

# H&M

## Company report

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# Strong Q2, but more margin pressure in H2

H&M's Q2 was strong as sales grew and EBIT improved y/y and topped our forecasts, although they were in line with the consensus. H&M, however, sees more headwinds in H2 than previously and hence its EBIT margin target of 10% looks more challenging for this year, according to the company. We made only limited estimate changes on the back of Q2 and maintain our Reduce recommendation with a SEK 170 target price.

## Q2 figures were strong and ahead of our expectations, but in line with the consensus

H&M reported 3% sales growth in Q2 both in SEK and in local currencies, driven by growth throughout its regions with fastest growth in Eastern Europe. Growth was driven by the H&M brand, while portfolio brands delivered slightly lower sales in Q2, which the company attributed to strong comparison figures. The gross margin was very strong and improved to 56.3% in Q2, well ahead of last year (52.7%) and our estimate (53.5%), but in line with the consensus (56.1%). This was supported by a stabilizing cost environment, good demand supporting full-priced sales and the company's streamlining measures to improve supply chain efficiency. The 12-month rolling gross margin is now over 53%, up from around 50% still in Q3'23. EBIT showed a notable 50% y/y improvement and topped our forecast by almost 20%, although it was roughly in line with the consensus. We note that the EBIT margin improvement was practically fully driven by gross margin expansion and hence opex/sales were flatish despite the company's cost-cutting efforts and growing sales.

## 10% EBIT margin ambition unchanged for 2024, but now looks challenging also for the company

H&M commented that June sales are expected to be down 6%, but it still was fairly positive about the sales trends and prospects in general, looking for mid-single-digit growth in H2. H&M does not give any guidance, but it reiterated the ambition to reach a 10% EBIT margin during 2024. It, however, noted that this looks more challenging now given some cost headwinds and said it depends on boosting the sales growth to a higher level than seen in Q2 (3%). For the last 12 months, H&M has delivered a 7.6% EBIT margin and we don't believe 10% will be reached this year. Nevertheless, we continue to see a positive margin trend and H&M reaching an EBIT margin of 8.5% in 2024 and around 9.5% in 2025-26. In 2024, this is supported by both an improving gross margin and lower opex/sales thanks to cost efficiencies and growing sales, while in 2025 we see a fairly stable gross margin and further improvement in opex/sales. Estimate changes were minimal in this report.

## Share looks fairly valued

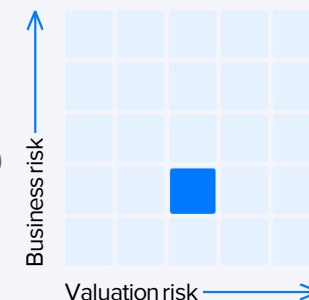
H&M's P/E for 2024 is 19x, which is at the high end of our acceptable multiples. For 2025, the expected margin improvement drives the P/E down to 16x. The multiples are below the closest peer Inditex, which trades at 27x for 2024. We believe some discount is fair given Inditex's better sales development. We estimate that H&M's free cash flow and dividend yields are around 4% in the coming years. After a larger earnings improvement in 2024-25, driven by the increasing margin, we expect a steady 5% sales/earnings growth in the mid-term. Our DCF value is close to the current share price. Hence, overall, we see the share quite fairly valued.

## Recommendation

**Reduce**  
(prev. Reduce)

**170 SEK**  
(prev. 170,00 SEK)

**Share price:**  
169



## Key indicators

	2023	2024e	2025e	2026e
<b>Revenue</b>	236 035	239 274	249 800	261 827
<b>growth-%</b>	6 %	1 %	4 %	5 %
<b>EBIT adj.</b>	13 538	20 482	23 800	24 857
<b>EBIT-% adj.</b>	5,7 %	8,6 %	9,5 %	9,5 %
<b>Net Income</b>	8 723	13 852	16 836	17 861
<b>EPS (adj.)</b>	4,7	8,7	10,5	11,1
<b>P/E (adj.)</b>	37,6	19,4	16,2	15,3
<b>P/B</b>	6,1	5,4	4,8	4,4
<b>Dividend yield-%</b>	3,7 %	4,1 %	4,4 %	5,0 %
<b>EV/EBIT (adj.)</b>	25,1	15,9	13,6	13,0
<b>EV/EBITDA</b>	9,1	7,7	7,0	6,8
<b>EV/S</b>	1,4	1,4	1,3	1,2

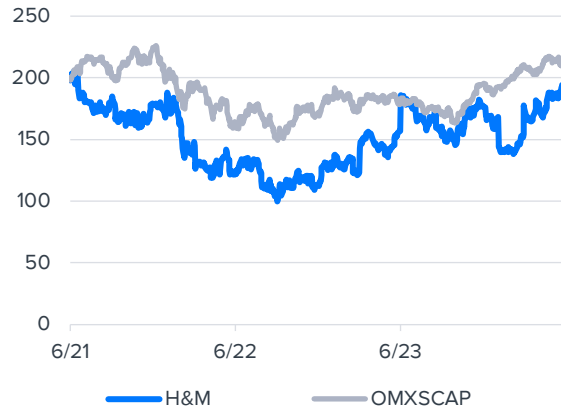
Source: Inderes

## Guidance

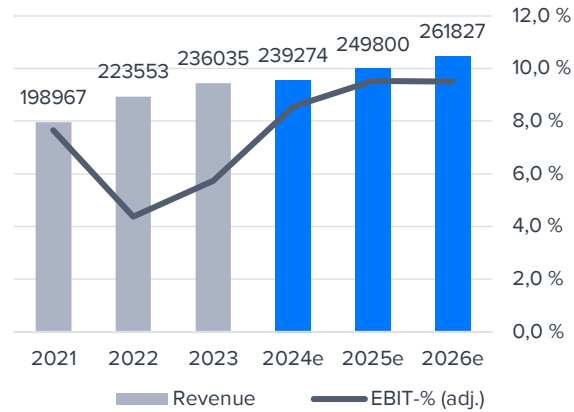
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No guidance

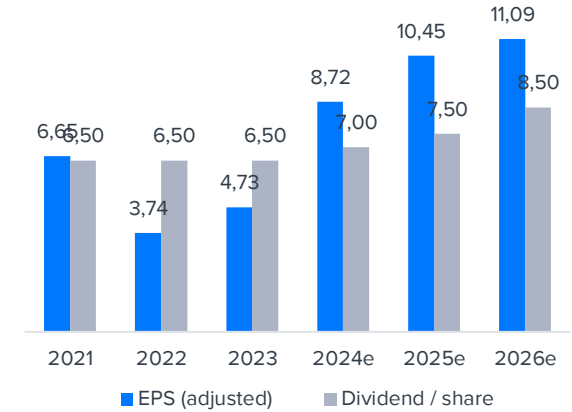
## Osakekurssi



## Liikevaihto ja liikevoitto-%



## Osakekohtainen tulos ja osinko



### Value drivers

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



### Risk factors

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

Valuation	2024e	2025e	2026e
Share price	169	169	169
Number of shares, m	1611	1611	1611
Market cap	272 819	272 819	272 819
EV	326 309	324 451	323 260
P/E (adj.)	19,4	16,2	15,3
P/E	19,7	16,2	15,3
P/B	5,4	4,8	4,4
P/S	1,1	1,1	1,0
EV/Sales	1,4	1,3	1,2
EV/EBITDA	7,7	7,0	6,8
EV/EBIT (adj.)	15,9	13,6	13,0
Payout ratio (%)	81 %	72 %	77 %
Dividend yield-%	4,1 %	4,4 %	5,0 %

Source: Inderes

# Q2 was ahead of our estimates, in line with consensus

## Sales growth picked up in Q2

H&M reported 3% sales growth in Q2 both in SEK and in local currencies, driven by growth throughout its regions with fastest growth in Eastern Europe. Growth was driven by the H&M brand, while portfolio brands delivered slightly lower sales in Q2, which the company attributed to strong comparison figures.

## The gross margin was very strong

H&M's gross margin improved to 56.3% in Q2, well ahead of last year and our estimates, but in line with the consensus. This was supported by a stabilizing cost environment, good demand supporting full-priced sales and the company's streamlining measures to improve supply chain efficiency. The 12-month rolling gross margin is now over 53%, up from around 50% still in Q3'23.

## Strong EBIT driven by sales and gross margin

Driven by the growing sales and clearly improving gross margin, the EBIT showed a notable y/y improvement and topped our forecast, although it was in line with the consensus. The reported EBIT includes some 200 MSEK in one-off costs. We note that the EBIT margin improvement was practically fully driven by gross margin expansion and hence opex/sales were flattish despite the company's cost-cutting efforts and growing sales. Hence, it seems some of the restructuring benefits are rather shown in the COGS than opex, we believe.

## Cash flow was also strong and the balance sheet remains strong

H&M delivered a 12,600 MSEK operating cash flow, clearly up y/y. Net debt/EBITDA (including leases) was 1.3x, well in line with the company's target of 1-2x

and continuing with a net cash position excluding leases.

Estimates	Q2'23	Q2'24	Q2'24e	Q2'24e	Consensus		Difference (%)	2024e
	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. inderes	Inderes
Revenue	57616	59605	58000	59351	57086	- 60665	3 %	239274
Gross profit	30338	33569	31030	33288	31771	- 34010	8 %	128032
Gross margin %	52,7 %	56,3 %	53,5 %	56,1 %	48,1 %	- 50,2 %	5 %	53,5 %
EBIT	4741	7098	6030	7273	5797	- 7797	18 %	20283
EPS (reported)	2,01	3,11	2,60	3,17	2,56	- 3,46	20 %	8,60
Revenue growth-%	5,7 %	3,5 %	0,7 %	3,0 %	-0,9 %	- 5,3 %	2,8 pp	1,4 %
EBIT-%	8,2 %	11,9 %	10,4 %	12,3 %	10,2 %	- 12,9 %	1,5 pp	8,5 %

Source: Inderes & Infront (consensus)

# More cost headwinds in H2, limited estimate changes

## Clear growth targeted in H2

H&M commented that June sales are expected to be down 6% due to strong comparison figures and different weather/discount patterns compared to the previous year. Despite the weak number, the company was positive overall about the sales trends this year and is aiming for mid-single-digit growth in H2.

## 10% EBIT margin admitted to be challenging for 2024

The company reiterated its goal to reach the longer-term EBIT margin target of 10% in 2024, but now added that given the larger-than-expected headwind in costs, this is more challenging than before. We have been skeptical all along about the company's ability to hit 10% this year and also consensus was

only around 9% ahead of the Q2 earnings, while we now forecast 8.6%. These higher costs relate mainly to the increased price of cotton, as well as an appreciation of SEK, which will have some negative translation impact. We also note that H&M has previously commented that it expects prices to go down during the year and it also expects slightly higher markdowns y/y in Q3 despite a very solid inventory as they see a need to activate the clients. Hence, some of the targeted sales growth might come at the cost of the margin, although that's ultimately up to consumer demand.

## Estimate changes fairly neutral overall

Better-than-expected Q2 had a positive impact on our 2024 estimates, but the comments regarding cost headwinds as well as the stabilization of opex levels led us to lower our forecasts slightly for H2,

leaving the total estimate changes for 2024 only at +/- 2%.

For 2025-26 we continue to forecast EBIT margin improving to around 9.5% and sales growth picking up to around 5% as headwinds from store closures fade and the market improves slightly in Europe. We now forecast a somewhat higher gross margin, but also higher opex/sales, leaving the EBIT estimates practically unchanged.

Estimate revisions	2024e	2024e	Change	2025e	2025e	Change	2026e	2026e	Change
MSEK / SEK	Old	New	%	Old	New	%	Old	New	%
Revenue	237069	239274	1 %	247555	249800	1 %	259558	261827	1 %
EBIT	20737	20283	-2 %	23719	23800	0 %	24823	24857	0 %
PTP	18916	18482	-2 %	22219	22300	0 %	23623	23657	0 %
EPS (excl. NRIs)	8,81	8,72	-1 %	10,42	10,45	0 %	11,07	11,09	0 %
DPS	7,00	7,00	0 %	7,50	7,50	0 %	8,50	8,50	0 %

Source: Inderes

# Valuation and recommendation

## Valuation summary - Reduce

We forecast earnings growth in 2024 as margins continue to improve. We expect H&M to distribute most of its earnings and free cash flow as dividends, amounting to a dividend yield of around 4%. The multiples are currently at the high end of our acceptable range and the share is around the levels of our DCF value. Hence, we see little upside on a 12-month horizon.

## Absolute multiples acceptable in 2024-25

H&M's valuation multiples for 2023 are fairly high with P/E over 30x. H&M is, however, showing a continuing margin recovery and targeting a 10% EBIT margin in 2024, as discussed before. We expect the margin improvement to stretch out to 2024-25. The 2024 headline multiples are P/E 19x and EV/EBIT 16x, which look relatively fair. If one adjusts for lease liabilities the EV/EBIT is some 15x and P/E adjusted for net cash excl. IFRS 16 is around 19x. Given the continued growth potential and high returns on capital, which we see in the company, these are within our range for acceptable multiples, albeit at the high end. As we expect further margin improvement in 2025, the multiples start to look more attractive with headline P/E falling to 16x. Obviously, they require that the expected margin improvement is realized.

Looking from 2025 onwards, when we expect stable growth and profitability going forward, we believe H&M's acceptable P/E is 15-20x and EV/EBIT with reported figures 13-15x. Our estimate of H&M's sustainable free cash flow in 2024-26 is 11-12 BNSEK, which means a free cash flow yield of around 4%.

## Valuation compared to the peer group

All retail chains have significant lease liabilities that muddle up the EV-based valuation. Thus, we look mainly at the P/E ratios of the peer group. The peer group's median P/E is 23x for 2024, slightly higher than H&M's 19x and 17x for 2025, very close to H&M's 16x. The values for the peer group vary broadly from single digits to over 40x. Hence, the peer group median is somewhat dependent on which companies one chooses to include in the group, given that there are also other potential peers in the fashion industry. We note that H&M's EV/EBIT valuation is slightly above our peer group. H&M's closest peer Inditex is valued with P/E 27x for 2024 and 24x for 2025, i.e., clearly higher than H&M. Inditex has, however, also grown faster than H&M for some years already. Compared to peers we see H&M's valuation as fair.

## DCF suggests current price is fair

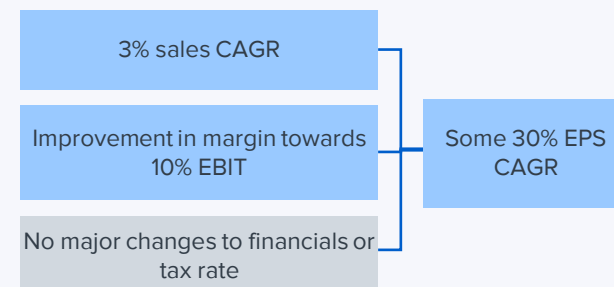
We expect a steady growth and margin during 2025-2032. In the terminal period, we expect the EBIT margin to remain largely flat at around 9.5% while our terminal growth rate assumption is 3%. We estimate the cost of equity and WACC (due to no financial debt) for H&M to be 8.0%, which is fairly low given its strong and wide market presence and strong global brand.

With these assumptions, our DCF model arrives at an EV and equity value of around 275 BNSEK, which translates into around SEK 170 per share. This is well in line with the current share price, suggesting the share is fairly valued.

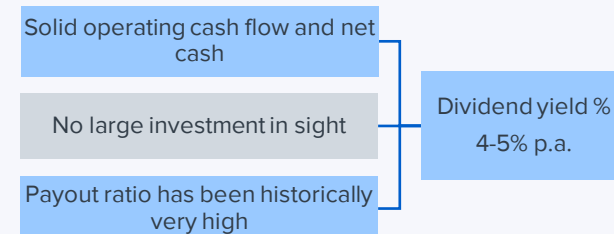
## TSR drivers 2023-2026

■ Positive ■ Neutral ■ Negative

### Profit drivers



### Dividend yield drivers



### Valuation multiple drivers



Share's expected total return ~5% p.a.

# Investment profile 1/2

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

## Potential



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

## Risks



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

# Investment profile 2/2

## Investment profile

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

## Positive drivers and opportunities

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

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

and benefit from the increasing circular economy needs/trends.

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

## Risks and threats

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

While we see some possibilities in the circular economy/sustainability for H&M Group, it certainly poses a risk for the company as well. Affordable/fast fashion is seen as somewhat resource-consuming and hence negative for the climate. If such a view strengthens among consumers, it could hurt the Group's business in the longer term. The brand could also face other reputational risks regarding, e.g., labor conditions of subcontractors or the impacts of sourcing

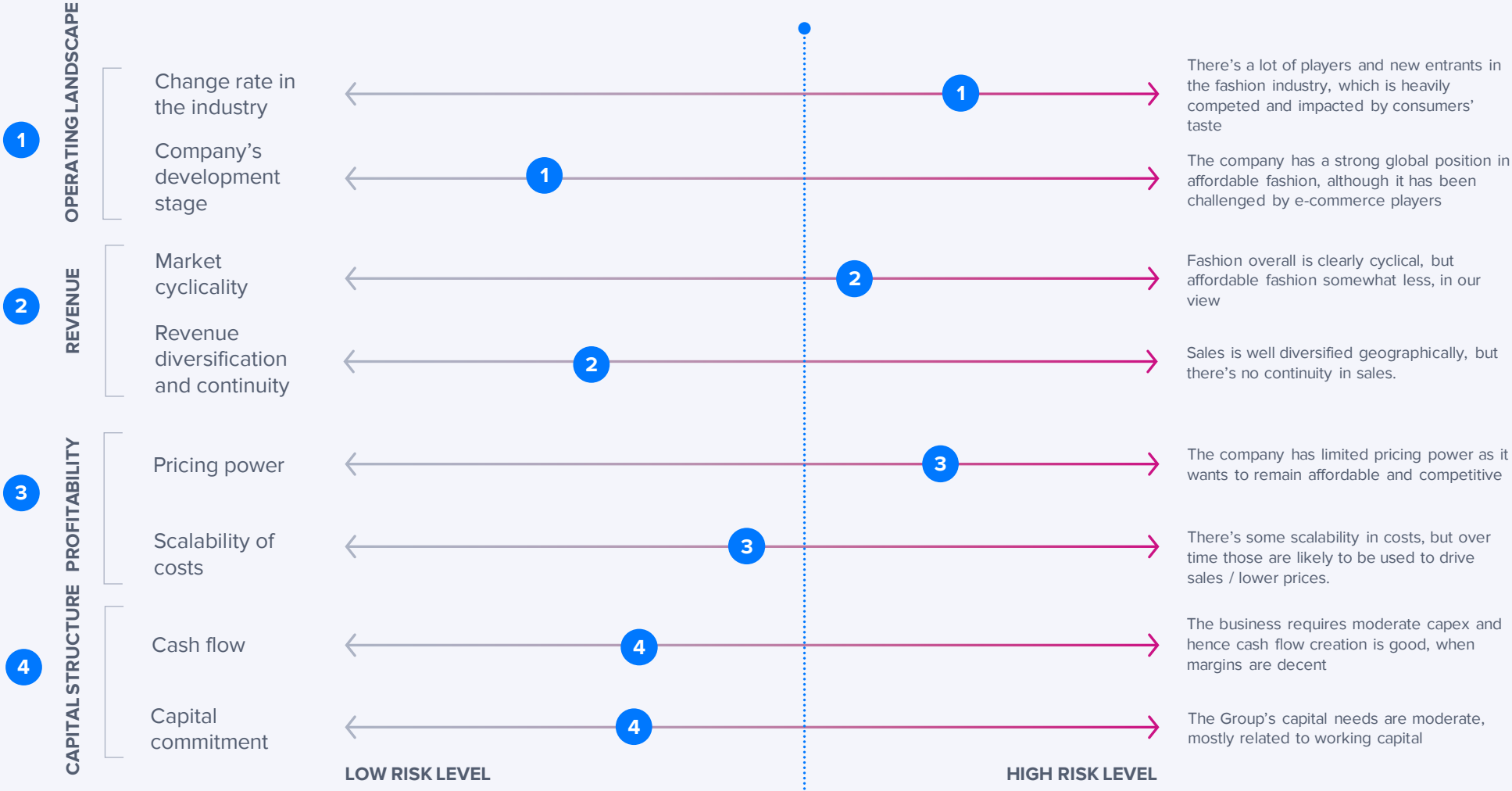
cotton, etc. On the sustainability side, we also see a regulation risk (currently mostly regarding the EU), which could somehow limit H&M Group's business or burden them with more costs related to the durability or circularity of the products.

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



# Risk profile of the business model

Assessment of H&M Group's overall business risk

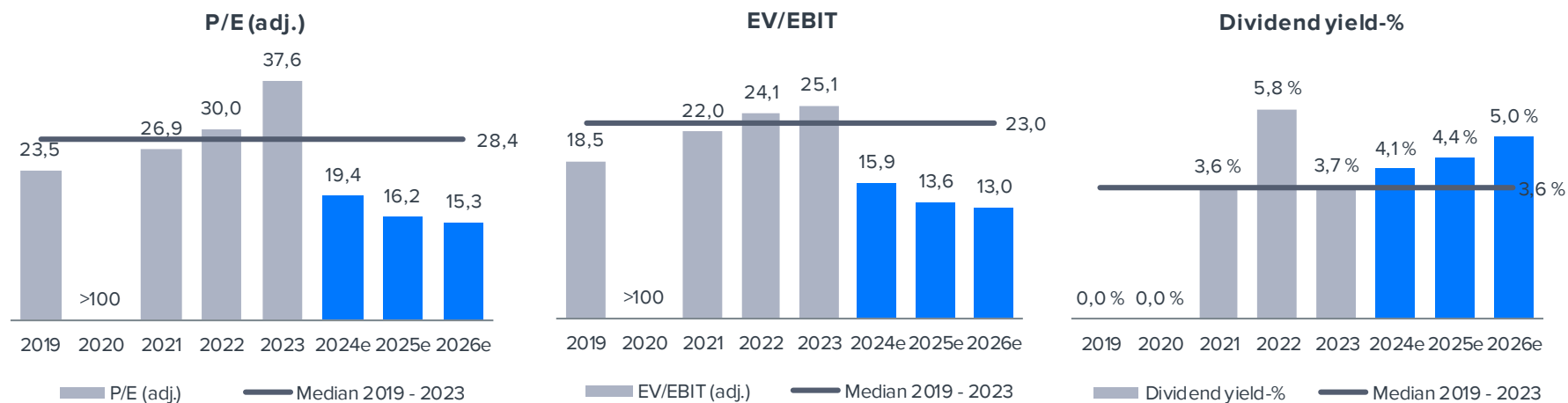


Source: Inderes

# Valuation table

Valuation	2019	2020	2021	2022	2023	2024e	2025e	2026e	2027e
Share price	190	172	179	112	178	169	169	169	169
Number of shares, millions	1655,1	1655,1	1655,1	1645,5	1633,5	1610,5	1610,5	1610,5	1610,5
Market cap	315 258	284 672	295 927	184 569	288 002	272 819	272 819	272 819	272 819
EV	320 644	348 197	335 147	235 497	339 574	326 309	324 451	323 260	322 897
P/E (adj.)	23,5	>100	26,9	30,0	37,6	19,4	16,2	15,3	14,1
P/E	23,5	>100	26,9	51,8	33,3	19,7	16,2	15,3	14,1
P/B	5,5	5,2	4,9	3,6	6,1	5,4	4,8	4,4	4,0
P/S	1,4	1,5	1,5	0,8	1,2	1,1	1,1	1,0	1,0
EV/Sales	1,4	1,9	1,7	1,1	1,4	1,4	1,3	1,2	1,2
EV/EBITDA	11,3	12,0	8,9	7,9	9,1	7,7	7,0	6,8	6,6
EV/EBIT (adj.)	18,5	>100	22,0	24,1	25,1	15,9	13,6	13,0	12,4
Payout ratio (%)	0,0 %	0,0 %	97,7 %	299,8 %	120,9 %	81,4 %	71,7 %	76,6 %	100,0 %
Dividend yield-%	0,0 %	0,0 %	3,6 %	5,8 %	3,7 %	4,1 %	4,4 %	5,0 %	7,1 %

Source: Inderes



# Peer group valuation

Peer group valuation	Market cap	EV	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%		P/B
Company	MEUR	MEUR	2024e	2025e	2024e	2025e	2024e	2025e	2024e	2025e	2024e	2025e	2024e
Inditex	144862	138501	20,5	18,3	14,1	13,0	3,9	3,6	27,0	24,1	3,1	3,7	7,9
Fast Retailing	74897	67789	23,1	22,6	17,8	16,4	3,9	3,5	37,7	35,4	0,9	0,9	6,4
Next	13628	15809	13,6	12,9	11,5	10,8	2,5	2,3	16,1	15,0	2,3	2,4	8,4
GAP	8414	8188	17,6	9,6	8,5	6,1	0,6	0,6	20,5	13,8	2,5	2,5	3,7
Zalando	5607	5168	14,1	10,9	7,1	6,1	0,5	0,5	26,2	19,2			2,1
Victoria's Secret	1324	2293	7,8	9,2	4,2	4,7	0,4	0,4	8,4	10,8			3,0
Abercrombie & Fitch	8231	7637	17,1	12,2	13,1	9,8	1,9	1,7	28,4	18,3			8,5
Urban Outfitters	3719	3278	8,7	8,0	6,8	6,3	0,7	0,6	13,0	11,7			1,7
<b>H&amp;M (Inderes)</b>	<b>23519</b>	<b>28130</b>	<b>15,9</b>	<b>13,6</b>	<b>7,7</b>	<b>7,0</b>	<b>1,4</b>	<b>1,3</b>	<b>19,4</b>	<b>16,2</b>	<b>4,1</b>	<b>4,4</b>	<b>5,4</b>
<b>Average</b>			<b>15,3</b>	<b>12,9</b>	<b>10,4</b>	<b>9,1</b>	<b>1,8</b>	<b>1,7</b>	<b>22,2</b>	<b>18,5</b>	<b>2,2</b>	<b>2,4</b>	<b>5,2</b>
<b>Median</b>			<b>15,6</b>	<b>11,5</b>	<b>10,0</b>	<b>8,1</b>	<b>1,3</b>	<b>1,2</b>	<b>23,4</b>	<b>16,6</b>	<b>2,4</b>	<b>2,5</b>	<b>5,0</b>
<b>Diff-% to median</b>			<b>2 %</b>	<b>18 %</b>	<b>-23 %</b>	<b>-13 %</b>	<b>5 %</b>	<b>10 %</b>	<b>-17 %</b>	<b>-3 %</b>	<b>75 %</b>	<b>80 %</b>	<b>7 %</b>

Source: Refinitiv / Inderes

# Income statement

Income statement	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24	Q2'24	Q3'24e	Q4'24e	2024e	2025e	2026e	2027e
Revenue	223 553	54 872	57 616	60 897	62 650	236 035	53 669	59 605	61 600	64 400	239 274	249 800	261 827	274 600
EBITDA	29 748	6 230	10 234	10 466	10 562	37 492	7 480	12 598	11 332	10 776	42 186	46 516	47 625	49 027
Depreciation	-22 579	-5 505	-5 493	-5 727	-6 230	-22 955	-5 403	-5 500	-5 500	-5 500	-21 903	-22 716	-22 768	-22 980
EBIT (excl. NRI)	9 760	-274	4 741	4 739	4 332	13 538	2 077	7 297	5 832	5 276	20 482	23 800	24 857	26 047
EBIT	7 169	725	4 741	4 739	4 332	14 537	2 077	7 098	5 832	5 276	20 283	23 800	24 857	26 047
Net financial items	-953	-329	-416	-366	-416	-1 527	-471	-430	-450	-450	-1 801	-1 500	-1 200	-500
PTP	6 216	396	4 325	4 373	3 916	13 010	1 606	6 668	5 382	4 826	18 482	22 300	23 657	25 547
Taxes	-2 650	144	-1 037	-1 054	-2 340	-4 287	-405	-1 673	-1 346	-1 207	-4 630	-5 463	-5 796	-6 259
Minority interest	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net earnings	3 566	540	3 288	3 319	1 576	8 723	1 201	4 995	4 037	3 620	13 852	16 836	17 861	19 288
EPS (adj.)	3,7	-0,3	2,0	2,0	1,0	4,7	0,7	3,2	2,5	2,2	8,7	10,5	11,1	12,0
EPS (rep.)	2,2	0,3	2,0	2,0	1,0	5,3	0,7	3,1	2,5	2,2	8,6	10,5	11,1	12,0
<b>Key figures</b>	<b>2022</b>	<b>Q1'23</b>	<b>Q2'23</b>	<b>Q3'23</b>	<b>Q4'23</b>	<b>2023</b>	<b>Q1'24</b>	<b>Q2'24</b>	<b>Q3'24e</b>	<b>Q4'24e</b>	<b>2024e</b>	<b>2025e</b>	<b>2026e</b>	<b>2027e</b>
Revenue growth-%	12,4 %	11,6 %	5,7 %	6,0 %	0,3 %	5,6 %	-2,2 %	3,5 %	1,2 %	2,8 %	1,4 %	4,4 %	4,8 %	4,9 %
Adjusted EBIT growth-%	-36,0 %	-159,8 %	-5,0 %	78,6 %	160,8 %	38,7 %	-858,0 %	53,9 %	23,1 %	21,8 %	51,3 %	16,2 %	4,4 %	4,8 %
EBITDA-%	13,3 %	11,4 %	17,8 %	17,2 %	16,9 %	15,9 %	13,9 %	21,1 %	18,4 %	16,7 %	17,6 %	18,6 %	18,2 %	17,9 %
Adjusted EBIT-%	4,4 %	-0,5 %	8,2 %	7,8 %	6,9 %	5,7 %	3,9 %	12,2 %	9,5 %	8,2 %	8,6 %	9,5 %	9,5 %	9,5 %
Net earnings-%	1,6 %	1,0 %	5,7 %	5,5 %	2,5 %	3,7 %	2,2 %	8,4 %	6,6 %	5,6 %	5,8 %	6,7 %	6,8 %	7,0 %

Source: Inderes

# Balance sheet

Assets	2022	2023	2024e	2025e	2026e
<b>Non-current assets</b>	<b>102525</b>	<b>100744</b>	<b>103841</b>	<b>106125</b>	<b>109092</b>
Goodwill	64,0	1013	1013	1013	1013
Intangible assets	9092	8712	9212	9712	10212
Tangible assets	82736	81536	84133	85917	88384
Associated companies	503	209	209	209	209
Other investments	2654	2363	2363	2363	2363
Other non-current assets	939	1204	1204	1204	1204
Deferred tax assets	6537	5707	5707	5707	5707
<b>Current assets</b>	<b>79523</b>	<b>80529</b>	<b>75371</b>	<b>76189</b>	<b>72003</b>
Inventories	42495	37358	38284	39968	41892
Other current assets	0,0	0,0	0,0	0,0	0,0
Receivables	15321	16773	15553	16237	17019
Cash and equivalents	21707	26398	21535	19984	13091
<b>Balance sheet total</b>	<b>182048</b>	<b>181273</b>	<b>179212</b>	<b>182314</b>	<b>181095</b>

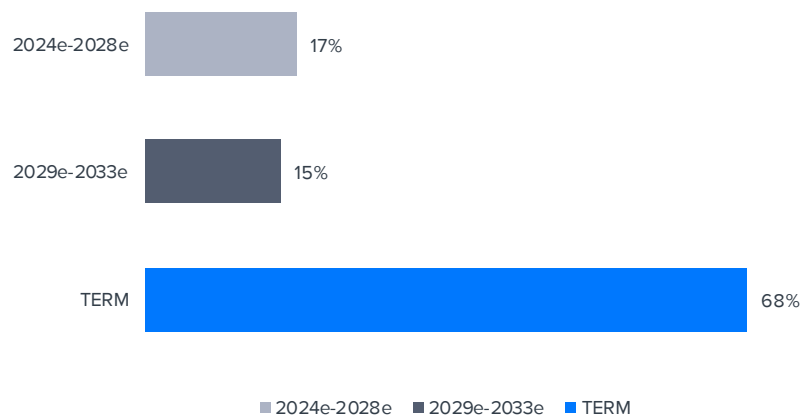
Source: Inderes

Liabilities & equity	2022	2023	2024e	2025e	2026e
<b>Equity</b>	<b>50757</b>	<b>47601</b>	<b>50910</b>	<b>56473</b>	<b>62255</b>
Share capital	207	207	207	207	207
Retained earnings	44694	41198	44507	50070	55852
Hybrid bonds	0,0	0,0	0,0	0,0	0,0
Revaluation reserve	0,0	0,0	0,0	0,0	0,0
Other equity	5856	6196	6196	6196	6196
Minorities	0,0	0,0	0,0	0,0	0,0
<b>Non-current liabilities</b>	<b>62956</b>	<b>65745</b>	<b>50000</b>	<b>50000</b>	<b>50000</b>
Deferred tax liabilities	3273	2416	0,0	0,0	0,0
Provisions	575	384	0,0	0,0	0,0
Interest bearing debt	58925	62813	50000	50000	50000
Convertibles	0,0	0,0	0,0	0,0	0,0
Other long term liabilities	183	132	0,0	0,0	0,0
<b>Current liabilities</b>	<b>68335</b>	<b>67927</b>	<b>78302</b>	<b>75841</b>	<b>68840</b>
Interest bearing debt	13710	15157	25025	21616	13532
Payables	21090	21027	21535	22482	23564
Other current liabilities	33535	31743	31743	31743	31743
<b>Balance sheet total</b>	<b>182048</b>	<b>181273</b>	<b>179212</b>	<b>182314</b>	<b>181095</b>

# DCF calculation

DCF model	2023	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	TERM
Revenue growth-%	5,6 %	1,4 %	4,4 %	4,8 %	4,9 %	5,0 %	5,0 %	5,0 %	5,0 %	5,0 %	3,0 %	3,0 %
EBIT-%	6,2 %	8,5 %	9,5 %	9,5 %	9,5 %	9,5 %	9,5 %	9,5 %	9,5 %	9,5 %	9,5 %	9,5 %
<b>EBIT (operating profit)</b>	<b>14537</b>	<b>20283</b>	<b>23800</b>	<b>24857</b>	<b>26047</b>	<b>27391</b>	<b>28761</b>	<b>30199</b>	<b>31709</b>	<b>33294</b>	<b>34293</b>	
+ Depreciation	22955	21903	22716	22768	22980	23306	23716	24680	25611	26702	28037	
- Paid taxes	-4314	-7046	-5463	-5796	-6259	-6588	-6924	-7276	-7646	-8035	-8279	
- Tax, financial expenses	-503	-451	-368	-294	-123	-123	-123	-123	-123	-123	-123	
+ Tax, financial income	0	0	0	0	0	0	0	0	0	0	0	
- Change in working capital	1830	802	-1421	-1624	-1724	-1854	-1946	-2044	-2146	-2253	-1419	
<b>Operating cash flow</b>	<b>34505</b>	<b>35491</b>	<b>39264</b>	<b>39911</b>	<b>40921</b>	<b>42133</b>	<b>43484</b>	<b>45437</b>	<b>47405</b>	<b>49586</b>	<b>52509</b>	
+ Change in other long-term liabilities	-242	-516	0	0	0	0	0	0	0	0	0	
- Gross CAPEX	-22298	-25000	-25000	-25735	-26492	-27272	-28075	-28902	-30782	-32694	-31812	
<b>Free operating cash flow</b>	<b>11965</b>	<b>9975</b>	<b>14264</b>	<b>14176</b>	<b>14429</b>	<b>14861</b>	<b>15409</b>	<b>16535</b>	<b>16624</b>	<b>16893</b>	<b>20697</b>	
+/- Other	-1766	-2000	-2000	-2000	-2000	-2000	-2000	-2000	-2000	-2000	-2000	
FCFF	10199	7975	12264	12176	12429	12861	13409	14535	14624	14893	18697	388078
<b>Discounted FCFF</b>		<b>7670</b>	<b>10925</b>	<b>10047</b>	<b>9499</b>	<b>9104</b>	<b>8792</b>	<b>8828</b>	<b>8226</b>	<b>7760</b>	<b>9024</b>	<b>187296</b>
Sum of FCFF present value		277172	269502	258577	248530	239031	229926	221134	212307	204080	196320	187296
<b>Enterprise value DCF</b>		<b>277172</b>										
- Interest bearing debt		-17082										
+ Cash and cash equivalents		26398										
-Minorities		0,0										
-Dividend/capital return		-10543										
<b>Equity value DCF</b>		<b>275945</b>										
<b>Equity value DCF per share</b>		<b>171</b>										

Cash flow distribution

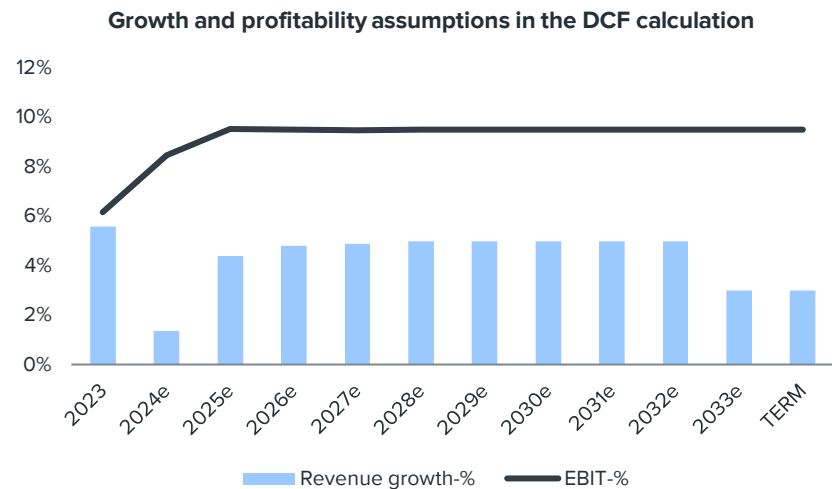
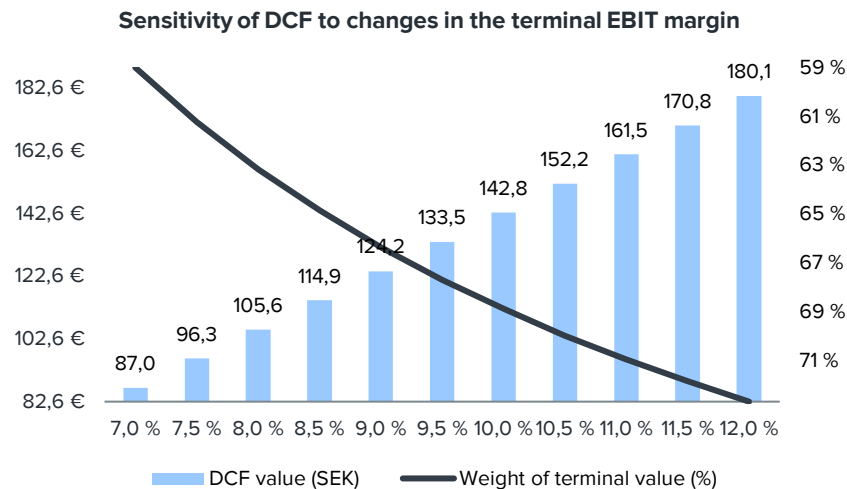
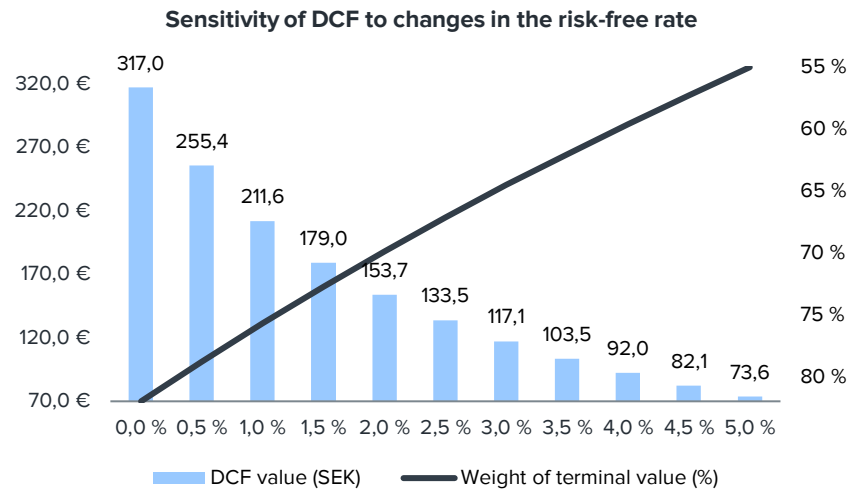
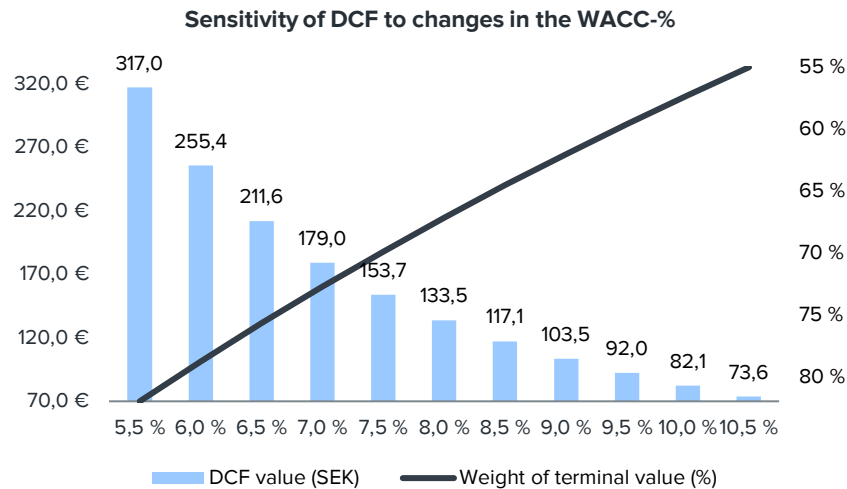


## WACC

Tax-% (WACC)	24,0 %
Target debt ratio (D/(D+E))	0,0 %
Cost of debt	5,0 %
Equity Beta	1,15
Market risk premium	4,75 %
Liquidity premium	0,00 %
Risk free interest rate	2,5 %
<b>Cost of equity</b>	<b>8,0 %</b>
<b>Weighted average cost of capital (WACC)</b>	<b>8,0 %</b>

Source: Inderes

# DCF sensitivity calculations and key assumptions in graphs



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

# Summary

Income statement	2021	2022	2023	2024e	2025e	Per share data	2021	2022	2023	2024e	2025e
Revenue	198967	223553	236035	239274	249800	EPS (reported)	6,7	2,2	5,3	8,6	10,5
EBITDA	37575	29748	37492	42186	46516	EPS (adj.)	6,7	3,7	4,7	8,7	10,5
EBIT	15255	7169	14537	20283	23800	OCF / share	27,1	15,2	21,1	22,0	24,4
PTP	14300	6216	13010	18482	22300	FCF / share	18,8	1,0	6,2	5,0	7,6
Net Income	11010	3566	8723	13852	16836	Book value / share	36,3	30,8	29,1	31,6	35,1
Extraordinary items	0	-2591	999	-199	0	Dividend / share	6,5	6,5	6,5	7,0	7,5
Balance sheet	2021	2022	2023	2024e	2025e	Growth and profitability	2021	2022	2023	2024e	2025e
Balance sheet total	179781	182048	181273	179212	182314	Revenue growth-%	6 %	12 %	6 %	1 %	4 %
Equity capital	60018	50757	47601	50910	56473	EBITDA growth-%	29 %	-21 %	26 %	13 %	10 %
Goodwill	64	64	1013	1013	1013	EBIT (adj.) growth-%	392 %	-36 %	39 %	51 %	16 %
Net debt	39220	50928	51572	53490	51632	EPS (adj.) growth-%	786 %	-44 %	26 %	85 %	20 %
						EBITDA-%	18,9 %	13,3 %	15,9 %	17,6 %	18,6 %
Cash flow	2021	2022	2023	2024e	2025e	EBIT (adj.)-%	7,7 %	4,4 %	5,7 %	8,6 %	9,5 %
EBITDA	37575	29748	37492	42186	46516	EBIT-%	7,7 %	3,2 %	6,2 %	8,5 %	9,5 %
Change in working capital	11083	-539	1830	802	-1421	ROE-%	19,2 %	6,4 %	17,7 %	28,1 %	31,4 %
Operating cash flow	44849	25091	34505	35491	39264	ROI-%	11,7 %	5,7 %	11,7 %	16,1 %	18,7 %
CAPEX	-13751	-23581	-22298	-25000	-25000	Equity ratio	33,4 %	27,9 %	26,3 %	28,4 %	31,0 %
Free cash flow	31094	1660	10199	7975	12264	Gearing	65,3 %	100,3 %	108,3 %	105,1 %	91,4 %
Valuation multiples	2021	2022	2023	2024e	2025e						
EV/S	1,7	1,1	1,4	1,4	1,3						
EV/EBITDA	8,9	7,9	9,1	7,7	7,0						
EV/EBIT (adj.)	22,0	24,1	25,1	15,9	13,6						
P/E (adj.)	26,9	30,0	37,6	19,4	16,2						
P/B	4,9	3,6	6,1	5,4	4,8						
Dividend-%	3,6 %	5,8 %	3,7 %	4,1 %	4,4 %						

Source: Inderes



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

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

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

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## Recommendation history (>12 mo)

Date	Recommendation	Target	Share price
10.10.2023	Accumulate	165	148
17.12.2023	Reduce	170	178
1.2.2024	Accumulate	165	147
28.3.2024	Reduce	170	178
28.6.2024	Reduce	170	169



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