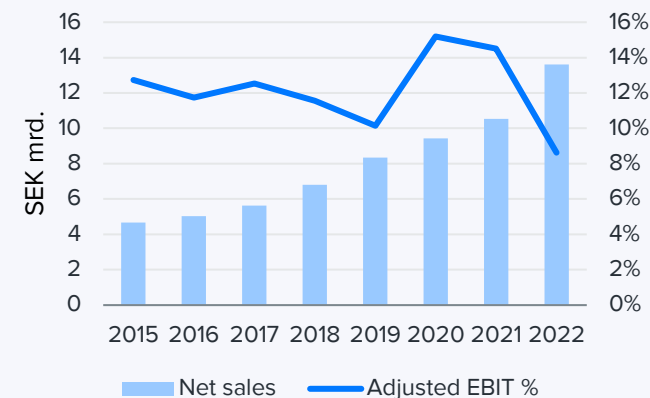
In our view, there are no clear bigger competitors in Crea segment's main categories, i.e. scissors and creative, and actually no well-known brands besides Fiskars.

In the Vita segment, the Royal Copenhagen, Wedgwood and Waterford brands belong to the luxury category. Here too, competition is relatively fragmented, and we do not believe, e.g., Royal Copenhagen has a clear global competitor, nor does China-driven Wedgwood. As regards Waterford, e.g., Baccarat and Riedel can be mentioned as competitors. The company aims for Iittala to be seen more as a brand in the home category than simply a tableware brand. Riedel can also be seen as Iittala's competitor and among domestic companies Marimekko's home products compete with Iittala.

## Purchasing power and consumer confidence are the main drivers

As with all consumer companies, we feel consumers' purchasing power and to some extent consumer confidence drive the market demand for the company's products. For Fiskars, one should, however, note the wide geographical coverage and the significant share of products in the higher price category where general fluctuations in purchasing power and consumer confidence are not directly correlated. It is clear, however, that changes in purchasing power and general consumer confidence, which are weak at the moment, affect the demand for, e.g., the main brand Fiskars and thus the company's demand. The company expects the market to be weak at least in the first half of 2023.

## Gardena's development



## Development of real wages in the US (%)



# Past development 1/4 – A long transition process is over

## The long journey into a global consumer goods company is over

In the 21st century, Fiskars has focused on consumer products and the company's aim has been to transform from a holding company to an integrated home for consumer brands. Fiskars has carried out several acquisitions and divestments to shape its portfolio in this direction and we believe that the transformation into a consumer company is now complete. However, we feel that utilization of its full potential is still a work in progress. Below are some key actions taken over the years in this process.

### Acquisitions, mainly building the Vita segment

The Iittala Group acquisition in 2007 strengthened Fiskars' position in the kitchenware area. Since the Iittala acquisition, Fiskars has systematically progressed into a global consumer goods company. The Royal Copenhagen acquisition in 2013 complemented Fiskars' tableware product range with hand-painted porcelain and strengthened Fiskars' presence both in Asia and the Nordic region. In 2015, Fiskars acquired the WWRD companies and its portfolio of luxury brand home and lifestyle products.

## Divestments

During its transformation process, Fiskars has been able to divest brands which the company have not expected to form into global consumer brands or brands for which the Group can't offer special synergies with, e.g., manufacturing or sales channels. Some brands have also been merged. Over the past 15-20 years, the company has managed to both buy and sell some brands/businesses like the US watering business, as well as the Leborgne, Silva and Brunton brands. Therefore, all acquisitions have not suited the company.

Fiskars has also got rid of, e.g., the European and US pottery businesses in 2016 and the Buster boat business in 2015. An important part of the company's change for the investor is that it sold its historically large holding in Wärtsilä gradually and distributed the remaining Wärtsilä shares to its owners in 2019. Since then, an investor who bought shares in the company has invested purely in a consumer business that has clarified the situation for the investor.

## Transformation programs

After numerous M&A transactions, Fiskars needed to integrate the new companies into the Group smoothly. This required a lot of work, and throughout the 2010s, the company has in practice been running a restructuring or productivity program, combining ERP systems, production and supply chains, sales companies and generally improved or reorganized operations. These bigger programs were completed in 2021 and they supported the profitability improvement to a record level (the demand increase from COVID also helped).

We believe that the company finally after some 15 years of work now has a relatively functional consumer product business. We do not believe that we will see programs that require huge non-recurring items similar to those in history at least in the near future. The aim of the strategy launched by current management in 2021 is to steer Fiskars to a path of sustainable growth with better profitability after this long transformation phase. We will discuss the strategy and objectives a little later.

### Restructuring programs marked the previous decade



## Past development 2/4 - Acquisitions and divestments

Significant acquisitions in **bold**, measures directed at Wärtsilä shares in *italics*

Year	Event	Target	Business size
2022	Divestment	Russian business (mainly sales under the Fiskars brand)	Net sales 10-15 MEUR
2022	Divestment	North America watering business (Nelson and Gilmour brands)	Net sales 80 MEUR
2019	<i>Dividend</i>	<i>Fiskars distributes the remaining 5.52% of its Wärtsilä holding as a dividend</i>	
2019	Divestment	Leborgne business	Net sales 10-15 MEUR
2016	Divestment	European pottery business (Ebertsankey) and Spring USA	Net sales 26 MEUR, EBIT 3 MEUR
2015	Divestment	Local pottery business in the US (American Design Pottery)	Net sales 25 MEUR, 50 employees
2015	Divestment	Buster boat business	Net sales 32 MEUR, EBIT 1 MEUR, 160 employees
<b>2015</b>	<b>Acquisition</b>	<b>WWRD companies</b>	<b>Net sales 402 MEUR, EBIT 31 MEUR</b>
<b>2014</b>	<b>Acquisition</b>	<b>Nelson and Gilmour watering brands</b>	<b>Net sales totaled 90 MEUR, negative EBIT</b>
2014	<i>Divestment</i>	<i>Fiskars sells 8% of Wärtsilä to Investor for 639 MEUR</i>	<i>Non-recurring sales gain 450 MEUR</i>
2013	Divestment	Fiskars sells its local Sankey business	Net sales 12 MEUR
<b>2013</b>	<b>Acquisition</b>	<b>Royal Copenhagen</b>	<b>Net sales 66 MEUR</b>
2012	<i>Divestment</i>	<i>Fiskars sells 2.08% of Wärtsilä to Investor for 126.8 MEUR</i>	<i>Non-recurring sales gain 87 MEUR</i>
2011	Divestment	Sale of sports and outdoor brand Silva	Net sales 15 MEUR
2011	<i>Divestment</i>	<i>Fiskars sells 2% of Wärtsilä to institutional investors for 110.6 MEUR</i>	<i>Non-recurring sales gain 69.8 MEUR</i>
2009	Divestment	Camping and hiking brand Brunton	Net sales under 10 MEUR
2009	Divestment	Crafts brands Heidi Grace and Cloud 9	Net sales totaled 5 MEUR
2009	Acquisition	Acquiring a minority stake (30%) in sports and outdoor brand Silva for 0.2 MEUR	
<b>2007</b>	<b>Acquisition</b>	<b>littala Group</b>	<b>Net sales 190 MEUR</b>
2007	Acquisition	Leborgne	Net sales 16 MEUR
2006	Acquisition	Sports and outdoor brand Silva and subsidiary Brunton (majority stake)	Net sales 34 MEUR
2006	Divestment	Power Sentry, a manufacturer of consumer electronics accessories	Net sales 40 MEUR

# Past development 3/4 - Restructuring and productivity programs

<u>Program name</u>	<u>Year started</u>	<u>Year ended</u>	<u>Total cost</u>	<u>Annual savings</u>
<b>Organizational changes</b>	<b>2023</b>	<b>2024</b>	<b>5 MEUR</b>	<b>30 MEUR</b>
Changes will support implementation of the growth strategy. Changes planned by business units would simplify their operating model by further strengthening the overall responsibility of business units and promote their focus on brands and consumers. The program is expected to result in reduction of some 100 people.				
<b>Program to renew organizational structure</b>	<b>2018</b>	<b>2021</b>	<b>EUR 45 million together with the program below</b>	<b>20 MEUR</b>
Fiskars aims to reduce costs through renewing the organizational structure. The program seeks synergies and efficiency in management and administration, and aims for savings by eliminating overlaps, simplifying processes and working methods, and reducing staff.				
<b>Living segment restructuring program</b>	<b>2018</b>	<b>2021</b>	<b>EUR 45 million together with the program above</b>	<b>17 MEUR</b>
The aim of the Living segment restructuring program is to increase operational efficiency, simplify business structure and accelerate long-term strategic development. These changes include optimizing the global retail and distribution network, supply chain and organizational structure. The program focuses mainly on the English & Crystal Living business to improve its profitability.				
<b>Supply Chain 2017 program</b>	<b>2015</b>	<b>2017</b>	<b>11.2 MEUR</b>	<b>8 MEUR</b>
The purpose of the restructuring program was to optimize the global supply chain network in Europe and Asia. The program aimed to improve the competitiveness of Fiskars' manufacturing and distribution networks. As part of the program, Fiskars moved the Helsinki ceramics plant to the partner network and focused manufacturing of cutting tools from the Billnäs factory to Poland.				
<b>Alignment program</b>	<b>2016</b>	<b>2017</b>	<b>15 MEUR</b>	<b>14 MEUR</b>
The Alignment program focused on restructuring within the organization, presented personnel reductions and full integration of the English & Crystal Living business acquired in 2015.				
<b>EMEA 2015 restructuring program</b>	<b>2013</b>	<b>2015</b>	<b>21.3 MEUR</b>	<b>13 MEUR</b>
Fiskars' EMEA 2015 restructuring program aimed at improving the competitiveness and cost structures of the overall supply chain and implementing the company's new business model in the sales companies.				
<b>Investment program in Europe</b>	<b>2010</b>	<b>2016</b>	<b>65 MEUR</b>	
The objective of the investment program in Europe was to create competitive structures, processes and systems for the European region, including a new common ERP system. In 2013, the program was updated to include the newly acquired Royal Copenhagen. Currently, the entire business under the program uses common systems and processes.				

# Past development 4/4

## Revenue growth has been sluggish

Fiskars has been working roughly with its current structure since 2016, when the WWRD transaction was fully reflected in the figures. Therefore, we find comparing historical figures since 2016 most sensible even though one should also look further back. Fiskars' net sales declined continuously in 2016-2019, but grew in 2020-21, at least partially supported by the demand caused by the COVID pandemic, and remained stable in 2022.

The weak growth in the years before COVID is largely explained by the company's focus on improving processes and profitability, which has required changes in the organizational structure and streamlining its own ownership portfolio. In particular, the businesses that became part of the group in the 2015 WWRD acquisition require clear pruning of net sales to improve the business. We do not consider this acquisition very successful and it took years to integrate and repair it, and the brands received from it are still mainly below the average profitability of the company. This was also reflected in the Group's modest earnings development in 2016-19. Since then, Fiskars has not made any new acquisitions, but the ownership portfolio has been pruned as we said earlier.

## Gross margin increased faster than net sales

Under the review period, Fiskars' gross margin has risen clearly from 2016 (41.7%) to 44.5% 2022, resulting in higher gross margin growth than net sales growth. A significant part of the gross margin improvement is the impact of the watering business divested at the beginning of 2022. Other factors

include, e.g., withdrawing Vita segment products from discount-driven sales channels (especially for former WWRD brands), sales focusing more on own channels and efficiency improvements in procurement and manufacturing.

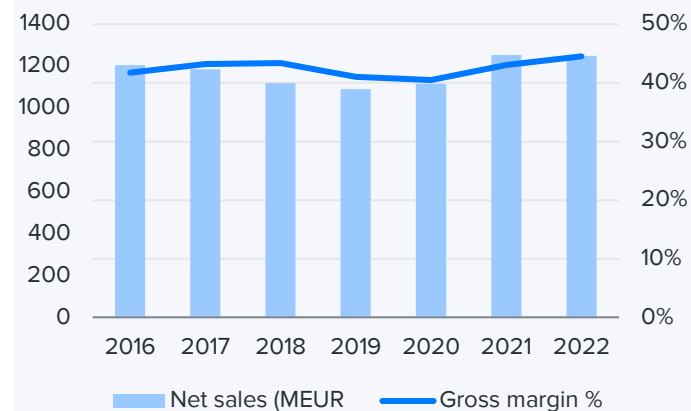
## Fixed costs relative to net sales decreased

The share of sales and marketing expenses has fallen from 25% (2016) to 22% in 2022. As net sales have not increased substantially, this has also required a decrease in absolute costs. The share of administrative expenses has remained unchanged at 10% compared to 2016, although it did dip close to 8%. Other expenses have remained very low throughout the review period and the expense item has virtually not affected the company's result. Other expenses include R&D costs (1-2% of net sales) and other operating expenses (<1% of net sales). Overall, fixed costs relative to net sales have, therefore, decreased.

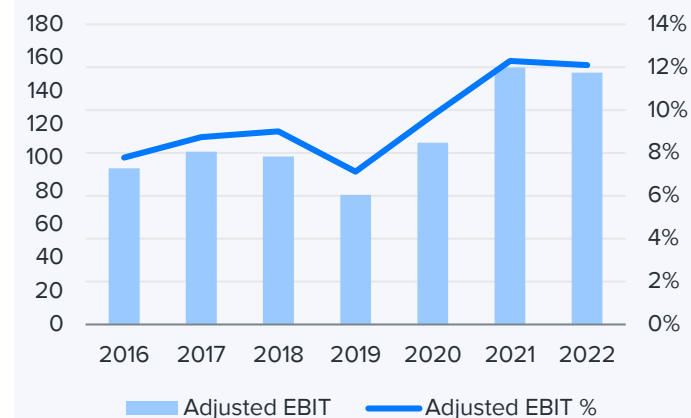
## EBIT has clearly improved

With the improved gross margin and reduced fixed costs, Fiskars' comparable EBIT margin has improved from under 8% in 2016 to around 12% in 2022. This reflects a clear improvement in operational efficiency and the margin profile. The above mentioned efficiency programs depressed reported figures until 2021.

## Net sales and gross margin



## Adjusted EBIT (MEUR)





# Financial position

## Balance sheet still in good shape

Fiskars has historically had a very strong balance sheet. However, during 2022, the sudden change in the market situation from availability challenges to demand problems led to a clear increase in working capital. At the end of 2022, Fiskars had net debt of EUR 325 million, which means a net gearing ratio of 40% and a net debt/EBITDA ratio of 1.7x. However, these are still good levels and, e.g., in line with Fiskars' own balance sheet target (net debt/EBITDA 2.5x at most).

We believe that working capital will be released this year and thus the balance sheet will remain strong in the future. This enables reasonable dividend payment and possible acquisitions. Fiskars' current growth target for net sales no longer includes inorganic growth, but the company has stated that it's ready for acquisitions if a suitable target appears. We do, however, see Fiskars' current strategy as a strategy for organic growth, and thus acquisitions do not, in our view, play an important role in the value creation of the next few years.

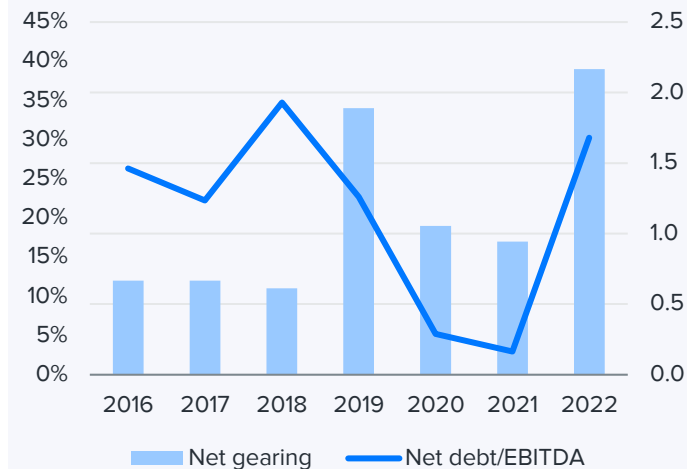
## The balance sheet structure is balanced

The assets side of Fiskars' balance sheet is fairly balanced. As a result of acquisitions, it has goodwill of some EUR 220 million, or approximately 15% of the balance sheet and other intangible assets 18%. As the performance of the acquired companies has improved clearly in recent years (like for the whole group), we do not see any significant risk of write-down. Goodwill amounts to only some 25% of equity, so the balance sheet would survive even a significant write-down.

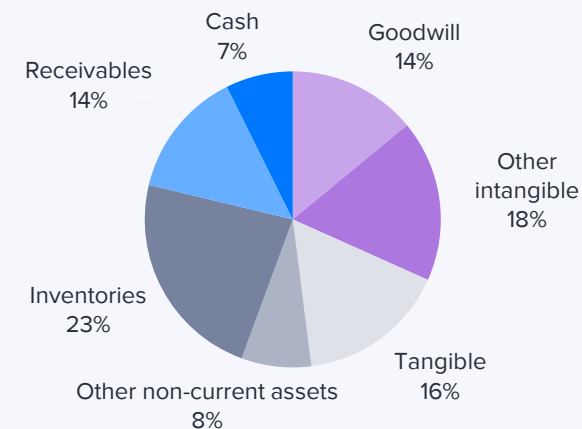
At the end of 2022, higher than normal inventories (23%) and receivables (14%) played a significant role in balance sheet assets. Although Fiskars has own factories, its tangible assets (excluding right-of-use assets) were only 9%.

The strength of the balance sheet is visible on the opposite side, where share capital represents over half of the balance sheet. Accounts payable are approximately 16%, which means that Fiskars' net working capital is roughly the same as inventories, i.e. a significant size. At the end of 2022, interest-bearing liabilities represented close on 30% of the balance sheet total.

## Debt indicators



## Assets in the balance sheet, 2022



# Strategy and financial objectives (1/4)

## Strategy announced in late 2021 emphasizes growth

In November 2021, Fiskars announced a new growth-oriented strategy and ambitious financial targets in connection with its CMD. Fiskars' strategy now relies on winning brands, channels and countries.

## More investments in winning brands

Fiskars categorized its brand portfolio into winning and turnaround brands during its CMD. These have different growth and profitability profiles. In the future, the company is expected to grow by investing heavily in winning brands and increasing their share of total sales. Last year, Wedgwood rose to winning brands and thus they already account for about 80% of Fiskars' sales. The only bigger brand in the turnaround basket is Waterford. Fiskars also invests in turnaround brands to make the turnaround possible, but the time span, magnitude and ambitions of the investments differ from the winning brands. Winning brands can also be expanded to new product groups in the future. This takes advantage of the consumer's emotional tie to the brand and aim to surround the consumer with the brand more comprehensively.

## 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 bring good 20% of sales and the company seeks to clearly increase this share. In wholesale, that still generates most of net sales, the company tries to select growing and profitable distribution

channels.

## Brands and target countries<sup>1</sup>

	Europe	America	Asia-Pacific	
Winning brands	FISKARS™	✓	✓	
	iittala	✓	✓	
	ROYAL COPENHAGEN <small>PRESENTED TO HER MAJESTY THE QUEEN OF DENMARK</small>	✓	✓	✓
	MOOMIN <small>by ARABIA</small>	✓		✓
	GERBER™		✓	
	WEDGWOOD <small>ENGLAND 1759</small>	✓	✓	✓
Turnaround brands	WATERFORD	✓	✓	✓
	ROYAL ALBERT <small>ENGLAND 1904</small>	✓	✓	✓
	ROYAL DOULTON <small>LONDON 1815</small>	✓	✓	✓

1) The list doesn't include all brands owned by Fiskars

# 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 and the company still sees a lot of potential to grow there, e.g., by exploiting its entire product portfolio



## China

- China's net sales are still smallish (about 45-50 MEUR in 2022), but growing rapidly, with potential to become the third largest country in 2025 (would require net sales of over 75 MEUR)
- Direct consumer sales are important
- Wedgwood the leading brand

### Inderes' comments on Fiskars' growth factors

- 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 coming years. Over time, improvements in this area naturally become more difficult

- As e-commerce makes all competition global, companies must differentiate themselves with their brands
- Direct consumer sales are a growing trend in the consumer product world and we find Fiskars' choice to focus on this as good
- Establishing own brand stores typically also supports distributors' sales and sets an example
- Increasing consumer sales will require investments from Fiskars especially in IT and will also change its earnings structure

- 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

- Fiskars' net sales in China were almost non-existent in 2017-18 (~5 MEUR), but has grown rapidly and it was already a top 10 country in 2022.
- 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 objectives 2022-25 (published in November 2021)

Annual organic net sales growth: around 5%	Comparable EBIT margin: around 15% by the end of 2025	Cash conversion (free cash flow/profit for the period): at least 80%	Net debt/ EBITDA: 2.5x or under
<ul style="list-style-type: none"> <li>Historically, Fiskars' growth has been modest and there virtually been no organic growth for the current Fiskars that focuses on consumer products</li> <li>Fiskars aims for growth, especially through winning brands and own consumer sales</li> <li>We believe that after the decrease in the sales of the WWRD brands, Fiskars has a relatively solid base from which to build sales growth, albeit COVID driven demand pushed sales exceptionally high in 2021.</li> <li>In 2023, we estimate that consumer demand will keep growth in the red</li> <li>We estimate that with the help of the growth factors on the previous page Fiskars will be able to accelerate its growth to the target level in 2024-25</li> </ul>	<ul style="list-style-type: none"> <li>Fiskars' margin has historically been under 10%, although it was over 12% in 2021 supported by COVID demand</li> <li>The targeted improvement is mainly based on an improvement in the gross margin. This is supported by the increase in sales of higher-margin products and channels (especially own consumer sales). Fixed costs (% of net sales) grow related to these, but with savings sought elsewhere they should remain unchanged as a whole</li> <li>We believe that the margin target relies largely on the growth target being successful</li> <li>We do not believe that the company will reach the target in 2025, but we believe that the margin will improve in 2024-25, reaching about 13%.</li> </ul>	<ul style="list-style-type: none"> <li>Cash conversion depends mainly on changes in working capital and the amount of investments</li> <li>Investments will increase to about 4% of sales, especially related to digitalization, which will depress cash conversion</li> <li>In 2021-22, working capital was depressed mainly by an increase in inventories so cash conversion has been weak</li> <li>We expect inventories to decrease in 2023 and thus support cash conversion</li> <li>After this, we believe the company will be able to achieve roughly its target level in 2024-25</li> </ul>	<ul style="list-style-type: none"> <li>Historically, Fiskars has had a relatively strong balance sheet that it has used for acquisitions</li> <li>During 2022, the balance sheet situation has deteriorated as working capital has grown and net debt/EBITDA was 1.7x at the end of the year</li> <li>Although the declining result has a negative effect on the indicator in 2023, we believe that the released working capital will support its improvement to 1.0x at the end of 2023</li> <li>We believe Fiskars will allocate its free cash flow mainly to dividends and debt reduction in the coming years, and we do not expect any acquisitions</li> <li>This will support debt leverage remaining at a modest level in 2024-25</li> </ul>

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

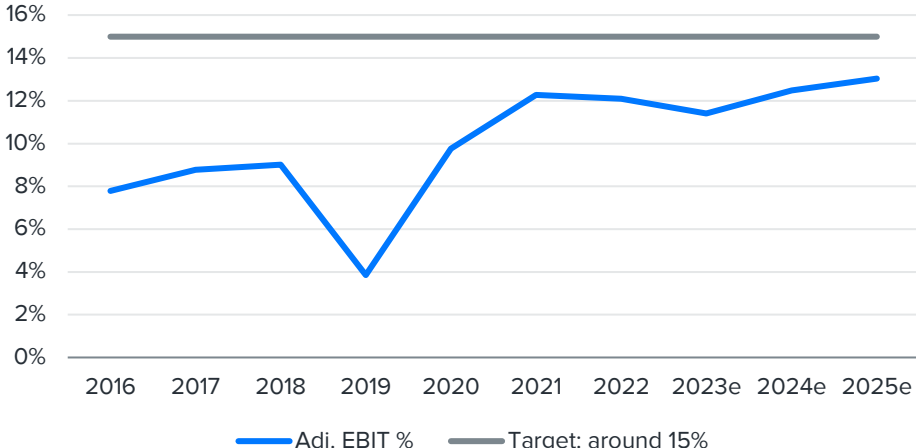
- Fiskars has traditionally paid a relatively high dividend. We expect this to continue in the future. However, we estimate that the weakening earnings development in 2023 will keep the dividend per share unchanged this year and turn to growth again in 2024 with the result

# Strategy and financial objectives (4/4)

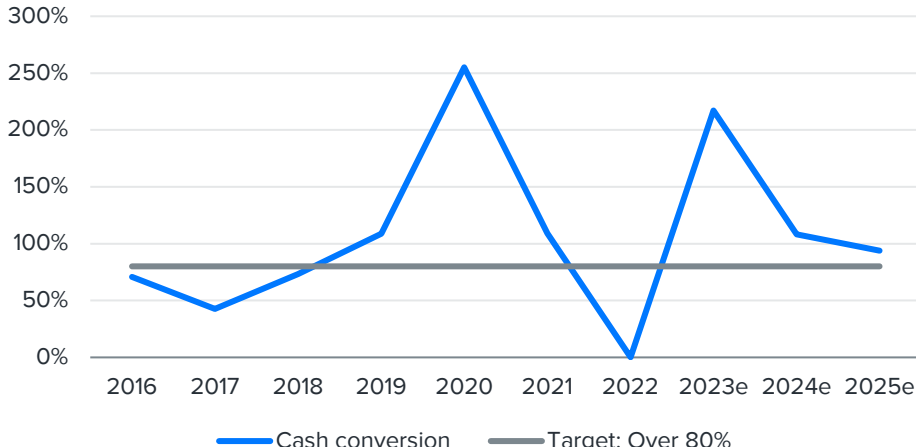
**Net sales growth**



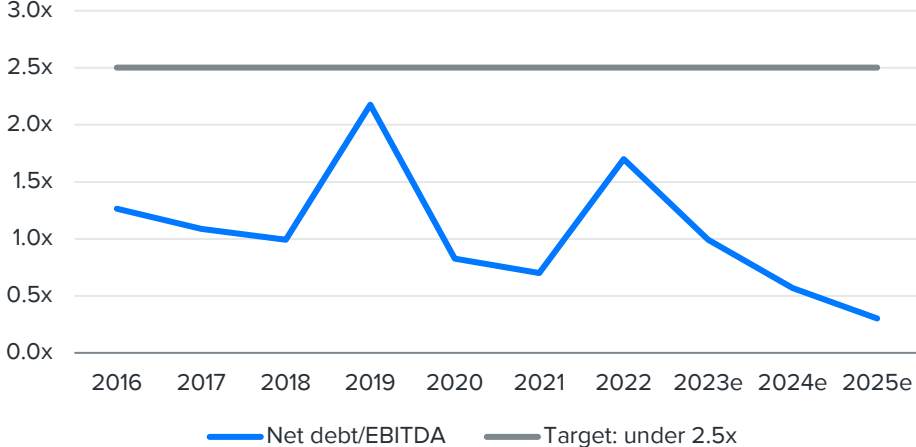
**Adjusted EBIT %**



**Cash conversion\***



**Net debt/EBITDA**



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

# Estimates 1/4

## Estimates start with the segments

We model Fiskars through its three segments. We estimate organic growth and through it net sales growth and adjusted EBIT. Naturally, we also consider non-recurring items if they are known in advance.

## Company guidance indicates a slightly lower result in 2023

Fiskars' guidance for 2023 is that comparable EBIT will fall slightly from the EUR 151 million level of last year. In addition, the company's management stated that it assumes net sales will fall, even though this is not part of the guidance.

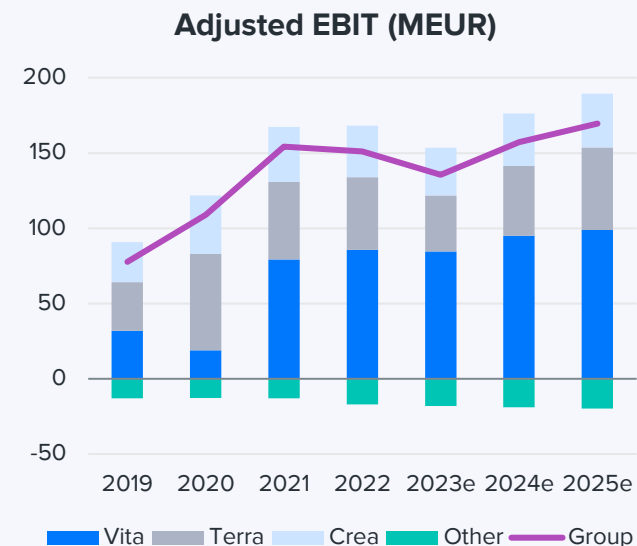
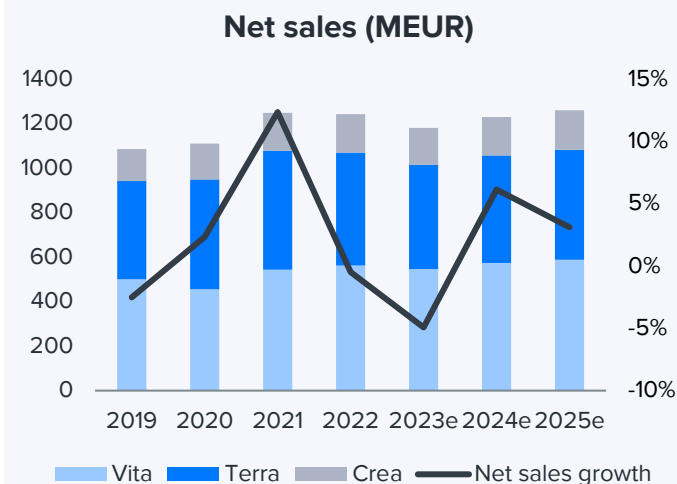
## We expect a slight decrease in net sales and EBIT in 2023

Our 2023 net sales estimate is about EUR 1,190 million, or 5% down on last year. We expect net sales to organically fall slightly in all divisions. Net sales are also depressed by the weakening USD (at current exchange rate) and, to a slight extent, by the divestment of the watering business, which was included in Fiskars' figures for January 2022. We believe that the early part of the year will be relatively weak in all segments, as distributors continue destocking, and comparison figures are still quite good (especially for Terra in Q1'23 and Crea in Q2'23). We expect net sales to make an upturn in Q4'23 supported by recovering consumer demand and a clearly weaker comparison period. We estimate that Vita has the best chance to positively surprise our estimate, because its net sales are supported most by the company's strategic growth investments in its own retail trade, and, e.g., the expansion in China.

In terms of comparable EBIT, our estimates differ clearly between the different segments. We expect Vita and Crea to perform almost on par with last year. In Vita, the margin actually improved slightly last year, despite weaker demand later in the year, and we believe profitability is still on a structural upward trend. We estimate that Vita will be able to achieve last year's performance in absolute terms, i.e., around EUR 85 million in 2023. Crea's profitability has historically been strong at around 20% and we believe it can almost achieve this level in 2023 as well. We do, however, expect a slight decrease in Crea's result to EUR 32 million (2022: 34 MEUR), with a slight decrease in net sales.

Most of the earnings drop we expect for Fiskars is generated in the Terra segment, where we expect comparable EBIT to fall to EUR 37 million (2022: 48 MEUR) and the margin to around 8%. In practice, this means profitability returning close to 2019 levels, so the strong results in 2020-22 would have been driven mainly by the exceptionally high demand in the COVID era. At quarterly level, we expect Terra's earnings drop to be largely generated already in Q1 and at Group level, we expect earnings will start rising already in Q3'23, a quarter before the net sales turn.

We expect the Group's adjusted EBIT for the whole year to be EUR 135 million, or about 10% lower than last year. We believe this is in line with the company's guidance. This means that the EBIT margin will decrease by close on one percentage point.



# Estimates 2/4

At Group level, earnings development is in our estimates supported by a slight improvement in the gross margin (45.0% vs. 44.5% in 2022). We believe that the company's overall cost management and the EUR 30 million efficiency program launched in January, will slightly decrease absolute fixed costs (opex), but due to the drop in net sales, they increase relative to net sales in our estimates.

## EPS and dividend in 2023

In our estimates, EPS decreases by around 15% this year driven by weaker EBIT. We believe that Fiskars' EPS will remain unchanged despite the lower earnings, as we expect strong cash flow and improved balance sheet this year and an improving earnings trend after 2023.

## Net sales growth estimates 2024-26

Fiskars' financial targets include a long-term average currency-neutral organic net sales growth of approximately 5% p.a. After a weak 2023, we believe that net sales growth will make a clear upturn supported by both the market improvement and Fiskars' own measures. By segment, we expect Vita's 8% growth to be the fastest in 2024, but also Terra (4%) and Crea (5%) to grow nicely, driving growth to about 6% at Group level. After this, we expect growth to stabilize and in 2025-26 we estimate that the Group will grow by 3% p.a., with Vita still growing the fastest (4%). As we said before, we believe that Vita has the greatest potential and that Fiskars' strategic growth areas (own retail sales, USA, China) support Vita's growth in particular.

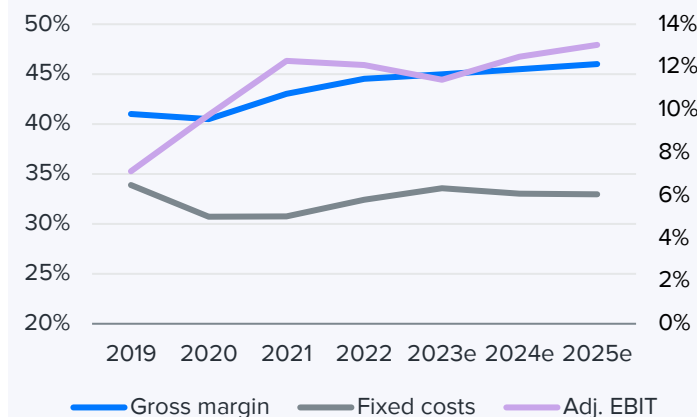
## Our profitability estimates are rising, but below the company's targets

Fiskars targets a 15% adjusted EBIT margin by the end of 2025. We see the target as very ambitious because the company has never achieved such a high profitability level and our EBIT margin estimate for 2025 is below it at 13%. The current management has been convincing and has got a lot out of the Group, but we believe that 2025 comes too soon and reaching the target would in any case require great success.

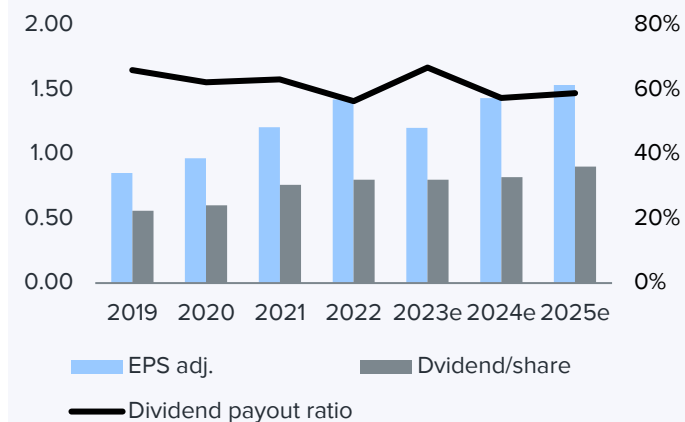
Examined by segment, we expect Vita to improve its performance slightly in 2024 and remain at a 16% EBIT level in 2024-26. For Terra, our estimate assumes that profitability will recover after a weak 2023 (around 8%), reaching a level of over 10% in 2025-26. We only expect Crea to improve slightly in 2024 and remain at its historically good level of about 20%.

In terms of the Group's margin structure, we expect the gross margin to improve to 46% in 2025-26. This is in line with the company's financial target of 46-47%. However, we expect fixed costs to be somewhat higher than the company's target, because net sales development in our estimate is not in line with the company's target of organic growth of about 5%. We expect the Group's adjusted operating result to improve to a record level of EUR 157 million in 2024 and further to EUR 175 million in 2026.

## Margin development



## EPS and dividend estimates



# Estimates 3/4

## EPS and dividend in 2024-26

With the increase in EBIT and declining financial costs, we expect EPS to increase clearly by around 15% in 2024. Growth will then moderate to around 6% in 2025 and 3% in 2026. Based on the financial objectives, we estimate that the dividend will increase in 2024-26 and the payout ratio to be 60-70%. At the end of the estimate period, the balance sheet is very strong and if Fiskars has not made any acquisitions by then, the dividend distribution may be higher than our estimate.

## Cash flow and investments

We estimate that working capital that grew throughout 2022 will be released mainly during 2023 and support a very strong free cash flow of around EUR 175 million this year. More than EUR 100 million of this is a change in working capital. We believe the sustainable operational cash flow level (considering rental expenses) is around EUR 160 million. Fiskars' target is to invest around 4% of net sales annually, which at the current net sales level is about EUR 50 million. Our estimates are at this level, and our investment estimate also shows a rent component of about EUR 25 million. Thus, the free cash flow in our estimates is EUR 110-120 million in 2024-26.

## The balance sheet strengthens in our estimates

Fiskars has a robust balance sheet, which is strengthened in our estimates by good cash flow. In our estimates, net debt will be reduced to virtually zero by the end of 2026. Our estimates do not include acquisitions to which the cash flow generated by the business could be channeled to

boost growth. If Fiskars does not find suitable acquisition targets, we consider share repurchases and/or extra dividends likely solutions to improve balance sheet efficiency. In addition to traditional dividend distribution, the company has repurchased shares in recent years and also canceled them, which we consider a good way to distribute profits and allocate capital.

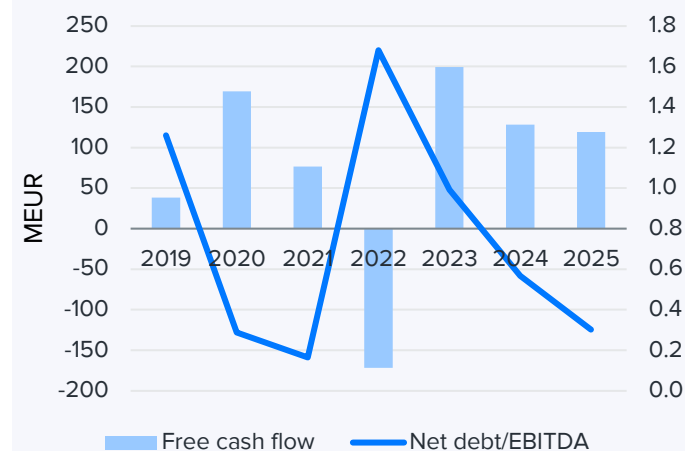
## Reasonable return on capital

With our estimates, Fiskars' ROCE is on both sides of 12% in the next few years. Due to moderate debt leverage, especially in the coming years, ROE is only slightly better or at the same level, i.e. 12-13%. With our current earnings and dividend estimates, the company will generate additional equity in the next few years, which will slow down ROE growth. However, the company is likely to take action in this respect and will not allow the balance sheet to strengthen 'too much'.

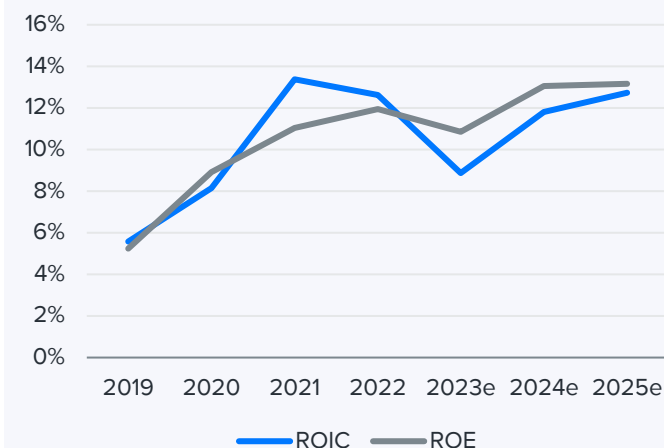
## Longer-term estimates

From 2027 onwards, we expect Fiskars' net sales growth will be at a moderate 2% level. Although we expect the growth strategy to bring an improvement in 2024-26, we do not find the targeted 5% growth to be a sustainable growth rate. This is due to the relatively slowly growing market and the fact that we do not believe that Fiskars will be able to continue to increase its market shares. The declining growth rate and natural competition in the market also leads to a faltering profitability in our estimates from the 2026 level (13%) gradually towards the 11% level we expect from 2030 onwards. With these estimates, free cash flow will be around EUR 110 million in 2028-32.

## Cash flow and indebtedness



## Return on capital





# Estimates 4/4

## Small adjustments to our estimates

We lowered our assumption for the tax rate somewhat for the coming years, as we believe the company is able to utilize past losses and thus keep the tax rate relatively low (21-22%) in the coming years. Therefore, our EPS estimates increased by 1-2% for the estimate years.

<b>GROUP TOTAL</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023e</b>	<b>2024e</b>	<b>2025e</b>	<b>2026e</b>
<b>Net sales (MEUR)</b>	<b>1,090</b>	<b>1,116</b>	<b>1,254</b>	<b>1,248</b>	<b>1,187</b>	<b>1,260</b>	<b>1,300</b>	<b>1,340</b>
<i>Growth %</i>	-2.5%	2.4%	12%	-0.5%	-4.9%	6.2%	3.1%	3.1%
Gross margin	447	452	540	556	534	573	598	617
Gross margin %	41.0%	40.5%	43.0%	44.5%	45.0%	45.5%	46.0%	46.0%
OPEX	370	343	386	405	399	416	428	442
OPEX %	33.9%	30.7%	30.7%	32.4%	33.6%	33.0%	33.0%	33.0%
<b>Comparable EBIT</b>	<b>78</b>	<b>109</b>	<b>154</b>	<b>151</b>	<b>135</b>	<b>157</b>	<b>169</b>	<b>175</b>
<i>Comparable EBIT-%</i>	7.1%	9.8%	12.3%	12.1%	11.4%	12.5%	13.0%	13.0%
Non-recurring items	-18	-11	-11	-16	-5	0	0	0
<b>Operating result EBIT (EUR)</b>	<b>60</b>	<b>98</b>	<b>143</b>	<b>135</b>	<b>130</b>	<b>157</b>	<b>169</b>	<b>175</b>
<i>Operating result % (EBIT)</i>	5.5%	8.8%	11.4%	10.8%	11.0%	12.5%	13.0%	13.0%

<b>Estimate revisions</b>	<b>2023e</b>	<b>2023e</b>	<b>Change</b>	<b>2024e</b>	<b>2024e</b>	<b>Change</b>	<b>2025e</b>	<b>2025e</b>	<b>Change</b>
<b>MEUR / EUR</b>	<b>Old</b>	<b>New</b>	<b>%</b>	<b>Old</b>	<b>New</b>	<b>%</b>	<b>Old</b>	<b>New</b>	<b>%</b>
<b>Revenue</b>	1187	1187	0 %	1260	1260	0 %	1300	1300	0 %
<b>EBIT (excl. NRIs)</b>	135	135	0 %	157	157	0 %	169	169	0 %
<b>EBIT</b>	130	130	0 %	157	157	0 %	169	169	0 %
<b>EPS (excl. NRIs)</b>	1.19	1.20	1 %	1.41	1.43	1 %	1.50	1.53	2 %
<b>Dividend per share</b>	0.80	0.80	0 %	0.82	0.82	0 %	0.90	0.90	0 %

Source: Inderes

# Valuation 1/3

## Recommendation and target price

We reiterate our Accumulate recommendation and EUR 18 target price. Our positive view is supported by the estimated annual growth of around 4% and a good dividend yield of 5-6%, which together provide 10 % expected return for the next few years. This exceeds our some 8% required return for the share.

## Traditional valuation methods work well

Fiskars' valuation should be viewed based on earnings and the balance sheet with the DCF model being a suitable tool for gaging the value range as the company's growth profile is rather modest. Earnings-based valuation is hampered by different non-recurring costs, which have weighed on earnings for a decade and whose temporary nature should be challenged at least in light of historic figures.

## Valuation below the peer group

We have used listed international consumer product companies in the peer group each of which resembles Fiskars in some of their characteristics, although we do not believe that any of them are directly comparable to Fiskars. Common features may include the same geographical operating area, product categories, same growth and profitability profile, or similar production or distribution strategy. We chose Marimekko, Orthex, Rapala, Nokian Tyres and Harvia as Finnish peers. We chose Swedish forest and gardening machine and irrigation product manufacturer Husqvarna, US tool manufacturer Stanley Black & Decker, German ceramics manufacturer Villeroy & Boch, German kitchenware manufacturer Leifheit and Swedish tableware brand Duni as international peers.

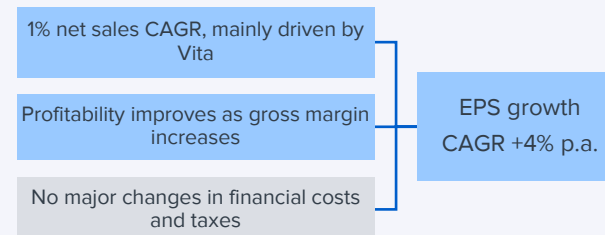
The median EV/EBIT ratios for the peer group in 2023 and 2024 are 14x and 10x. With our estimates, Fiskars' corresponding multiples are 11x and 10x, which are 5-15 % below the peer group. The peer group's median P/E ratios for 2023 and 2024 are 18x and 13x. Fiskars' corresponding ratios are 14x and 12x, which indicate a discount of about 20% and close on 10%.

Fiskars' earnings-based valuation is more favorable than the peer group for this year, but the difference is no longer significant with next year's estimates. We believe that Fiskars' justified relative valuation is in line with the peers or slightly below them. Considering the heterogeneity of the peers and the lack of a direct benchmark, we do not draw conclusions from the valuation of the peers to Fiskars' multiples.

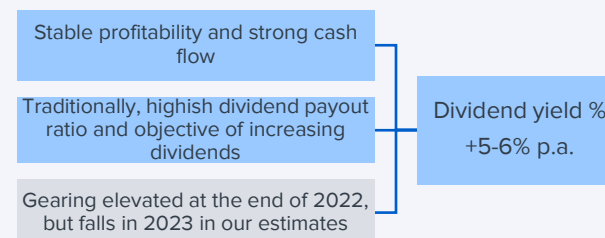
## TSR drivers 2022-2025

■ Positive ■ Neutral ■ Negative

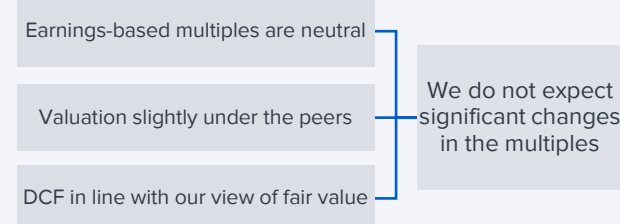
### Profit drivers



### Dividend yield drivers



### Valuation multiple drivers



Share's expected total return ~10% p.a.

# Valuation 2/3

## Earnings-based valuation on target

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 has also improved its performance both in terms of growth drivers and profitability. This has been reflected especially as a significant earnings improvement in the Vita segment in 2020-22. We believe Fiskars has a lower risk profile than Nasdaq Helsinki's average and the company has more 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. We believe there is upside in the valuation multiples if Fiskars can achieve higher growth than in previous (pre-COVID) years. Increasing net sales has historically been challenging, which is why particularly high valuation multiples have not been accepted for the company. We believe the company has been able to generate structural growth on top of the exceptional demand generated by the COVID era. We expect sustainable growth to resume again in 2024.

## DCF valuation

DCF valuation is well suited to Fiskars due to the stable nature of its business and relatively good predictability. Estimates up to 2030 were largely discussed in the estimate section above. From then

on, including the terminal period, our net sales growth expectation is 2% and EBIT margin estimate is 11%. In terms of the margin, we, therefore, expect roughly the current level even in the longer term, which is, however, better than in the years preceding 2019, but below the level of 2024-2028. 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 EUR 1.8 billion and the value of the share capital is about EUR 1.45 billion, or about EUR 18 per share.

## Balance sheet-based valuation is at an acceptable level

Fiskars' P/B ratio is about 1.5x in the coming years. With the 12-13% return on capital we estimate this means a return of about 8% ( $12\%/1.5$ ) at the current share price, which is in line with our required return. We believe Fiskars has the potential to improve its return on capital in coming years through more efficient use of the balance sheet and possibly improved profitability. Currently, however, P/B-based valuation appears to be relatively fair.

Valuation	2023e	2024e	2025e
Share price	16.6	16.6	16.6
Number of shares, millions	80.7	80.7	80.7
Market cap	1341	1341	1341
EV	1546	1489	1430
P/E (adj.)	13.9	11.6	10.9
P/E	14.6	11.6	10.9
P/FCF	6.6	10.3	10.0
P/B	1.6	1.5	1.4
P/S	1.1	1.1	1.0
EV/Sales	1.3	1.2	1.1
EV/EBITDA	8.1	6.8	6.1
EV/EBIT (adj.)	11.4	9.5	8.4
Payout ratio (%)	70.4 %	57.3 %	58.8 %
Dividend yield-%	4.8 %	4.9 %	5.4 %

Source: Inderes

# Valuation 3/3

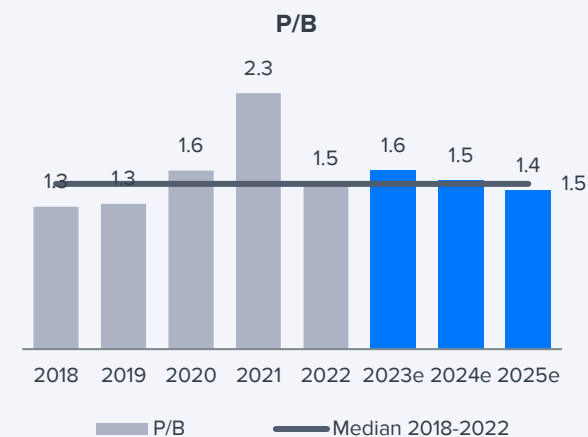
## Dividend yield expected to remain reasonably good

Fiskars' balance sheet is in shape, and we believe it will strengthen clearly already this year, and performance is stable. The company has also traditionally distributed a significant proportion of its profits as dividends and aims to increase absolute dividends annually.

We expect the company to distribute approximately 60-70% of the earnings adjusted for non-recurring items in the next few years. This means a dividend yield of around 5% over the next few years. In addition, a strong balance sheet also allows for extra dividend distribution within the next 2-3 years if there is no other use for cash assets.

## Share price is attractive if the company meets its 2025 targets

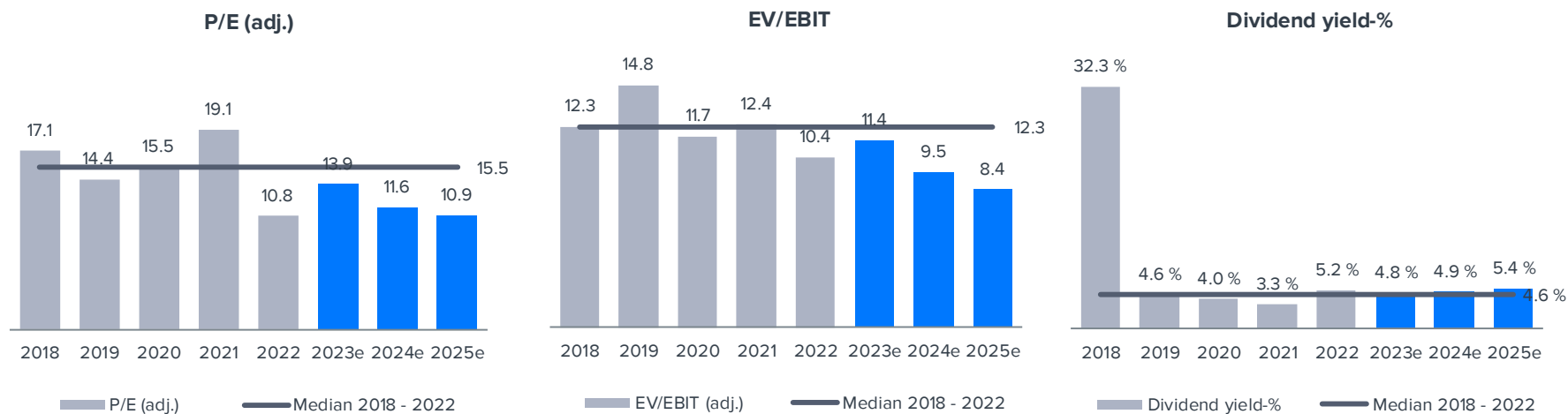
The company has ambitious financial targets, which aim at 2025. If we assume that Fiskars would meet its financial targets of growing net sales by around 5% per year in 2022-25 and raise its EBIT margin to the targeted 15%, it will mean net sales of EUR ~1.5 billion, an EBIT of EUR ~225 million and EPS of EUR ~2.2. If the company would then be priced at 12x P/E, the calculated value of the share would be EUR 26 in 2025. If Fiskars can meet its own financial targets, we believe that the share price is currently cheap since if the targets are met, the expected return considering the dividend would be over 20% p.a. As the company's guidance indicates and earnings drop for 2023, we believe that 2025 can come too quickly for the company to reach the targets. These are, however, good target levels and we believe that the company will move toward its targets after a weaker 2023.



# Valuation table

Valuation	2018	2019	2020	2021	2022	2023e	2024e	2025e	2026e
Share price	19.0	12.2	15.0	23.0	15.4	16.6	16.6	16.6	16.6
Number of shares, millions	81.6	81.5	81.5	81.5	80.6	80.7	80.7	80.7	80.7
Market cap	1550	996	1220	1874	1239	1341	1341	1341	1341
EV	1236	1152	1276	1916	1570	1546	1489	1430	1383
P/E (adj.)	17.1	14.4	15.5	19.1	10.8	13.9	11.6	10.9	10.4
P/E	19.0	19.3	18.0	21.6	12.6	14.6	11.6	10.9	10.4
P/FCF	24.4	28.5	6.9	24.5	neg.	6.6	10.3	10.0	10.7
P/B	1.3	1.3	1.6	2.3	1.5	1.6	1.5	1.4	1.3
P/S	1.4	0.9	1.1	1.5	1.0	1.1	1.1	1.0	1.0
EV/Sales	1.1	1.1	1.1	1.5	1.3	1.3	1.2	1.1	1.0
EV/EBITDA	9.1	9.6	7.4	9.4	8.1	8.1	6.8	6.1	5.8
EV/EBIT (adj.)	12.3	14.8	11.7	12.4	10.4	11.4	9.5	8.4	7.9
Payout ratio (%)	613.3 %	88.4 %	72.2 %	71.4 %	65.7 %	70.4 %	57.3 %	58.8 %	70.0 %
Dividend yield-%	32.3 %	4.6 %	4.0 %	3.3 %	5.2 %	4.8 %	4.9 %	5.4 %	6.7 %

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
Duni AB	360	513	11.3	9.8	7.6	6.9	0.8	0.8	10.5	8.9	4.2	5.0	1.2
Harvia Oyj	399	431	13.7	11.3	11.3	9.6	2.8	2.5	17.5	14.5	3.0	3.1	3.2
Leifheit AG	170	141	14.1	5.5	8.3	4.3	0.6	0.5	22.5	8.5	2.9	7.9	1.4
Marimekko Oyj	375	361	11.5	10.0	8.8	7.7	2.1	1.9	15.3	13.7	4.3	5.4	4.9
Nokian Tyres plc	1102	1204	11.0	9.9	5.1	5.9	0.9	1.0	14.5	10.4	4.4	4.4	0.7
Orthex Oyj	85	106	13.5	10.4	8.9	7.3	1.3	1.2	18.2	13.6	2.9	3.3	2.4
Rapala VMC Oyj	143	236	17.0	10.7	9.3	6.9	0.9	0.8	21.2	11.6	2.7	5.4	0.9
Stanley Black & Decker Inc	11447	18028	27.0	13.2	17.9	10.6	1.2	1.1	82.6	15.8	4.1	4.2	1.3
Villeroy & Boch AG	590	465	4.9	4.6	3.4	3.3	0.5	0.4	8.3	7.8	5.8	6.1	1.4
Husqvarna	4472	5870	15.1	12.3	9.2	8.0	1.3	1.2	18.2	13.9	3.2	3.5	2.1
<b>Fiskars (Inderes)</b>	<b>1341</b>	<b>1546</b>	<b>11.4</b>	<b>9.5</b>	<b>8.1</b>	<b>6.8</b>	<b>1.3</b>	<b>1.2</b>	<b>13.9</b>	<b>11.6</b>	<b>4.8</b>	<b>4.9</b>	<b>1.6</b>
<b>Average</b>			<b>13.9</b>	<b>9.8</b>	<b>9.0</b>	<b>7.0</b>	<b>1.2</b>	<b>1.1</b>	<b>22.9</b>	<b>11.9</b>	<b>3.8</b>	<b>4.8</b>	<b>1.9</b>
<b>Median</b>			<b>13.6</b>	<b>10.2</b>	<b>8.8</b>	<b>7.1</b>	<b>1.0</b>	<b>1.1</b>	<b>17.9</b>	<b>12.6</b>	<b>3.6</b>	<b>4.7</b>	<b>1.4</b>
<b>Diff-% to median</b>			<b>-16%</b>	<b>-7%</b>	<b>-8%</b>	<b>-5%</b>	<b>25%</b>	<b>13%</b>	<b>-22%</b>	<b>-8%</b>	<b>33%</b>	<b>5%</b>	<b>16%</b>

Source: Refinitiv / Inderes. NB: The market cap Inderes uses does not consider own shares held by the company.

# Income statement

Income statement	2021	Q1'22	Q2'22	Q3'22	Q4'22	2022	Q1'23e	Q2'23e	Q3'23e	Q4'23e	2023e	2024e	2025e	2026e
<b>Revenue</b>	<b>1254</b>	<b>333</b>	<b>319</b>	<b>293</b>	<b>304</b>	<b>1248</b>	<b>291</b>	<b>302</b>	<b>282</b>	<b>312</b>	<b>1187.1</b>	<b>1260</b>	<b>1300</b>	<b>1340</b>
Vita	545	121	127	140	176	564	110	123	132	183	547.7	594	618	642
Terra	535	173	139	108	86.8	507	144	131	106	88.4	469.1	488	500	513
Crea	171	38.1	52.0	43.1	40.3	173	36.9	46.7	42.7	39.9	166.2	174	178	182
Other	3.8	0.9	0.9	1.1	1.0	3.9	0.9	0.9	1.1	1.2	4.1	4.1	4.1	4.1
<b>EBITDA</b>	<b>204</b>	<b>56.5</b>	<b>54.4</b>	<b>44.2</b>	<b>38.4</b>	<b>194</b>	<b>40.5</b>	<b>47.1</b>	<b>49.2</b>	<b>53.7</b>	<b>190.4</b>	<b>220</b>	<b>234</b>	<b>240</b>
Depreciation	-61.3	-15.1	-14.9	-14.8	-14.0	-58.8	-15.0	-15.0	-15.0	-15.0	-60.0	-62.7	-64.8	-65.5
<b>EBIT (excl. NRI)</b>	<b>154</b>	<b>51.8</b>	<b>36.3</b>	<b>33.7</b>	<b>29.2</b>	<b>151</b>	<b>30.5</b>	<b>32.1</b>	<b>34.2</b>	<b>38.7</b>	<b>135</b>	<b>157</b>	<b>169</b>	<b>175</b>
<b>EBIT</b>	<b>143</b>	<b>41.4</b>	<b>39.5</b>	<b>29.4</b>	<b>24.4</b>	<b>135</b>	<b>25.5</b>	<b>32.1</b>	<b>34.2</b>	<b>38.7</b>	<b>130</b>	<b>157</b>	<b>169</b>	<b>175</b>
Vita	69.4	10.7	14.1	24.6	36.1	85.5	7.7	14.8	23.7	38.4	84.6	95.0	98.8	103
Terra	50.9	35.5	9.9	1.4	-12.7	34.1	21.6	11.1	6.2	-1.8	37.1	46.3	55.0	56.4
Crea	36.3	8.1	11.6	10.0	4.5	34.2	5.5	10.5	8.5	7.2	31.8	34.9	35.6	36.3
Other	-13.8	-2.4	-6.6	-6.6	-3.5	-19.1	-4.3	-4.3	-4.3	-5.2	-18.1	-19.0	-19.9	-20.9
Net financial items	0.0	0.7	-0.8	-2.6	-9.0	-11.7	-3.5	-3.5	-3.0	-3.0	-13.0	-9.9	-9.9	-6.4
<b>PTP</b>	<b>144</b>	<b>42.6</b>	<b>39.3</b>	<b>27.6</b>	<b>14.6</b>	<b>124</b>	<b>22.0</b>	<b>28.6</b>	<b>31.2</b>	<b>35.7</b>	<b>117.4</b>	<b>147</b>	<b>160</b>	<b>168</b>
Taxes	-56.5	-11.2	-5.8	-4.9	-3.1	-25.0	-4.6	-6.0	-6.5	-7.5	-24.7	-30.9	-35.1	-38.7
Minority interest	-1.0	-0.2	-0.1	-0.4	-0.2	-0.9	-0.2	-0.2	-0.3	-0.3	-1.0	-0.9	-0.9	-0.9
<b>Net earnings</b>	<b>86.7</b>	<b>31.2</b>	<b>33.4</b>	<b>22.3</b>	<b>11.3</b>	<b>98.2</b>	<b>17.2</b>	<b>22.4</b>	<b>24.3</b>	<b>27.9</b>	<b>91.8</b>	<b>116</b>	<b>124</b>	<b>129</b>
<b>EPS (adj.)</b>	<b>1.21</b>	<b>0.52</b>	<b>0.38</b>	<b>0.33</b>	<b>0.20</b>	<b>1.42</b>	<b>0.27</b>	<b>0.28</b>	<b>0.30</b>	<b>0.35</b>	<b>1.20</b>	<b>1.43</b>	<b>1.53</b>	<b>1.59</b>
<b>EPS (rep.)</b>	<b>1.06</b>	<b>0.39</b>	<b>0.41</b>	<b>0.28</b>	<b>0.14</b>	<b>1.22</b>	<b>0.21</b>	<b>0.28</b>	<b>0.30</b>	<b>0.35</b>	<b>1.14</b>	<b>1.43</b>	<b>1.53</b>	<b>1.59</b>

Key figures	2021	Q1'22	Q2'22	Q3'22	Q4'22	2022	Q1'23e	Q2'23e	Q3'23e	Q4'23e	2023e	2024e	2025e	2026e
<b>Revenue growth-%</b>	12.4 %	10.2 %	3.9 %	0.3 %	-14.0 %	-0.5 %	-12.5 %	-5.5 %	-3.8 %	2.8 %	-4.9 %	6.2 %	3.1 %	3.1 %
<b>Adjusted EBIT growth-%</b>	41.5 %	11.1 %	-12.3 %	-1.2 %	-9.5 %	-2.2 %	-41.1 %	-11.6 %	1.4 %	32.4 %	-10.3 %	16.1 %	7.8 %	3.0 %
<b>EBITDA-%</b>	16.3 %	17.0 %	17.0 %	15.1 %	12.6 %	15.5 %	13.9 %	15.6 %	17.5 %	17.2 %	16.0 %	17.5 %	18.0 %	17.9 %
<b>Adjusted EBIT-%</b>	12.3 %	15.6 %	11.4 %	11.5 %	9.6 %	12.1 %	10.5 %	10.6 %	12.1 %	12.4 %	11.4 %	12.5 %	13.0 %	13.0 %
<b>Net earnings-%</b>	6.9 %	9.4 %	10.5 %	7.6 %	3.7 %	7.9 %	5.9 %	7.4 %	8.6 %	8.9 %	7.7 %	9.2 %	9.5 %	9.6 %

Source: Inderes

# Balance sheet

Assets	2021	2022	2023e	2024e	2025e
<b>Non-current assets</b>	<b>898</b>	<b>877</b>	<b>892</b>	<b>904</b>	<b>909</b>
Goodwill	219	221	221	221	221
Intangible assets	270	279	280	281	282
Tangible assets	145	257	271	282	286
Associated companies	0.0	0.0	0.0	0.0	0.0
Other investments	91.6	84.8	84.8	84.8	84.8
Other non-current assets	145	6.4	6.4	6.4	6.4
Deferred tax assets	27.5	29.0	29.0	29.0	29.0
<b>Current assets</b>	<b>537</b>	<b>709</b>	<b>585</b>	<b>601</b>	<b>659</b>
Inventories	273	365	285	277	286
Other current assets	2.6	8.9	8.9	8.9	8.9
Receivables	230	219	220	239	247
Cash and equivalents	31.5	116	71.2	75.6	117
<b>Balance sheet total</b>	<b>1435</b>	<b>1586</b>	<b>1477</b>	<b>1505</b>	<b>1568</b>

Source: Inderes

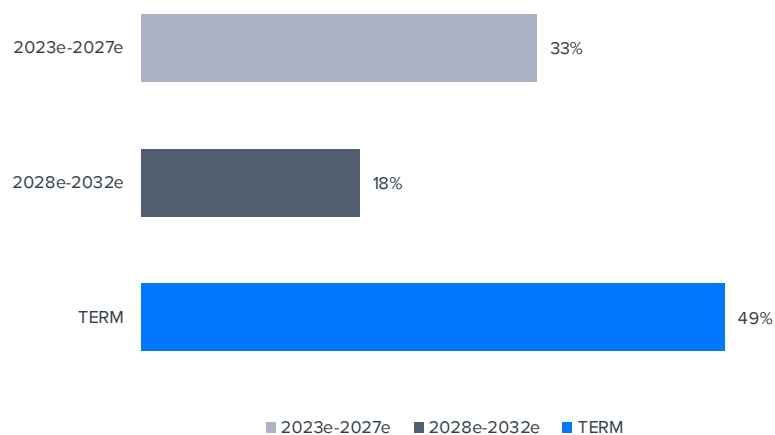
Liabilities & equity	2021	2022	2023e	2024e	2025e
<b>Equity</b>	<b>816</b>	<b>836</b>	<b>863</b>	<b>914</b>	<b>971</b>
Share capital	77.5	77.5	77.5	77.5	77.5
Retained earnings	735	754	781	832	890
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	0.0	0.0	0.0	0.0	0.0
Other equity	0.0	0.0	0.0	0.0	0.0
Minorities	4.2	4.1	4.1	4.1	4.1
<b>Non-current liabilities</b>	<b>144</b>	<b>275</b>	<b>237</b>	<b>211</b>	<b>202</b>
Deferred tax liabilities	32.1	34.5	34.5	34.5	34.5
Provisions	3.4	13.2	13.2	13.2	13.2
Long term debt	0.7	223	185	159	150
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	108	4.0	4.0	4.0	4.0
<b>Current liabilities</b>	<b>475</b>	<b>475</b>	<b>376</b>	<b>381</b>	<b>395</b>
Short term debt	64.4	218	84.6	58.8	50.0
Payables	370	250	285	315	338
Other current liabilities	40.5	6.9	6.9	6.9	6.9
<b>Balance sheet total</b>	<b>1435</b>	<b>1585</b>	<b>1477</b>	<b>1505</b>	<b>1568</b>



# DCF calculation

DCF model	2022	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	TERM
Revenue growth-%	-0.5 %	-4.9 %	6.2 %	3.1 %	3.1 %	2.0 %	2.0 %	2.0 %	2.0 %	2.0 %	2.0 %	2.0 %
EBIT-%	10.8 %	11.0 %	12.5 %	13.0 %	13.0 %	13.0 %	12.5 %	12.0 %	11.5 %	11.0 %	11.0 %	11.0 %
<b>EBIT (operating profit)</b>	<b>135</b>	<b>130</b>	<b>157</b>	<b>169</b>	<b>175</b>	<b>178</b>	<b>174</b>	<b>171</b>	<b>167</b>	<b>163</b>	<b>166</b>	
+ Depreciation	59	60	63	65	66	66	67	68	68	66	67	
- Paid taxes	-24	-25	-31	-35	-39	-40	-39	-38	-37	-36	-39	
- Tax, financial expenses	-2.4	-2.7	-2.1	-2.2	-1.5	-1.2	-1.2	-1.2	-1.2	-1.2	-1.2	
+ Tax, financial income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	
- Change in working capital	-241	114	18.0	6.7	-6.1	-4.0	-4.1	-4.2	-4.3	-4.4	-4.4	
<b>Operating cash flow</b>	<b>-74</b>	<b>277</b>	<b>205</b>	<b>204</b>	<b>194</b>	<b>199</b>	<b>197</b>	<b>195</b>	<b>192</b>	<b>187</b>	<b>189</b>	
+ Change in other long-term liabilities	-94	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-36	-75	-75	-70	-69	-73	-74	-68	-75	-75	-79	
<b>Free operating cash flow</b>	<b>-204</b>	<b>202</b>	<b>130</b>	<b>134</b>	<b>125</b>	<b>126</b>	<b>123</b>	<b>128</b>	<b>117</b>	<b>112</b>	<b>110</b>	
+/- Other	44	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	-160	202	130	134	125	126	123	128	117	112	110	1860
<b>Discounted FCFF</b>		<b>190</b>	<b>113</b>	<b>108</b>	<b>93</b>	<b>87</b>	<b>79</b>	<b>76</b>	<b>64</b>	<b>57</b>	<b>52</b>	<b>874</b>
Sum of FCFF present value		1793	1602	1489	1381	1288	1201	1122	1046	982	925	874
<b>Enterprise value DCF</b>		<b>1793</b>										
- Interesting bearing debt		-441										
+ Cash and cash equivalents		116										
-Minorities		-6										
-Dividend/capital return		0.0										
<b>Equity value DCF</b>		<b>1461</b>										
<b>Equity value DCF per share</b>		<b>18.1</b>										

Cash flow distribution



## 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 %
<b>Cost of equity</b>	<b>8.5 %</b>
<b>Weighted average cost of capital (WACC)</b>	<b>8.0 %</b>

Source: Inderes

# Summary

Income statement	2020	2021	2022	2023e	2024e	Per share data	2020	2021	2022	2023e	2024e
Revenue	1116.2	1254.3	1248.4	<b>1187.1</b>	<b>1260.2</b>	EPS (reported)	0.83	1.06	1.22	<b>1.14</b>	<b>1.43</b>
EBITDA	173.4	204.2	193.5	<b>190.4</b>	<b>220.0</b>	EPS (adj.)	0.97	1.21	1.42	<b>1.20</b>	<b>1.43</b>
EBIT	98.1	142.9	134.7	<b>130.4</b>	<b>157.3</b>	OCF / share	2.57	1.97	-0.92	<b>3.44</b>	<b>2.54</b>
PTP	89.9	144.2	124.1	<b>117.4</b>	<b>147.4</b>	FCF / share	2.19	0.94	-1.99	<b>2.51</b>	<b>1.61</b>
Net Income	67.7	86.7	98.2	<b>91.8</b>	<b>115.5</b>	Book value / share	9.30	9.97	10.32	<b>10.64</b>	<b>11.27</b>
Extraordinary items	-11.0	-11.5	-16.3	<b>-5.0</b>	<b>0.0</b>	Dividend / share	0.60	0.76	0.80	<b>0.80</b>	<b>0.82</b>
Balance sheet	2020	2021	2022	2023e	2024e	Growth and profitability	2020	2021	2022	2023e	2024e
Balance sheet total	1342.0	1435.4	1585.6	<b>1476.5</b>	<b>1505.3</b>	Revenue growth-%	2%	12%	0%	<b>-5%</b>	<b>6%</b>
Equity capital	761.7	816.3	835.7	<b>863.0</b>	<b>914.0</b>	EBITDA growth-%	45%	18%	-5%	<b>-2%</b>	<b>16%</b>
Goodwill	213.7	219.1	221.2	<b>221.2</b>	<b>221.2</b>	EBIT (adj.) growth-%	40%	41%	-2%	<b>-10%</b>	<b>16%</b>
Net debt	49.9	33.6	325.2	<b>198.8</b>	<b>142.1</b>	EPS (adj.) growth-%	14%	25%	18%	<b>-16%</b>	<b>19%</b>
Cash flow	2020	2021	2022	2023e	2024e	EBITDA-%	15.5 %	16.3 %	15.5 %	<b>16.0 %</b>	<b>17.5 %</b>
EBITDA	173.4	204.2	193.5	<b>190.4</b>	<b>220.0</b>	EBIT (adj.)-%	9.8 %	12.3 %	12.1 %	<b>11.4 %</b>	<b>12.5 %</b>
Change in working capital	60.7	12.0	-241.3	<b>114.3</b>	<b>18.0</b>	EBIT-%	8.8 %	11.4 %	10.8 %	<b>11.0 %</b>	<b>12.5 %</b>
Operating cash flow	209.6	160.5	-74.3	<b>277.3</b>	<b>205.0</b>	ROE-%	8.9 %	11.0 %	11.9 %	<b>10.9 %</b>	<b>13.1 %</b>
CAPEX	-14.3	-130.4	-35.8	<b>-75.0</b>	<b>-75.0</b>	ROI-%	11.0 %	16.4 %	12.6 %	<b>10.8 %</b>	<b>13.9 %</b>
Free cash flow	178.2	76.5	-160.0	<b>202.3</b>	<b>130.0</b>	Equity ratio	56.8 %	56.9 %	52.7 %	<b>58.4 %</b>	<b>60.7 %</b>
Valuation multiples	2020	2021	2022	2023e	2024e	Gearing	6.6 %	4.1 %	38.9 %	<b>23.0 %</b>	<b>15.6 %</b>
EV/S	1.1	1.5	1.3	<b>1.3</b>	<b>1.2</b>						
EV/EBITDA (adj.)	7.4	9.4	8.1	<b>8.1</b>	<b>6.8</b>						
EV/EBIT (adj.)	11.7	12.4	10.4	<b>11.4</b>	<b>9.5</b>						
P/E (adj.)	15.5	19.1	10.8	<b>13.9</b>	<b>11.6</b>						
P/E	1.6	2.3	1.5	<b>1.6</b>	<b>1.5</b>						
Dividend-%	4.0 %	3.3 %	5.2 %	<b>4.8 %</b>	<b>4.9 %</b>						

Source: Inderes

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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 price	Share price
19-03-20	Accumulate	9.00 €	7.91 €
07-05-20	Reduce	10.00 €	10.38 €
31-07-20	Reduce	11.50 €	12.00 €
14-10-20	Accumulate	13.00 €	12.14 €
02-11-20	Accumulate	14.00 €	12.88 €
07-01-21	Accumulate	16.00 €	15.26 €
08-02-21	Reduce	15.00 €	15.60 €
20-04-21	Accumulate	18.00 €	16.80 €
29-04-21	Accumulate	19.00 €	17.58 €
29-07-21	Accumulate	22.00 €	20.20 €
01-11-21	Accumulate	23.00 €	21.25 €
10-11-21	Accumulate	24.00 €	21.10 €
28-12-21	Accumulate	24.00 €	22.75 €
<i>Change of analyst</i>			
05-02-22	Accumulate	24.00 €	22.05 €
02-05-22	Accumulate	24.00 €	21.90 €
19-07-22	Accumulate	20.00 €	18.40 €
<i>Change of analyst</i>			
29-07-22	Accumulate	20.00 €	18.60 €
26-09-22	Accumulate	18.00 €	15.20 €
31-10-22	Accumulate	18.00 €	15.22 €
23-12-22	Accumulate	17.00 €	15.22 €
16-01-23	Accumulate	17.50 €	16.80 €
08-02-23	Accumulate	18.00 €	17.10 €
15-03-23	Accumulate	18.00 €	16.62 €



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