Stockmann

Extensive report

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Inderes corporate customer

This report is a summary translation of the report "Rakennemuutos ensi vuoden pääasia" published on 12/19/2023 at 7:12 am EET

Structural change main topic next year

We still see potential in the stock, supported by the structural arrangement that is likely to progress next year. We raised our forecasts slightly in this report, mainly due to the stronger SEK. We reiterate our Accumulate recommendation and raise our target price to EUR 3.1 (was EUR 2.8).

Lindex is the Group's result generator – over 80% of sales come from fashion

Stockmann is a retail trade company with two chains: Stockmann department stores in Finland and the Baltic countries and Lindex fashion chain, whose main markets are Sweden and Norway but the chain operates in 18 countries. As a whole, the Group is largely a fashion company, as fashion represents over 80% of revenue. For years, Lindex has been generating the entire Group's result, with department stores generating losses. Geographically, Lindex's strongest markets, Sweden and Norway, generate over half of Group sales and the other half is generated by the department stores' main market Finland, the Baltic countries and other countries (other countries only have Lindex operations). In September, the company announced that it is considering strategic options for the Stockmann division and changing its name to Lindex Group.

Divesting of department stores presumably ahead, which is positive for the stock

Although the company did not explicitly say that it was seeking to divest its department store business, we believe that it is in its sights and feel it would also create most value. Even if this is not successful in the short term, the company is clearly choosing its priorities for the future. We consider this good for shareholders, as we feel that the negative result/value of department stores still weighs on the company's valuation. The company's restructuring process is still ongoing due to litigation with former landlords concerning disputed debts. We believe that the company will reach some kind of compromises and end the restructuring next year, although the legal cases may go on longer.

We expect Lindex's result to fall from top levels, but remain good relative to history

We forecast that Lindex will generate its best result ever this year, with an adjusted EBIT of 94 MEUR. This means a margin of almost 15%, which is Lindex's long-term target. We expect the result to fall to around 80 MEUR in 2024-26, which is still significantly higher than the historical average (some 55 MEUR) and a good margin level compared to the peers (~12%). We expect the Stockmann Division to reach around zero EBIT by 2025, but it should be noted that a large part of the rental costs of department stores are only reflected in financing costs, so even with zero EBIT, the Stockmann Division is clearly cash-flow negative.

The potential of the restructuring still offers a relatively good expected return

After Stockmann announced the strategic assessment of the Department Stores business we find sum of the parts to be the best valuation method. We estimate the value of the company without department stores to be around EUR 4.0 per share. However, this should consider the uncertainties related to the manner and schedule of the possible structural changes in department stores. Overall, we find the expected return good, considering the structural change that is likely to progress next year. With the current structure our estimate for Stockmann's 2023-24 P/E ratio adjusted for lease liabilities and cash is 10-11x and EV/EBIT 7-8x, which we already consider neutral. In the longer term, we do not expect significant earnings growth and with our estimates, the return on capital is below our required return, which highlights the need for structural arrangements and their role in the expected return.

Recommendation

Accumulate

(previous Accumulate)

EUR 3.10

(previous EUR 2.80)

Share price:

2.72

Key figures

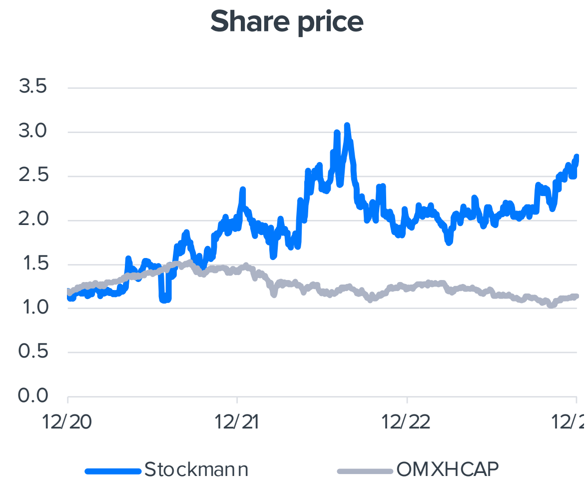
	2022	2023e	2024e	2025e
Revenue	982	952	975	992
growth-%	9%	-3%	2%	2%
EBIT adj.	80	82	72	75
EBIT-% adj.	8.1 %	8.6 %	7.4 %	7.6 %
Net Income	102	62	33	36
EPS (adj.)	0.32	0.22	0.20	0.22

P/E (adj.)	6.3	12.5	13.4	12.3
P/B	1.0	1.1	1.0	1.0
Dividend yield-%	0.0 %	0.0 %	0.0 %	3.2 %
EV/EBIT (adj.)	9.7	11.4	12.7	11.8
EV/EBITDA	3.0	5.2	5.2	4.7
EV/S	0.8	1.0	0.9	0.9

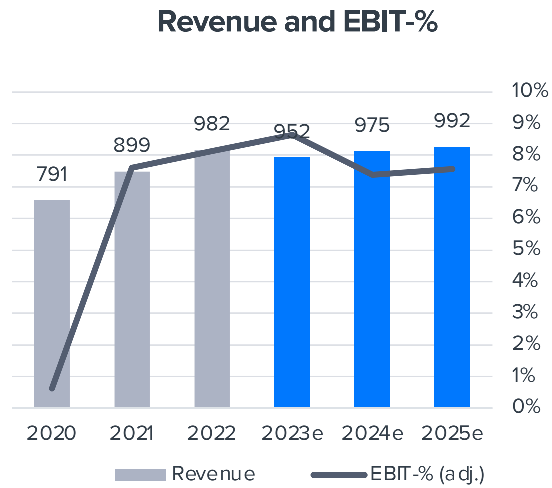
Source: Inderes

Guidance (Unchanged)

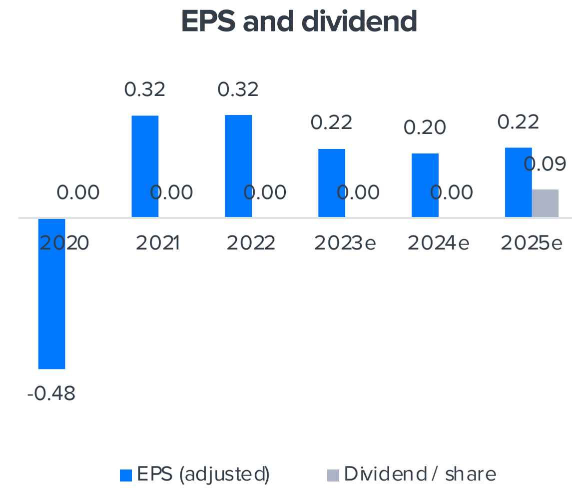
In 2023, Stockmann expects the group's revenue to be in the range of 940–970 MEUR and the group's adjusted operating result to be 75–90 MEUR, subject to foreign exchange rate fluctuation.



Source: Millistream Market Data AB



Source: Inderes



Source: Inderes

Value drivers

- Lindex's cash flow and value creation
- Gradual improvement in the profitability of department stores
- Divestment of the Stockmann division or gradual improvement of its profitability

Risk factors

- Department stores destroy value and we see no operational 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	2.72	2.72	2.72
Number of shares, millions	159.8	163.7	163.7
Market cap	445	445	445
EV	935	913	883
P/E (adj.)	12.5	13.4	12.3
P/E	7.0	13.4	12.3
P/B	1.1	1.0	1.0
P/S	0.5	0.5	0.4
EV/Sales	1.0	0.9	0.9
EV/EBITDA	5.2	5.2	4.7
EV/EBIT (adj.)	11.4	12.7	11.8
Payout ratio (%)	0.0 %	0.0 %	40.0 %
Dividend yield-%	0.0 %	0.0 %	3.2 %

Source: Inderes

Contents

Stockmann in brief

Stockmann is a retail trade company with two chains: Stockmann department stores in Finland and the Baltic countries and Lindex fashion chain, whose main markets are Sweden and Norway but the chain has stores in 18 countries

1862
The year of Stockmann's establishment

2/2021

Corporate restructuring program is approved

950 MEUR

Revenue 2023e

82 MEUR (8.6 % of revenue)
Comparable EBIT 2023e

67 %
Share of Lindex in the Group's revenue in 2022

17 %
Share of e-commerce in revenue in 2022

6527
Personnel at the end of Q2'23

1862–1988

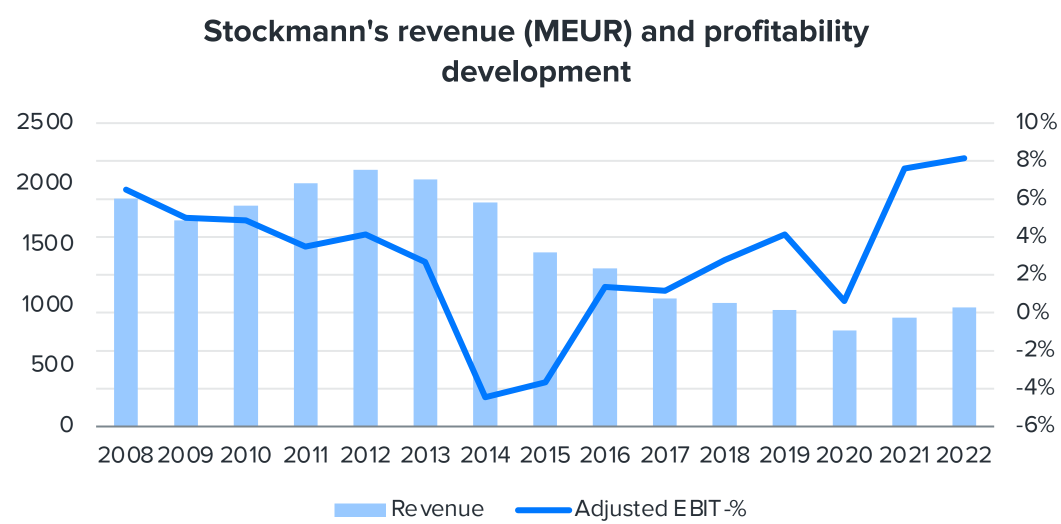
- Stockmann grows in Finland, expanding its department store network
- Stockmann expands its business by acquiring Academic Bookstore, grocery store chain Sesto, mail order company Hobby Hall, fashion chain Seppälä and by entering the car business.

1989-2011

- International expansion: department stores are opened in the Baltic countries and Russia
- Purchase of the Lindex fashion chain in 2007
- Divesting the car business and Sesto

2012-

- Academic Bookstore, Seppälä, Hobby Hall, the food departments of the department stores in Finland (Delicatessen), Russian department stores and shopping mall property are sold
- The Oulu department store is closed
- In the early stages of the COVID pandemic Stockmann applied for corporate restructuring during which the remaining properties are sold in 2021-22



Source: Stockmann

Company description and business model 1/11

Stockmann is divided into two divisions, turning into Lindex

Stockmann Group's history lies in the Stockmann brand department stores. Over the years, the company has had many retail business activities and also significant real estate holdings, but today Stockmann as a company is divided into two different retail chains. These are the Stockmann department stores in Finland and the Baltic countries and the fashion chain Lindex, which operates internationally, although the Nordic countries are its clear main market. Stockmann reports the financial figures for the two chains as separate divisions. The company is considering changing its name to Lindex Group and launched a strategic assessment of the position of the Stockmann division last fall. We will discuss the Group's history and ongoing corporate restructuring, as well as possible structural changes in more detail later in the report.

Given the clear differences between department stores and Lindex in terms of geographical coverage, profitability profile, number of stores, product portfolio and growth potential, we do not think that the Group's joint figures are very descriptive. Therefore, we handle the two businesses primarily separately in this report.

However, as a whole, the Group is largely a fashion company, as fashion represents over 80% of revenue. Geographically, Lindex's strongest markets, Sweden and Norway, generate over half of Group sales and the other half is generated by the department stores' main market Finland, the Baltic countries and other countries (other countries only have Lindex operations).

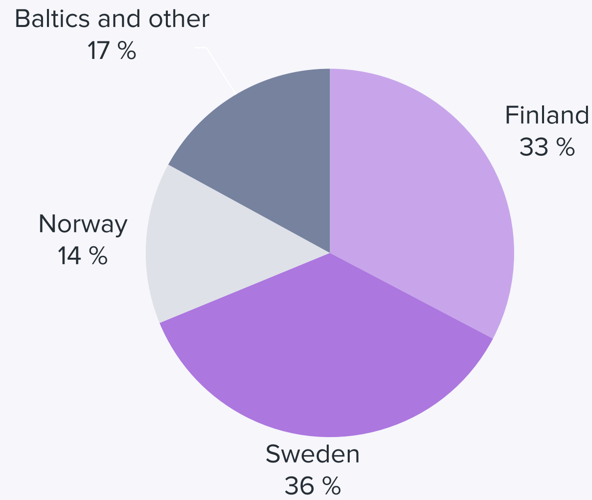
Group synergy mainly in procurement

Given the different nature of the chains, it is justified to ask what synergies the two chains have. Originally, when Stockmann bought Lindex in 2007, its aim was to promote the expansion of Lindex, especially to Russia and the rest of Eastern Europe, and to achieve cost synergy. However, this has not been relevant in several years.

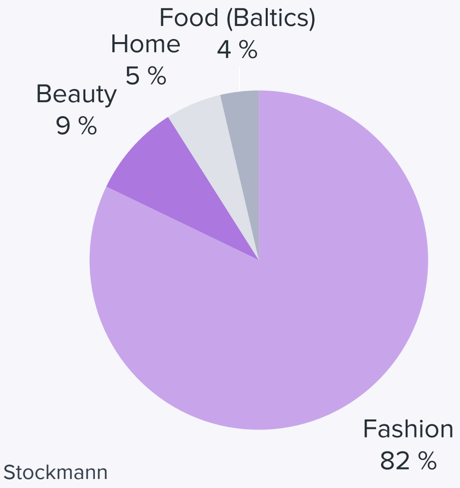
We believe the main synergy between the chains is that the own brand clothing of Stockmann's department stores is acquired through Lindex's purchasing offices. In department stores, own brands, however, account for only 10-20% of revenue, and only a part of this is clothing, so we do not expect there is much synergy. Small synergies could also be achieved in administration, but we understand that Lindex is a rather independent company within Stockmann, so synergies are not significant here either.

Stockmann's plan was to sell Lindex in 2020, but the process came to a halt with COVID, which drove Stockmann to corporate restructuring. In September 2023, the company announced that it was considering strategic options for the Stockmann division, including selling it. This indicates that the two existing chains could quite easily function as separate companies and this is also likely to happen in the coming years.

Group revenue by country, 2022



Group revenue by product group, 2022



Source: Stockmann

Company description and business model 2/11

Lindex sells its own brands

Lindex is one of the major fashion chains in Europe, and especially in the Nordic countries, it has a strong position. However, due to extensive competition its market share is not very high even in the Nordic countries. We estimate that the market share in the total Nordic clothing market is 5-10%. However, in Sweden, Lindex's market share in lingerie is over 20%. It has more than 400 stores in 18 countries and 34 e-commerce markets. Lindex's goal is to empower and inspire women. In slightly more concrete terms, it offers fashion at a suitable price for fashion-conscious women. Its main target group is adult women.

Its product groups are womenswear and kidswear, lingerie and cosmetics. There are some differences in the characteristics of the product groups. Kidswear and lingerie are very stable product groups, the demand for which does not vary significantly, e.g., based on fashion trends or economic cycles. We, therefore, find it positive for Lindex that these product groups represent around 2/3 of its revenue. According to the company, lingerie also has the best profitability among Lindex's product groups. We believe that womenswear is clearly most cyclical, both in terms of fashion trends and the economy. However, Lindex has deliberately moved its range in a less cyclical direction in recent years. This was done in response to a very poor result in 2017, due to the failure of the collection.

Lindex's products are almost entirely, over 95%, its own brands. We feel this is important today when online shopping enables easy price comparison. As Lindex's products are entirely its own, there is no direct price pressure from other stores on its products, and it can extend its distribution to third-party online stores as Lindex has already done. Lindex is also supported by a large number of loyal customers, 5.7 million at the end of Q3'23, that has annually grown by over 10% since 2020.

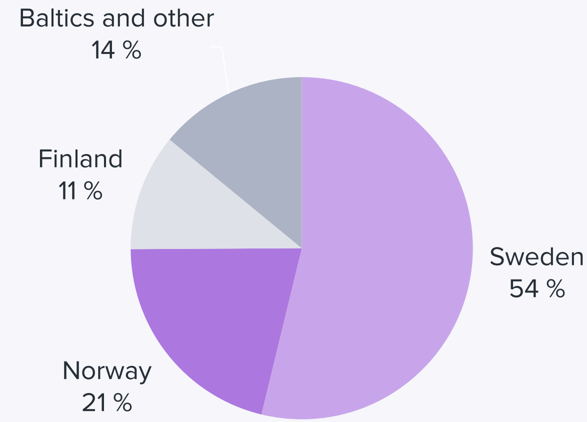
Neither Stockmann nor Lindex have their own production, the own brands come from contract manufacturers. Orders are placed either directly or through the Lindex purchasing offices. At Group level, good 70% of the purchase volumes are delivered through the purchasing offices. Lindex has five of them in Bangladesh, Hong Kong, India, China and Turkey. Lindex has an efficient supply chain and uses around 100 different suppliers with around 150 factories. The 30 largest suppliers accounted for 80 % in 2022. For Lindex, Bangladesh is the largest manufacturing country (41% in 2022).

All of Lindex's products pass through its distribution centers located in the Gothenburg area. Lindex is investing 110 MEUR in a new omni-channel distribution center to be completed at the end of 2024, which will increase its capacity and improve efficiency.

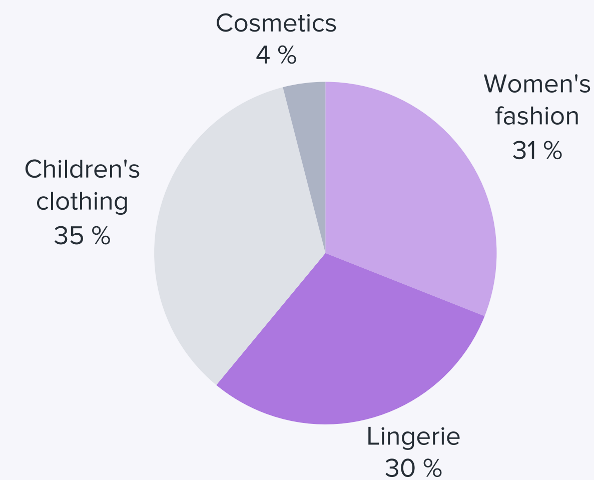
Mainly own stores, but some franchising countries and e-commerce

Lindex's products are mainly sold through its own stores and online stores. At the end of the Q3'23, it had its own stores in nine countries and a total of 403 stores.

Lindex's revenue by country, 2022



Lindex's revenue by product group, 2022



Source: Stockmann

Company description and business model 3/11

In addition, it has franchising business in nine countries with 36 stores in total. Altogether, there are 439 stores. The number of stores has decreased, both in terms of own and franchising stores, from 2017 when there were almost 450 own stores and nearly 500 stores in total. This is explained by the closure of unprofitable stores, the growth of online sales and the closure of the Saudi-Arabian franchise (with over 20 stores in 2015-17).

e-commerce grew during COVID years

Lindex has had its own online store for more than 10 years, but its importance was limited until 2017. In 2017, e-commerce accounted for only 3% of Lindex's sales. In 2018, the company signed its first partnerships with third-party online stores as sales of its products begun in ASOS and Nelly online stores. Since then, e.g., the online stores Zalando, Boozt and Next have also become partners/distribution channels. e-commerce accounted for 18.5% of Lindex's sales in 2022, which decreased slightly from the previous year supported by COVID.

We believe that the growth in online sales has partly been at the expense of sales in stores but has also partly brought completely new sales to Lindex. This increase in sales is particularly evident in markets outside the Nordic countries, where there are relatively few Lindex stores and online shopping is the easiest way for many to shop at Lindex.

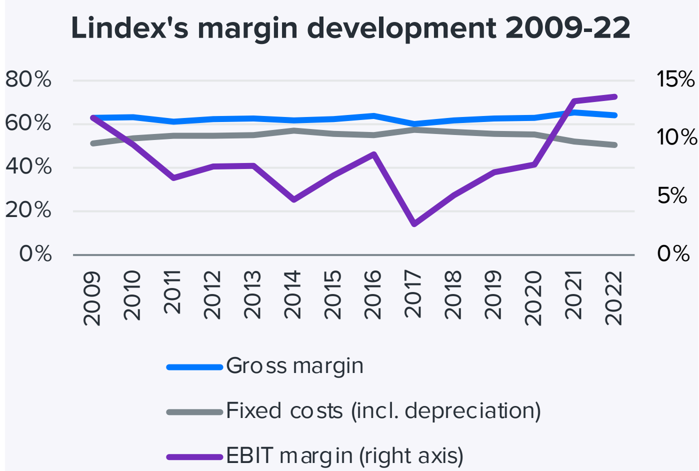
Cooperation with the above mentioned international online stores has also opened completely new markets for Lindex's products, where it may not have any stores at all. Sales via third-party platforms are still clearly smaller than through its own online stores (18 MEUR vs. 103 MEUR over the past 12 months). However, it has grown heavily. In terms of revenue, the impact is reduced and comparison muddled by the fact that Lindex is a wholesaler to third parties, which means is does not receive a retail margin and thus the revenue recorded for the same product is clearly lower.

Gross margin is high

Lindex's gross margin has regularly been over 60% and reached 62.5% on average in 2009-22. It was even better for the past 12 months at around 65%, which is the best in Lindex's history. The gross margin level is very strong and, e.g., higher than for the biggest competitors H&M and Inditex. The high gross margin level is supported by focus on own brands and thus management of the entire value chain. The previously mentioned steady demand for lingerie and kidswear also reduces risks related to, e.g., seasons or collections and bargain sales.

Because Lindex has outsourced all manufacturing, its manufacturing costs are indirect. One of the main raw materials for its contract manufacturers is cotton and other significant cost items are labor and logistics. However, the individual cost items account for a small share of the final product price and Lindex's contract manufacturers face cost pressure and 'filter' part of it before Lindex.

Source: Stockmann



Source: Stockmann, Inderes

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This helps Lindex adapt to cost inflation and it aims to increase its prices as costs increase. However, the fashion industry is fiercely competitive and passing on higher costs to prices is not a given. Lindex also strives to keep the price level reasonable. Increasing costs are therefore always a type of risk to margins.

We believe that Lindex's purchases are mainly made in USD, which exposes the company to currency risk. A strong USD relative to its main selling currencies (SEK, NOK, EUR) raises Lindex's costs. The company has, however, hedged its USD position, so the currency effect has a delay of about 6-9 months.

Sales growth has improved in recent years

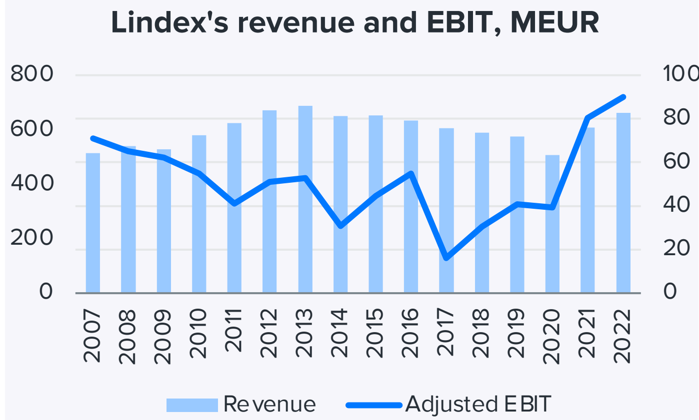
Based on Lindex’s reported figures once could assume that sales were on a long downward trend until 2020. This is, however, the wrong interpretation in that most of the decrease has been caused by weakening currencies, in particular the Swedish and Norwegian krona against the euro. With comparable exchange rates, Lindex's revenue has grown on average by good 1% in 2011-19. This is still a modest figure, especially given that the number of Lindex stores increased by about 5% during that period. We estimate that this reflects the slow growth in the Nordic clothing market as a whole and is highlighted in affordable fashion represented by Lindex by the aim to keep prices low and thus inflation does not support revenue growth much. However, since 2019, the company has grown by 4% per year in local currencies, although the number of stores has decreased.

EBIT has fluctuated in history, now at a peak level

Lindex's fixed costs consist mainly of store rents (all stores are in rental premises) and personnel costs. Marketing and IT costs, for example, are also included in this group. We also include depreciation in this group to obtain reasonable comparability with the current IFRS 16 reporting, where rents are mainly included in depreciation and reporting used until 2018 where they are included in costs.

Lindex’s fixed costs relative to revenue has fluctuated between 51% and 57% in 2009-21 with an average of 55%. Tight cost control during COVID, closure of unprofitable stores and the recent increase in sales have pushed the figure quite low to 52% in 2021 and close to 50% in 2022-23.

Although Lindex's gross margin is high, its fixed costs relative to sales are also high. This has historically made EBIT and the EBIT margin volatile. Lindex's adjusted EBIT has varied between EUR 16-90 in 2009-22, and the margin correspondingly between 2.7% and 14 % (the figures for the last 12 months are even better). The average of these over the same period is approximately 50 MEUR and 8%. 2017 shows the business risk well: The failed collection led to a drop in sales and, due to bargain sales, the gross margin also decreased. Due to the decrease in sales, fixed costs/sales also increased and resulted in a drop of 6 percentage points in the EBIT margin while absolute EBIT decreased by 70%.



Source: Stockmann

Source: Stockmann, Inderes

Company description and business model 5/11

An opposite trend was seen in 2021 and 2022: improvement in sales and the gross margin has resulted in strong operating result growth.

Outside the Nordic countries, earnings improved clearly under current management

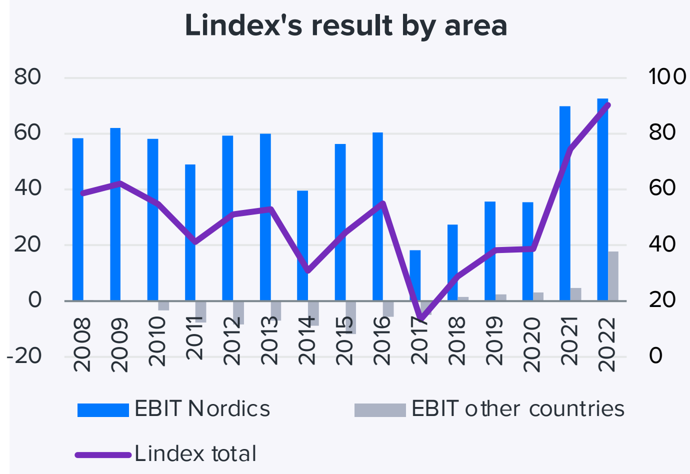
Stockmann's reporting also partially opens Lindex's revenue and result geographically. Here we can see that Sweden accounts for the overwhelming majority of Lindex's result, some 80% of the operating result last year. Sweden's large share is partly explained by the fact that Swedish figures also include sales to partners. The company also uses the transfer pricing model, with which we believe a majority of profits are transferred to Sweden. This pricing model was introduced in 2018 and at least since then geographic figures cannot be considered representative of the actual result.

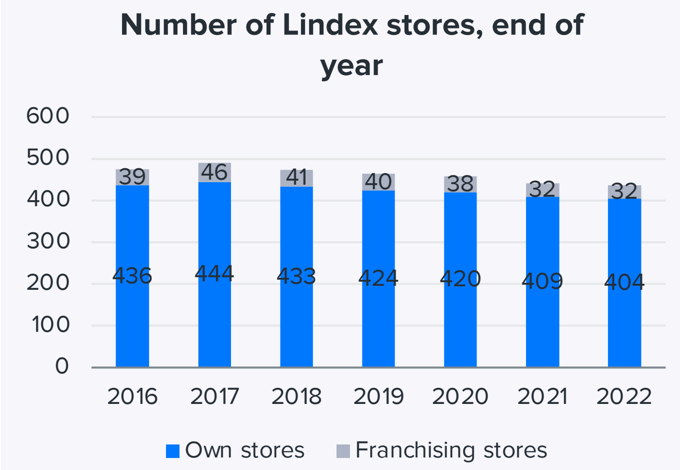
In 2009-2017, we estimate that Lindex generated losses outside the Nordic countries at EBIT level. When we also consider that Lindex's Baltic operations have been profitable, the operations in Central Europe have clearly been loss-making from time to time. We, therefore, find it interesting that Lindex has managed to turn the business that at worst generated a loss of over 10 MEUR (2016) outside the Nordic countries to generating a good result. We believe that this has been affected at least by the exit from Poland (where the company had its own stores), the increase in brand awareness (Central Europe is still a relatively new market for Lindex) and the growth in e-commerce, which has allowed sales to grow without attire-related expenses. Looking at the above historical figures, it should be noted that outside the Nordic countries, Lindex recorded a small operating loss on average in 2009-17, while we believe that the company will be able to generate a profit there in the future. We estimate that Lindex has generated an average EBIT level of some 50 MEUR in Sweden, Norway and Finland in 2009-17.

Strategy and management

Lindex's strategic goals are 1) accelerating growth, 2) moving to a sustainable business model, and 3) decoupling costs and growth. We will discuss these later in the strategy and financial targets sections.

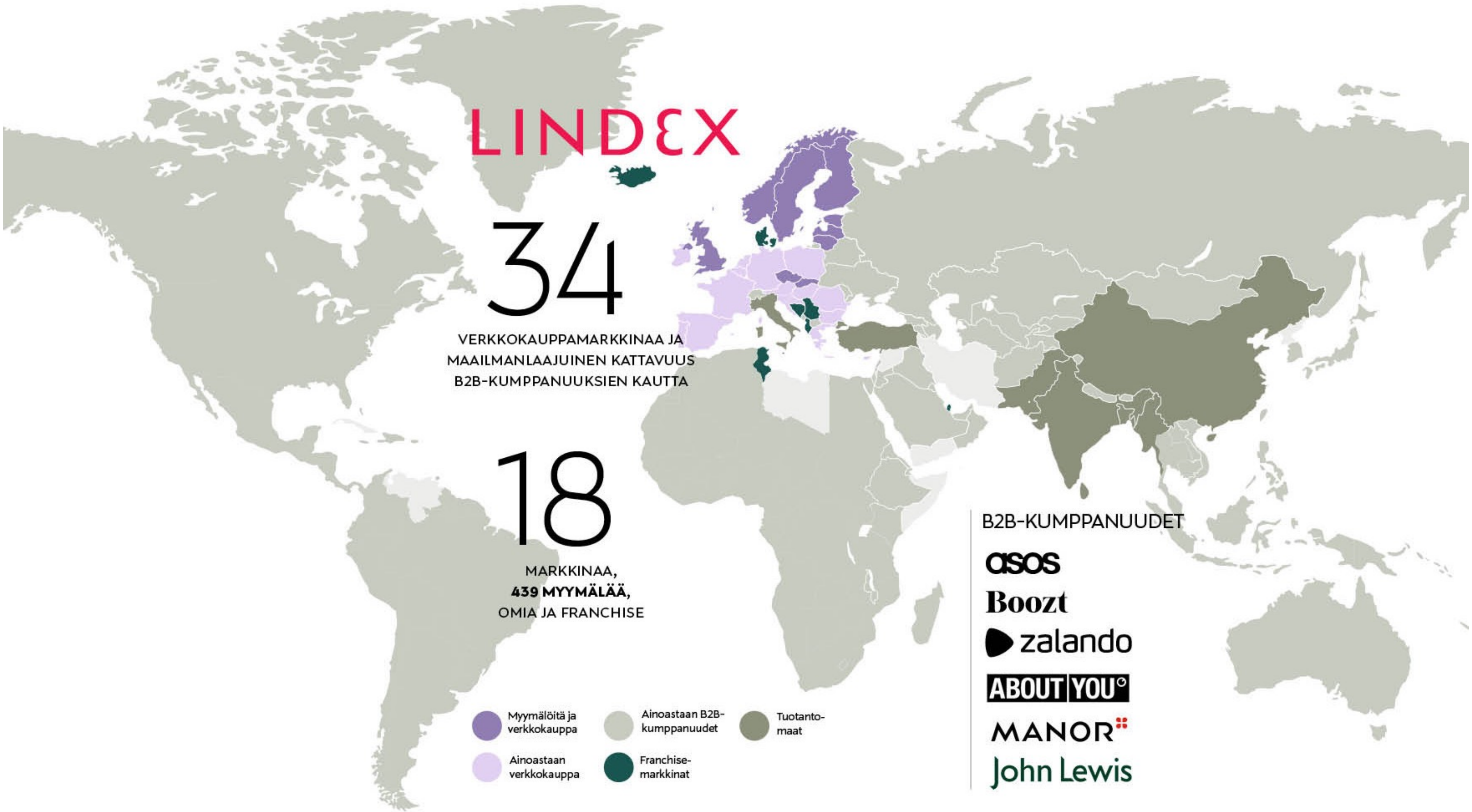
Lindex's CEO is Susanne Ehnbåge, who started her position in August 2018. Prior to Lindex, she headed the Swedish home electronics chains NetOnNet and SIBA for years. In spring 2023, Ehnbåge was also appointed CEO of the entire Stockmann Group. Shortly after the appointment, she hired Annelie Forsberg as Lindex's CFO, who since spring 2022 has also been CFO of Stockmann Group. We feel the current management has done an excellent job at Lindex, and the company seems to have achieved a much better performance than it was able to achieve prior to COVID (2018-19) and also a much better performance when looking further back in history. The recently raised earnings guidance for this year also suggests that Lindex is setting a new record this year.





Source: Stockmann, Inderes

Company description and business model 6/11 – Lindex's operating countries, Q3'23



Source: Stockmann

Company description and business model 7/11

Stockmann – department stores in Finland and the Baltic countries

The Stockmann division consists of six department stores in Finland (65% of revenue in 2022) and two in the Baltic countries a (~25% of revenue) and online stores in these countries (12%). Stockmann is positioned as a premium level store, which it has recently sought to further strengthen toward luxury. The largest product group by far of department stores is fashion. Stockmann primarily sells brand products from other manufacturers and, in line with its positioning, more expensive products. Stockmann has not opened the share of different product groups within fashion in more detail, but we expect it to focus more on, e.g., business and formal attire than the total market, which affected demand negatively in the COVID years. Other important product groups are home and beauty (cosmetics), which we believe to be the most profitable product group. Stockmann now only has own grocery sales in the Baltic department stores, after it sold the Finnish Stockmann Delicatessen business to the S-Group at the end of 2017 (and that have since been closed down). Excluding groceries, we believe that department store demand is cyclical to some extent, i.e., dependent on the economic situation.

Only 10-20% of department store sales are own brands. Thus, most of the products offered at Stockmann are also sold in some other store, which exposes Stockmann to price competition. Although Stockmann also sells many products exclusively in Finland, there is International competition here too. We believe that this is particularly evident in e-commerce. Stockmann's loyal customer program (MyStockmann) has about 1.4 million members.

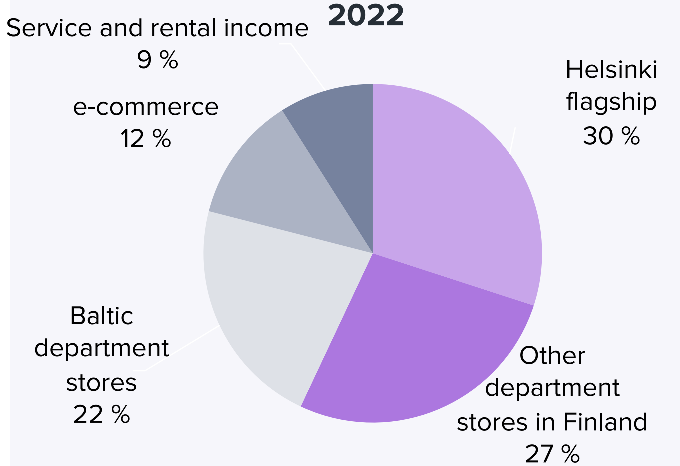
Stockmann has no own production, its own brands come from contract manufacturers and third-party brand products naturally from these companies, who typically have their own subcontractors. For own brands, orders are placed either directly or through the Group's purchasing offices. At Group level, good 70% of the purchase volumes are delivered through the purchasing offices. Lindex has five of them in Bangladesh, Hong Kong, India, China and Turkey. Stockmann department stores use a total of some 110 different suppliers, which utilize around 130 factories. For Stockmann's own fashion brands, China is by far the largest sourcing country (65 %) and for own home products, purchases are mainly made in the EU (57%).

Altogether, the Stockmann division has about 1,500 product suppliers. Nearly all products of the department stores, including the Baltic countries (except groceries and cosmetics), pass through the distribution center in Tuusula that was completed in 2016.

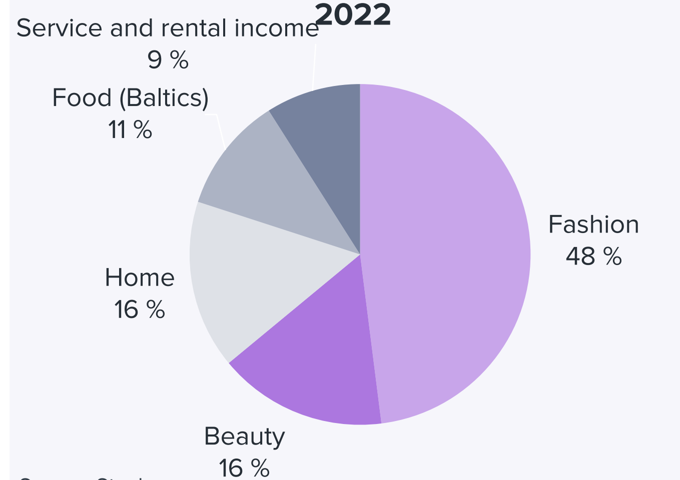
The floor area of the department stores has decreased

The newest of the current department stores is the one in Vantaa in the Jumbo shopping mall, opened in 2005, and in 2014 the company expanded its department store in Tampere. Since then, the sales area of department stores has been reduced by a number of measures, such as renting parts of the owned properties at the time to third parties, reducing the rental areas of department stores and closing the Oulu department store in 2017.

Department stores' revenue by sales channel, 2022



Department stores' revenue by product group, 2022



Source: Stockmann

Company description and business model 8/11

Although Stockmann sold its properties as part of the restructuring process, it leased back the properties in full and thus still subleases parts of the properties like before.

Of the total 50,000 square meters floor area of the department store property in the center of Helsinki, 34,000 square meters were used by Stockmann's own operations at the end of 2018, when data was last published. Correspondingly, Stockmann used about 18,000 square meters in Tallinn and some 12,000 square meters in Riga. The rest of the floor area of these own properties was, and is, subleased by Stockmann. Stockmann's remaining department stores have historically been around 10,000 square meters, but with abandoning the food departments and other changes, we estimate that the floor areas are now 5,000-10,000 square meters depending on the department store. The floor area of the Itis department store was halved in spring 2023 and we estimate it is now 4,000 square meters. Stockmann has reported that approximately half of the product sales of Finnish department stores are generate in the Helsinki store (see image on previous page). Previously Stockmann aimed at a similar concept and product selection in all of its department stores of the same size. In recent years, however, the size of the premises and the profile of the department stores have been adjusted more to suit local demand, as the company says that the customer profile varies considerably even between department stores in Finland.

Due to changes in floor areas, divestments of the Finnish Stockmann Delicatessen business (2017), Russian department stores (2016), Hobby Hall (2016), and Academic Bookstore (2015), and changes in reporting, historical figures are not fully comparable with the the current structure.

e-commerce grew during COVID

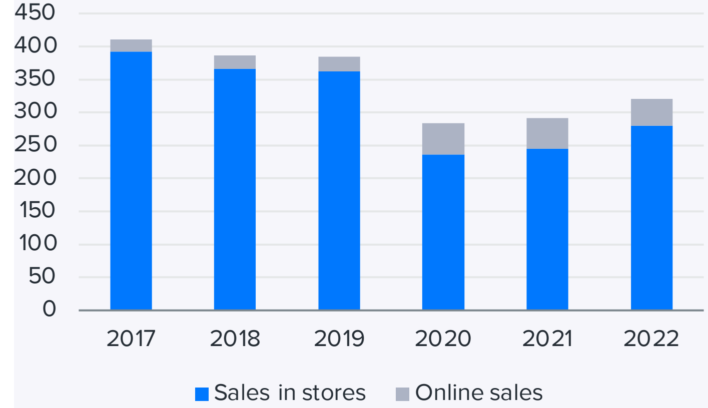
The share of e-commerce in department store sales was 6% in 2019, increased to over 15% during the COVID era but decreased to below 13% in 2022. We believe that it is difficult for the department stores to compete online when pricing is linked to the conventional brick-and-mortar business model with a heavy cost load and, on the other hand, many products are also available in other stores.

Department stores' gross margin is acceptable...

The name and content of the unit reported as Stockmann's department store operations has varied over the years, but it is nevertheless clear that the sales of department stores have been structurally declining for the past 10 years.

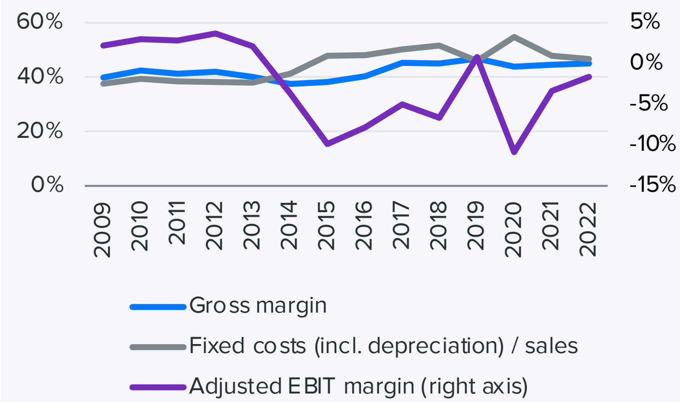
With the figures reported by the company, the gross margin varied between 37-42% in 2009-2016, which was negatively affected at least by lower margins in the Academic Bookstore, Hobby Hall and grocery trade compared to the current business. Thus, a better comparison period is from 2017 onwards, when the gross margin has been on both sides of 45%. We believe that this is a fairly normal and a reasonably good level for a retailer like Stockmann. Stockmann aims to improve the level, for example, with smaller discount campaigns and shifting the offering to more expensive products. We expect a more significant change in the gross margin would only come through a clear change in the product portfolio, e.g., by abandoning the grocery trade in the Baltic countries.

Department stores' sales distribution



Source: Stockmann

Department stores' margin development 2009-22



Source: Stockmann, Inderes *Stockmann / Stockmann Retail division figures

Company description and business model 9/11

As indicated, most of the products of the department stores are purchased from third parties and therefore the purchase prices of the sold products are not directly under pressure from any individual cost item. Due to the length of the supply chains, possible changes in, e.g., raw material prices may not be significantly reflected in Stockmann's purchase prices. In terms of currencies, Stockmann is in a better position than Lindex, as almost all purchases are carried out in euros. All in all, we believe that the gross margin level in department stores is quite well under control.

... but fixed costs must be cut

Until 2013, the fixed costs of department stores were under 40% of its revenue. The average for 2017-21 was close on 50%, with a range from 46% in 2019 to 55% in 2020. After Stockmann sold its Baltic properties at the end of 2021 and the Helsinki property in the spring of 2022, all its department stores now operate in rented premises. It should be noted that after the sale of the properties, Stockmann pays rent for its department stores, which has a significant negative earnings impact that is partly directed at financial expenses and not the EBIT level (more details about this in the estimate section) and is not necessarily fully reflected in the income statement.

Stockmann has signed long lease agreements for recently sold properties, but in the remaining five smaller department stores we believe that the lease agreements are only a few years (max. 5 years) and/or valid for the time being. In terms of the department store network, Stockmann is therefore committed to three larger department stores, but the smaller department stores in Finland can, in our opinion, very well be further reduced and/or closed. Thus, we expect Stockmann to withdraw from the Itis department store when the lease is up, which we believe is at the end of 2025.

As a result of the company restructuring, the rents were clearly cut from the beginning of 2021, which has supported the positive performance of department stores. At the same time, however, lease agreements became more sales-related, which means that when sales make an upturn rents partly follow suit and thus reduce the earnings leverage generated by sales growth.

Geographically, we estimate that Stockmann's department stores in the Baltic countries have been able to generate a profit until 2019. Although the Baltic department stores were owned by the company until the end of 2021, Baltic operations have paid internal rent for them. Thus, the sale and leaseback of properties made at the end of last year should not have a significant impact on the profitability of the Baltic department stores. We expect that the Baltics will be able to achieve slightly positive earnings/cash flow in the future and thus the Finnish department stores will play the key role in cutting losses. However, cutting losses is not easy, e.g., by closing weaker department stores, because we believe that at department store level every store generates profit. However, scaling down fixed costs in group management is not an easy task and it cannot be frontloaded. Stockmann has been grappling with this problem for years as department store sales fell, and we believe that this challenge will continue in the coming years.

Stockmann department stores	Lease length (years)
Helsinki City Center	19
Itis, Helsinki (premises halved in spring 2023)	2
Jumbo, Vantaa	0-5
Tapiola, Espoo	0-5
Tampere	0-5
Turku	0-5
Tallinn, Estonia	15-20
Riga, Latvia	15-20

Source: Inderes' estimate

Company description and business model 10/11– department stores' product groups

Product group	Description	Examples of own brands	Examples of other brands	Share of department stores' revenue in 2022
Fashion	▪ Clothing, shoes, accessories, etc. for women, men and children ▪ Also sportswear ▪ Own brands 10-20% of sales	ESSENTIALS by Stockmann, NOOM by Stockmann, CONSTRUE BY STOCKMANN	BURBERRY LONDON, BOSS HUGO BOSS, POLO RALPH LAUREN	48 %
Beauty	▪ Cosmetics like make-up, hair care and scents ▪ Mainly other brands		CHANEL, BYREDO PARFUMS	16 %
Home	▪ E.g. interior decoration, tableware, lighting, kitchen and gardening products ▪ Own brands 10-20% of sales	villa STOCKMANN, CASA STOCKMANN	Villeroy & Boch, CARL HANSEN & SØN	16 %
Food	▪ Stockmann owns the food departments of two Baltic department stores			11 %
Service and rental income	▪ Stockmann subleases its premises to others and also operates, e.g., some brands with a so-called concession model			9 %

Source: Stockmann

Company description and business model 11/11

Joint venture between the Swiss and Konstsamfundet is the main owner

Stockmann's ownership has historically been held by Finland-Swedish foundations. Previously, this was strengthened by the fact that they held Series A shares, which concentrated voting power in their hands. As part of the corporate restructuring, the share series were combined in 2021. The company's ownership changed considerably last winter, when Swiss-based JC Switzerland Holding first became a major owner and then formed a joint venture with the former main owner Konstsamfundet. Nordic Retail Partners that was created currently is Stockmann's largest shareholder with a 15% share. We understand that JC Switzerland is the parent company of the group that owns the Magasin du Nord department store in Copenhagen and the German clothing chain Peek & Cloppenburg. In connection with the deal, Konstsamfundet commented that they specifically sought expertise in the field for Stockmann's owners. We believe the change of ownership also had a decisive impact on possible ownership arrangements, which we will discuss further later.

In 2021, the Denali European Opportunities Fund, a fund managed by North Wall Capital appeared as a large owner in Stockmann. North Wall focuses on special situations in Western Europe, albeit more on the debt side. North Wall/Denali became Stockmann's owner in part by purchasing Stockmann's hybrid bonds and other unsecured restructuring debt and converting them into shares in connection with the corporate restructuring. Denali European Opportunities has flagged a holding of over 10%, i.e., its holding is 10-15%.

Management Team's shareholdings are relatively small

Stockmann Group's Management Team is very limited. It includes Susanne Ehnbåge, CEO of the Group and Lindex, Annelie Forsberg CFO of the Group and Lindex, Jukka Naulapää Chief Legal Officer, and Tove Westermarck COO of the Stockmann division (and, in practice, the division's CEO). The composition of the Management Team reflects the current arrangement where the Group is driven by Lindex and the Stockman division is a "branch" to it. In this respect the situation has almost flipped upside down during this year.

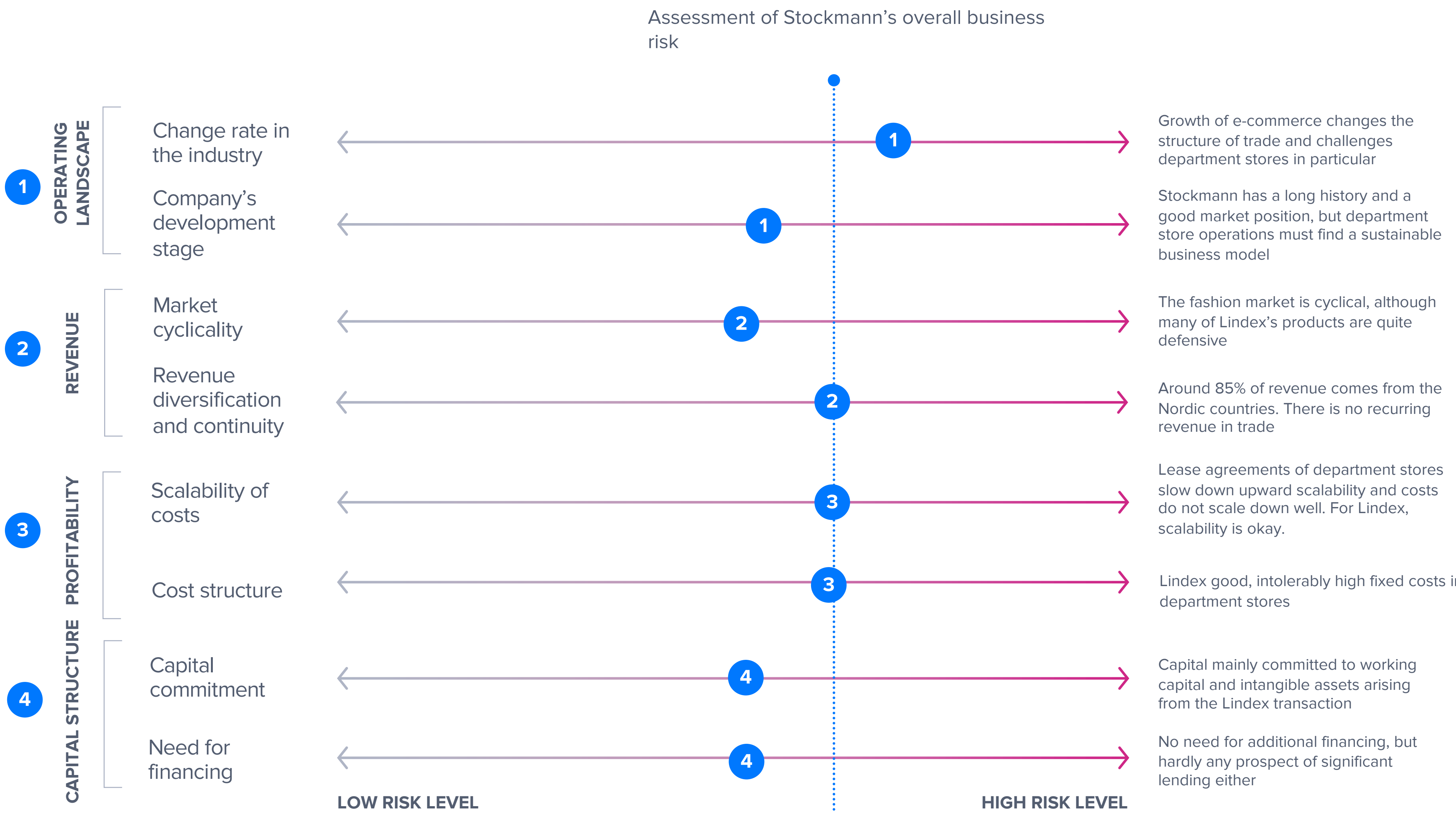
Ehnbåge and Forsberg both joined Lindex in 2018 prior to which both worked at the home electronics company NetOnNet. Forsberg started as Group CFO in spring 2022 and Ehnbåge as Group CEO in spring 2023. Naulapää and Westermarck are long-standing Stockmann employees, both have worked in the company for over 25 years.

The Management Team's share holding is relatively small, Ehnbåge recently increased her holding and now owns a reasonable 18,000 shares. Forsberg owns 4,000 shares, Westermarck 1,000 shares and Naulapää owns no shares. Ehnbåge's holding is still small, e.g., compared to the annual salary, while the holdings of others are very modest. We would like to see clearly larger management holdings. In August 2022, Stockmann announced a share-based incentive scheme for 2022-24, which will allow a maximum of 2 million shares to be distributed to 40 persons. The performance targets are total shareholder return, revenue, EBIT and climate neutrality.

Largest shareholders*	10/30/2023
Nordic Retail Partners	15.1 %
Varma	8.4 %
Svenska Litteratursällskapet	7.3 %
Etola-yhtiöt	4.5 %
Hc Holding Oy	4.1 %
Kari Niemistö	3.2 %
Folkhälsan Samfundet	1.7 %
eQ Pohjoismaat Pienyhtiö	1.7 %
Ilmarinen	1.2 %
Jenny and Antti Wihuri Foundation	0.9 %

Source: Inderes *does not include nominee-registered owners

Risk profile of the business model



Source: Inderes

Investment profile 1/2

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. **Divestment of the Stockmann division is a significant value creation opportunity**
5. **Department stores currently destroy value**

Potential

- **Selling the Stockmann Division :** In our opinion, the easiest and most significant way to create value is to sell the Stockmann division as a result of the ongoing strategic assessment. This would improve the company's result and, in our opinion, the value of the share
- **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 be positive for the share in our opinion
- **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

- **Consumers' low purchasing power is a clear risk to short-term results**
- **New crisis in department stores:** If the revenue of department stores falls 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:** During restructuring, access to financing can be difficult. Thus, offsetting potential negative cash flow with debt financing is not possible at least for very long.

Source: Inderes

Industry and market overview 1/4

Stockmann's main market is the fashion/clothing market in the Nordic countries, especially in Finland for department stores and in Sweden and Norway for Lindex. Stockmann's customers are consumers and therefore the most important market drivers are consumer purchasing power and consumer confidence, which affects their willingness to consume.

Competitor field in fashion is vast

For Lindex, the competitor field is quite wide, but many competitors are present, especially in all Nordic countries, some also internationally. The Swedish **KappAhl**, whose size-class and concept are very close to Lindex can be considered as Lindex's main ccompetitor. KappAhl has a total of some 360 stores in Sweden, Norway, Finland, Poland and Great Britain. KappAhl was bought off the stock exchange in 2019 and is owned by the investment company Mellby Gård. KappAhl's CEO is Elisabeth Peregi, who previously worked at Lindex, e.g., as CFO and the country manager for Sweden and Norway.

The Swedish giant **H&M**, which is a major player in almost all of Lindex's markets and the market leader in many countries can also be seen as Lindex's competitor. The company is listed and has more than 4,400 stores in over 75 countries.

There are numerous competitors in the fashion industry, but their target group and/or product offering differs somewhat from Lindex. However, we mention a few of them here.

Sweden also has **MQ Marqet**, which mainly operates domestically and has around 90 stores. The company previously operated under the name MQ and was listed until bankruptcy in spring 2020. Investor Mats Qviberg acquired the company from the bankruptcy estate. MQ's CEO is Ingvar Larsson that used to lead Lindex. Another Swedish chain is **Gina Tricot** that has some 150 stores in the Nordic countries (Sweden, Norway, Denmark and Finland). The company is owned by the Swedish investment company Frankenius Equity.

The Norwegian Varner-Gruppen owns several fashion chains (in total some 1,200 stores in the Nordic countries), of which **Cubus** that has around 300 stores in Norway, Sweden and Finland can be mentioned. Varner also owns, e.g., Dressmann.

The Danish industry giant **Bestseller** also owns several fashion chains/brands and its portfolio includes, e.g., Vero Moda, Only, Jack & Jones and Name it kid's clothing brand. Bestseller's brands are represented in Stockmann's department stores, so it is also a supplier to the Group.

Next to H&M, major international competitors in terms of size and being listed companies include at least the fast fashion giants **Zara**, owned by the Spanish Inditex with over 2,300 stores worldwide, and **Uniqlo**, owned by the Japanese listed company Fast Retailing with over 2,000 stores but only a few stores in Europe so far.

To a certain extent, international online shops such as Zalando can be seen as competitors, even though they also serve as a distribution channel for Lindex's products. In a broader sense competitors include stores that sell clothing but focus more on daily-goods and consumables (e.g. Prisma, Citymarket and Tokmanni in Finland), sporting goods stores, department stores and small specialized clothing shops.

Nordic competitors

KappAhl

MQ MARQET

H&M

Industry and market overview 2/4

As far as private companies are concerned, we do not have a very good idea of their financial figures. However, while KappAhl and MQ were listed their profitability levels were typically lower than those of Lindex at that time, i.e. relatively low. H&M's EBIT margin halved from 15% in 2015 to 7-8% in 2018-19 from where it has increased a bit in the latest 12-month period. H&M's profitability has been depressed, .e.g., by increased competition, the company's strong focus on low prices and rising costs related to, e.g., digitalization. Compared to Lindex, we believe H&M's product range is more sensitive to price and fashion trends. Inditex's profitability has remained at around 15% EBIT margin level. Lindex's current profitability level (14% over the last 12 months) is therefore excellent compared to competitors and even historical levels are good.

Sokos is the main competitor in department stores

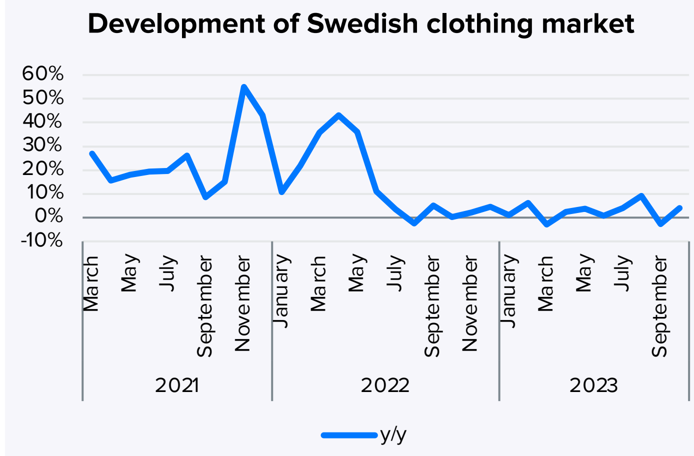
Stockmann's main competitor in department stores in Finland is Sokos, which has 20 department stores and sales of approximately 260 MEUR in 2022 (including 40 Emotion chain stores), so in the same size class as Stockmann. However, Stockmann only has six department stores in Finland. We think it is worth mentioning that there is only direct competition between Stockmann and Sokos for half of Stockmann's department stores (Helsinki City Center, Turku, Tampere), because there are no Sokos department stores in Espoo or Vantaa. Among previous locations with direct competition, Stockmann withdrew from Oulu and Sokos from Tapiola in Espoo. Like Stockmann, Sokos has also reduced the floor area of department stores in recent years.

Other competitors for the department stores include Prisma, K-Citymarket and Tokmanni, but their product portfolios differ significantly from Stockmann's department stores, e.g., in terms of a large daily-goods trade. All the above-mentioned stores that sell clothes are also competitors to the department stores in a certain sense. Stockmann strives to differentiate itself from all of these with a broader and more premium/luxury product range.

Swedish and Norwegian fashion markets

Lindex's main market is Sweden, where clothing sales in the years before COVID was around SEK 50 billion and remained relatively stable. There are no fully comparable figures for the past years, but we estimate that sales exceeded the 2019 level last year and continued to grow slightly this year. However, we believe that the main driver here was cost inflation, not volume growth. Lindex's sales in Sweden have been around SEK 3.5 billion, and we estimate the market share to be around 7%. The main competitors are H&M, who we believe is the market leader (H&M's sales in Sweden in 2022 were good SEK 8 billion), KappAhl, whose size-class is similar to Lindex and several other players (e.g. Cubus, Gina Tricot, MQ Marqet, Zara, etc.)

Lindex reports that its market share in Sweden is over 20% in lingerie, 16% in children's clothing, but only 2% in women's fashion.



Source: Svensk Handel , Inderes

Industry and market overview 3/4

According to data collected by Svensk Handel, the average EBIT margins for clothing stores in Sweden has been only about 3% in 2011-20. This reflects the very tight competition in the sector and relatively low capital requirements. We believe Lindex can exceed this level supported by its known brand, relatively large size, and support from its own brands (as is has done in history). As we mentioned earlier, Lindex's average profitability over the same period has been 8 % and clearly better than this in Sweden.

The situation in Lindex's second largest market Norway is very similar in terms of main competitors. Lindex is slightly smaller in relative terms than in Sweden and has a market share of 4-5%. The same level is reached, e.g., by KappAhl and Dressmann, while H&M is the market leader with a share of over 10% and Cubus is also larger than Lindex in Norway. According to its own figures, Lindex has an exceptionally high market share in women's fashion (7%) in Norway but in lingerie and children's clothing it is also below 10%.

Finnish market

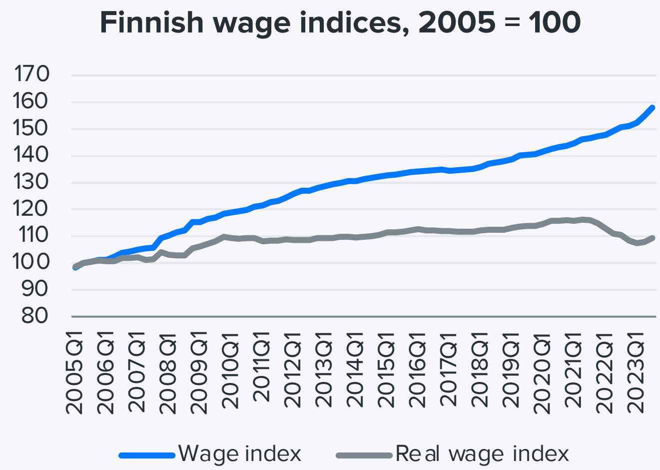
The Finnish market is relevant both to Lindex and, above all, to the department stores. According to Statistics Finland, clothing sales in Finland, both before COVID and in 2022, were about EUR 4 billion per year (excluding VAT). The market grew strongly in the late 1990s and early 2000s but has been around EUR 4 billion for the last 10 years. According to our estimates, this figure is not comparable to the Swedish figure presented above in methodology terms and therefore our market share estimates are only indicative. The revenue and sales volume shown on the right shows that revenue has grown a bit more slowly than sales volume, i.e., inflation in the clothing market in Finland in 1995-2022 has actually been negative. Lindex is clearly smaller in Finland than in its main markets in Sweden and Norway. Lindex reports it has a 12% market share in lingerie, 9% in children's clothing, but only 1% in women's clothing. The main competitors in Finland are also familiar names such as H&M and KappAhl.

We estimate that fashion sales of Stockmann's department stores in Finland is over 100 MEUR with a 2% market share. Stockmann's main competitor in Finland is the second major department store chain, Sokos owned by S-Group. As mentioned above, the competitive field is wide and there are a significant number of different types of clothing sellers.

According to the cosmetics and hygiene industry the Finnish cosmetics market is about EUR 1 billion. We estimate that Stockmann's market share here is about 5%. For home products that are relevant to Stockmann, we have not found market data and we estimate that Stockmann's market share in home products/consumables is relatively small as a whole.

Finland, Sweden and Norway generate more than 80% of Stockmann's revenue. Outside these countries, the company's market shares are small, and we have, therefore, not assessed them or the competitor field in more detail.

Source: Statistics Finland



Source: Statistics Finland

Industry and market overview 4/4

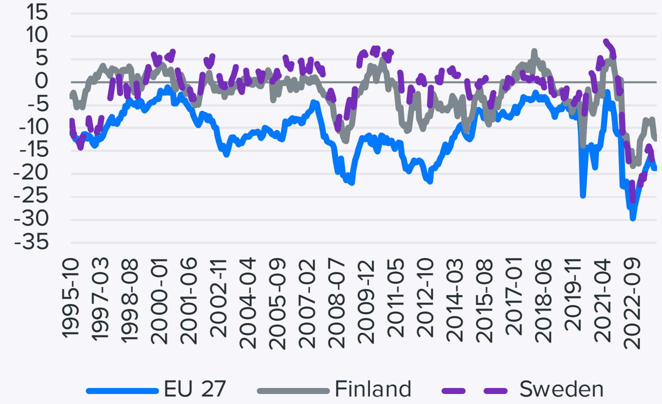
Consumer pressure has eased, but a rapid rise is hardly expected

The rapid acceleration of inflation and the rise in interest rates in the past few years have put exceptional pressure on consumer purchasing power. This has already at times been seen as a drop in consumer confidence to record-low levels. Although consumer confidence has recovered from the weakest levels, it is still low compared to historical levels (see graph on the right). Purchasing power decreased clearly, especially during 2022, but has made an upturn this year (see graph on previous page for Finland) due to salary increases and slowing inflation. However, purchasing power is still lower than it has been in a few years and the weakish economic situation is likely to keep consumers cautious.

Therefore, the market environment will be sticky for Stockmann in the near future, although we do not expect any significant change for the worse. We feel the end of COVID supported clothing sales in 2022, at least for business and formal attire belonging to the product selection of department stores, which may still be visible as lower demand in the near future. However, we do not see any significant impact from this either.

In the longer term, we do not believe that market growth will be more than 0-2 % in Stockmann's product groups, because the industry is under strong price pressure and competition, and volume development has not driven the Nordic market up significantly in the last 10 years. In order to achieve clear growth, we therefore believe that the company must expand and/or gain market shares.

Consumer confidence still low



Source: Eurostat

Annual change in Finnish consumer prices, %

Source: Statistics Finland

Strategy and financial targets 1/4 - Lindex

Lindex's strategic objectives

Accelerating growth

- Lindex aims to grow in the current and new markets, both in existing and new channels, with a strong and distinctive offering.

Transforming into a sustainable business

- Lindex continues its sustainability-related transformation, which offers many business opportunities, including growth through new circular business models.

Decoupling costs and growth

- Lindex continues to improve efficiency and enable growth by utilizing digitalization in stores, logistics, procurement and processes as a whole.

Inderes' comments on Lidex'a strategic objectives

- In Lindex's main markets (Nordic countries), we estimate that the growth of the clothing market is low, and Lindex already has a fairly strong market position. Thus, we consider the growth potential in the main markets to be limited
- The company already has good and profitable business outside the Nordic countries through its own stores, its own online stores and third-party online stores
- We believe that the new distribution center will enable growth in the future, especially in e-commerce, which supports international growth
- In our opinion, the company has good expertise, especially in lingerie. However, introducing them to the online store is slightly more difficult than for other products

- Lindex has already previously spoken about transitioning to sustainable business. The company has reduced its emissions in recent years and aims for significant additional reductions by 2030. The use of recycled materials has also increased. However, concrete measures to change the actual business model have been limited.
- We believe that the company has opportunities, e.g., in selling used clothes or to some respect, e.g., in renting clothes. On the other hand, for the company's traditional product group, lingerie, these models do not really work
- We see a high volume low-cost fashion company like Lindex also facing challenges if regulation and/or consumer habits require, e.g., more sustainable products

- Lindex has already been able to significantly improve its profitability in recent years and is close to its long-term financial target (more about this on the following page).
- The new logistics center will further improve operational efficiency, although the impact is expected to be visible only in 2026
- If the company succeeds in continuing its growth in digital channels, it should support profitability as sales growth does not require an increase in store-related costs
- On the other hand, if the sales in physical stores decrease substantially, Lindex that still relies heavily on stores, may face challenges in adjusting its operations/costs This is facilitated by short leases (on average under 2 years).

Source: Inderes

Strategy and financial targets 2/4 - Lindex

Financial targets (issued in November 2023)

3-5% annual local currency revenue growth (in the medium term)

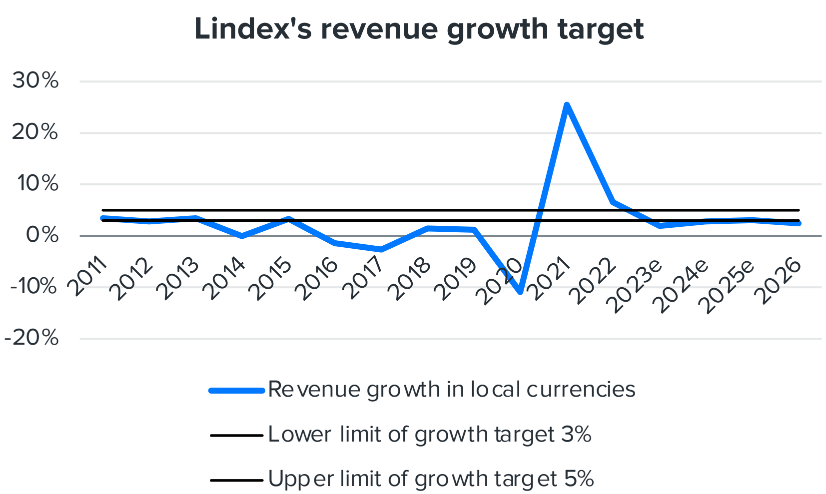
- According to the company, Lindex has grown by about 4% since 2019 compared to the last 12 months However, this includes high inflation in recent years
- Prior to this, Lindex's historical growth has been only around 1%
- We consider the target realistic, but believe that Lindex will be at the bottom of it in the next few years
- Medium term refers to 3-4 years

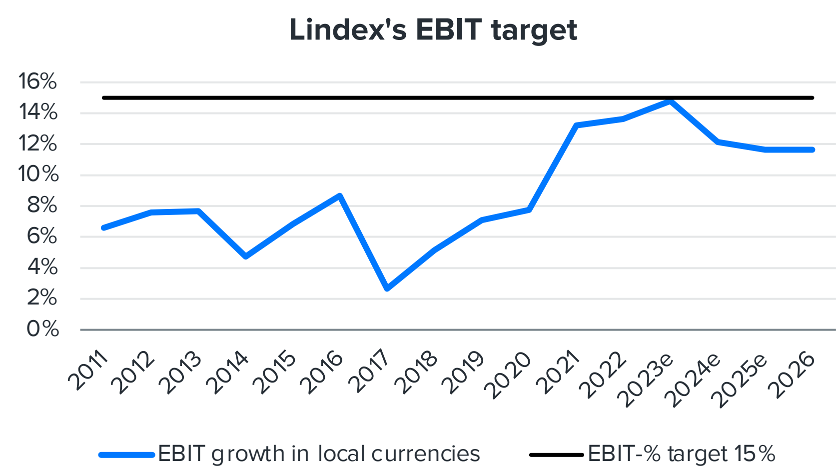
15% adjusted EBIT margin (in the long-term)

- Lindex's profitability has historically been around 8%, as previously explained, but 14-15% in 2022-23, which is close to the target level
- The company's goal is to maintain its current profitability (around 14%) in the next few years and to reach 15% in the long term (around 5 years). The aim is logical, given the current high profitability level
- In our forecasts, Lindex's margin will be only 11-12% in the coming years, mainly due to the investments required by competition and growth

Digital sales account for 30% of revenue (in the medium-term)

- Lindex's share of digital sales grew strongly during the COVID era and is currently around 18%, slightly below the level of the COVID years
- We believe that both the market trend and the company's own actions will support the increase in the share of digital sales in the future. However, the target of 30% in 3-4 years seems challenging to us
- According to the company, digital sales are more profitable than in-store sales, but we feel that the division is partly artificial





Strategy and financial objectives 3/4 - Stockmann division

Strategic goals of the Stockmann division

Developing the product offering

- The Stockmann division continues to strengthen its position in premium and luxury categories, adding new brands, complementary product categories and services, and developing the sustainability of its offering. The Helsinki department store plays a key role in this.

Increasing and leveraging the loyalty customer base

- Stockmann will continue to develop its loyalty program to further activate its 1.4 million loyal customer base and better utilize data and personalization capabilities.

Ensuring a seamless omni-channel customer experience

- Stockmann ensures a seamless omni-channel customer experience by developing its department stores, accelerating e-commerce and investing in digitalization and automation.

Inderes' comments on Stockmann division's strategic goals

- Stockmann has already decided in the restructuring program (early 2021) to focus more on the premium category. This sounds reasonable as such, but we suspect that the network/sales area of the company is too big for a store focused only on more expensive categories
- The company emphasizes the role of the Helsinki department store, which may suggest that smaller department stores will be abandoned over time. We think that this would correspond to our observation that the network is too extensive.
- Developing the offering/product portfolio is continuous work where we feel Stockmann has not succeeded in recent years, as sales have been on a downward trend

- The number and utilization of loyal customers has long been one of Stockmann's themes, like for many other consumer companies
- We do not see this bringing any major changes that would be substantially reflected in Stockmann's numbers

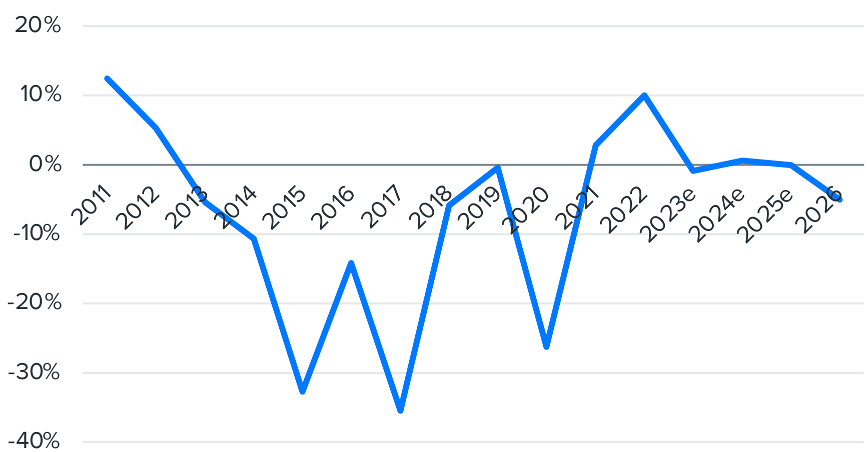
- Stockmann was clearly behind in its e-commerce development in the last decade, but we believe that in recent years it has been relatively functional
- Omni-channel is, in practice a requirement in modern fashion/department store trade, and we see no competitive advantage in this regard nor significant improvement steps in Stockmann in this respect
- In our opinion, the company is not planning to invest significantly in the Stockmann division either

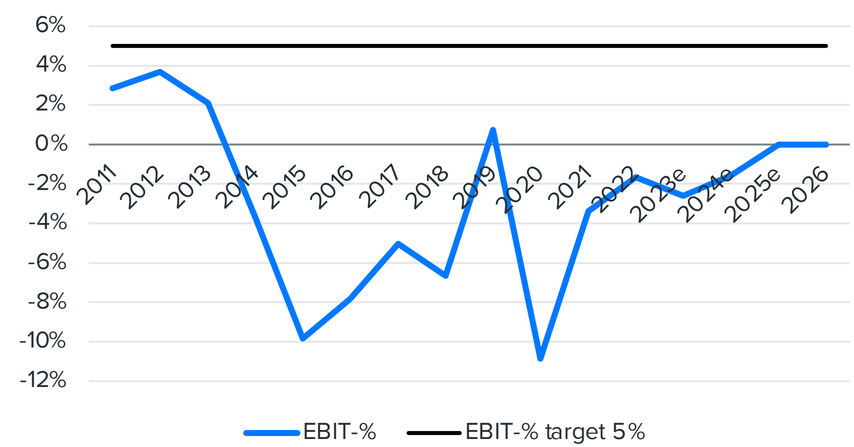
Source: Inderes

Strategy and financial targets 4/4 - Stockmann division

Financial targets (issued in November 2023)

Revenue growth in line with market growth (in the medium-term)	5% adjusted EBIT margin (in the medium-term)	Reaching a positive free cash flow (in the medium-term)
• The revenue of the Stockmann division has been on a structural downward trend for a long time • The company has not provided an estimate of market growth, but we believe it to be modest • In our forecasts, Stockmann division's revenue will continue to decline in the coming years, mainly due to a decrease in the sales area	• In terms of EBIT, it should be noted that a significant share of rental costs is only visible in financial expenses due to IFRS 16. Therefore, we estimate that a 5% margin means about zero profit taking these rental costs into account. This could be considered a minimum requirement for any business • The Stockmann division (and its predecessors) has been generating losses for a decade, we forecast zero EBIT in the coming years	• We believe that this target is very much in line with the margin target, since we assume that depreciation is close to the investment level • However, we predict that cash flow will remain negative in the coming years due to weak earnings





Past development and corporate restructuring 1/2

Department stores have been at the heart of Stockmann throughout history, but not anymore

Stockmann was founded in 1862 and since then the company has carried out department store like business, at the present location in the center of Helsinki since 1922. The department stores also expanded abroad, to Russia in 1989 and thereafter to Estonia and Latvia. The Russian operations were sold as loss-making in 2016 and the real estate owned there in 2019. However, the company has also had many other business activities over the years, such as Academic Bookstore (1930-2015), car business (1955-2006), grocery store Sesto (1955-1999), mail order company Hobby Hall (1985-2016), and fashion chain Seppälä (1988-2015). All of these, perhaps excluding the car business, are characterized by poor profitability at the time of sale, i.e., the purchased companies have not been successful as part of Stockmann at least in the long run. Lindex that is now part of the Group next to department stores was acquired in 2007.

Stockmann turned into a loss in 2014 due to weakened results of both department stores and Seppälä. Through cost savings and selling weaker parts, Stockmann managed to turn the EBIT positive in 2018-19, but net profit remained negative. When COVID hit demand, the company (more specifically Stockmann Plc, the parent company of the group that runs the Finnish department stores) applied for corporate restructuring in early April 2020 to secure its financing. In hindsight, after the first wave of COVID alleviated in May-June 2020, Stockmann's cash flow remained reasonably good even during the most difficult COVID period.

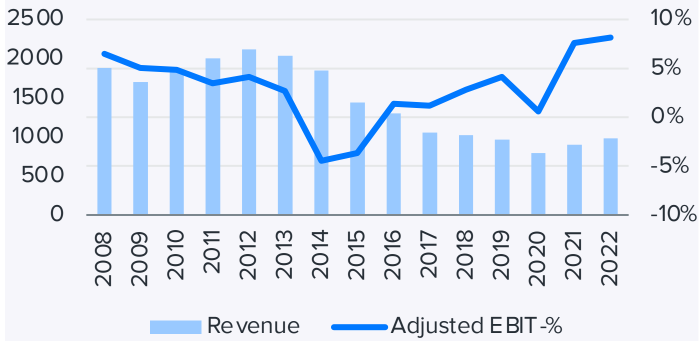
Effects of the restructuring

In February 2021, the Helsinki district court approved Stockmann's corporate restructuring program that lasts eight years. The restructuring program defines how Stockmann's business can be carried out during this period and implementation of the restructuring program is monitored. Stockmann aims to end the restructuring as soon as possible. In practice, this moment comes when all currently disputed debts have been decided/settled in some way and all the restructuring debts have been paid. More details on these later.

The main points of the restructuring program are:

- The restructuring program is based on the company continuing its department store business in all current department stores. Lindex's operations continue as a fixed part of the Group, and its cash flows contribute to cover payment obligations under the restructuring program.
- The company sells the real estate assets it owns in Helsinki city center, Tallinn and Riga Income will be used to pay secured debts. This was carried out during H1'22 and all secured debts have been repaid.
- The lease agreements for department stores were renegotiated
- 50% of hybrid loans were cut and the remaining 50% were converted into shares or cut. This was done in summer 2021
- The company's A and B share series were combined so that one A share received 1.1 B shares

Stockmann's revenue (MEUR) and profitability development



Source: Stockmann

Past development and corporate restructuring 2/ 2

- In the case of unsecured liabilities, 20% are converted into shares at the exchange rate of EUR 0.9106 or cut and the remaining 80% has a payment schedule of eight years. If the creditor wishes, it can convert this 80% stake into a non-interest-bearing bond maturing in 2026 secured by Lindex shares. A majority of creditors have already exercised this opportunity. As the new bond is not a restructuring debt, its repayment is not a condition for ending the restructuring

Disputed liabilities and restructuring debts situation

At the end of Q3'23 Stockmann had repaid all secured restructuring debts and undisputed unsecured restructuring debts. Other measures under the restructuring program have also been carried out. There are disputed receivables associated with lease terminations that must be resolved before the restructuring can be terminated. At the end of Q3'23, there were four contested claims totaling 52 MEUR. As regards Fennia's claim (12 MEUR), an agreement has been reached, but it has not yet been confirmed nor the settlement amount disclosed. The administrator of the restructuring program has contested the claims and considers it justified to pay the rent for 18 months, not for all the remaining years of the lease. Related processes are under way at various courts.

In August 2022, the court of arbitration ordered Stockmann to pay 19.3 MEUR to LocalTapiola which was clearly more than the 3.5 MEUR confirmed in the restructuring program, although also well below the 43 MEUR claim by LocalTapiola. Stockmann has challenged the decision of the court of arbitration in the District Court, and the sum of 19 MEUR is not a court-confirmed restructuring debt. 3.5 MEUR of this confirmed in the restructuring program has already been paid.

Stockmann has made a provision of 18 MEUR related to the contested claims in its balance sheet. In our view, this corresponds to the portion to be paid in cash (80% of total debt), on top of which 20% of the debt would be paid in shares. Thus, we estimate that some 5 million new shares will be issued. We, therefore, believe that the company's provision is the right amount, but the dilution effect of 3% should also be considered. We already include these in our forecasts in the 2023 figures, although it is unlikely that any other payments apart from the already settled Fennia claim will be made this year. However, this highlights the impact of the contested liabilities on the balance sheet and the valuation multiples for all forecast years, which we consider good for clarity.

After the amount of debt is confirmed, the creditor can also convert the 80% share into a bond, so that it is no longer restructuring debt. However, in the current situation, Stockmann is likely to pay off all confirmed restructuring debts as soon as possible, so we do not think that conversion into bonds would be sensible for the debtor in this situation.

Stockmann is negotiating an amicable solution with all parties and we believe that the restructuring process can be completed during 2024. This is, in practice, done by settling disputed debts and possibly putting money in an escrow account to cover the disputed debts. As such, we believe the legal processes could take several years, especially the LocalTapiola case.

Disputed liabilities	Disputed claim, MEUR
Nordika II SHQ Oy	13
Fennia*	8
Tampereen seudun OP	15
LocalTapiola	16
Total	52

Source: Stockmann *An amicable settlement pending

Liabilities in Stockmann's balance sheet, Q3'22	MEUR
Lease liabilities	549
Interest-bearing debt (bond)	72
Reported gross debt	621
Cash	108
Reported net debt	513
Net debt, excluding lease liabilities	-36
Provision for disputed debts	18
Net debt taking considering the provision	-18

Source: Stockmann

Financial position

The logistics center increases the otherwise fairly static balance sheet

After Stockmann sold its properties, its balance sheet contains relatively little fixed assets, under 50 MEUR. However, the logistics center Lindex is building already has a balance sheet value of 70 MEUR and will total some 110 MEUR when completed next year. The balance sheet total is around 1,250 MEUR. The goodwill related mostly to Lindex (240 MEUR) and other intangible items correspond to approximately 30% and the right-of-use assets arising from lease liabilities to over 30% The remainder is mainly inventories (good 190 MEUR at the end of Q3'22) and cash (108 MEUR at the end of Q3). Thanks to Lindex's excellent performance and the goodwill write-down (250 MEUR) at the end of 2020, we do not currently see any risk for goodwill write-downs.

Stockmann's working capital is relatively low as a whole, as consumer business typically has low receivables. Accounts payable are slightly lower than inventories and net working capital is slightly positive.

On the liabilities side of the balance sheet, Stockmann's equity represents close on 30% of the balance sheet total. This is a relatively low equity ratio but considering the large amount of lease liabilities and the net cash position of the balance sheet excluding lease liabilities, we believe that a level of over 20 % is sufficient. Adjusted for lease liabilities equity would be over 50%, which is a good level. Stockmann's only financial liability at the moment is a 72 MEUR bond, which expires in 2026 and on which an annual interest rate of 0.1% is paid. We believe the company will pay off this loan after the restructuring process ends.

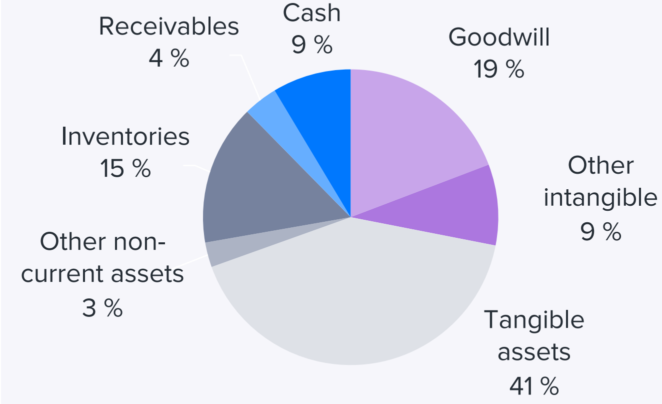
Overall, the balance sheet is in good condition, excluding lease agreements on the net cash side. On the other hand, Lindex's warehouse investment will eat away the company's cash assets in the next few years. However, when completed, the warehouse can be sold and leased back, which would free up capital and lighten the balance sheet. Dividend distribution is not possible until the restructuring process is completed. We also believe that Stockmann wants to maintain a strong balance sheet in the future, even measured with net cash, which our forecasts also indicate.

Hard to improve balance sheet efficiency, changes in return on capital more dependent on result

The return on capital is determined by profitability and capital revenue. Improving capital revenue in turn requires higher revenue with the same balance sheet or reducing the balance sheet. Considering the composition of Stockmann's balance sheet, we do not see any significant room for efficiency improvement in the balance sheet, except when the department store lease agreements gradually shorten. On the other hand, the new logistics center will increase the balance sheet and thus reduce the return on capital. Thus, we believe improving the return on capital depends mainly on revenue growth and profitability development.

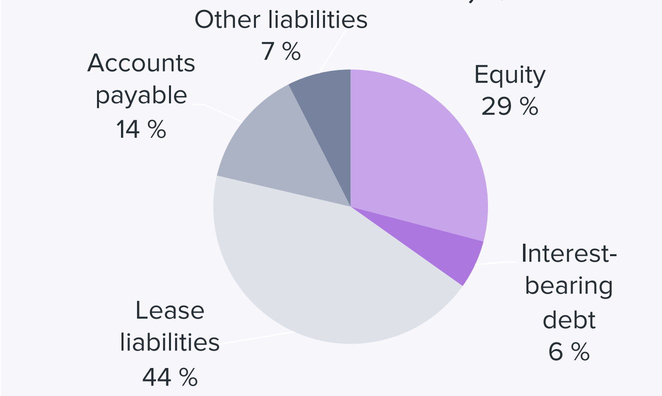
On the other hand, Stockmann's (moderate) growth does not require much more capital (after Lindex's investment), so achieving growth would be very positive in terms of capital use and return.

Balance sheet assets, Q323



Source: Inderes

Balance sheet liabilities, Q323



Source: Inderes

Estimates 1/6

We estimate based on two divisions

We model Stockmann based on its two divisions, Lindex and Stockmann department stores. The company reports revenue, gross margin and EBIT quarterly by division based on which you can also calculate fixed costs. This provides a reasonable basis for modeling the result.

As shown in the industry section, Stockmann's main markets are fairly stable based on historical development. We therefore believe that the main role in terms of revenue is played by the company's own actions and competitiveness. In terms of earnings development, historical development is quite volatile for both divisions, although Lindex has remained profitable throughout time and the department stores have mainly been in negative EBIT territory for the past 10 years.

Generally speaking, we believe that Lindex's performance in 2021-23 is exceptionally good and the company will not achieve the same level in the next few years. We believe that department stores will improve their earnings a bit and achieve zero-level EBIT by 2025, which, however, still means clearly negative cash flow.

Lindex's performance at record level this year

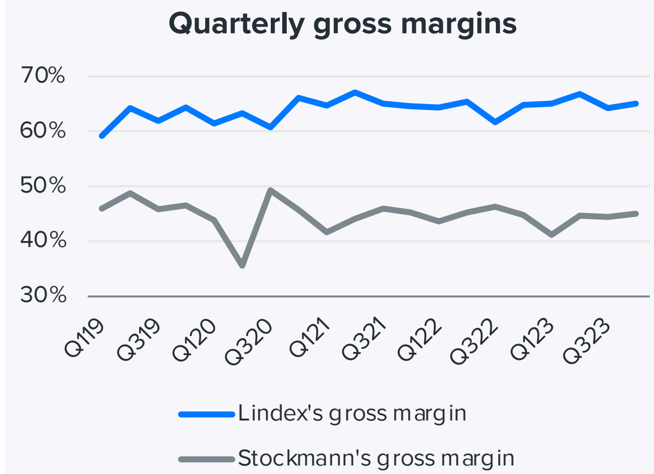
In November, Stockmann revised its revenue guidance and now expects full-year revenue to be 940-970 MEUR, while last year's revenue was approximately 980 MEUR. Stockmann's guidance is that adjusted EBIT is 75-90 MEUR, while last year's level was 80 MEUR. For nine months, Stockmann has accumulated 50 MEUR in adjusted EBIT, so the Q4 expectation is now 25-40 MEUR, which is still a fairly broad range for one quarter. However, it indicates that the company expects an improvement from last year's Q4, which was 26 MEUR.

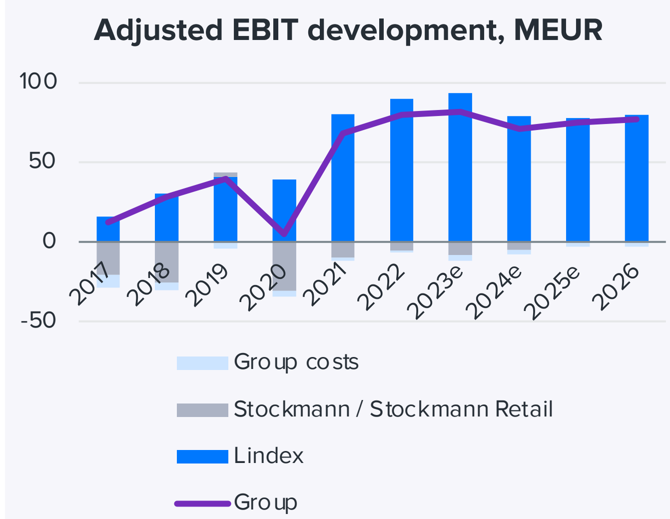
We estimate that Lindex's adjusted EBIT will reach a record level of 94 MEUR in 2023 and the result of department stores will weaken slightly to -8 MEUR. However, for Q4, which is all that is left of this year, we see the results of both divisions improving from last year as the guidance indicates. This is supported by small growth in local currencies and good control of fixed costs.

In our forecasts 2024 result declines

For Lindex, we expect a decline in the result in 2024. This is mainly due to our expectation of the gross margin falling. In 2023, we expect Lindex's revenue to grow by 3% in EUR, as the headwinds in currencies eases and we believe that the company's sales in local currencies will continue on a growth trend.

Lindex's gross margin has historically been at 62-63% levels, compared with around 65% in 2021-23. We expect the margin to normalize at levels below the previous years but higher than the historical levels at 63.5% next year.





Estimates 2/6

Lindex has also been successful in recent years in fixed cost management. Fixed costs relative to revenue were 50.5% in 2022-23, while the historical average for Lindex is around 55%. We are looking forward to a small increase to good 51% next year due to, e.g., growth investments.

As a result, Lindex's adjusted EBIT will fall to 79 MEUR in 2024, which translates to an EBIT margin of good 12 %. This is still very good compared to the company's history and most competitors.

For Stockmann department stores, we forecast revenue to remain roughly at this year's level in 2024. This is affected somewhat negatively by the sales area being cut in the Itis department store in spring 2023 and, on the other hand, we expect modest growth in consumer demand next year.

We expect the gross margin of the Stockmann division to recover to 45% as the number of sale campaigns decreases. The ratio of fixed costs to revenue is expected to remain at approximately this year's level also in 2024, or at around 46.5%.

We expect the adjusted EBIT of department stores will be around -5 MEUR in 2024. For the whole Group, this means that the adjusted EBIT will decrease to about 71 MEUR. For the Stockmann division, it is worth remembering that a significant part of rental expenses is only reflected in financing costs, and thus the actual operating result and cash flow are still clearly in the red in our forecasts.

No major changes below the operating result

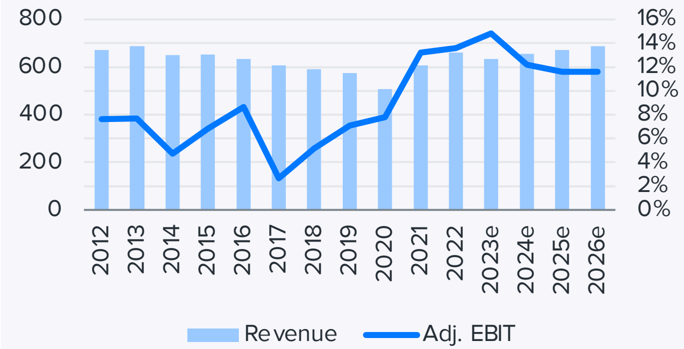
When Stockmann sold the Helsinki property in spring 2022, its financing costs increased clearly as the lease costs under IFRS 16 were partially divided to financing costs. We believe the rental costs (depreciation + financing costs) in the income statement are, in total, roughly at a level equivalent to the cash flow effect. Stockmann does not, in practice, have any actual interest costs, as the only actual financial loan is a bond with an interest rate of 0.1% per annum. We expect the tax rate to be around 21%, the same level as in 2022-23. All in all, this leads to a net profit of 32 MEUR or a EUR 0.20 EPS in 2024. The forecasts consider the dilution effect we expect from the disputed restructuring debts, which is only 3%, however.

Earnings up in 2025-26

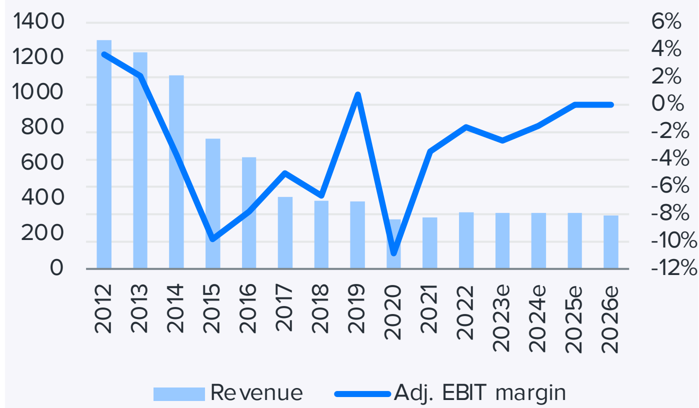
In 2025-27, we believe that Lindex will be able to grow by approximately 3% per yearin line with the bottom of its target level, while in department stores we believe that revenue remains stagnate in 2025 and decreases in 2026 with the smaller sales area (we assume that at least the Itis department store will be closed ccompletely).

In terms of the gross margin, we estimate that Lindex will level to 63.5% and the Stockmann division to 45% in the coming years. We expect fixed costs relative to revenue to increase slightly in Lindex and decrease in the Stockmann division.

Lindex's revenue and EBIT margin, MEUR



Department stores' revenue (MEUR) and profitability development



Estimates 3/6

Lindex moving to the new logistics center in late 2024 and during H1'25 may entail some additional costs (although a provision has already been made for overlapping costs). We expect Lindex's EBIT to be approximately 80 MEUR in 2025-26 and zero for the Stockmann division, resulting in a Group level result of 75-80 MEUR.

We believe, Lindex's performance can also be roughly defined in historical context as follows:

- The historical average of the Nordic EBIT (2009-17) 50 MEUR
- IFRS 16 impact (as of 2019) 5 MEUR
- Franchise operations and third-party online stores 5 MEUR above historical average (included in Swedish result but was small in the 2009-17 period)
- EBIT from outside the Nordic region 10 MEUR (current level)
- Revenue growth 5-10 MEUR

This results in the same level of around 75-80 MEUR that we expect from Lindex in the next few years.

Financial expenses under IFRS 16 are likely to decline slightly when Stockmann's lease agreements are shortened (for department stores). We expect the tax rate to be 21% in the coming years as well. Thus, our EPS estimate is EUR 0.22 in 2025 and EUR 0.23 in 2026 (corresponding net profit 36 MEUR and 38 MEUR).

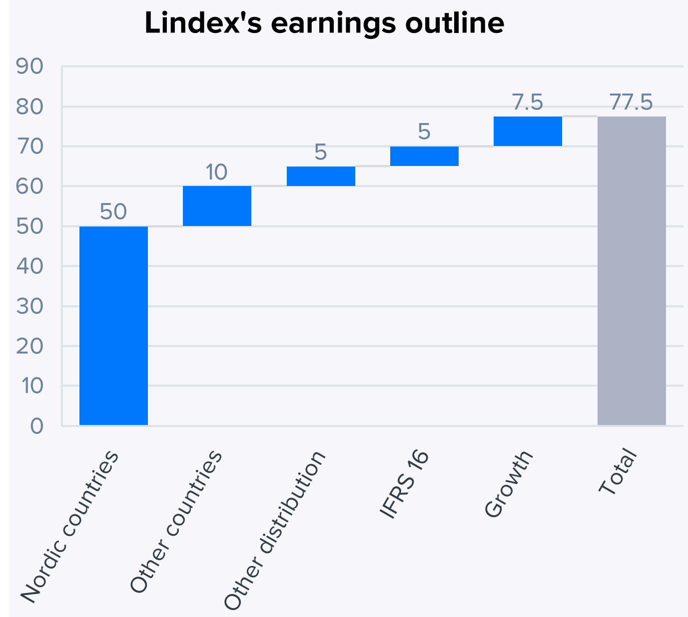
Positive free cash flow starting from 2024

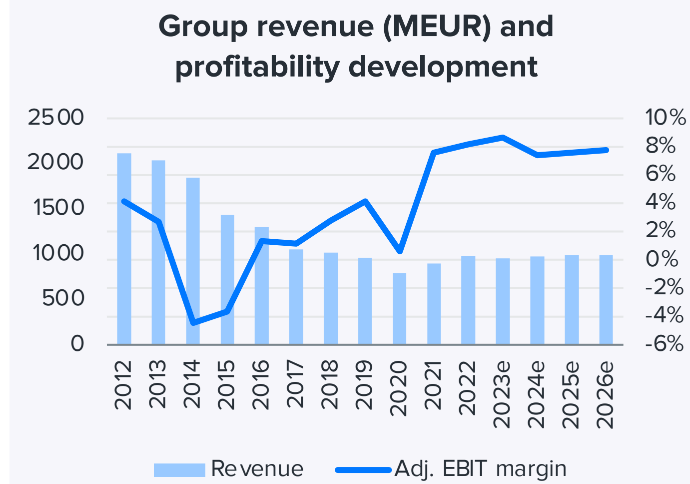
Stockmann is investing 110 MEUR in Lindex's new logistics center in 2022-24. About 25 MEUR of this will occur in 2024. Stockmann has stated that its normal investment level is about 30-35 MEUR per year, so this has increased investments considerably in 2023-24.

Our investment estimate also shows the cash flow effect of leases and considering these the investment level of 2023-24 is some 130 MEUR p.a. However, with Lindex's good result and operating cash flow, we estimate that free cash flow will already be clearly positive next year.

The restructuring program suggests that the company could conclude a sale and leaseback agreement for the logistics center, which would release capital after the investment. On the other hand, this would, naturally increase the future cost level. Stockmann's current balance sheet situation allows for the investment with own money, and until the restructuring ends, it cannot arrange/repay its loans or pay dividends. Thus, the company can take time to consider whether the sale and leaseback option is reasonable at some point. As revenue changes are small, we believe Stockmann's working capital will remain roughly at the same level in the longer term.

We estimate that Stockmann's net result will be 35-40 MEUR in 2025-27, which we believe also describes the level of free cash flow.





Estimates 4/6

Dividend distribution only possible after the restructuring is completed, from 2025 in our forecasts

As said before, Stockmann cannot distribute dividends while the company restructuring is ongoing. We assume that the restructuring will end next year, so in theory it would be possible to pay dividends from next year's result, i.e. in spring 2025. We believe, however, that the company wants to secure financing for Lindex's logistics center investment and to repay or refinance the bond maturing in 2026 before it pays at least a significant amount of dividends.

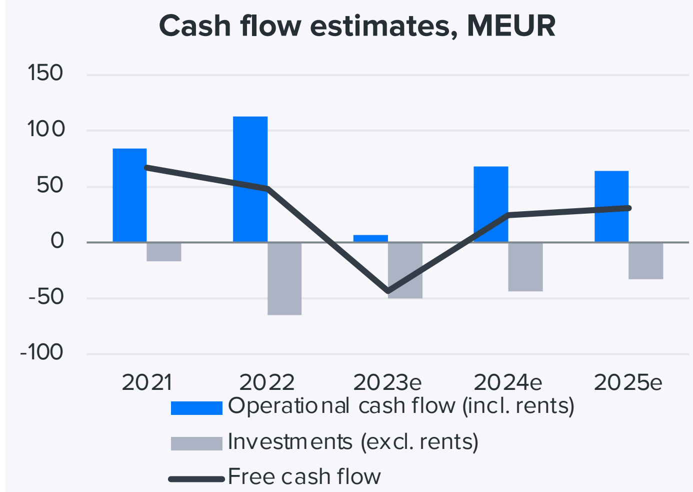
On the other hand, if the company sold the logistics center when it was completed at the end of next year, it would have some net cash that could be distributed to shareholders. If the company were to exit the loss-making department store operations, we see no reason to maintain the balance sheet at least on the net cash side.

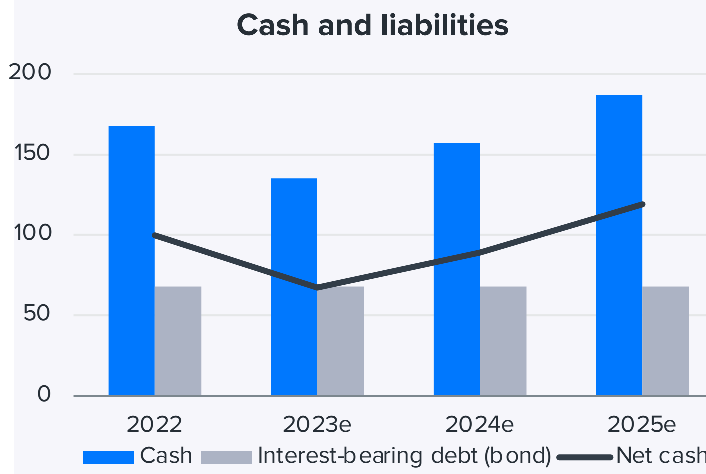
Our forecasts currently assume that the company will distribute 40-50% of the profit as dividends starting from 2025. As you can see from the comments above, many things still affect the implementation of this.

Return on capital is weak, but Lindex can generate value

Stockmann's historical return on capital is weak. With our estimates return on capital is around 6-7 % from 2024 onwards (when the new logistics investment is visible in the balance sheet), which is very low relative to our required return of about 10%. So the company cannot create value, which is, of course, due to the result/cash flow of department stores. It is worth noting that with zero EBIT the cash flow of department stores is still negative, as all rental expenses are not visible at EBIT level. On the other hand, as we have already explained, the balance sheet consists mainly of intangible assets and leases. Excluding lease liabilities, ROCE rises above 15%, but a large amount of excess cash depresses ROE. In addition, the company's growth does not require additional capital as such, perhaps with the exception of a small increase in working capital. As a result, the return on new capital employed can be very good, even if the return for the whole Group is low.

When you look at Lindex's return on capital without intangible assets and lease liabilities, i.e. assessing only the capital actually needed for operations, we see that Lindex has been historically able to exceed 15% return on capital and last year we believe it reached around 20%. On the other hand, the logistics investment will depress returns in the future. However, we believe that the return on capital calculated in this way will remain above 15% in the future. So Lindex's business and especially its growth clearly has potential to create value. The Group's value creation therefore now rests primarily on Lindex's shoulders.





Estimates 5/6

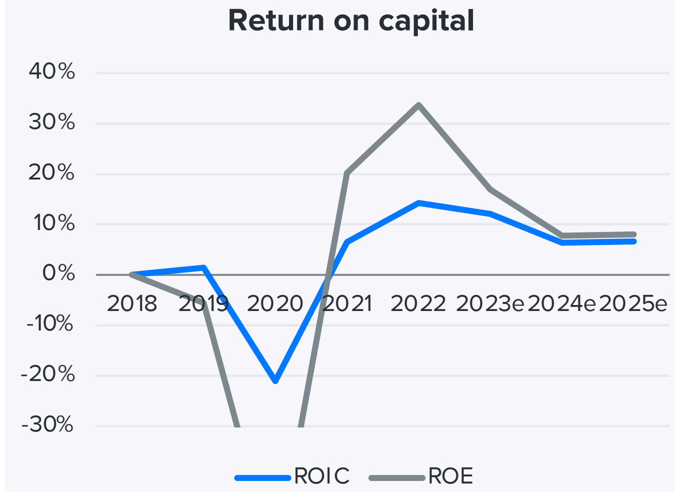
Longer term outlook

We believe that the outlook for the department stores will remain difficult also after the next few years. We do not believe that the current department store network will achieve meaningfully profitable (at EBIT level) and cash-flow-positive results. This means that we believe that the sales area of department stores will continue to decline and at some point, it is likely that entire department stores must be closed. However, the reduction in scale will also cause profitability pressures, as we believe all department stores generate positive results after direct costs, and thus, when department stores are shut down, group administration costs should also decrease to maintain the result intact. Therefore, we believe that profitability will remain weak for at least the coming 5 years, as network and cost adjustments continue. This highlights the positive impact the possible divestment of department stores would have on the company's cash flow and value.

For Lindex, we see good preconditions to continue international growth driven by e-commerce. However, the overwhelming majority of Lindex's revenue comes from mature markets in the Nordic and Baltic countries, where it already has a good market position. Therefore, we do not believe that the entire company's growth rate will exceed low single-digit figures, and its target is 3-5% annual growth. For Lindex, we expect profitability to remain well above 10% measured by EBIT margin also in the future, which is a good level historically but below the company's long-term target of 15%.

Estimate revisions	2023e	2023e	Change	2024e	2024e	Change	2025e	2025e	Change
MEUR / EUR	Old	New	%	Old	New	%	Old	New	%
Revenue	950	952	0%	970	975	1%	990	992	0%
EBITDA	180	181	0%	176	176	0%	187	187	0%
EBIT (exc. NRIs)	82	82	1%	71	72	1%	75	75	0%
EBIT	80	80	1%	71	72	1%	75	75	0%
PTP	52	52	1%	41	42	2%	46	46	0%
EPS (excl. NRIs)	0.22	0.22	1%	0.20	0.20	2%	0.22	0.22	0%
DPS	0.00	0.00		0.00	0.00		0.00	0.00	

Source: Inderes



Estimates 6/6

Revenue	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023e	2024e	2025e	2026e
Lindex	527	579	624	671	688	651	652	633	606	590	576	507	607	661	634	655	672	689
Stockmann	1030	1100	1237	1303	1233	1101	741	636	410	386	385	284	292	321	318	320	320	304
Total	1699	1822	2005	2116	2037	1845	1435	1303	1056	1019	960	791	899	982	952	975	992	993
Revenue growth																		
Lindex	-2.4 %	9.8 %	7.8 %	7.5 %	2.5 %	-5.4 %	0.3 %	-2.9 %	-4.3 %	-2.7 %	-2.4 %	-11.9 %	19.8 %	8.9 %	-4.1 %	3.3 %	2.6 %	2.5 %
Stockmann	0.4 %	6.8 %	12.5 %	5.3 %	-5.4 %	-10.7 %	-32.7 %	-14.2 %	-35.5 %	-5.9 %	-0.4 %	-26.3 %	2.8 %	10.0 %	-0.8 %	0.6 %	0.0 %	-5.0 %
Total	-9.6 %	7.3 %	10.1 %	5.5 %	-3.8 %	-9.5 %	-22.2 %	-9.2 %	-19.0 %	-3.5 %	-5.7 %	-17.7 %	13.7 %	9.2 %	-3.0 %	2.4 %	1.7 %	0.1 %
Gross margin																		
Lindex	331	365	383	418	431	403	406	404	364	364	361	319	397	424	414	416	427	437
Stockmann	410	466	510	546	494	413	282	256	185	174	180	125	130	145	140	144	144	137
Total	817	909	977	1048	990	860	726	696	589	579	541	444	527	568	554	560	571	574
Gross margin																		
Lindex	62.9 %	63.1 %	61.3 %	62.3 %	62.6 %	61.9 %	62.3 %	63.8 %	60.1 %	61.7 %	62.7 %	63.0 %	65.4 %	64.1 %	65.3 %	63.5 %	63.5 %	63.5 %
Stockmann (Retail)	39.8 %	42.4 %	41.2 %	41.9 %	40.1 %	37.5 %	38.1 %	40.3 %	45.2 %	45.0 %	46.8 %	43.9 %	44.5 %	45.1 %	43.9 %	45.0 %	45.0 %	45.0 %
Total	48.1 %	49.9 %	48.7 %	49.5 %	48.6 %	46.6 %	50.6 %	53.4 %	55.8 %	56.8 %	56.3 %	56.1 %	58.6 %	57.9 %	58.2 %	57.4 %	57.5 %	57.8 %
Opex (incl. depreciation)																		
Lindex	269	310	341	367	378	372	362	349	348	334	320	280	317	334	320	336	349	357
Stockmann	387	433	474	498	468	454	355	306	206	199	177	155	140	150	148	149	144	137
Total	657	744	816	865	846	826	717	655	554	533	497	435	457	570	557	563	574	577
Opex/sales																		
Lindex	51.1 %	53.6 %	54.7 %	54.7 %	54.9 %	57.2 %	55.5 %	55.1 %	57.4 %	56.5 %	55.6 %	55.2 %	52.2 %	50.5 %	50.5 %	51.3 %	51.9 %	51.9 %
Stockmann	37.6 %	39.4 %	38.4 %	38.2 %	38.0 %	41.2 %	47.9 %	48.1 %	50.2 %	51.7 %	46.0 %	54.8 %	47.9 %	46.7 %	46.6 %	46.6 %	45.0 %	45.0 %
Total	38.7 %	40.8 %	40.7 %	40.9 %	41.5 %	44.8 %	50.0 %	50.3 %	52.5 %	52.3 %	51.8 %	55.1 %	50.8 %	58.0 %	58.5 %	57.7 %	57.8 %	58.1 %

adj. EBIT	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023e	2024e	2025e	2026e
Lindex	62	55	41	51	53	31	45	55	16	30	41	39	80	90	94	80	78	80
Stockmann	23	33	35	48	26	-41	-73	-50	-21	-26	3	-31	-10	-5	-8	-5	0	0
Unallocated									-8	-5	-4	-4	-2	-1	-3	-3	-3	-3
Total	85	89	70	87	54	-82	-53	18	12	28	40	5	68	80	82	72	75	77
adj. EBIT margin																		
Lindex	11.8 %	9.5 %	6.6 %	7.6 %	7.7 %	4.7 %	6.8 %	8.7 %	2.7 %	5.2 %	7.1 %	7.8 %	13.2 %	13.6 %	14.8 %	12.2 %	11.6 %	11.6 %
Stockmann	2.2 %	3.0 %	2.8 %	3.7 %	2.1 %	-3.7 %	-9.8 %	-7.8 %	-5.0 %	-6.7 %	0.8 %	-10.9 %	-3.4 %	-1.7 %	-2.6 %	-1.6 %	0.0 %	0.0 %
Total	5.0 %	4.9 %	3.5 %	4.1 %	2.7 %	-4.5 %	-3.7 %	1.4 %	1.2 %	2.8 %	4.1 %	0.6 %	7.6 %	8.1 %	8.6 %	7.4 %	7.6 %	7.8 %

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 Stores 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, excluding 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. After Stockmann announced the strategic assessment of the Department Stores business we find sum of the parts to be the best valuation method. However, this should consider the uncertainties related to the manner and schedule of the possible structural changes in department stores.

Valuation summary – Accumulate

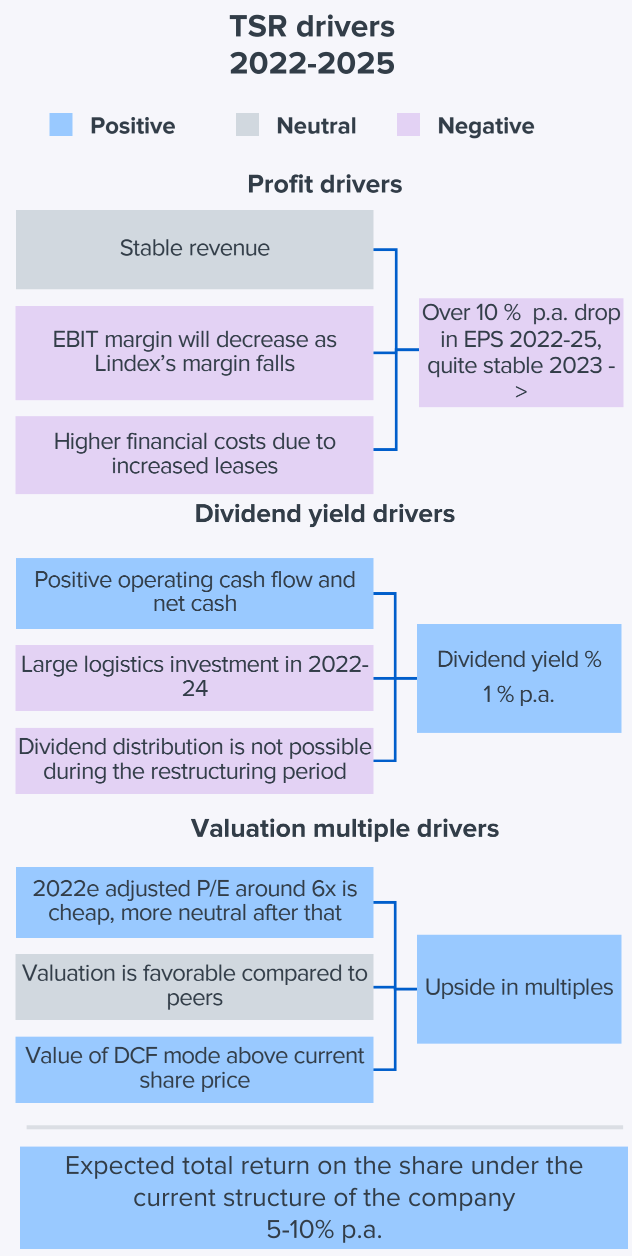
We consider Stockmann's valuation attractive in terms of the risk/return ratio, given the potential of the structural arrangements. Based on the company's recent announcement this potential is much more likely and closer in time than we previously outlined. As such, we see earnnings-based valuation as relatively neutral for next year, for example. We are not expecting a dividend until 2025, so it has a small impact.

The values indicated by the sum of the parts are well above the current share price. They assume the value of the department stores to be slightly negative or zero. This may materialize if Stockmann decides to divest the department stores at the end of the strategic assessment. On the other hand, if department stores remain part of the group, their losses and negative cash flow continue to burden the company.

With the current structure we expect Stockmann to reach 6-7% return on capital and 7-9% return on free cash flow in the medium term. 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 sufficient to award a positive view of the share.

Earnings and cash flow multiples with the current structure

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 11x and EV/EBIT (or in practice EV/PTP) around 7x. For 2024, the figures are 10x and 8x. We feel that these multiples are acceptable for Stockmann but at the lower end of the range.



Source: Inderes

Valuation and recommendation 2/3

Our estimate of Stockmann's sustainable free cash flow is 30-35 MEUR and we do not expect the company to achieve substantial earnings growth in the longer term. This means a free cash flow yield of 7-9 % at current market cap. If Stockmann is net cash positive, the company could at least in principle distribute the entire cash flow as dividends, as long as it is technically possible after the restructuring. In any case, the longer-term cash-flow rate is 10% below our required return.

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

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 650 MEUR, 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 75-80 MEUR, which we estimate to be the normalized earnings level, Lindex generates about 55 MEUR in free cash flow/net profit. By discounting this with a 2% growth assumption and a 10% required return, Lindex's current value is close on 700 MEUR. Translated into a P/E ratio this means around 13x. This is in the same ballpark as that of Nordic retail sector peers (10-19x for 2024), but below the level of the larger global competitors H&M (19x) and Inditex (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.

If the company found a buyer for its Department Stores business (i.e. sell it off at zero price), the value of the company would only consist of Lindex and would be around EUR 4.0 per share (see calculation on the right). However, the calculation must consider small group costs and negative cash flow generated by department stores as long as they are part of the group. Naturally, the company can also receive a small price for divesting the department stores although we do not expect the sum to be significant for a loss-making business. It is also possible that the company would in practice have to pay the buyer of the department stores, which would mean the value in the transaction would also be negative. Thus, the structural arrangements of the Department Stores business clearly have the potential to create value in the company.

Probability weighted expected return

We expect that without structural arrangements, the share's expected return will be at the level of its sustainable free cash flow yield, i.e. 7-9%. If we assume that the probability of the EUR 4.0 sum of the parts value realizing is, e.g., 50% within two years (and the remaining 50% for the 7-9% return) the expected return rises to 15-20%. This supports our Accumulate recommendation.

There is a couple of problems in the DCF model

Creating a DCF model for Stockmann requires somewhat more assumptions than normal, and on the other hand, when structural arrangements seem very likely at least in the medium term, the Group's DCF model is not the best method for describing the company's value in our opinion.

Valuation	2023e	2024e	2025e
Share price	2.72	2.72	2.72
Number of shares, millions	159.8	163.7	163.7
Market cap	445	445	445
EV	935	913	883
P/E (adj.)	12.5	13.4	12.3
P/E	7.0	13.4	12.3
P/B	1.1	1.0	1.0
P/S	0.5	0.5	0.4
EV/Sales	1.0	0.9	0.9
EV/EBITDA	5.2	5.2	4.7
EV/EBIT (adj.)	11.4	12.7	11.8
Payout ratio (%)	0.0 %	0.0 %	40.0 %
Dividend yield-%	0.0 %	0.0 %	3.2 %

Source: Inderes

Sum-of-the-parts calculation	Value, MEUR
Lindex	650
Department stores and other costs	-50
Total	600
Debt excluding lease liabilities	-72
Cash at the end of 2023	135
Value of the share capital	663
Value per share	4.0

Valuation 3/3

In terms of revenue development, the challenge is the future of department stores and a drop in revenue resulting from possible department store closings. For Lindex , the modeling is clearer. Assessing the normalized margin level is, however, challenging for both divisions. In addition, IFRS 16 accordant accounting practices for rents and lease liabilities pose problems for DCF.

After our key forecast years (2022-25, discussed above), we expect 0-1% revenue growth for the company from 2026 onwards. This consists of a small growth in Lindex, but an expected decline in department store operations over the coming years as we mentioned in the estimate section. In the terminal period, the growth assumption is 1%, due to the possible contraction of department stores and low growth profile of the clothing market in general. We assume that the EBIT margin will be 9.5%, i.e. approximately 95-100 MEUR in 2026-29, corresponding to our estimate of Lindex's sustainable profit level of approximately 80 MEUR and the Stockmann division becoming cash-flow neutral. This can be done either operationally or by divesting the department store operations. Investments are slightly lower than depreciation after the major logistics investment, as there should be no larger investment needs in this period.

Our WACC is a relatively high 10%, because the company's historical performance is varied, demand for the fashion business may fluctuate and there are risks associated with the viability of department stores.

We have tried to adjust lease liabilities from the DCF calculation and consider the actual cash flow of rents instead of their impact on the income statement. This calculation contains some uncertainties concerning our assumptions. However, this calculation results in a share capital value of around 500 MEUR, i.e. EUR 3.1 per share. This reflects a situation in which department stores would continue to depress cash flow in 2024-26. If department stores were to leave the Group already next year, our DCF (debt-free value or EV) that mainly reflects Lindex's value, would be the above-mentioned 700 MEUR.

Valuation compared to the peer group

Since Stockmann's value basically comprises Lindex, we believe that the relevant peers would be Lindex's peers. Unfortunately, KappAhl and MQ, previously listed in Sweden, are not listed anymore. Listed peers are mainly found among larger international chains, of which we have included H&M, the Japanese Fast Retailing (Uniqlo chain) and the Spanish Inditex (Zara chain) in our peers. Although the operations of these companies are similar to Lindex, their size and geographical coverage/scope are significantly larger than Lindex. We have included domestic retail operators Puuilo, Tokmanni and Kesko, as well as the Swedish Clas Ohlson and Norwegian Europris in the peer group. These operations are not similar to Lindex or Stockmann, but they provide some reference to the general valuation of Nordic retailers.

All retail chains have significant lease liabilities that muddle up the EV-based valuation. Thus, we look mainly at the P/E ratios of the peer group. For H&M and Inditex they are around 20x, and for Fast Retailing over 30x in 2024. For other Nordic players, the ratios are 10-19x. As the company's growth outlook and situations are quite different, we do not see the ratios of either individual peers or the average/median for the group as particularly useful when valuing Stockmann's share. As we said earlier, we believe that the larger size of H&M and Inditex, stronger brand and wider geographical coverage justify their higher valuation compared to Lindex.

Balance sheet-based valuation

As pointed out previously, Stockmann's balance sheet mainly contains intangible assets and lease liabilities. Thus, we do not believe that balance sheet valuation is a particularly good tool for Stockmann. We note, however, that the P/B ratio is 0.8-1.0x in the coming years. When our ROE estimate is 6-7%, i.e., clearly less than our required return, a P/B ratio of below 1x is justified considering the current structure. The structural arrangements support the company's valuation in this respect as well.

ESG

Stockmann's business remains mainly outside taxonomy

Stockmann's main business, retail, is not covered by taxonomy at this stage. We believe that this is because taxonomy initially identified sectors that have the most significant impact on climate change, which does not include retail.

Properties related to Stockmann's operations, on the other hand, are included in taxonomy. At the beginning of 2022, Stockmann still owned department store properties for which taxonomic revenue and expenses were recorded. In addition, right-of-use assets (i.e. leases) under IFRS 16 are covered by taxonomy, which explains the very high taxonomy eligibility of the capex ratio. As Stockmann sold the department store properties during 2022, we believe that the figures will be lower in terms of revenue and opex in the future. Stockmann estimates that it does has no taxonomy activities in the Group.

We feel taxonomy has no impact on the business

As Stockmann's main business is currently not covered by taxonomy, we do not believe that current taxonomy will have any impact on the business, and thus on e.g. the financial situation or financial costs. As taxonomy expands, retail trade may be included, e.g. in criteria covering the circular economy.

The climate target was just published

In November 2023, Stockmann published a new climate target (previously it did not have a group level target) to achieve a 42% reduction in the entire value chain, i.e. Scope 1, 2 and 3 by 2030 compared to the 2022 level. It has also submitted its targets for assessment to the Science Based Targets project and is pursuing the Paris Agreement (1.5 degrees Celsius) targets. According to the company's assessment, SBTi will approve Stockmann's targets next year.

Stockmann has significantly reduced its emissions in recent years. Scope 1 emissions have dropped by about 70% and Scope 2 by over 55%. In terms of Scope 3, the company made a comprehensive calculation only for 2021-22, when emissions were at the same level. So, at least for own emissions, the trend is good, but over 90% of emissions were in Scope 3 last year. Reducing total emissions requires considerable work on Scope 3 emissions, which we consider to be more challenging than own emissions. We note that the possible separation of the department store business from the Group would also have a significant impact on emissions. Stockmann already reports emissions separately for Lindex and Stockmann, so the development can be monitored separately for each of them. Lindex already has its own target to reduce carbon dioxide emissions in the entire value chain by 50% by 2030 compared to 2017.

Taxonomy eligibility	2021	2022
Revenue	-	2 %
OPEX	-	10 %
CAPEX	-	92 %

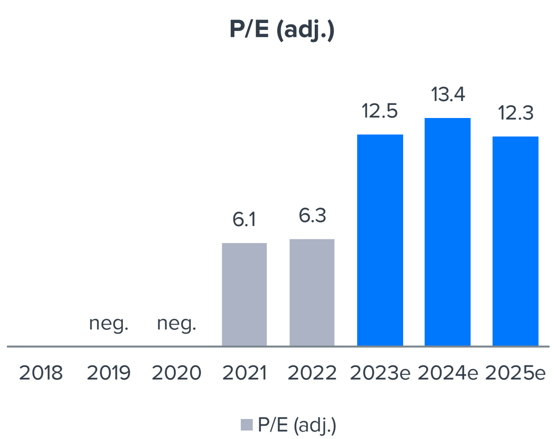
Taxonomy alignment	2021	2022
Revenue	-	0 %
OPEX	-	0 %
CAPEX	-	0 %

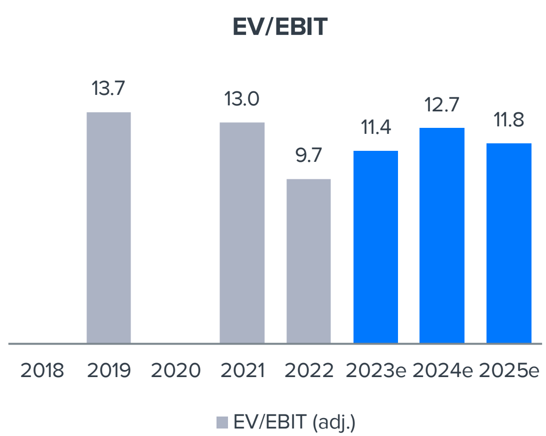
Climate		
Climate goal	No	Yes
Target according to Paris agreement (1.5 °C warming scenario)	No	No

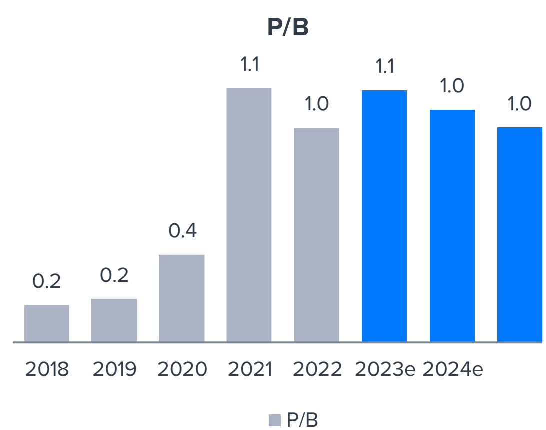
Valuation table

Valuation	2018	2019	2020	2021	2022	2023e	2024e	2025e	2026e
Share price	2.00	2.26	1.14	1.96	2.05	**2.72**	**2.72**	**2.72**	**2.72**
Number of shares, millions	72.0	72.0	72.0	114.0	155.2	**159.8**	**163.7**	**163.7**	**163.7**
Market cap	141	155	80	303	320	**445**	**445**	**445**	**445**
EV	685	542		889	774	**935**	**913**	**883**	**862**
P/E (adj.)		neg.	neg.	6.1	6.3	**12.5**	**13.4**	**12.3**	**11.6**
P/E		neg.	neg.	4.7	3.1	**7.0**	**13.4**	**12.3**	**11.6**
P/B	0.2	0.2	0.4	1.1	1.0	**1.1**	**1.0**	**1.0**	**0.9**
P/S	>100	0.2	0.1	0.3	0.3	**0.5**	**0.5**	**0.4**	**0.4**
EV/Sales	>100	0.6		1.0	0.8	**1.0**	**0.9**	**0.9**	**0.9**
EV/EBITDA		22.5		4.8	3.0	**5.2**	**5.2**	**4.7**	**4.5**
EV/EBIT (adj.)		13.7		13.0	9.7	**11.4**	**12.7**	**11.8**	**11.2**
Payout ratio (%)		0.0 %	0.0 %	0.0 %	0.0 %	**0.0 %**	**0.0 %**	**40.0 %**	**50.0 %**
Dividend yield-%	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	**0.0 %**	**0.0 %**	**3.2 %**	**4.3 %**

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	418	932	12.2	12.7	5.3	5.4	1.0	1.0	9.1	12.0			1.1
H & M	25842	30265	24	16	9	8	1	1	29.2	19.5	3.7	4.0	5.9
Fast Retailing	73175	67655	32.8	21.9	18.3	16.2	3.8	3.4	41.3	35.3	0.8	0.9	6.4
Inditex	119710	113730	20.9	16.9	13.5	11.7	3.5	3.2	29.1	22.5	3.0	3.8	7.2
Tokmanni	776	1889	19.8	16.3	10.1	8.4	1.4	1.1	12.9	10.4	5.9	6.3	3.7
Puuilo	717	796	16.6	14.0	13.1	10.8	2.6	2.2	20.1	17.0	3.9	4.7	8.9
Kesko	7002	9556	13.6	14.1	7.8	7.9	0.8	0.8	13.9	14.5	6.1	6.0	2.5
Clas Ohlson	917	1079	37.6	16.9	10.2	7.4	1.3	1.2	58.0	19.4	3.1	3.1	6.3
Stockmann (Inderes)	**445**	**935**	**11.4**	**12.7**	**5.2**	**5.2**	**1.0**	**0.9**	**12.5**	**13.4**	**0.0**	**0.0**	**1.1**
Average			**21**	**16**	**11**	**9**	**2**	**2**	**25.1**	**18.1**	**3.9**	**4.2**	**5.0**
Median			**19.8**	**16.3**	**10.1**	**8.0**	**1.4**	**1.4**	**20.1**	**17.0**	**3.8**	**4.4**	**5.9**
Diff-% to median			***-43%***	***-22%***	***-49%***	***-35%***	***-31%***	***-32%***	***-38%***	***-21%***	***-100%***	***-100%***	***-81%***

Source: Refinitiv / Inderes

Income statement

Income statement	2021	Q1'22	Q2'22	Q3'22	Q4'22	2022	Q1'23	Q2'23	Q3'23	Q4'23e	2023e	2024e	2025e	2026e
Revenue	**899**	**196**	**269**	**244**	**273**	**982**	**199**	**252**	**227**	**275**	**952**	**975**	**992**	**993**
Lindex	607	134	188	167	172	661	127	176	162	169	634	655	672	689
Stockmann	292	62	81	77	100	321	72	76	65	106	318	320	320	304
EBITDA	**185**	**35.5**	**141**	**31.9**	**49.3**	**258**	**22.7**	**55.3**	**45.2**	**57.5**	**181**	**176**	**187**	**190**
Depreciation	-103	-25.7	-26.9	-25.9	-24.7	-103	-25.6	-25.1	-24.9	-25.0	-101	-104	-112	-113
EBIT (excl. NRI)	**68.3**	**-3.7**	**35.4**	**22.0**	**26.1**	**80**	**-2.4**	**31.6**	**20.6**	**32.5**	**82**	**72**	**75**	**77**
EBIT	**82.1**	**9.8**	**115**	**6.0**	**24.6**	**155**	**-2.9**	**30.2**	**20.3**	**32.5**	**80**	**72**	**75**	**77**
Lindex	80	5.5	39.0	22.5	23.0	90	5.6	36.2	26.2	26.0	94	80	78	80
Stockmann	-10	-7.3	-1.5	0.1	3.3	-5	-7.0	-3.5	-4.8	7.0	-8.3	-5.0	0.0	0.0
Non-allocated	-2.1	-2.0	-2.0	-0.6	-0.2	-4.8	-1.0	-1.1	-0.8	-0.5	-3.4	-3.0	-3.0	-3.0
Net financial items	-17	-5.4	-6.5	-7.3	-6.5	-26	-7.3	-7.1	-6.6	-7.1	-28	-30	-29	-29
PTP	**65**	**4.4**	**108**	**-1.3**	**18.1**	**129**	**-10.2**	**23.1**	**13.7**	**25.4**	**52**	**42**	**46**	**49**
Taxes	-17.3	-1.6	-27.4	2.0	-0.5	-27.5	29.7	-9.4	-5.0	-5.1	10.3	-8.8	-9.6	-10.2
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net earnings	**48**	**2.8**	**80.6**	**0.7**	**17.6**	**102**	**19.5**	**13.8**	**8.7**	**20.3**	**62**	**33**	**36**	**38**
EPS (adj.)	**0.32**	**-0.05**	**0.12**	**0.13**	**0.12**	**0.32**	**-0.06**	**0.10**	**0.06**	**0.13**	**0.22**	**0.20**	**0.22**	**0.23**
EPS (rep.)	**0.42**	**0.02**	**0.52**	**0.00**	**0.11**	**0.66**	**0.13**	**0.09**	**0.05**	**0.13**	**0.39**	**0.20**	**0.22**	**0.23**

Key figures	2021	Q1'22	Q2'22	Q3'22	Q4'22	2022	Q1'23	Q2'23	Q3'23	Q4'23e	2023e	2024e	2025e	2026e
Revenue growth-%	13.7 %	26.0 %	17.9 %	2.6 %	-1.8 %	9.2 %	1.2 %	-6.3 %	-7.0 %	0.7 %	-3.0 %	2.4 %	1.7 %	0.1 %
Adjusted EBIT growth-%	1293.9 %	-82.3 %	32.2 %	-33.1 %	-12.1 %	16.8 %	-35.7 %	-10.8 %	-6.4 %	24.5 %	3.1 %	-12.5 %	4.2 %	2.7 %
EBITDA-%	20.6 %	18.1 %	52.6 %	13.1 %	18.1 %	26.3 %	11.4 %	21.9 %	19.9 %	20.9 %	19.0 %	18.0 %	18.9 %	19.1 %
Adjusted EBIT-%	7.6 %	-1.9 %	13.2 %	9.0 %	9.6 %	8.1 %	-1.2 %	12.5 %	9.1 %	11.8 %	8.6 %	7.4 %	7.6 %	7.8 %
Net earnings-%	5.3 %	1.4 %	30.0 %	0.3 %	6.4 %	10.4 %	9.8 %	5.5 %	3.8 %	7.4 %	6.5 %	3.4 %	3.6 %	3.9 %

Source: Inderes

Balance sheet

Assets	2021	2022	2023e	2024e	2025e
Non-current assets	**1002**	**890**	**925**	**950**	**956**
Goodwill	272	251	251	251	251
Intangible assets	120	114	114	114	114
Tangible assets	583	498	533	558	564
Associated companies	0.0	0.0	0.0	0.0	0.0
Other investments	0.5	0.7	0.7	0.7	0.7
Other non-current assets	3.8	3.1	3.1	3.1	3.1
Deferred tax assets	23.8	23.8	23.8	23.8	23.8
Current assets	**414**	**385**	**345**	**367**	**400**
Inventories	155	174	167	166	169
Other current assets	0.0	0.0	0.0	0.0	0.0
Receivables	45.7	43.2	42.8	43.9	44.6
Cash and equivalents	214	168	135	157	187
Balance sheet total	**1416**	**1276**	**1269**	**1316**	**1356**

Source: Inderes

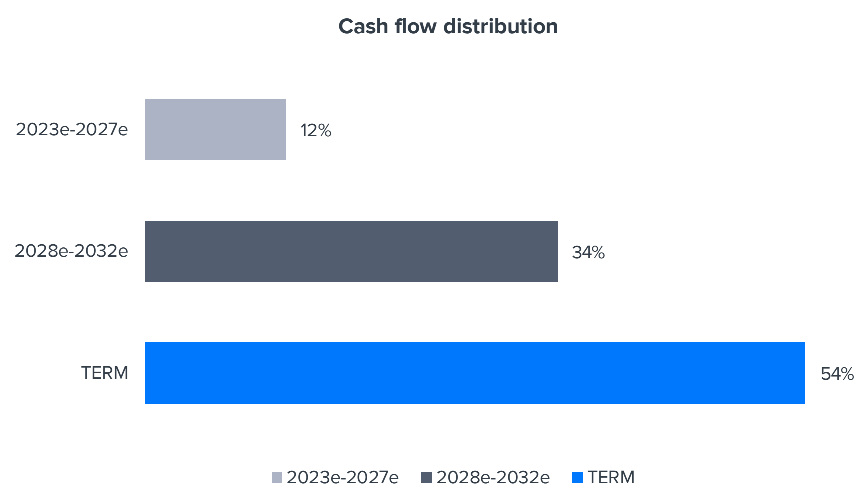
Liabilities & equity	2021	2022	2023e	2024e	2025e
Equity	**268**	**336**	**398**	**431**	**467**
Share capital	77.6	77.6	77.6	77.6	77.6
Retained earnings	103	205	267	300	336
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	14.4	-18.9	-18.9	-18.9	-18.9
Other equity	73.2	72.3	72.3	72.3	72.3
Minorities	0.0	0.0	0.0	0.0	0.0
Non-current liabilities	**409**	**586**	**590**	**590**	**590**
Deferred tax liabilities	40.6	40.3	40.3	40.3	40.3
Provisions	0.0	0.0	0.0	0.0	0.0
Interest bearing debt	330	545	550	550	550
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	37.8	0.7	0.0	0.0	0.0
Current liabilities	**740**	**361**	**281**	**295**	**298**
Interest bearing debt	470	77.3	75.0	75.0	75.0
Payables	223	179	176	190	193
Other current liabilities	46.4	105	30.0	30.0	30.0
Balance sheet total	**1416**	**1283**	**1269**	**1316**	**1356**

DCF calculation

DCF model	2022	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	TERM
Revenue growth-%	9.2 %	-3.0 %	2.4 %	1.7 %	0.1 %	0.5 %	0.5 %	0.5 %	0.5 %	0.5 %	1.0 %	1.0 %
EBIT-%	15.8 %	8.4 %	7.4 %	7.6 %	7.8 %	9.5 %	9.5 %	9.5 %	9.5 %	9.5 %	9.5 %	9.5 %
EBIT (operating profit)	**155**	**80**	**72**	**75**	**77**	**95**	**95**	**96**	**96**	**97**	**98**	
+ Depreciation	28	21	24	32	33	33	33	32	32	34	34	
- Paid taxes	-28	-20	-9	-10	-10	-14	-14	-15	-15	-15	-15	
- Tax, financial expenses	-5	6	-6	-6	-6	-6	-6	-6	-5	-5	-5	
+ Tax, financial income	0	0	0	0	0	0	0	0	0	0	0	
- Change in working capital	-2	-70	14	0	0	0	0	0	0	0	0	
Operating cash flow	**147**	**17**	**95**	**91**	**94**	**107**	**108**	**108**	**108**	**110**	**111**	
+ Change in other long-term liabilities	-49	-1	0	0	0	0	0	0	0	0	0	
- Gross CAPEX	9	-50	-44	-33	-30	-30	-30	-30	-37	-32	-43	
Free operating cash flow	**107**	**-34**	**51**	**58**	**64**	**77**	**78**	**78**	**71**	**78**	**68**	
+/- Other	100	-38	-25	-25	-25	-25	-25	-25	-26	-26	-26	
FCF	207	-72	26	33	39	52	52	52	45	53	43	482
Discounted FCFF		**-78**	**26**	**30**	**32**	**39**	**36**	**33**	**26**	**27**	**20**	**226**
Sum of FCFF present value		415	493	467	437	406	366	331	298	272	245	226
Enterprise value DCF		**415**										
- Interest bearing debt		-72										
+ Cash and cash equivalents		168										
-Minorities		0.0										
-Dividend/capital return		0.0										
Equity value DCF		**511**										
Equity value DCF per share		**3.1**										

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

Source: Inderes



Summary

Income statement	2020	2021	2022	2023e	2024e
Revenue	790.7	899.0	981.7	**951.9**	**975.1**
EBITDA	-252.4	185.0	258.1	**180.7**	**175.9**
EBIT	-252.4	82.1	154.9	**80.1**	**72.0**
PTP	-294.0	65.2	129.2	**52.0**	**42.0**
Net Income	-291.6	45.1	101.7	**62.3**	**33.2**
Extraordinary items	-257.3	13.8	75.1	**-2.2**	**0.0**

Balance sheet	2020	2021	2022	2023e	2024e
Balance sheet total	1424.3	1416.1	1275.5	**1269.2**	**1316.5**
Equity capital	206.1	268.1	335.5	**397.8**	**431.0**
Goodwill	277.5	271.5	250.9	**250.9**	**250.9**
Net debt	724.5	586.7	454.4	**489.8**	**467.9**

Cash flow	2020	2021	2022	2023e	2024e
EBITDA	-252.4	185.0	258.1	**180.7**	**175.9**
Change in working capital	-9.8	-56.9	-2.4	**-69.9**	**13.8**
Operating cash flow	-262.5	115.0	222.4	**126.6**	**174.6**
CAPEX	809.3	-17.1	8.5	**-135.0**	**-129.0**
Free cash flow	106.8	132.7	293.8	**-9.1**	**45.6**

Valuation multiples	2020	2021	2022	2023e	2024e
EV/S		1.0	0.8	**1.0**	**0.9**
EV/EBITDA (adj.)		4.8	3.0	**5.2**	**5.2**
EV/EBIT (adj.)		13.0	9.7	**11.4**	**12.7**
P/E (adj.)	neg.	6.1	6.3	**12.5**	**13.4**
P/B	0.4	1.1	1.0	**1.1**	**1.0**
Dividend-%	0.0 %	0.0 %	0.0 %	**0.0 %**	**0.0 %**

Source: Inderes

Per share data	*2020*	*2021*	*2022*	*2023e*	*2024e*
EPS (reported)	-4.05	0.42	0.66	***0.39***	***0.20***
EPS (adj.)	-0.48	0.32	0.32	***0.22***	***0.20***
OCF / share	-3.65	1.01	1.43	***0.79***	***1.07***
FCF / share	1.48	1.16	1.89	***-0.06***	***0.28***
Book value / share	2.86	2.35	2.16	***2.49***	***2.63***
Dividend / share	0.00	0.00	0.00	***0.00***	***0.00***

Growth and profitability	*2020*	*2021*	*2022*	*2023e*	*2024e*
Revenue growth-%	-18%	14%	9%	***-3%***	***2%***
EBITDA growth-%	-1147%	-173%	40%	***-30%***	***-3%***
EBIT (adj.) growth-%	-88%	1294%	17%	***3%***	***-13%***
EPS (adj.) growth-%	14%	-168%	0%	***-33%***	***-7%***
EBITDA-%	-31.9 %	20.6 %	26.3 %	***19.0 %***	***18.0 %***
EBIT (adj.)-%	0.6 %	7.6 %	8.1 %	***8.6 %***	***7.4 %***
EBIT-%	-31.9 %	9.1 %	15.8 %	***8.4 %***	***7.4 %***
ROE-%	-57.9 %	20.2 %	33.7 %	***17.0 %***	***8.0 %***
ROI-%	-22.0 %	7.6 %	15.3 %	***8.1 %***	***6.9 %***
Equity ratio	14.5 %	18.9 %	26.3 %	***31.3 %***	***32.7 %***
Gearing	351.5 %	218.8 %	135.4 %	***123.1 %***	***108.6 %***

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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	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 €
9/26/2023	Accumulate	2.80 €	2.34 €
10/30/2023	Buy	2.80 €	2.13 €
11/17/2023	Accumulate	2.80 €	2.47 €
12/19/2023	Accumulate	3.10 €	2.73 €

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