

# Stockmann

## Company report

7/23/2023



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

✓ Inderes corporate customer

This report is a summary translation of the report "Lindexin marginaali edelleen yli odotusten" published on 07/23/2023 at 2:04 pm.

inde  
res.

# Lindex's margin again above expectations

Stockmann's Q2 result decreased year-on-year, but slightly exceeded our expectations. Lindex margin development continued to be very strong. The company upgraded its earnings guidance already before the Q2 report and we raised our estimate to the top end of the updated guidance range. We still feel the company is modestly valued given the possibility of value creation from the structural arrangements. We reiterate our Accumulate recommendation and raise our target price to EUR 2.4 (previous EUR 2.1) driven by the raised estimates.

## Lindex's result remains very strong, Stockmann division has a weaker quarter

Stockmann's revenue decreased by 6% but was at the level of the comparison period in local currencies. Lindex grew slightly in local currencies, but the Stockmann division's sales were below the comparison period and our estimate. The group's adjusted EBIT was down year-on-year at EUR 31.6 million, but still slightly better than our expectations. Lindex's result decreased from the record level of the comparison period (36 MEUR vs. MEUR 39) but stayed at a very good level and exceeded our expectations. This was due to an exceptionally high gross margin of 66.8%.

## Earnings guidance was already upgraded before the Q2 report, we raised our estimate almost to the top end of it

Stockmann revised its guidance already at the beginning of the week, which was of course reiterated in the Q2 report. The company expects the full-year revenue to be EUR 940-1,000 million (previously 960-1,020 MEUR, 2022: 980 MEUR) and adjusted operating result to be EUR 65-85 million (previously 60-80 MEUR, 2022: 69 MEUR). We raised this year's adjusted EBIT estimate to EUR 83 million (previously 80 MEUR), which is almost at the upper end of the new guidance range. This is entirely due to higher estimates for Lindex, while estimates for the Stockmann division fell slightly. At the EBIT level, we raised our forecasts by 3-5% in 2023-25.

## No significant new information on the progress of the restructuring

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

## The expected return is reasonably good, given the possible restructuring in the medium term

Our estimate for Stockmann's 2023-24 P/E ratio adjusted for lease liabilities and cash is about 8-9x and EV/EBIT about 6x. Considering only the company's earnings and cash flow generation, these are, in our opinion, at the bottom end of the acceptable valuation multiple range. However, when assessing the company, one should also consider possible structural arrangements, which can be outlined through the sum of the parts, which we estimate to be EUR 3.5-4. We do not see this hidden value realizing in the near future, but we consider it possible when looking 2-5 years down the road. In the longer term, we do not expect significant earnings growth and with our estimates, the return on capital is close to our required return, which highlights the need for structural arrangements and their role in the share's expected return.

## Recommendation

**Accumulate**

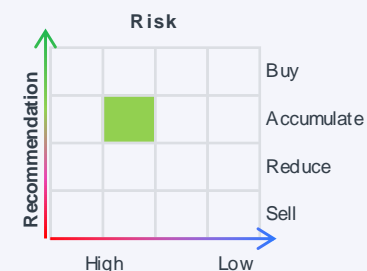
(previous Accumulate)

**EUR 2.40**

(previous EUR 2.35)

**Share price:**

2.08



## Key figures

	2022	2023e	2024e	2025e
<b>Revenue</b>	982	971	975	995
<b>growth-%</b>	9%	-1%	0%	2%
<b>EBIT adj.</b>	80	83	71	74
<b>EBIT-% adj.</b>	8.1 %	8.6 %	7.3 %	7.4 %
<b>Net Income</b>	102	64	32	35
<b>EPS (adj.)</b>	0.32	0.23	0.20	0.21

<b>P/E (adj.)</b>	6.3	9.2	10.6	9.7
<b>P/B</b>	1.0	0.9	0.8	0.7
<b>Dividend yield-%</b>	0.0 %	0.0 %	0.0 %	4.1 %
<b>EV/EBIT (adj.)</b>	9.7	10.2	11.4	10.5
<b>EV/EBITDA</b>	3.0	4.7	4.5	4.2
<b>EV/S</b>	0.8	0.9	0.8	0.8

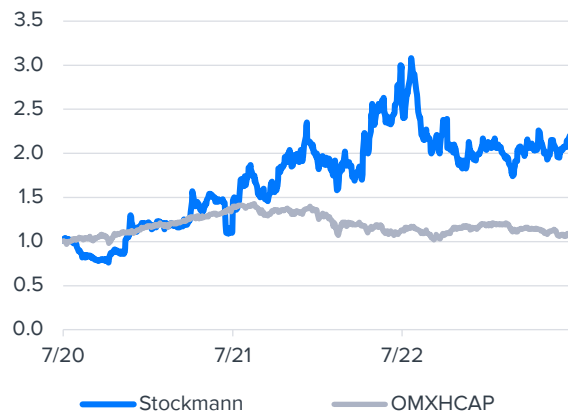
Source: Inderes

## Guidance

(Adjusted)

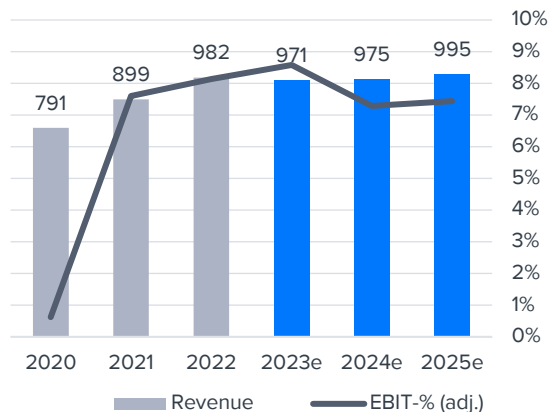
In 2023, Stockmann expects the Group's revenue to be in the range of EUR 940–1,000 million and the Group's adjusted operating result to be EUR 65–85 million, subject to foreign exchange rate fluctuation.

## Share price



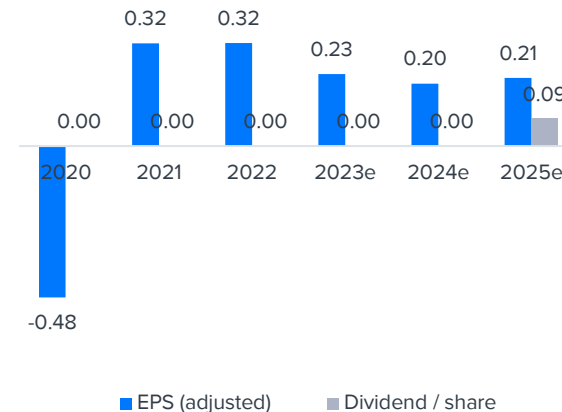
Source: Millstream Market Data AB

## Revenue and EBIT-%



Source: Inderes

## EPS and dividend



Source: Inderes



## Value drivers

- Lindex's cash flow and value creation
- Gradual improvement in the profitability of department stores
- Corporate restructuring ending, which enables, e.g., dividend distribution and structural arrangements



## Risk factors

- Department stores destroy value, and we see no change to this in the next few years
- During and after the restructuring, Stockmann's access to funding may be limited
- Lindex's result, like the fashion industry in general, has been unpredictable

Valuation	2023e	2024e	2025e
Share price	2.08	2.08	2.08
Number of shares, millions	160.5	165.0	165.0
Market cap	343	343	343
EV	847	808	777
P/E (adj.)	9.2	10.6	9.7
P/E	5.2	10.6	9.7
P/FCF	neg.	5.5	6.3
P/B	0.9	0.8	0.7
P/S	0.4	0.4	0.3
EV/Sales	0.9	0.8	0.8
EV/EBITDA	4.7	4.5	4.2
EV/EBIT (adj.)	10.2	11.4	10.5
Payout ratio (%)	0.0 %	0.0 %	40.0 %
Dividend yield-%	0.0 %	0.0 %	4.1 %

Source: Inderes

# Result down year-on-year, but above expectations thanks to Lindex

## Revenue slightly short of our expectations

Stockmann's revenue decreased by 6% but was practically at the level of the comparison period in local currencies. This was 2% below our estimate. Lindex's revenue decreased by 6%, but grew by 2% in local currencies, almost in line with our expectations. The Stockmann division's revenue declined by 6%, which was clearly below our expectations (1% growth). In addition, the company reports that the amount of clearance sales was higher than in the comparison period. According to the company, the timing of the Crazy Days campaign (more in Q1 this year) and the reduced space in the Itis store contributed to the decline in sales. For H1 as a whole, the Stockmann division's revenue increased by 3%.

## Lindex had a very high gross margin again, which supported the group's overall performance

Stockmann's adjusted EBIT was down year-on-year as expected at EUR 31.6 million, but still slightly better than our expectations. Lindex's result decreased from the record level of the comparison period (36 MEUR vs. EUR 39 MEUR in 2022) but remained at a very good level and exceeded our expectations (32 MEUR). This was due to an exceptionally high gross margin of 66.8%, which we expected to fall year-on-year to around 64%. In the Stockmann division, the result decreased year-on-year and was EUR -3.5 million, while we expected EUR -1 million. This was due revenue being lower than in the comparison period and than expected.

## Cash position remained strong

Despite investments mainly related to Lindex's new logistics center, the company's cash and cash equivalents were over EUR 130 million at the end of Q2, but still down from just under EUR 170 million at

the end of 2022. The company has a net cash position of roughly EUR 60 million. In addition, the company had signed a EUR 40 million credit line in July, which is a positive sign from financiers, although the restructuring is still ongoing.

## Strategy process continues under CEO Ehnbåge

The company says the strategy process is moving forward and Ehnbåge, who took over as Group CEO in May, says in her comments that Stockmann is entering a new phase of accelerated growth. Ehnbåge commented in our interview (see below) that she wants to get to know the Stockmann division in depth, which we understand may delay the strategy process. However, the company aims to have a new strategy published this year. In terms of the restructuring process, the report did not provide any new information.

Estimates MEUR / EUR	Q2'22	Q2'23	Q2'23e	Q2'23e	Consensus		Difference (%)	2023e
	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. inderes	Inderes
Revenue	269	252	257	255			-2%	971
EBIT (adj.)	35.4	31.6	30.5	-			4%	83.2
EBIT	115	30.2	30.5	28.1			-1%	81.3
EPS (adj.)	0.12	0.10	0.11	-			-12%	0.23
EPS (reported)	0.52	0.09	0.11	0.10			-21%	0.40
Revenue growth-%	17.9 %	-6.3 %	-4.4 %	-5.2 %			-1.9 pp	-1.1 %
EBIT-% (adj.)	13.2 %	12.5 %	11.9 %				0.7 pp	8.6 %

Source: Inderes & Bloomberg, 3 analysts (consensus)

Stockmann Q2'23: Lindex on a strong run



# Estimates up thanks to Lindex's continued strong performance

## The guidance was revised shortly before the result

Stockmann revised its guidance already at the beginning of the week, which was of course reiterated in the Q2 report. The company expects the full-year revenue to be EUR 940-1,000 million (previously 960-1,020 MEUR, 2022: 980 MEUR) and adjusted operating result to be EUR 65-85 million (previously 60-80 MEUR, 2022: 69 MEUR). Stockmann justified the decrease in the revenue range with the weakened Swedish krona and Norwegian krone, while the raised operating result range is due to stronger than expected gross margins and successful execution of cost saving measures. The changes were broadly in line with expectations.

## This year's earnings estimate again at the upper end of the guidance range

We raised this year's adjusted EBIT estimate to EUR 83 million, which is almost at the upper end of the new guidance range. This is entirely due to higher estimates for Lindex, while estimates for the Stockmann division fell slightly. We also remind investors that a large share of rental costs is only reflected below EBIT in financial expenses. In terms of revenue, we are close to the midpoint of the guidance range. Our EPS forecast was slightly lowered for 2023 due to the exceptionally high tax rate in Q2. We expect this to move to a more normal level (a tax rate of just over 20%) in the coming years.

## Lindex's strong performance also supports 2024-2025 estimates

Despite rising costs and a more difficult market, we

believe that Lindex's performance and profitability have held their own well. The 12-month rolling adjusted EBIT has been steadily around EUR 90 million for several quarters and the gross margin has remained above 64%. These are better levels than our previous expectations.

We also raised our assumptions for Lindex's gross margin for 2024-2025 and thus the EBIT level, although we still expect a weaker result for Lindex in the coming years than in 2022-2023. If Lindex continues its good margin control seen in recent years and successfully introduces the new logistics center next year, there is still upside in our estimates. On the other hand, a tighter competitive situation and/or weaker products could potentially reduce the margin quickly.

Estimate revisions MEUR / EUR	2023e		Change %	2024e		Change %	2025e		Change %
	Old	New		Old	New		Old	New	
Revenue	981	971	-1%	975	975	0%	995	995	0%
EBITDA	183	182	0%	180	178	-1%	184	185	1%
EBIT (exc. NRIs)	80	83	5%	68	71	4%	72	74	3%
EBIT	79	81	3%	68	71	4%	72	74	3%
PTP	49	52	5%	38	41	8%	43	45	5%
EPS (excl. NRIs)	0.23	0.23	-3%	0.18	0.20	8%	0.20	0.21	5%
DPS	0.00	0.00		0.00	0.00		0.00	0.00	

Source: Inderes

# Valuation and recommendation 1/3

## Some challenges in valuation

We feel there are a few factors that make the valuation of Stockmann difficult. Firstly, a loss-making department store business affects the company's earnings multiples, which make it difficult to use group figures as a whole. Secondly, the performance of both divisions has been very volatile over the last decade, so finding some kind of normal level is not self-evident. This is also muddled by the effects of COVID and the structural changes in the Stockmann division. Thirdly, the company's large lease liabilities distort balance sheet and EV-based figures and, on the other hand, without lease liabilities, the company has net cash. Based on these facts, we feel a need to look at figures that have been adjusted in various ways. We also feel that a sum of the parts approach is relevant for Stockmann but in its use one should note the timing of when the possible hidden value can realistically be released. We have also evaluated different scenarios in the sum of the parts calculations.

## Valuation summary - Accumulate

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

The values indicated by the sum of the parts are well above the current share price. They, however, assume that the department stores will at some point

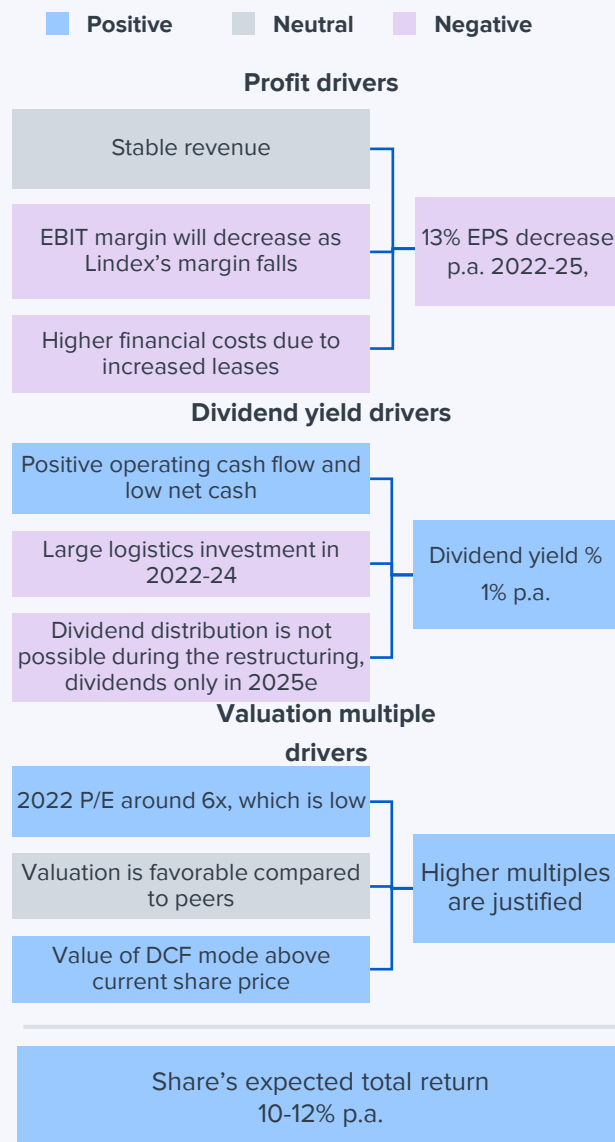
turn cash-flow positive, which we still consider uncertain and, in any case, years away. However, we see a realistic opportunity of the sum of the parts value realizing within 2-5-years, either through structural arrangements and/or a better-than-expected performance in the Stockmann division.

In the medium term, we expect Stockmann to reach 6-7% return on capital and 9-10% return on free cash flow. The company could also pay this out as a dividend in the longer term if there are no bigger investments. The earnings and dividend income generated by the current estimates are not as such necessarily sufficient to award a positive view of the share.

## Earnings and cash flow multiples

We feel one should not look directly at multiples calculated based on reported figures in Stockmann's valuation. We believe a better way is to adjust the market cap for net cash in the P/E ratio and to remove lease liabilities from EV. If we remove lease liabilities from EV their earnings impact included in financial items should, in our opinion, be considered, which gives a comparable figure without IFRS 16 effects. In addition, we consider the expected impact of the disputed debts (both on debt and number of shares). P/E for this year would be about 9x and EV/EBIT (or in practice EV/PTP) around 6x. For 2024, the figures are 8x and 6x. We feel that these multiples are at the bottom end of the acceptable multiple range for Stockmann.

## TSR drivers 2022-2025



## Valuation 2/3

Our estimate of Stockmann's sustainable free cash flow is EUR 30-35 million and we do not expect the company to achieve substantial earnings growth in the longer term. This means a free cash flow yield of 9-10% at current market cap. If Stockmann is net cash positive, the company could at least in principle distribute the entire cash flow as dividends, as long as it is technically possible after the restructuring. However, the post-restructuring investments the company mentioned may reduce cash flow and dividend potential. In any case, the longer-term cash-flow rate is around our 10% required return.

### Lindex divestment not looking likely

As Stockmann consists of two clearly separate business operations and department stores generate a loss, we see sum of the parts as a useful way to determine the value of the company. Stockmann was selling Lindex in 2019-20, but the deal could not be completed before the COVID crisis. Investors should, however, note that since then Stockmann has sold its properties and during the restructuring program no significant structural arrangements can, in practice, be made. When the value of real estate and cash flow supported the department stores, separating Lindex would have been easier, while in the current situation we believe it is only possible/likely when department stores generate sufficiently good and sustainable positive earnings/cash flow. With our estimates, this situation is not on the horizon at least in the next few years. We believe that the transfer of Lindex management (CEO and CFO) to the management

of the whole group suggests that Lindex is not being divested. Comments from the largest shareholder (a 15% stake jointly held by Konstsamfundet and JC Switzerland) also suggest that no structural measures are planned for Lindex in the short term. It is, however, also possible that a party might try to buy Stockmann as a whole and then create value by splitting it into parts.

### Sum of the parts EUR 3.7 per share

Nevertheless, we believe that the sum of the parts is an interesting and useful perspective to the valuation of the stock. In our neutral scenario, we value Lindex at around EUR 625 million, which, with next year's earnings estimates, means an EV/EBIT of around 8x (excluding lease liabilities). Lindex's closest peers KappAhl and MQ were usually priced below 10x EV/EBIT when listed. Given the higher interest rates and the impact of IFRS 16, the valuation could be expected to be slightly lower in today's market. With an EBIT of EUR 75-80 million, which we estimate to be the normalized earnings level, Lindex generates about EUR 55 million in free cash flow/net profit. By discounting this with a 1.5% growth assumption and a 10% required return, Lindex's current value is about EUR 650 million. Translated into a P/E ratio this means around 12x. This is close to the level of Nordic retail sector peers (10-16x for 2024), but well below the level of the larger global competitors H&M and Inditex of about 20x. We believe that the strong global market position and brand of these companies offer them clearly better growth prospects than Lindex, which makes the higher valuation justified.

Sum-of-the-parts calculation	Value, MEUR
Lindex	625
Department stores and other costs	-100
Total	525
Debt excluding lease liabilities	-72
Cash at the end of 2024	160
Value of the share capital	613
Value per share	3.7

# Valuation 3/3

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

This estimate also requires that the cash flow of department stores be at least zero in one way or another in 3-5 years, in order to stop negative cash flow. Currently, we expect the Stockmann division to generate a negative cash flow of EUR 20-30 million. The company's total EV would be EUR 525 million. We subtract the bond from this and consider the cash position at the end of 2024. We do this because the cash position at the end of 2024 considers the estimated amount of disputed claims to fall due and Lindex's large logistics investments in the next few years. As a result, the value of the share capital is just above EUR 600 million, or EUR 3.7 per share.

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

company's value if it was split.

## Getting rid of department stores would raise the value to over EUR 4

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

The potential relative to the current share price is considerable. If we look at this through the required return and assume that the investor would receive this EUR 4 in four years' time, the annual return would be over 15%. This could be further supported by dividend distribution after the restructuring, so the total return could reach 20 % / year. Even considering the uncertainty related to the value realizing (and naturally the value itself) the return potential is interesting relative to our required return of around 10%.

## Probability weighted expected return

We expect that without structural arrangements, the share's expected return will be at the level of its sustainable free cash flow yield, i.e., 9-10%. If we assume that the probability of the EUR 4 sum of the parts value realizing is, e.g., 30% within 4 years (and the remaining 70% for the 9-10% return) the expected return rises to 12%. Given the restructuring opportunity, we believe the expected return is good.

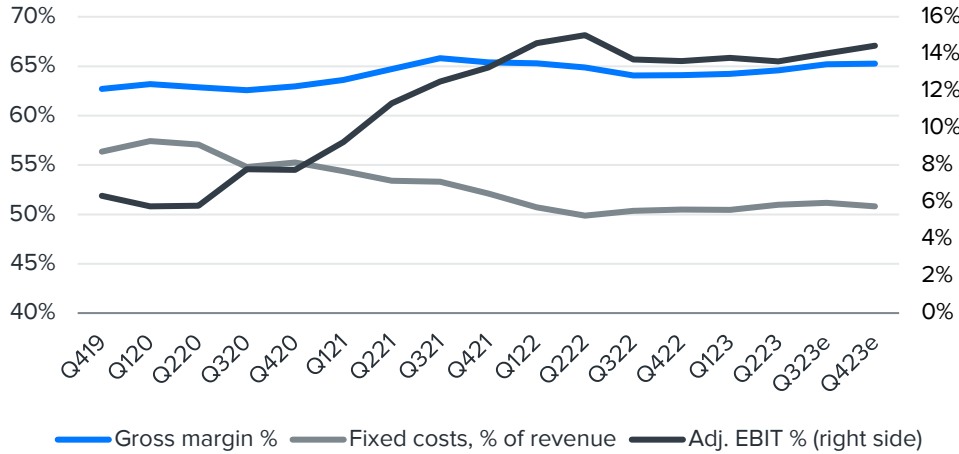
Valuation	2023e	2024e	2025e
Share price	2.08	2.08	2.08
Number of shares, millions	160.5	165.0	165.0
Market cap	343	343	343
EV	847	808	777
P/E (adj.)	9.2	10.6	9.7
P/E	5.2	10.6	9.7
P/FCF	neg.	5.5	6.3
P/B	0.9	0.8	0.7
P/S	0.4	0.4	0.3
EV/Sales	0.9	0.8	0.8
EV/EBITDA	4.7	4.5	4.2
EV/EBIT (adj.)	10.2	11.4	10.5
Payout ratio (%)	0.0 %	0.0 %	40.0 %
Dividend yield-%	0.0 %	0.0 %	4.1 %

Source: Inderes

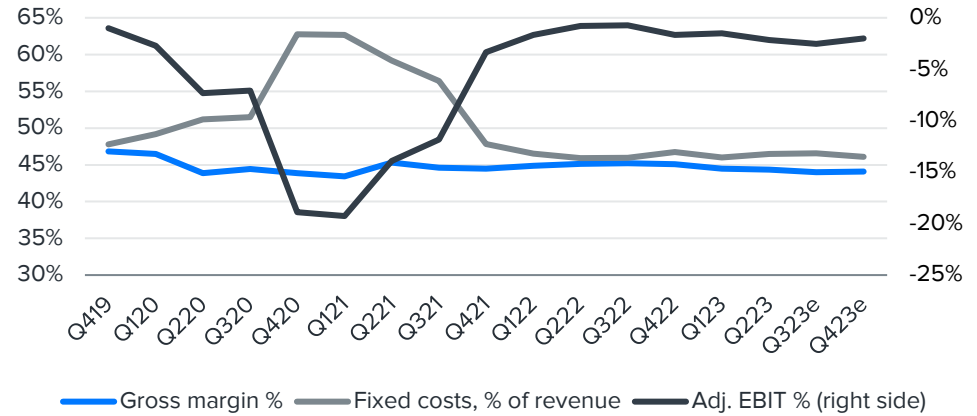


# Earnings development as graphs

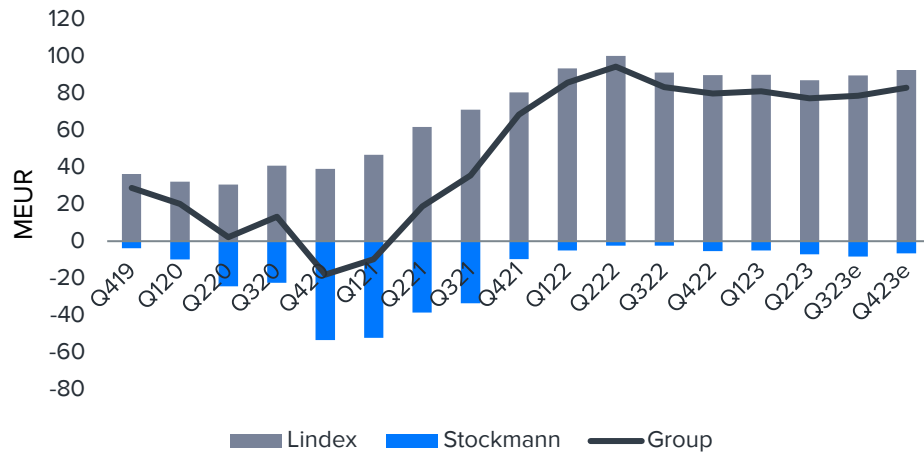
## Linde margin development, 12 months rolling



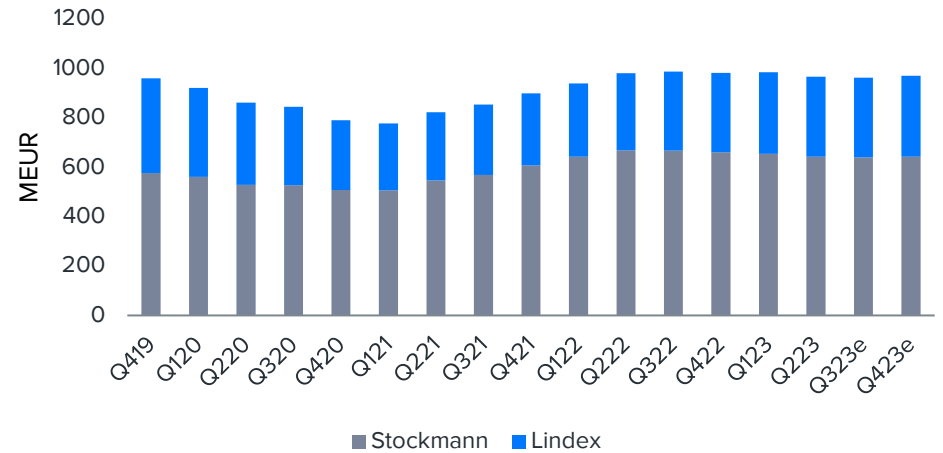
## Stockmann division's margin development, 12 months rolling



## Adjusted EBIT, 12 months rolling

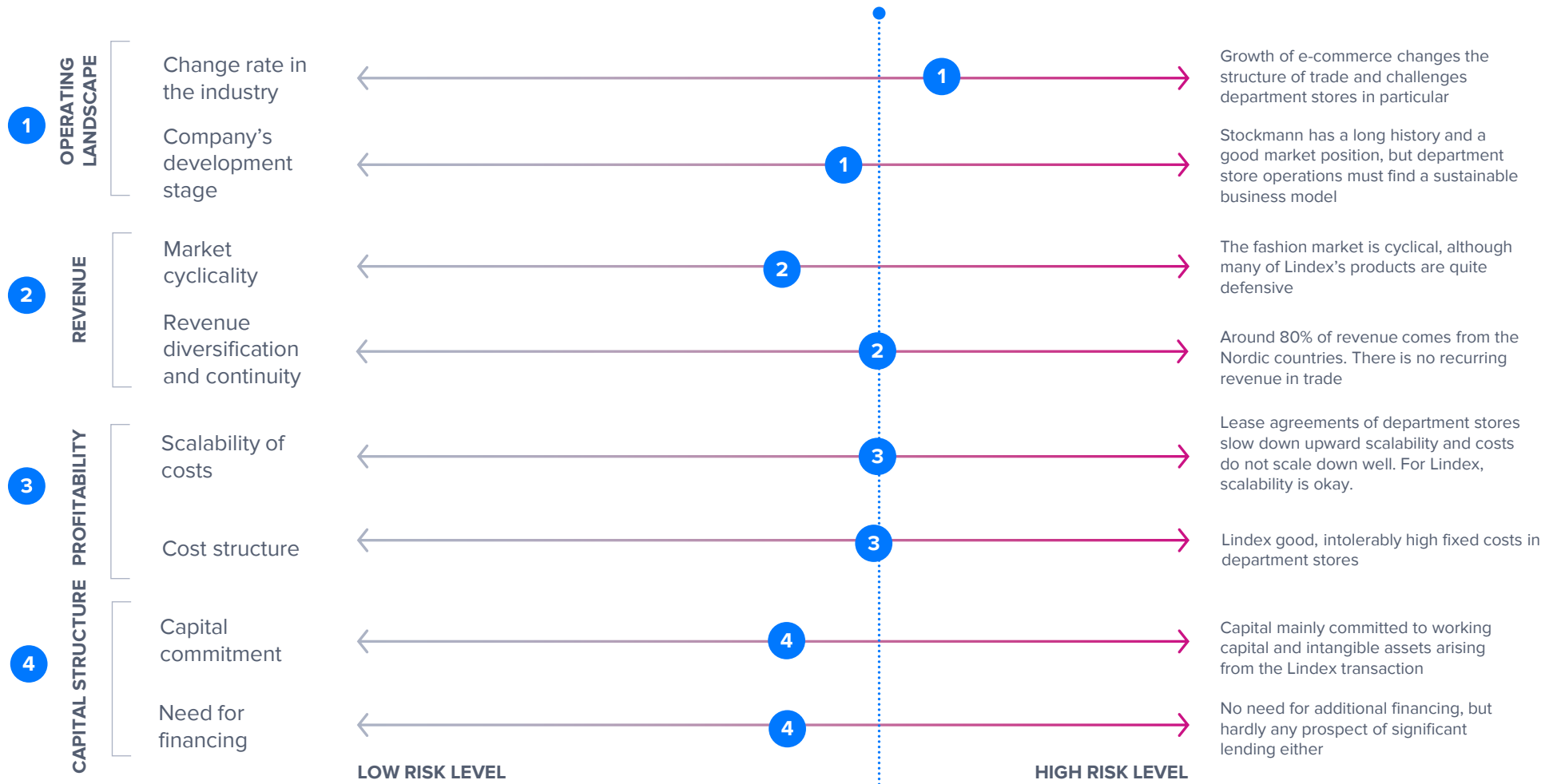


## Revenue, 12 months rolling



# Risk profile of the business model

Assessment of Stockmann's overall business risk



# Investment profile

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

Source: Inderes

## Potential

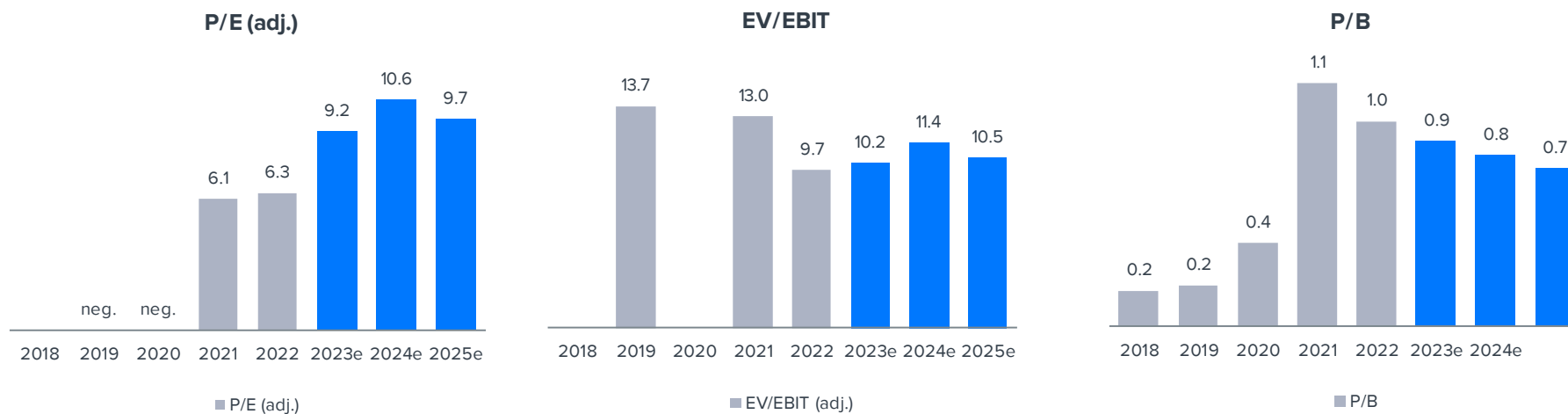


- **Turnaround in department stores:** If Stockmann can turn the sales/square meter of department stores clearly up, department stores can generate a positive result, which we believe would be of great importance to the company's value and image
  - **Lindex geographical expansion/better profitability than expected:** Lindex aims to grow internationally, however, mainly through third-party online stores and the franchising model. This still has significant potential for Lindex that is highly Nordic. Lindex's earnings remaining at the current level would also be clearly positive for the share
  - **Selling/separation of Lindex from the company:** During the restructuring program, the company cannot sell Lindex. However, if the department stores can be turned to sustainably generate positive earnings and cash flow, we believe that this is possible in the medium term. We believe, however, that its importance for Stockmann's value decreases if the department stores are also able to achieve positive performance.
  - **Dividend distribution:** During the restructuring program, the company cannot distribute dividends. However, the company is net debt-free, so it should be able to distribute dividends when the restructuring is over.
- ## Risks
- **The decline in consumer purchasing power and cost inflation are clear risks for short-term earnings and create cyclicality in general**
  - **New crisis in department stores:** If the sales of department stores fall further, the loss spiral can deepen. There are limited ways of remedy this quickly.
  - **Product range/collection failure:** Lindex failed with its collection in 2017, which resulted in staggering earnings drop. A similar event would put the company in a tight spot, especially if the department stores are loss-making.
  - **Financing risk:** Since Stockmann has sold its real estate, we believe it is more difficult to obtain financing. Thus, offsetting potential negative cash flow with debt financing is not possible at least for very long.

# Valuation table

Valuation	2018	2019	2020	2021	2022	2023e	2024e	2025e	2026e
Share price	2.00	2.26	1.14	1.96	2.05	<b>2.08</b>	<b>2.08</b>	<b>2.08</b>	<b>2.08</b>
Number of shares, millions	72.0	72.0	72.0	114.0	155.2	<b>160.5</b>	<b>165.0</b>	<b>165.0</b>	<b>165.0</b>
Market cap	141	155	80	303	320	<b>343</b>	<b>343</b>	<b>343</b>	<b>343</b>
EV	685	542		889	774	<b>847</b>	<b>808</b>	<b>777</b>	<b>758</b>
P/E (adj.)		neg.	neg.	6.1	6.3	<b>9.2</b>	<b>10.6</b>	<b>9.7</b>	<b>9.3</b>
P/E		neg.	neg.	4.7	3.1	<b>5.2</b>	<b>10.6</b>	<b>9.7</b>	<b>9.3</b>
P/FCF	0.3	0.8	0.8	2.3	1.1	neg.	<b>5.5</b>	<b>6.3</b>	<b>6.2</b>
P/B	0.2	0.2	0.4	1.1	1.0	<b>0.9</b>	<b>0.8</b>	<b>0.7</b>	<b>0.7</b>
P/S	>100	0.2	0.1	0.3	0.3	<b>0.4</b>	<b>0.4</b>	<b>0.3</b>	<b>0.3</b>
EV/Sales	>100	0.6		1.0	0.8	<b>0.9</b>	<b>0.8</b>	<b>0.8</b>	<b>0.8</b>
EV/EBITDA		22.5		4.8	3.0	<b>4.7</b>	<b>4.5</b>	<b>4.2</b>	<b>4.1</b>
EV/EBIT (adj.)		13.7		13.0	9.7	<b>10.2</b>	<b>11.4</b>	<b>10.5</b>	<b>10.1</b>
Payout ratio (%)		0.0 %	0.0 %	0.0 %	0.0 %	<b>0.0 %</b>	<b>0.0 %</b>	<b>40.0 %</b>	<b>50.0 %</b>
Dividend yield-%	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	<b>0.0 %</b>	<b>0.0 %</b>	<b>4.1 %</b>	<b>5.4 %</b>

Source: Inderes



# Peer group valuation

Peer group valuation	Market cap	EV	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%		P/B
Company	MEUR	MEUR	2023e	2024e	2023e	2024e	2023e	2024e	2023e	2024e	2023e	2024e	2023e
Stockmann	331	870	11.7	12.3	4.9	5.0	0.9	0.9	7.1	9.9			0.8
H & M	24905	29711	24	17	9	8	1	1	28.8	19.7	3.7	4.0	5.8
Fast Retailing	68393	64643	31.9	23.2	17.9	16.3	3.7	3.4	41.0	36.7	0.8	0.9	6.1
Inditex	108459	103436	19.0	16.3	12.3	11.0	3.2	2.9	26.4	21.8	3.3	3.9	6.5
Tokmanni	809	1398	15.1	12.9	8.0	6.9	1.1	1.0	13.1	11.2	5.7	6.1	3.1
Puuhilo	630	728	15.2	14.0	11.9	11.5	2.4	2.2	17.7	16.6	4.4	5.0	7.8
Kesko	7177	9657	13.0	13.1	7.7	7.7	0.8	0.8	13.1	13.1	6.1	6.2	2.7
Clas Ohlson	471	620	22.3	12.5	6.0	5.4	0.8	0.8	30.8	14.3	5.7	6.4	3.4
<b>Stockmann (Inderes)</b>	<b>343</b>	<b>847</b>	<b>10.2</b>	<b>11.4</b>	<b>4.7</b>	<b>4.5</b>	<b>0.9</b>	<b>0.8</b>	<b>9.2</b>	<b>10.6</b>	<b>0.0</b>	<b>0.0</b>	<b>0.9</b>
<b>Average</b>			<b>18</b>	<b>15</b>	<b>10</b>	<b>9</b>	<b>2</b>	<b>2</b>	<b>21.0</b>	<b>17.1</b>	<b>4.4</b>	<b>4.7</b>	<b>4.4</b>
<b>Median</b>			<b>15.2</b>	<b>13.1</b>	<b>8.0</b>	<b>7.7</b>	<b>1.4</b>	<b>1.4</b>	<b>17.7</b>	<b>14.3</b>	<b>4.9</b>	<b>5.2</b>	<b>3.4</b>
<b>Diff-% to median</b>			<b>-33%</b>	<b>-13%</b>	<b>-41%</b>	<b>-41%</b>	<b>-39%</b>	<b>-39%</b>	<b>-48%</b>	<b>-26%</b>	<b>-100%</b>	<b>-100%</b>	<b>-74%</b>

Source: Refinitiv / Inderes

# Income statement

Income statement	2021	Q1'22	Q2'22	Q3'22	Q4'22	2022	Q1'23	Q2'23	Q3'23e	Q4'23e	2023e	2024e	2025e	2026e
<b>Revenue</b>	<b>899</b>	<b>196</b>	<b>269</b>	<b>244</b>	<b>273</b>	<b>982</b>	<b>199</b>	<b>252</b>	<b>240</b>	<b>280</b>	<b>971</b>	<b>975</b>	<b>995</b>	<b>993</b>
Lindex	607	134	188	167	172	661	127	176	165	175	643	655	675	689
Stockmann	292	62	81	77	100	321	72	76	75	105	328	320	320	304
<b>EBITDA</b>	<b>185</b>	<b>35.5</b>	<b>141</b>	<b>31.9</b>	<b>49.3</b>	<b>258</b>	<b>22.7</b>	<b>55.3</b>	<b>48.5</b>	<b>55.5</b>	<b>182</b>	<b>178</b>	<b>185</b>	<b>186</b>
Depreciation	-103	-25.7	-26.9	-25.9	-24.7	-103	-25.6	-25.1	-25.0	-25.0	-101	-107	-111	-111
<b>EBIT (excl. NRI)</b>	<b>68.3</b>	<b>-3.7</b>	<b>35.4</b>	<b>22.0</b>	<b>26.1</b>	<b>80</b>	<b>-2.4</b>	<b>31.6</b>	<b>23.5</b>	<b>30.5</b>	<b>83</b>	<b>71</b>	<b>74</b>	<b>75</b>
<b>EBIT</b>	<b>82.1</b>	<b>9.8</b>	<b>115</b>	<b>6.0</b>	<b>24.6</b>	<b>155</b>	<b>-2.9</b>	<b>30.2</b>	<b>23.5</b>	<b>30.5</b>	<b>81</b>	<b>71</b>	<b>74</b>	<b>75</b>
Lindex	80	5.5	39.0	22.5	23.0	90	5.6	36.2	25.0	26.0	93	79	78	78
Stockmann	-10	-7.3	-1.5	0.1	3.3	-5	-7.0	-3.5	-1.0	5.0	-6.5	-5.0	-1.0	0.0
Non-allocated	-2.1	-2.0	-2.0	-0.6	-0.2	-4.8	-1.0	-1.1	-0.5	-0.5	-3.1	-3.0	-3.0	-3.0
Net financial items	-17	-5.4	-6.5	-7.3	-6.5	-26	-7.3	-7.1	-7.5	-7.5	-29	-30	-29	-29
<b>PTP</b>	<b>65</b>	<b>4.4</b>	<b>108</b>	<b>-1.3</b>	<b>18.1</b>	<b>129</b>	<b>-10.2</b>	<b>23.1</b>	<b>16.0</b>	<b>23.0</b>	<b>52</b>	<b>41</b>	<b>45</b>	<b>47</b>
Taxes	-17.3	-1.6	-27.4	2.0	-0.5	-27.5	29.7	-9.4	-3.4	-4.8	12.2	-8.6	-9.4	-9.8
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net earnings</b>	<b>48</b>	<b>2.8</b>	<b>80.6</b>	<b>0.7</b>	<b>17.6</b>	<b>102</b>	<b>19.5</b>	<b>13.8</b>	<b>12.6</b>	<b>18.2</b>	<b>64</b>	<b>32</b>	<b>35</b>	<b>37</b>
<b>EPS (adj.)</b>	<b>0.32</b>	<b>-0.05</b>	<b>0.12</b>	<b>0.13</b>	<b>0.12</b>	<b>0.32</b>	<b>-0.06</b>	<b>0.10</b>	<b>0.08</b>	<b>0.11</b>	<b>0.23</b>	<b>0.20</b>	<b>0.21</b>	<b>0.22</b>
<b>EPS (rep.)</b>	<b>0.42</b>	<b>0.02</b>	<b>0.52</b>	<b>0.00</b>	<b>0.11</b>	<b>0.66</b>	<b>0.13</b>	<b>0.09</b>	<b>0.08</b>	<b>0.11</b>	<b>0.40</b>	<b>0.20</b>	<b>0.21</b>	<b>0.22</b>

Key figures	2021	Q1'22	Q2'22	Q3'22	Q4'22	2022	Q1'23	Q2'23	Q3'23e	Q4'23e	2023e	2024e	2025e	2026e
<b>Revenue growth-%</b>	13.7 %	26.0 %	17.9 %	2.6 %	-1.8 %	9.2 %	1.2 %	-6.3 %	-1.7 %	2.7 %	-1.1 %	0.5 %	2.1 %	-0.3 %
<b>Adjusted EBIT growth-%</b>	1293.9 %	-82.3 %	32.2 %	-33.1 %	-12.1 %	16.8 %	-35.7 %	-10.8 %	6.8 %	16.9 %	4.3 %	-14.7 %	4.2 %	1.4 %
<b>EBITDA-%</b>	20.6 %	18.1 %	52.6 %	13.1 %	18.1 %	26.3 %	11.4 %	21.9 %	20.2 %	19.8 %	18.8 %	18.2 %	18.6 %	18.8 %
<b>Adjusted EBIT-%</b>	7.6 %	-1.9 %	13.2 %	9.0 %	9.6 %	8.1 %	-1.2 %	12.5 %	9.8 %	10.9 %	8.6 %	7.3 %	7.4 %	7.6 %
<b>Net earnings-%</b>	5.3 %	1.4 %	30.0 %	0.3 %	6.4 %	10.4 %	9.8 %	5.5 %	5.3 %	6.5 %	6.6 %	3.3 %	3.6 %	3.7 %

Source: Inderes

# Balance sheet

Assets	2021	2022	2023e	2024e	2025e
<b>Non-current assets</b>	<b>1002</b>	<b>890</b>	<b>940</b>	<b>948</b>	<b>952</b>
Goodwill	272	251	251	251	251
Intangible assets	120	114	114	114	114
Tangible assets	583	498	548	556	560
Associated companies	0.0	0.0	0.0	0.0	0.0
Other investments	0.5	0.7	0.7	0.7	0.7
Other non-current assets	3.8	3.1	3.1	3.1	3.1
Deferred tax assets	23.8	23.8	23.8	23.8	23.8
<b>Current assets</b>	<b>414</b>	<b>385</b>	<b>335</b>	<b>370</b>	<b>405</b>
Inventories	155	174	170	166	169
Other current assets	0.0	0.0	0.0	0.0	0.0
Receivables	45.7	43.2	43.7	43.9	44.8
Cash and equivalents	214	168	122	160	191
<b>Balance sheet total</b>	<b>1416</b>	<b>1276</b>	<b>1275</b>	<b>1318</b>	<b>1357</b>

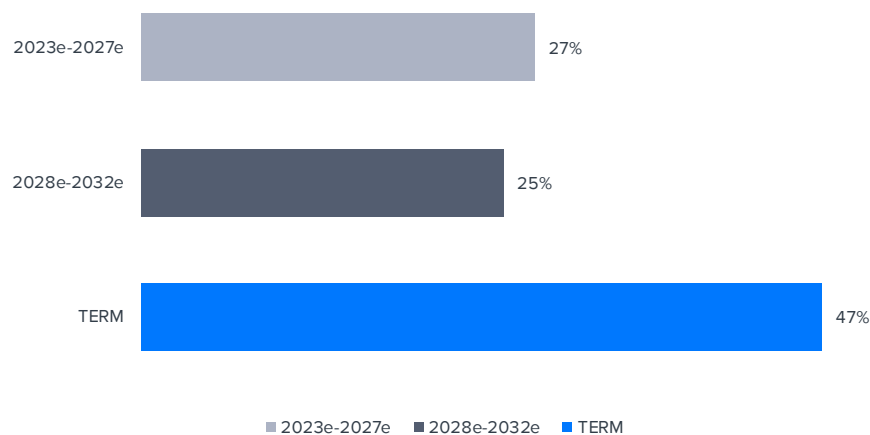
Source: Inderes

Liabilities & equity	2021	2022	2023e	2024e	2025e
<b>Equity</b>	<b>268</b>	<b>336</b>	<b>400</b>	<b>432</b>	<b>467</b>
Share capital	77.6	77.6	77.6	77.6	77.6
Retained earnings	103	205	269	301	336
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	14.4	-18.9	-18.9	-18.9	-18.9
Other equity	73.2	72.3	72.3	72.3	72.3
Minorities	0.0	0.0	0.0	0.0	0.0
<b>Non-current liabilities</b>	<b>409</b>	<b>586</b>	<b>590</b>	<b>590</b>	<b>590</b>
Deferred tax liabilities	40.6	40.3	40.3	40.3	40.3
Provisions	0.0	0.0	0.0	0.0	0.0
Long term debt	330	545	550	550	550
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	37.8	0.7	0.0	0.0	0.0
<b>Current liabilities</b>	<b>740</b>	<b>361</b>	<b>285</b>	<b>295</b>	<b>299</b>
Short term debt	470	77.3	75.0	75.0	75.0
Payables	223	179	180	190	194
Other current liabilities	46.4	105	30.0	30.0	30.0
<b>Balance sheet total</b>	<b>1416</b>	<b>1283</b>	<b>1275</b>	<b>1318</b>	<b>1357</b>

# DCF calculation

DCF model	2022	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	TERM
Revenue growth-%	9.2 %	-1.1%	0.5 %	2.1%	-0.3 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	1.0 %	1.0 %
EBIT-%	15.8 %	8.4 %	7.3 %	7.4 %	7.6 %	7.0 %	7.0 %	7.0 %	7.0 %	8.5 %	8.5 %	8.5 %
<b>EBIT (operating profit)</b>	<b>155</b>	<b>81.3</b>	<b>71.0</b>	<b>74.0</b>	<b>75.0</b>	<b>69.5</b>	<b>69.5</b>	<b>69.5</b>	<b>69.5</b>	<b>84.4</b>	<b>85.2</b>	
+ Depreciation	103	101	107	111	111	112	112	112	112	111	111	
- Paid taxes	-27.8	12.2	-8.6	-9.4	-9.8	-8.8	-8.9	-9.1	-9.2	-12.5	-12.6	
- Tax, financial expenses	-5.5	6.8	-6.3	-6.1	-6.0	-5.8	-5.7	-5.5	-5.4	-5.2	-5.3	
+ Tax, financial income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Change in working capital	-2.4	-70.6	14.5	-0.4	0.0	0.0	0.0	0.0	0.0	0.0	-0.2	
<b>Operating cash flow</b>	<b>222</b>	<b>130</b>	<b>177</b>	<b>169</b>	<b>171</b>	<b>166</b>	<b>167</b>	<b>167</b>	<b>167</b>	<b>178</b>	<b>178</b>	
+ Change in other long-term liabilities	-37.1	-0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	8.5	-150.0	-115.0	-115.0	-115.0	-115.0	-115.0	-115.0	-110.1	-110.9	-121.4	
<b>Free operating cash flow</b>	<b>194</b>	<b>-20.3</b>	<b>62.3</b>	<b>54.2</b>	<b>55.7</b>	<b>51.4</b>	<b>51.5</b>	<b>51.6</b>	<b>56.5</b>	<b>66.6</b>	<b>56.6</b>	
+/- Other	100.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	294	-20.3	62.3	54.2	55.7	51.4	51.5	51.6	56.5	66.6	56.6	642
<b>Discounted FCFF</b>		<b>-19.4</b>	<b>54.4</b>	<b>43.0</b>	<b>40.2</b>	<b>33.8</b>	<b>30.8</b>	<b>28.1</b>	<b>28.0</b>	<b>30.0</b>	<b>23.2</b>	<b>263</b>
Sum of FCFF present value		555	574	520	477	437	403	372	344	316	286	263
<b>Enterprise value DCF</b>		<b>555</b>										
- Interest bearing debt		-285										
+ Cash and cash equivalents		168										
-Minorities		0.0										
-Dividend/capital return		0.0										
<b>Equity value DCF</b>		<b>438</b>										
<b>Equity value DCF per share</b>		<b>2.7</b>										

Cash flow distribution



## WACC

Tax-% (WACC)	21.0 %
Target debt ratio (D/(D+E))	0.0 %
Cost of debt	5.0 %
Equity Beta	1.35
Market risk premium	4.75%
Liquidity premium	1.00%
Risk free interest rate	2.5 %
<b>Cost of equity</b>	<b>9.9 %</b>
<b>Weighted average cost of capital (WACC)</b>	<b>9.9 %</b>

Source: Inderes



# Summary

Income statement	2020	2021	2022	2023e	2024e	Per share data	2020	2021	2022	2023e	2024e
Revenue	790.7	899.0	981.7	<b>970.5</b>	<b>975.0</b>	EPS (reported)	-4.05	0.42	0.66	<b>0.40</b>	<b>0.20</b>
EBITDA	-252.4	185.0	258.1	<b>182.0</b>	<b>177.8</b>	EPS (adj.)	-0.48	0.32	0.32	<b>0.23</b>	<b>0.20</b>
EBIT	-252.4	82.1	154.9	<b>81.3</b>	<b>71.0</b>	OCF / share	-3.65	1.01	1.43	<b>0.81</b>	<b>1.07</b>
PTP	-294.0	65.2	129.2	<b>52.0</b>	<b>41.0</b>	FCF / share	1.48	1.16	1.89	<b>-0.13</b>	<b>0.38</b>
Net Income	-291.6	45.1	101.7	<b>64.2</b>	<b>32.4</b>	Book value / share	2.86	2.35	2.16	<b>2.49</b>	<b>2.62</b>
Extraordinary items	-257.3	13.8	75.1	<b>-1.9</b>	<b>0.0</b>	Dividend / share	0.00	0.00	0.00	<b>0.00</b>	<b>0.00</b>
Balance sheet	2020	2021	2022	2023e	2024e	Growth and profitability	2020	2021	2022	2023e	2024e
Balance sheet total	1424.3	1416.1	1275.5	<b>1274.5</b>	<b>1317.5</b>	Revenue growth-%	-18%	14%	9%	<b>-1%</b>	<b>0%</b>
Equity capital	206.1	268.1	335.5	<b>399.7</b>	<b>432.1</b>	EBITDA growth-%	-1147%	-173%	40%	<b>-29%</b>	<b>-2%</b>
Goodwill	277.5	271.5	250.9	<b>250.9</b>	<b>250.9</b>	EBIT (adj.) growth-%	-88%	1294%	17%	<b>4%</b>	<b>-15%</b>
Net debt	724.5	586.7	454.4	<b>503.5</b>	<b>464.9</b>	EPS (adj.) growth-%	14%	-168%	0%	<b>-30%</b>	<b>-14%</b>
Cash flow	2020	2021	2022	2023e	2024e	EBITDA-%	-31.9 %	20.6 %	26.3 %	<b>18.8 %</b>	<b>18.2 %</b>
EBITDA	-252.4	185.0	258.1	<b>182.0</b>	<b>177.8</b>	EBIT (adj.)-%	0.6 %	7.6 %	8.1 %	<b>8.6 %</b>	<b>7.3 %</b>
Change in working capital	-9.8	-56.9	-2.4	<b>-70.6</b>	<b>14.5</b>	EBIT-%	-31.9 %	9.1 %	15.8 %	<b>8.4 %</b>	<b>7.3 %</b>
Operating cash flow	-262.5	115.0	222.4	<b>130.4</b>	<b>177.3</b>	ROE-%	-57.9 %	20.2 %	33.7 %	<b>17.5 %</b>	<b>7.8 %</b>
CAPEX	809.3	-17.1	8.5	<b>-150.0</b>	<b>-115.0</b>	ROI-%	-22.0 %	7.6 %	15.3 %	<b>8.2 %</b>	<b>6.8 %</b>
Free cash flow	106.8	132.7	293.8	<b>-20.3</b>	<b>62.3</b>	Equity ratio	14.5 %	18.9 %	26.3 %	<b>31.4 %</b>	<b>32.8 %</b>
Valuation multiples	2020	2021	2022	2023e	2024e	Gearing	351.5 %	218.8 %	135.4 %	<b>126.0 %</b>	<b>107.6 %</b>
EV/S		1.0	0.8	<b>0.9</b>	<b>0.8</b>						
EV/EBITDA (adj.)		4.8	3.0	<b>4.7</b>	<b>4.5</b>						
EV/EBIT (adj.)		13.0	9.7	<b>10.2</b>	<b>11.4</b>						
P/E (adj.)	neg.	6.1	6.3	<b>9.2</b>	<b>10.6</b>						
P/B	0.4	1.1	1.0	<b>0.9</b>	<b>0.8</b>						
Dividend-%	0.0 %	0.0 %	0.0 %	<b>0.0 %</b>	<b>0.0 %</b>						

Source: Inderes

# Disclaimer and recommendation history

The information presented in Inderes reports is obtained from several different public sources that Inderes considers to be reliable. Inderes aims to use reliable and comprehensive information, but Inderes does not guarantee the accuracy of the presented information. Any opinions, estimates and forecasts represent the views of the authors. Inderes is not responsible for the content or accuracy of the presented information. Inderes and its employees are also not responsible for the financial outcomes of investment decisions made based on the reports or any direct or indirect damage caused by the use of the information. The information used in producing the reports may change quickly. Inderes makes no commitment to announcing any potential changes to the presented information and opinions.

The reports produced by Inderes are intended for informational use only. The reports should not be construed as offers or advice to buy, sell or subscribe investment products. Customers should also understand that past performance is not a guarantee of future results. When making investment decisions, customers must base their decisions on their own research and their estimates of the factors that influence the value of the investment and take into account their objectives and financial position and use advisors as necessary. Customers are responsible for their investment decisions and their financial outcomes.

Reports produced by Inderes may not be edited, copied or made available to others in their entirety, or in part, without Inderes' written consent. No part of this report, or the report as a whole, shall be transferred or shared in any form to the United States, Canada or Japan or the citizens of the aforementioned countries. The legislation of other countries may also lay down restrictions pertaining to the distribution of the information contained in this report. Any individuals who may be subject to such restrictions must take said restrictions into account.

Inderes issues target prices for the shares it follows. The recommendation methodology used by Inderes is based on the share's 12-month expected total shareholder return (including the share price and dividends) and takes into account Inderes' view of the risk associated with the expected returns. The recommendation policy consists of four tiers: Sell, Reduce, Accumulate and Buy. As a rule, Inderes' investment recommendations and target prices are reviewed at least 2–4 times per year in connection with the companies' interim reports, but the recommendations and target prices may also be changed at other times depending on the market conditions. The issued recommendations and target prices do not guarantee that the share price will develop in line with the estimate. Inderes primarily uses the following valuation methods in determining target prices and recommendations: Cash flow analysis (DCF), valuation multiples, peer group analysis and sum of parts analysis. The valuation methods and target price criteria used are always company-specific and they may vary significantly depending on the company and (or) industry.

Inderes' recommendation policy is based on the following distribution relative to the 12-month risk-adjusted expected total shareholder return.

Buy	The 12-month risk-adjusted expected shareholder return of the share is very attractive
Accumulate	The 12-month risk-adjusted expected shareholder return of the share is attractive
Reduce	The 12-month risk-adjusted expected shareholder return of the share is weak
Sell	The 12-month risk-adjusted expected shareholder return of the share is very weak

The assessment of the 12-month risk-adjusted expected total shareholder return based on the above-mentioned definitions is company-specific and subjective. Consequently, similar 12-month expected total shareholder returns between different shares may result in different recommendations, and the recommendations and 12-month expected total shareholder returns between different shares should not be compared with each other. The counterpart of the expected total shareholder return is Inderes' view of the risk taken by the investor, which varies considerably between companies and scenarios. Thus, a high expected total shareholder return does not necessarily lead to positive performance when the risks are exceptionally high and, correspondingly, a low expected total shareholder return does not necessarily lead to a negative recommendation if Inderes considers the risks to be moderate.

The analysts who produce Inderes' research and Inderes employees cannot have 1) shareholdings that exceed the threshold of significant financial gain or 2) shareholdings exceeding 1% in any company subject to Inderes' research activities. Inderes Oyj can only own shares in the target companies it follows to the extent shown in the company's model portfolio investing real funds. All of Inderes Oyj's shareholdings are presented in itemised form in the model portfolio. Inderes Oyj does not have other shareholdings in the target companies analysed. The remuneration of the analysts who produce the analysis are not directly or indirectly linked to the issued recommendation or views. Inderes Oyj does not have investment bank operations.

Inderes or its partners whose customer relationships may have a financial impact on Inderes may, in their business operations, seek assignments with various issuers with respect to services provided by Inderes or its partners. Thus, Inderes may be in a direct or indirect contractual relationship with an issuer that is the subject of research activities. Inderes and its partners may provide investor relations services to issuers. The aim of such services is to improve communication between the company and the capital markets. These services include the organisation of investor events, advisory services related to investor relations and the production of investor research reports.

More information about research disclaimers can be found at [www.inderes.fi/research-disclaimer](http://www.inderes.fi/research-disclaimer).

Inderes has made an agreement with the issuer and target of this report, which entails compiling a research report.

## Recommendation history (>12 mo)

Date	Recommendation	Target	Share price
11/18/2022	Reduce	2.00 €	1.97 €
1/20/2023	Reduce	2.10 €	2.05 €
2/27/2023	Reduce	2.10 €	2.00 €
3/21/2023	Accumulate	2.10 €	1.76 €
5/2/2023	Accumulate	2.35 €	2.11 €
7/24/2023	Accumulate	2.40 €	2.08 €



Inderes connects investors and listed companies. We help over 400 listed companies to better serve their investors. Our community is home to over 70 000 active investors.

Our social objective is to democratize information in the financial markets.

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

Inderes is listed on Nasdaq First North growth market and operates in Finland, Sweden, Norway and Denmark.

### Inderes Oyj

Itämerentori 2

FI-00180 Helsinki, Finland

+358 10 219 4690

Award-winning research at [inderes.fi](https://www.inderes.fi)



STARMINE  
ANALYST AWARDS  
FROM REFINITIV



THOMSON REUTERS  
ANALYST AWARDS



Juha Kinnunen  
2012, 2016, 2017, 2018, 2019, 2020



Mikael Rautanen  
2014, 2016, 2017, 2019



Sauli Vilén  
2012, 2016, 2018, 2019, 2020



Antti Viljakainen  
2014, 2015, 2016, 2018, 2019, 2020



Olli Koponen  
2020



Joni Grönqvist  
2019, 2020



Erkki Vesola  
2018, 2020



Petri Gostowski  
2020



Atte Riikola  
2020

**Research belongs  
to everyone.**