Anora

Company report

8/21/2024

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

Inderes corporate customer

This report is a summary translation of the report "Hitaasti parempaan päin" published on 8/20/2024 at 7:40 pm EEST

Slowly getting better

Anora's Q2 results improved slightly on the comparison period and met our expectations. The company reiterated its full-year guidance, which was expected, although our forecast is close to the low end of the range. Our forecast was largely unchanged, and we continue to believe that the company will be able to significantly improve its results in the coming years compared to last year's weak performance. The valuation is neutral for this year, but attractive for the coming years (P/E below 10x). We reiterate our Accumulate recommendation and target price of EUR 5.0.

Q2 result in line with our expectations, better revenue

Anora's revenue decreased by 3% year-on-year, significantly less than we expected (-10 %). The decline was due to a deterioration of the Industrial segment (albeit also less than we had expected), but the beverage segments Wine and Spirits managed to perform at around the same level as in the comparison period, while we had expected a decline of around 5%. Anora's adj. EBITDA improved year-on-year (13.1 MEUR) and amounted to 15.2 MEUR, almost in line with our expectations (15.5 MEUR). The comparison period was particularly weak in the Wine segment, while the beverage segments improved their profit and margin in comparison and Industrial's result deteriorated as expected due to lower prices and volumes. Gross margin was slightly below our expectations in all segments, but improved clearly from the comparison period, partly due to price increases.

Guidance unchanged, profitability likely to improve in 2024-26

Anora's guidance continues to indicate that 2024 adj. EBITDA will be 75-85 MEUR. Our forecast remains at 76 MEUR, and there were no other significant changes in the forecasts. Therefore, we see a risk of missing the guidance if, for example, the market continues to decline more sharply than expected during the rest of the year. Anora's 2023 performance was weak relative to its history and, in our view, to its potential, mainly due to three factors: 1) the weakening of the SEK and NOK, 2) the poor performance of Globus Wine (Denmark), and 3) the loss of principals in wine distribution. All of these mainly affected the Wine segment. On the first point, price increases have already clearly improved the situation in Q4'23 and the increase in currency hedges will support a smoother development going forward. Addressing points 2 and 3 will be slower and we believe will be done gradually in 2024-25; for Denmark, the company said H1 had progressed as expected, although no specific figures were given. In addition, cost-management measures will support the result already this year. We expect Anora's earnings to continue their upward trend in 2025-26, driven by efficiency measures and growth, to a level of around 90 MEUR adj. EBITDA, which we consider somewhat normal for Anora. This means an adjusted EBITDA margin of around 12%, which is still well below the company's target of 16% in 2030.

2024 valuation relatively neutral, earnings growth and dividend offer reasonably good expected returns

Anora's P/E of 12x for this year is at the midpoint of our acceptable multiple range, and we view the valuation as relatively neutral based on our forecasts for this year. However, earnings growth and the dividend offer a reasonably good expected return in the coming years, which is above our required return. The P/B ratio of 0.7x also offers an upside, as we believe that the return on capital will be close to our required return in the long run, and thus around 1x is an acceptable level for the next couple of years. The usefulness of EV ratios is weakened by lease liabilities and off-balance sheet sales of receivables. The DCF value is in line with the target price.

Recommendation

Accumulate
(was Accumulate)

5.00 EUR
(was 5.00 EUR)

Share price:
4.32

Key figures

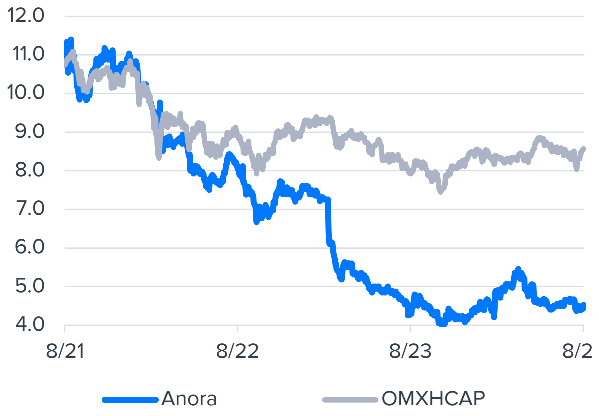
	2023	2024e	2025e	2026e
Revenue	726.5	706.0	724.4	744.6
growth-%	3%	-3%	3%	3%
EBITDA (adj.)	68.2	76.1	85.0	89.5
EBITDA-% (adj.)	9.4 %	10.8 %	11.7 %	12.0 %
Net Income	-39.9	23.4	34.9	41.8
EPS (adj.)	0.19	0.37	0.52	0.62
P/E (adj.)	23.1	11.8	8.4	7.0
P/B	0.7	0.7	0.7	0.6
Dividend yield-%	5.0 %	5.8 %	6.9 %	9.3 %
EV/EBIT (adj.)	12.0	8.3	6.6	5.7
EV/EBITDA	6.2	5.5	4.5	4.0
EV/S	0.6	0.6	0.5	0.5

Source: Inderes

Guidance (Unchanged)

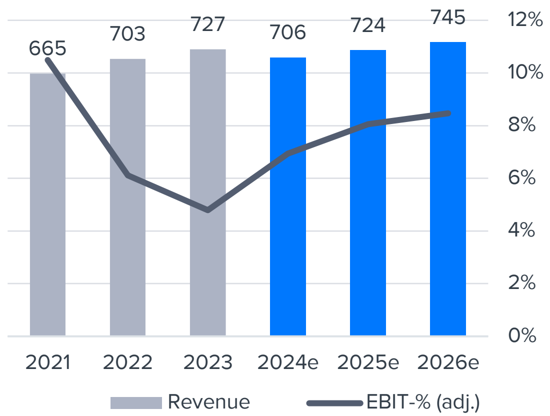
In 2024, Anora's comparable EBITDA is expected to be between 75-85 MEUR (2023: MEUR 68)

Share price



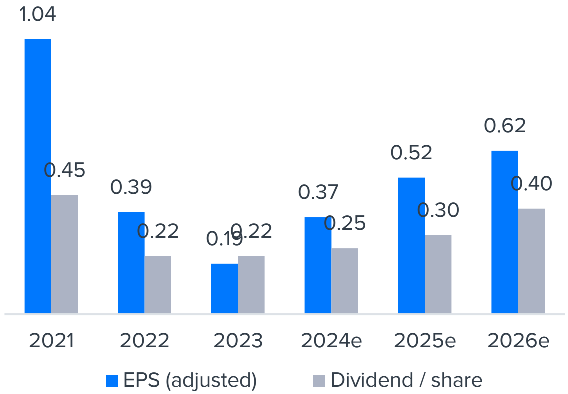
Source: Millistream Market Data AB

Revenue and EBIT-%



Source: Inderes

EPS and dividend



Source: Inderes

Value drivers

- Strong market position and extensive product portfolio
- Stable market and historically stable profitability
- Good potential for creating cash flow

Risk factors

- Globus Wine's performance remaining weak
- Price fluctuations of barley affect earnings
- Anora will continue to seek acquisitions, which involves risks related to the price and integration

Valuation	2024e	2025e	2026e
Share price	4.32	4.32	4.32
Number of shares, millions	67.6	67.6	67.6
Market cap	292	292	292
EV	408	383	361
P/E (adj.)	11.8	8.4	7.0
P/E	12.5	8.4	7.0
P/B	0.7	0.7	0.6
P/S	0.4	0.4	0.4
EV/Sales	0.6	0.5	0.5
EV/EBITDA	5.5	4.5	4.0
EV/EBIT (adj.)	8.3	6.6	5.7
Payout ratio (%)	72%	58%	65%
Dividend yield-%	5.8 %	6.9 %	9.3 %

Source: Inderes

Expected result, revenue better than forecast

Revenue exceeded our expectations and reached last year's levels in the beverage segments

Anora’s revenue decreased by 3% year-on-year, significantly less than we expected. The decline was due to a deterioration of the Industrial segment (albeit also less than we had expected), but the beverage segments Wine and Spirits managed to perform at around the same level as in the comparison period, while we had expected a decline of around 5%.

Anora's Wine segment both outperformed the declining monopoly markets (Finland, Sweden, Norway) and increased its market share in Denmark. In addition, the entry of wine with 8% alcohol content in the shops in Finland gave a one-off boost to sales as shops replenished their stocks. However, it should be noted that Finland represents only 15% of the Wine segment, but its growth turned the numbers positive (+0.8%), according to the company. In the Spirits segment, growth came particularly from Sweden, where the market was more active than in other countries and market shares were stable, according to the company.

Result met our expectations

Anora's result improved slightly from the comparison period and was almost in line with our expectations in terms of adj. EBITDA. Higher than forecast revenue meant that the margin fell short of our expectations. By segment, Wine was in line with our expectations, Spirits and Industrial slightly exceeded our expectations, while the Group allocation line was more negative than we expected. Anora has slightly changed the allocation of the result and from now on this line will be flatter, but slightly more negative than before.

The comparison period was particularly weak in the Wine segment, while the beverage segments improved their profit and margin in comparison and Industrial's result deteriorated as expected due to lower prices and volumes. Gross margin was slightly below our expectations in all segments, but improved clearly from the comparison period, partly due to price increases.

Debt still slightly above target

Anora's cash flow from operating activities was 4 MEUR negative due to the increase in working capital. The figure for the comparison period (44 MEUR positive) was significantly boosted by the sale of trade receivables. Anora's net debt/adj. EBITDA was 2.8x at the end of the quarter, close to the company's target level (below 2.5x). With the company's result on an upward trend and cash flow positive, the target level is within reach relatively soon.

Estimates	Q2'23	Q2'24	Q2'24e	Q2'24e	Consensus		Difference (%)	2024e
MEUR / EUR	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. inderes	Inderes
Revenue	183	177	165	177			7%	706
EBITDA (adj.)	13.1	15.2	15.5	17.1			-2%	76.0
EBITDA	9.9	14.9	15.5	16.9			-4%	74.6
EBIT (adj.)	4.9	8.7	8.7	10.2			0%	49.0
EBIT	1.7	8.4	8.7	10.0			-3%	47.6
EPS (reported)	-0.06	0.03	0.05	0.07			-40%	0.35
Revenue growth-%	10.3 %	-3.1 %	-9.7 %	-3.2 %			6.6 pp	-2.8 %
EBIT-% (adj.)	2.7 %	4.9 %	5.3 %	5.8 %	-		-0.4 pp	6.9 %

Source: Inderes & Vara Research, 5 analysts (consensus)

Anora Q2'24: A solid performance

Guidance unchanged, no major changes to forecasts

Anora's full-year guidance remained unchanged

Anora reiterated its full-year outlook and expects an adjusted EBITDA margin of 75-85 MEUR in 2024 (vs. 68 MEUR 2023). The company also reiterated its market outlook, expecting volumes in key markets to be "slightly lower" than in 2023. In Finland, Anora believes that the decline in Alko sales will be "mostly compensated" by wine sales to retailers.

However, in our interview, the company commented that it was somewhat concerned about the negative volume trend and that the weak performance of the Industrial segment in the first half of the year was somewhat of a surprise. Despite this, the company naturally believes in its guidance. For the last 12 months, the group's adjusted EBITDA is around 71 MEUR, so the trend of improving results needs to continue throughout the year to reach the guidance. Our forecast remains at 76 MEUR. Especially in view of the negative market sentiment, we think it is reasonable to assume that even the company's expectations are at the lower rather than the upper end of the guidance range.

Finance expenses higher for the year

For this year, strong revenue in Q2 supported the increase in revenue forecasts, but there was no change in the adj. EBITDA level. Higher-than-expected finance expenses led to a reduction of the forecasts for the lower result lines this year. There were no significant changes in estimates for the coming years.

Changing legislation in Finland still a threat and an opportunity

In Finland, a legislative amendment in June allowed 8% ABV wines to be sold at retail. Initially, Anora was able to gain a good market share in this area and thus increase volume, although the margin is below average, according to the company. However, the market has not yet seen any private label brands, which are likely to emerge if the category proves attractive to consumers. This would increase competition and margin pressure. In the longer term, the key question for Anora is how much Alko's sales (both wine and spirits) will suffer as a result of the legislative amendment, i.e. how much Anora will lose in Alko sales compared to what it gains in retail. Alternatively (or probably to some extent simultaneously), retail consumption may shift to 8% ABV wines from other alcoholic products.

However, when looking at the company, it is important to remember that Finnish beverage sales only account for 15% of Anora's revenue, so even a significant change in the Finnish market may not necessarily be that significant for the company as a whole.

Estimate revisions	2024e	2024e	Change	2025e	2025e	Change	2026e	2026e	Change
MEUR / EUR	Old	New	%	Old	New	%	Old	New	%
Revenue	690	706	2%	714	724	1%	734	745	1%
EBITDA (adj.)	76.3	76.0	0%	85.6	85.0	-1%	90.3	89.5	-1%
EBIT (exc. NRIs)	49.0	49.0	0%	58.1	58.3	0%	63.2	63.1	0%
EBIT	47.9	47.6	-1%	58.1	58.3	0%	63.2	63.1	0%
PTP	31.8	29.6	-7%	44.1	44.3	1%	53.2	53.1	0%
EPS (excl. NRIs)	0.39	0.37	-6%	0.51	0.52	1%	0.62	0.62	0%
DPS	0.25	0.25	0%	0.30	0.30	0%	0.40	0.40	0%

Source: Inderes

Earnings growth and dividend drive expected return

Valuation summary – Accumulate

Anora's earnings outlook for the coming years consists of both dividend yield and earnings growth, with the margin improvement of the last few quarters translating to a full-year level, and we expect the company's revenue to return to growth in 2025. The valuation level for 2024 is still neutral by earnings multiples, but already attractive from 2025 onwards. By looking at other valuation methods, the valuation picture seems moderate overall.

We see the total expected return for the stock as consisting of dividend yield, earnings growth driven by improved profitability and a decrease in multiples (vs. 2023 actualized level).

DCF model value in line with the target price

Due to the stable industry, steady growth and relatively easily predictable business, the DCF model is, in our opinion, a relevant valuation method for Anora. Our DCF model gives Anora a debt-free value of about 650 MEUR, which means that the value of the share capital is about 340 MEUR, or EUR 5.1 per share. Here we treat sold receivables as debt (about 170 MEUR at the end of 2023).

After our more detailed forecast years (2024-26), we forecast only 1% growth in revenue for the company from 2028 onwards. We assume the EBIT margin to be 7-8%. This means that EBIT will be 55-65 MEUR in 2028-33. Investments remain close to the depreciation level.

Because the company's demand is even and defensive and profitability is stable, we use a relatively low 7.6% WACC. About half of the cash flows will already be generated in the next 10 years and the other half in the terminal period.

Earnings-based valuation neutral in 2024

For the P/E ratio, we see acceptable multiples of 11-13x, with this year's ratio at the midpoint of the range. In 2025-26 the valuation is below 10x, which we think is cheap, and we think Anora's performance in those years will be relatively normal. This provides upside for the share with earnings growth.

Anora's EV/EBIT valuation is approximately 8x with 2024 earnings. In its current form, Anora has only been operational for one year, but we find Altia's historic valuation levels relevant also to Anora, as the return on capital and growth profile are very similar. Examined like this, Altia's/Anora's average historical EV/EBIT is about 12x. Similarly, the P/E ratio for 2024 is 13x and the historical average is 12x.

As regards the EV-based valuation, we note that Anora has a lease liability of little over 60 MEUR, which is not actual financial liability. On the other hand, it has off-balance-sheet sold receivables of some 170 MEUR (at the end of 2023), which can be considered as debt-like assets. We have not adjusted this either way when calculating multiples, but for this reason we do not believe EV-based multiples are the most appropriate for Anora.

Valuation	2024e	2025e	2026e
Share price	4.32	4.32	4.32
Number of shares, millions	67.6	67.6	67.6
Market cap	292	292	292
EV	408	383	361
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Payout ratio (%)	72%	58%	65%
Dividend yield-%	5.8 %	6.9 %	9.3 %

Source: Inderes

Expected return is reasonably good

Balance sheet-based valuation on the cheaper side

With our estimates, Anora's return on capital (both ROE and ROCE) will be around 8-10% in 2025-27. The rate of return is thus slightly above our required return (8.0% for equity, 7.6% for total capital). Thus, the P/B ratio should be slightly above 1.0x. The same is true for the EV/IC ratio (i.e. enterprise value/invested capital). At the current share price, both the P/B and EV/IC ratios for 2024-2025 around 0.7x. The level is justified at current earnings levels, but we believe that medium-term return on capital levels justify around 1x levels. The book value per share is just under EUR 6. In this respect, the stock still has upside, but on the other hand, the return required here is only achieved in our forecasts within a 1-2-year horizon.

Expected return good 10% in the longer term

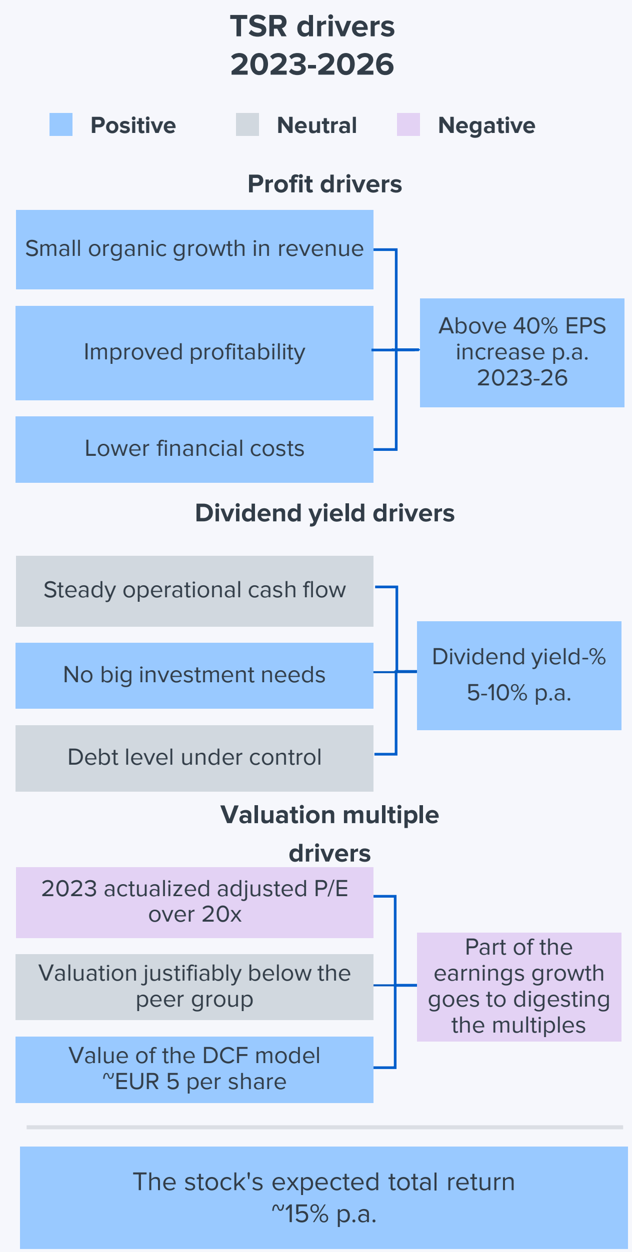
We believe Anora has the possibility of substantially increasing its volumes within the existing production facilities. Thus, growth in the foreseeable future will not require significant factory investments and the company can use its free cash flow mainly for dividends and possible acquisitions.

The impact of growth on earnings and return on capital naturally depends on what type of products the company can grow with. However, with our current estimates, growth is rather neutral from the point of view of return on capital and hence value creation. Therefore, the company's level of return on capital is mainly determined by its profitability level.

Although our return on capital projections are only slightly above our required return also looking further into the future, Anora's expected return at current valuations is reasonably good also in the longer term. If Anora would distribute its entire free cash flow as dividends (some 35 MEUR) the dividend yield would be over 10%. In our opinion, this describes Anora's long-term annual return potential well. The return is above our required return of some 8%.

Valuation compared to the peer group

In our opinion, Anora has no direct peers, either in the Nordic countries nor internationally. We use major international alcohol producers as our peer group. Anora's multiples are well below the average/median of the peer group with both earnings-based and balance sheet multiples, as should be. This is due to Anora's lower profitability, return on capital and growth. So we do not feel peer group comparison provides essential support to Anora's valuation.



Source: Inderes

Investment profile 1/2

1. **Strong market position, stable profitability and extensive product portfolio**

2. **Historically a rather stable market**

3. **We believe return on capital will remain at the level of their costs**

4. **Wine segment profitability weak, but recovering**

5. **Possibility of continued expansion in the European market with acquisitions**

6. **Historically a good dividend payer**

Potential

- **Synergies and efficiency improvement** arising from the merger between Altia and Arcus and the acquisition of Globus Wine are already mainly reflected in Anora's figures, but the full impact of the ongoing efficiency programs will not be seen until 2025-26
- **Geographical expansion** With Anora's extensive Nordic brand portfolio, the company has a better opportunity to increase sales in the export markets (in spirits)
- **Complementing acquisitions** The company is interested in further growth through acquisitions, where the next logical step would be Central Europe. This could again generate new cross-selling synergy. However, the current balance sheet limits acquisitions

Risks

- **Profitability remaining low in the Wine segment.** This is particularly true of Globus Wine's (Denmark) current weak performance and the Swedish market, where Anora has lost volume
- **Exposure to barley price variation:** Barley is the company's main raw material and its price increase has had a negative impact on earnings this year
- **An error in product safety or other deterioration in a brand/brand reliability may result in a drop in demand:** However, this risk is mitigated by Anora's geographical dispersion and several different brands
- **Acquisition risks:** Price paid in possible future acquisitions and integration of operations generate their own operational risk

Source: Inderes

Investment profile 2/2

Next, we will discuss Anora's competitive advantages, strengths/opportunities, and weaknesses/risks.

Limited competitive advantages

In terms of competitive advantages, we feel that Anora's business should be divided into its own brands and partner brands.

For own brands, the potential competitive advantage is in the brand's strength. This is difficult to measure, but market shares give some perception of the strength of the brand. From this angle, Anora's well-known spirit brands Koskenkorva in non-flavored vodkas and Linie & OP Anderson in akvavit seem to enjoy some competitive advantage as their market shares in the Nordic countries are over 50%. However, we do not see a company-wide competitive advantage in own brands, even though we believe that certain brands and markets have them. Anora's history and know-how of acting in a monopoly market can generate some advantage against international competitors but we do not see this as a clear competitive advantage either.

In partner brands, this long knowledge of the monopoly market, combined with a strong position in all Nordic markets, gives Anora a type of competitive advantage. But the Swedish Viva Wine Group, for example, operates in the same monopoly market and has been able to increase its market share steadily, which indicates that Anora does not have a clear competitive advantage at least against them. However, partners can easily get skilled distribution across the Nordic countries through Anora.

Industrial segment's operations are mainly handling of side streams and logistics, where we do not see any competitive advantages as such. Side stream management is nevertheless important for Anora and making even a small profit here is naturally positive for the Group as a whole.

Other strengths and opportunities

Anora's strong position in the Nordic countries and its extensive brand portfolio also give it a good position in the export markets to seek growth and export Nordic products to Europe through a possible acquisition. Anora also has its own online store in Germany. However, the role of the export market in Anora as a whole is limited, so we do not expect growth there to quickly change the growth profile of Anora.

Anora also sees itself as a forerunner in sustainability. For example, the company aims to reduce its carbon dioxide emissions and move to more climate-friendly packaging. We do not believe that, at least in the eyes of the consumer, the sustainability profile of Anora has an impact on purchasing decisions, so it is of little importance on the demand side. Monopoly chains, on the other hand, have clear responsibility aspirations and Anora's actions support the entry/retention of products in the monopoly chains.

In terms of performance, we see potential for improvement in 2024-25, as we believe that pricing and increased hedging will compensate for the weakening of SEK and NOK and merger synergies and other efficiency gains will be increasingly visible.

Weaknesses and risks

We feel Anora's clear weakness is a stunted target market, which has partly led to the company's subdued historical growth. However, Anora sees small market growth in the coming years as well, but the alcohol consumption trend especially in Finland has made a downturn, which may, if continued, be reflected as a market decline. Anora has a small range of non-alcoholic products and in 2023 made an investment in the Danish company ISH, which sells non-alcoholic beverages. However, the scale of this business is so small for the time being that it is not, in our view, able to compensate for a possible reduction in alcohol consumption.

Another clear weakness is the current poor performance of the Wine segment, which has been affected by 1) exchange rate changes 2) Globus Wine's weaker-than-expected profitability, and 3) loss of partnership agreements. We believe that point 1 has already been largely resolved but fixing points 2 and 3 is likely to take longer.

According to our estimates, Anora's return on capital will be approximately at the level of the return requirement which is a weakness for Anora as an investment as it considerably limits its longer-term expected return. Improving this would require a clear improvement in profitability or a better capital revenue.

We see the reduction in partner agreements as a risk, which we believe could mainly be caused by continued consolidation of international alcohol producers. This could lead to an increase in the number of companies handling Nordic distribution themselves.

Strategy and financial targets 1/2

Anora's growth strategy extends until 2030

Anora announced its strategy for the first time since the merger of Arcus and Altia (and the acquisition of Globus Wine) in November 2022. Anora's growth strategy is based on three pillars:

- In the monopoly market (Sweden, Norway, Finland), the company aims to grow 1.5 times faster than the market, which, according to the company, means around 3% growth.
- In Denmark and the Baltic countries, the company aims to expand its operations to establish itself as a regional leader
- Internationally, the company seeks growth through "hero brands"

There are also numerical targets linked to the objectives, which are:

- Increase the share of non-monopoly market sales in the Spirits segment's revenue to 20 (around 11% last year)
- "Hero brands" to account for 30% of revenue (about 15% last year)
- Leading position in ESG

We believe it is challenging for Anora to reach faster growth than the market in the monopoly market due to its already strong market position. Anora aims to support growth by strengthening its position in all sales channels, so in addition to monopoly chains, e.g., in the retail sector, where it currently has a smallish position. Growth is also sought through investing in "hero brands" in the monopoly market. At least recently, its performance has been weaker than the market, especially in wines, due to the decline in partner sales. On the other hand, market development has also continued on a downward trend from COVID era figures, due to normalization and weak economic conditions.

In non-monopoly market sales, Anora still has a long way to go. Anora is a small player in the Baltic countries, and although the company sees potential there, especially in spirits, its impact for Anora is limited (revenue increase ~15 MEUR). More significant international growth relies more on opening new markets, where the company's recent track record is almost non-existent.

The growth strategy was overshadowed by negative factors in 2023

Anora's growth strategy and related financial targets (which we will discuss on the next page) are, in our view, quite ambitious. In the year following the strategy announcement, the company's profitability declined more strongly than expected, especially due to Globus Wine and currency effect. Therefore, we believe that the company has had and will have to focus more on correcting profitability and short-term problems than on investing in longer-term growth.

However, the company has progressed in its growth targets, for example in terms of own wines. In terms of spirits, strategy implementation has also progressed, although no significant development has been made, e.g., in international expansion.

Anora's responsibility objectives

Science-based objectives:

Overall emissions reduction of 38% by 2030 and net zero emissions by 2050

Koskenkorva distillery carbon neutral by 2026 and the entire production by 2030 without carbon compensation

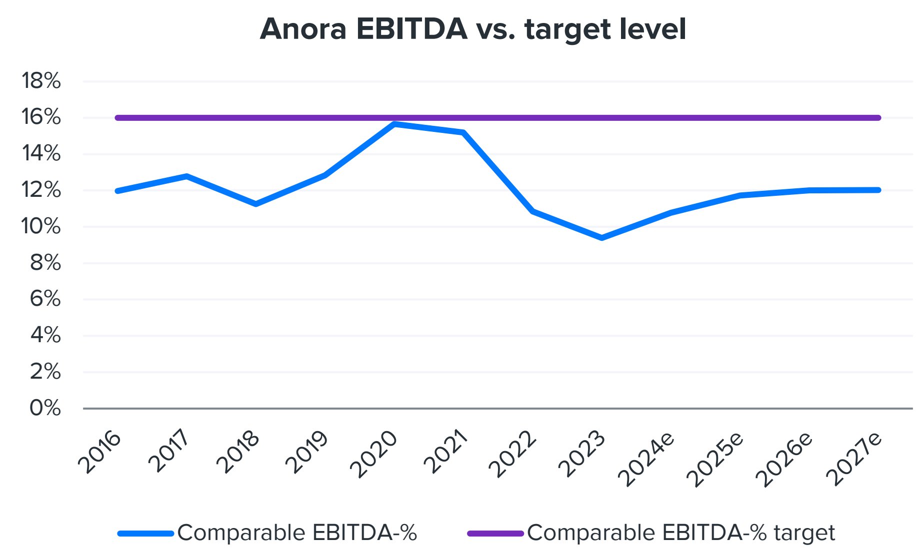
Share of own grain spirits produced from renewable grains raised to 30%

All Anora's packaging will be light, 100% recyclable and manufactured from certified sources or recycled materials by 2030

Strategy and financial targets 2/2

Financial targets for 2030 (issued in November 2022)

Annual revenue growth 3-5% (incl. acquisitions, but mainly organic)	Adjusted EBITDA margin of 16%	Net debt/adjusted EBITDA below 2.5x
• The combined revenue of Anora and Altia was practically stagnate in 2016-2020 • In 2021-22, strong demand in the COVID era and the acquisition of Globus Wine accelerated growth to 6% per year • We see achieving even the lower end of the target organically challenging • Therefore, we believe that achieving this goal will require acquisitions	• Altia's and Arcus' combined EBITDA-% in 2016-19 was good 12%. In the COVID years 2020-21, it was 15-16%, but fell below 10% in 2023 • We find the target extremely challenging and forecast a margin of 11-12% for the next few years • Even if Anora got closer to its target level, we believe that it will not happen until the latter part of the decade	• In summer 2022, Anora acquired Globus Wine with debt, which, together with the downward earnings trend has raised the leverage • At the end of Q2'24, net debt/adj. EBITDA was 2.8x • However, the company has fundamentally good cash flow and, supported by an improving performance, we believe it will reach a more sustainable target level in 2024

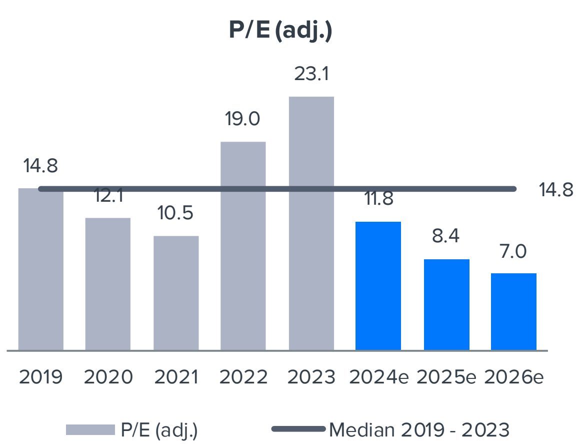


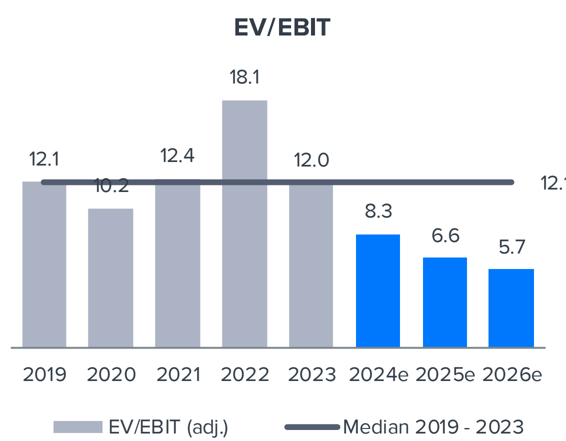
Source: Anora, Inderes

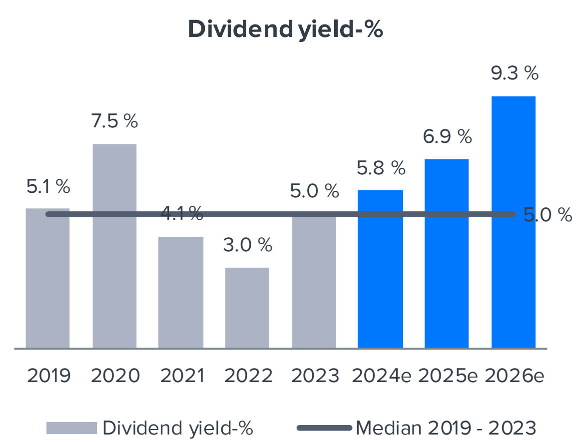
Valuation table

Valuation	2019	2020	2021	2022	2023	2024e	2025e	2026e	2027e
Share price	8.20	9.98	10.9	7.36	4.44	**4.32**	**4.32**	**4.32**	**4.32**
Number of shares, millions	36.1	36.1	46.6	67.6	67.6	**67.6**	**67.6**	**67.6**	**67.6**
Market cap	296	361	736	498	300	**292**	**292**	**292**	**292**
EV	325	357	864	778	419	**408**	**383**	**361**	**343**
P/E (adj.)	14.8	12.1	10.5	19.0	23.1	**11.8**	**8.4**	**7.0**	**6.4**
P/E	16.1	20.3	11.9	27.7	neg.	**12.5**	**8.4**	**7.0**	**6.4**
P/B	2.0	2.3	1.5	1.0	0.7	**0.7**	**0.7**	**0.6**	**0.6**
P/S	0.8	1.1	1.1	0.7	0.4	**0.4**	**0.4**	**0.4**	**0.4**
EV/Sales	0.9	1.0	1.3	1.1	0.6	**0.6**	**0.5**	**0.5**	**0.5**
EV/EBITDA	7.6	8.9	9.1	11.5	6.2	**5.5**	**4.5**	**4.0**	**3.8**
EV/EBIT (adj.)	12.1	10.2	12.4	18.1	12.0	**8.3**	**6.6**	**5.7**	**5.3**
Payout ratio (%)	82.6 %	152.7 %	71.2 %	82.9 %	neg.	**72.3 %**	**58.1 %**	**64.6 %**	**70.0 %**
Dividend yield-%	5.1 %	7.5 %	4.1 %	3.0 %	5.0 %	**5.8 %**	**6.9 %**	**9.3 %**	**11.0 %**

Source: Inderes







Peer group valuation

Peer group valuation	Market cap	EV	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%		P/B
Company	**MEUR**	**MEUR**	**2024e**	**2025e**	**2024e**	**2025e**	**2024e**	**2025e**	**2024e**	**2025e**	**2024e**	**2025e**	**2024e**
Brown-Forman	19330	21720	18.4	19.6	17.4	18.3	5.7	5.7	22.8	24.3	2.0	2.0	6.4
Davide Campari Milano	10032	11129	17.1	14.8	14.4	12.5	3.5	3.2	24.5	21.7	0.9	0.9	1.4
Diageo	64757	85799	15.8	16.0	14.3	14.3	4.7	4.6	17.4	17.8	3.1	3.2	6.7
Pernod-Ricard	31387	42758	13.6	13.3	11.9	11.7	3.7	3.6	15.4	15.0	3.6	3.6	1.9
Remy-Cointreau	3652	4274	14.2	14.3	12.5	12.4	3.6	3.6	19.3	19.7	2.8	2.8	2.0
Constellation Brands	40005	50974	17.7	15.9	15.6	14.0	5.7	5.3	20.4	17.7	1.5	1.7	4.6
Olvi	655	635	8.4	7.7	6.2	5.8	1.0	1.0	11.2	10.1	4.0	4.3	2.0
Royal Unibrew	3482	4407	16.5	15.0	12.4	11.4	2.2	2.1	19.7	17.4	2.9	3.2	3.9
Anora (Inderes)	**292**	**408**	**8.3**	**6.6**	**5.5**	**4.5**	**0.6**	**0.5**	**11.8**	**8.4**	**5.8**	**6.9**	**0.7**
Average			**15.2**	**14.6**	**13.1**	**12.5**	**3.7**	**3.6**	**18.8**	**18.0**	**2.6**	**2.7**	**3.6**
Median			**16.1**	**14.9**	**13.4**	**12.4**	**3.6**	**3.6**	**19.5**	**17.8**	**2.8**	**3.0**	**3.0**
Diff-% to median			***-48%***	***-56%***	***-59%***	***-64%***	***-84%***	***-85%***	***-39%***	***-53%***	***104%***	***135%***	***-76%***

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	**703**	**160**	**183**	**173**	**211**	**727**	**147**	**177**	**171**	**211**	**706**	**724**	**745**	**760**
Wine	317	73.3	81.6	78.0	101	334	66.6	82.2	78.0	102	329	335	345	352
Spirits	234	48.9	58.4	57.2	72.5	237	47.0	58.5	57.0	73.0	236	240	247	252
Industrial	286	67.5	70.3	71.0	60.7	270	55.2	60.9	60.0	60.0	236	243	248	253
Group and eliminations	-133.2	-30.2	-27.6	-33.2	-23.3	-114.3	-21.9	-24.5	-24.0	-24.0	-94	-94	-96	-98
EBITDA	**67.9**	**6.9**	**9.9**	**28.9**	**21.9**	**67.5**	**7.7**	**14.9**	**22.0**	**30.0**	**74.6**	**85.0**	**89.5**	**91.4**
Depreciation	-33.2	-8.6	-8.3	-8.4	-73.6	-98.8	-6.9	-6.5	-6.8	-6.8	-27.0	-26.7	-26.4	-26.2
EBIT (excl. NRI)	**42.9**	**-0.7**	**4.9**	**11.8**	**18.9**	**34.8**	**1.9**	**8.7**	**15.2**	**23.2**	**49.0**	**58.3**	**63.1**	**65.2**
EBIT	**34.7**	**-1.7**	**1.7**	**20.5**	**-51.7**	**-31.3**	**0.8**	**8.4**	**15.2**	**23.2**	**47.6**	**58.3**	**63.1**	**65.2**
Wine (EBITDA)	23.5	1.2	-1.3	2.3	10.2	12.4	2.6	4.4	6.0	11.5	24.5	29.5	31.1	31.7
Spirits (EBITDA)	37.8	5.8	7.6	11.8	15.1	40.3	6.8	8.9	13.5	16.0	45.2	46.8	48.2	49.2
Industrial (EBITDA)	17.7	2.5	5.9	6.0	3.1	17.5	0.8	3.4	4.0	4.0	12.2	14.6	16.1	16.4
Group and eliminations	-2.8	-1.6	0.8	0.2	-1.3	-1.9	-1.4	-1.4	-1.5	-1.5	-5.8	-6.0	-6.0	-6.0
Share of profits in assoc. compan.	0.6	1.1	-0.3	-0.3	-0.3	0.2	0.7	-0.3	0.0	0.2	0.6	1.0	1.0	1.0
Net financial items	-11.9	-5.3	-6.0	-5.8	-5.6	-22.8	-4.5	-5.6	-4.5	-4.0	-18.6	-15.0	-11.0	-8.2
PTP	**23.4**	**-5.9**	**-4.7**	**14.4**	**-57.6**	**-53.8**	**-3.0**	**2.5**	**10.7**	**19.4**	**29.6**	**44.3**	**53.1**	**58.0**
Taxes	-5.3	0.3	0.6	-0.4	13.5	13.9	0.8	-0.7	-2.1	-3.9	-5.9	-9.1	-10.9	-12.0
Minority interest	-0.2	0.0	-0.1	0.0	0.1	0.0	0.0	0.0	-0.1	-0.1	-0.2	-0.3	-0.3	-0.3
Net earnings	**17.9**	**-5.6**	**-4.2**	**14.0**	**-44.1**	**-39.9**	**-2.2**	**1.8**	**8.5**	**15.4**	**23.5**	**34.9**	**41.8**	**45.7**
EPS (adj.)	**0.39**	**-0.07**	**-0.01**	**0.08**	**0.20**	**0.19**	**-0.02**	**0.03**	**0.13**	**0.23**	**0.37**	**0.52**	**0.62**	**0.68**
EPS (rep.)	**0.27**	**-0.08**	**-0.06**	**0.21**	**-0.65**	**-0.59**	**-0.03**	**0.03**	**0.13**	**0.23**	**0.35**	**0.52**	**0.62**	**0.68**

Key figures	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24	Q2'24	Q3'24e	Q4'24e	2024e	2025e	2026e	2027e
Revenue growth-%	5.7 %	19.5 %	10.3 %	-4.9 %	-4.7 %	3.4 %	-7.9 %	-3.1 %	-1.2 %	-0.1 %	-2.8 %	2.6 %	2.8 %	2.0 %
Adjusted EBIT growth-%	-38.5 %	-112.5 %	-56.8 %	-17.7 %	53.8 %	-19.0 %	-392.3 %	79.4 %	29.4 %	23.1 %	40.8 %	19.0 %	8.1 %	3.3 %
EBITDA-%	9.7 %	4.3 %	5.4 %	16.7 %	10.4 %	9.3 %	5.2 %	8.4 %	12.9 %	14.2 %	10.6 %	11.7 %	12.0 %	12.0 %
Adjusted EBIT-%	6.1 %	-0.4 %	2.7 %	6.8 %	8.9 %	4.8 %	1.3 %	4.9 %	8.9 %	11.0 %	6.9 %	8.1 %	8.5 %	8.6 %
Net earnings-%	2.6 %	-3.5 %	-2.3 %	8.1 %	-20.9 %	-5.5 %	-1.5 %	1.0 %	4.9 %	7.3 %	3.3 %	4.8 %	5.6 %	6.0 %

Source: Inderes

Balance sheet

Assets	2022	2023	2024e	2025e	2026e
Non-current assets	**772**	**654**	**651**	**653**	**655**
Goodwill	311	304	304	304	304
Intangible assets	226	206	206	206	206
Tangible assets	214	131	124	126	128
Associated companies	20.7	12.3	12.3	12.3	12.3
Other investments	0.7	0.7	1.0	1.0	1.0
Other non-current assets	0.0	0.0	0.0	0.0	0.0
Deferred tax assets	0.6	0.0	3.0	3.0	3.0
Current assets	**529**	**482**	**452**	**484**	**413**
Inventories	186	144	141	145	149
Other current assets	4.1	14.5	14.5	14.5	14.5
Receivables	248	110	106	109	112
Cash and equivalents	91.4	213	191	216	138
Balance sheet total	**1301**	**1136**	**1103**	**1137**	**1068**

Source: Inderes

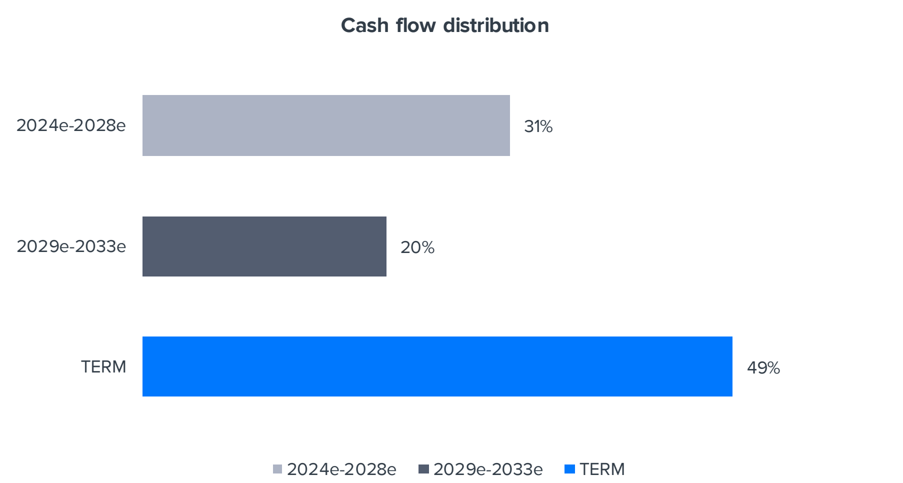
Liabilities & equity	2022	2023	2024e	2025e	2026e
Equity	**482**	**409**	**417**	**436**	**458**
Share capital	61.5	61.5	61.5	61.5	61.5
Retained earnings	111	55.4	63.9	81.9	103
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	0.0	0.0	0.0	0.0	0.0
Other equity	309	291	291	291	291
Minorities	0.9	0.5	0.8	1.1	1.4
Non-current liabilities	**409**	**375**	**339**	**339**	**239**
Deferred tax liabilities	57.3	36.8	36.8	36.8	36.8
Provisions	2.7	2.4	2.4	2.4	2.4
Interest bearing debt	348	336	300	300	200
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	0.6	0.1	0.0	0.0	0.0
Current liabilities	**411**	**352**	**346**	**362**	**371**
Interest bearing debt	43.9	15.4	20.0	20.0	20.0
Payables	364	328	318	333	343
Other current liabilities	2.8	8.7	8.7	8.7	8.7
Balance sheet total	**1301**	**1136**	**1103**	**1137**	**1068**

DCF calculation

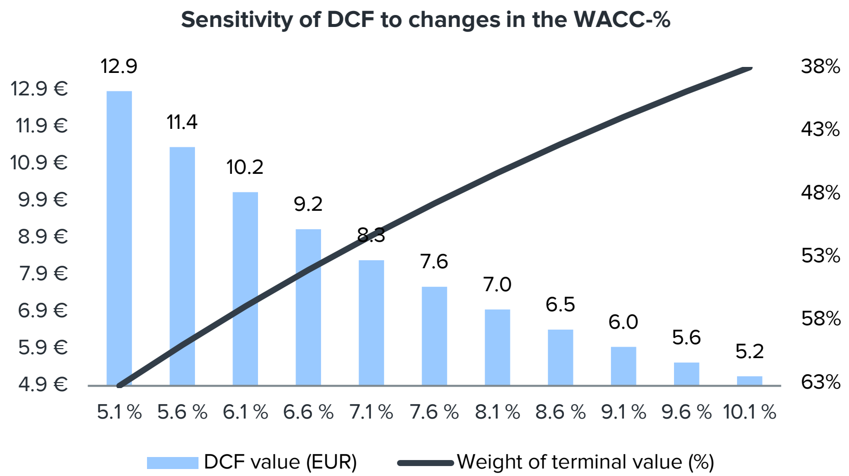
DCF model	2023	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	TERM
Revenue growth-%	3.4 %	-2.8 %	2.6 %	2.8 %	2.0 %	1.0 %	1.0 %	1.0 %	1.0 %	1.0 %	1.0 %	1.0 %
EBIT-%	-4.3 %	6.7 %	8.1 %	8.5 %	8.6 %	8.0 %	8.0 %	7.5 %	7.5 %	7.0 %	7.0 %	7.0 %
EBIT (operating profit)	**-31.3**	**47.6**	**58.3**	**63.1**	**65.2**	**61.4**	**62.0**	**58.7**	**59.3**	**55.9**	**56.4**	
+ Depreciation	98.8	27.0	26.7	26.4	26.2	26.1	26.7	27.2	27.9	28.1	28.4	
- Paid taxes	-6.0	-8.9	-9.1	-10.9	-12.0	-11.2	-11.3	-10.6	-10.7	-10.0	-9.1	
- Tax, financial expenses	-7.1	-4.8	-4.2	-3.4	-2.8	-2.8	-2.8	-2.8	-2.8	-2.8	-2.8	
+ Tax, financial income	1.3	1.0	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	0.0	
- Change in working capital	139	-3.2	9.1	2.2	1.6	0.8	0.8	0.9	0.9	0.9	0.9	
Operating cash flow	**195**	**58.7**	**81.8**	**78.4**	**79.3**	**75.4**	**76.5**	**74.5**	**75.5**	**73.1**	**73.9**	
+ Change in other long-term liabilities	-0.8	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	10.1	-20.7	-28.3	-28.6	-28.8	-29.1	-29.4	-30.3	-25.3	-30.0	-31.9	
Free operating cash flow	**204**	**37.9**	**53.5**	**49.9**	**50.5**	**46.3**	**47.1**	**44.2**	**50.3**	**43.2**	**42.0**	
+/- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	204	37.9	53.5	49.9	50.5	46.3	47.1	44.2	50.3	43.2	42.0	640
Discounted FCFF		**36.9**	**48.4**	**41.9**	**39.4**	**33.6**	**31.7**	**27.7**	**29.3**	**23.4**	**21.1**	**322**
Sum of FCFF present value		655	618	570	528	488	455	423	395	366	343	322
Enterprise value DCF		**655**										
- Interest bearing debt		-524										
+ Cash and cash equivalents		213										
-Minorities		-0.6										
-Dividend/capital return		-14.9										
Equity value DCF		**342**										
Equity value DCF per share		**5.1**										

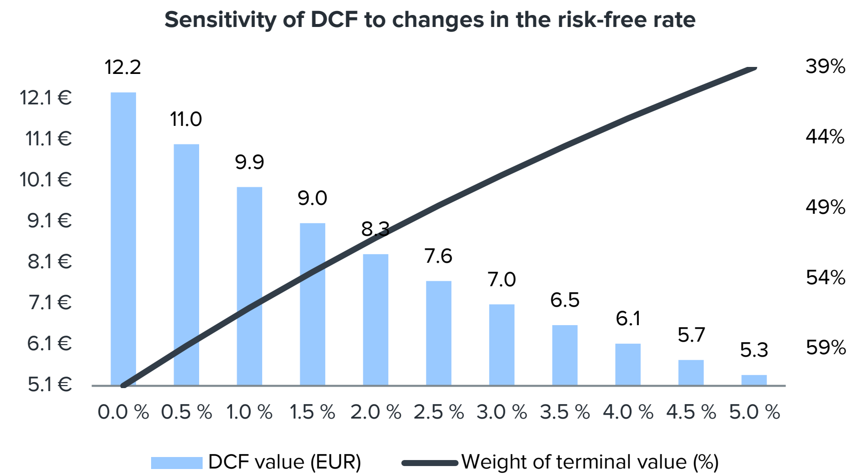
WACC	
Tax-% (WACC)	22.0 %
Target debt ratio (D/(D+E)	10.0 %
Cost of debt	5.5 %
Equity Beta	1.00
Market risk premium	4.75%
Liquidity premium	0.75%
Risk free interest rate	2.5 %
Cost of equity	**8.0 %**
Weighted average cost of capital (WACC)	**7.6 %**

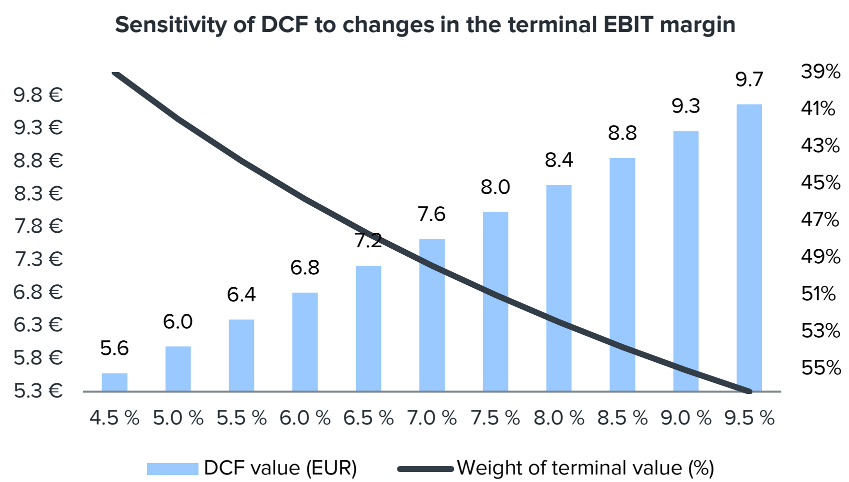
Source: Inderes

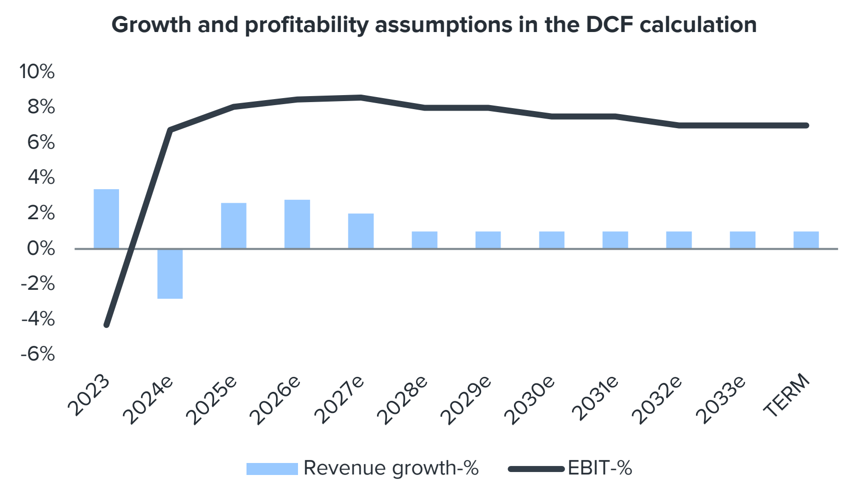


DCF sensitivity calculations and key assumptions in graphs









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

Summary

Income statement	2021	2022	2023	2024e	2025e
Revenue	665.0	702.7	726.5	**706.0**	**724.4**
EBITDA	95.2	67.9	67.5	**74.6**	**85.0**
EBIT	64.0	34.7	-31.3	**47.6**	**58.3**
PTP	54.5	23.4	-53.8	**29.6**	**44.3**
Net Income	42.7	17.9	-39.9	**23.4**	**34.9**
Extraordinary items	-5.8	-8.2	-66.1	**-1.4**	**0.0**

Balance sheet	2021	2022	2023	2024e	2025e
Balance sheet total	1233.3	1301.3	1135.7	**1103.1**	**1136.9**
Equity capital	507.9	481.6	408.7	**417.5**	**435.8**
Goodwill	277.8	310.5	304.3	**304.3**	**304.3**
Net debt	126.1	300.9	138.2	**129.4**	**103.6**

Cash flow	2021	2022	2023	2024e	2025e
EBITDA	95.2	67.9	67.5	**74.6**	**85.0**
Change in working capital	-10.8	-75.4	138.9	**-3.2**	**9.1**
Operating cash flow	102.9	-4.1	194.5	**58.7**	**81.8**
CAPEX	-530.9	-111.7	10.1	**-20.7**	**-28.3**
Free cash flow	-424.4	-117.2	203.8	**37.9**	**53.5**

Valuation multiples	2021	2022	2023	2024e	2025e
EV/S	1.3	1.1	0.6	**0.6**	**0.5**
EV/EBITDA	9.1	11.5	6.2	**5.5**	**4.5**
EV/EBIT (adj.)	12.4	18.1	12.0	**8.3**	**6.6**
P/E (adj.)	10.5	19.0	23.1	**11.8**	**8.4**
P/B	1.5	1.0	0.7	**0.7**	**0.7**
Dividend-%	4.1 %	3.0 %	5.0 %	**5.8 %**	**6.9 %**

Source: Inderes

Per share data	2021	2022	2023	2024e	2025e
EPS (reported)	0.92	0.27	-0.59	**0.35**	**0.52**
EPS (adj.)	1.04	0.39	0.19	**0.37**	**0.52**
OCF / share	2.21	-0.06	2.88	**0.87**	**1.21**
FCF / share	-9.11	-1.73	3.02	**0.56**	**0.79**
Book value / share	10.88	7.11	6.04	**6.16**	**6.43**
Dividend / share	0.45	0.22	0.22	**0.25**	**0.30**

Growth and profitability	2021	2022	2023	2024e	2025e
Revenue growth-%	94%	6%	3%	**-3%**	**3%**
EBITDA growth-%	136%	-29%	-1%	**11%**	**14%**
EBIT (adj.) growth-%	99%	-38%	-19%	**41%**	**19%**
EPS (adj.) growth-%	26%	-63%	-50%	**91%**	**41%**
EBITDA-%	14.3 %	9.7 %	9.3 %	**10.6 %**	**11.7 %**
EBIT (adj.)-%	10.5 %	6.1 %	4.8 %	**6.9 %**	**8.1 %**
EBIT-%	9.6 %	4.9 %	-4.3 %	**6.7 %**	**8.1 %**
ROE-%	12.9 %	3.6 %	-9.0 %	**5.7 %**	**8.2 %**
ROI-%	12.1 %	4.9 %	-3.2 %	**7.1 %**	**8.6 %**
Equity ratio	41.2 %	37.0 %	36.0 %	**37.8 %**	**38.3 %**
Gearing	24.8 %	62.5 %	33.8 %	**31.0 %**	**23.8 %**

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

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

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Recommendation history (>12 mo)

Date	Recommendation	Target	Share price
9/27/2022	Reduce	7.50 €	7.05 €
11/24/2022	Reduce	7.50 €	7.40 €
3/1/2023	Reduce	6.80 €	6.45 €
3/29/2023	Accumulate	6.20 €	5.19 €
5/12/2023	Accumulate	6.20 €	5.26 €
7/26/2023	Accumulate	5.50 €	4.80 €
8/16/2023	Accumulate	4.70 €	4.30 €
8/28/2023	Accumulate	5.00 €	4.46 €
9/7/2023	Buy	5.50 €	4.74 €
11/10/2023	Buy	5.50 €	4.44 €
1/12/2024	Buy	5.50 €	4.44 €
2/15/2024	Buy	5.50 €	4.42 €
4/8/2024	Accumulate	5.50 €	5.39 €
5/8/2024	Accumulate	5.30 €	4.72 €
8/14/2024	Accumulate	5.00 €	4.43 €
8/21/2024	Accumulate	5.00 €	4.32 €

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Inderes Oyj

Itämerentori 2

FI-00180 Helsinki, Finland

+358 10 219 4690

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