

Puuiilo Oyj

Company report

9/13/2024



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✓ Inderes corporate customer

This report is a summary translation of the report "Kasvua kaikilta rintamilta" published on 9/13/2024 at 7:10 am EEST

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Growth on all fronts

Puulo released a Q2 report that was quite in line with expectations. Strong revenue growth was driven by both new store openings and growth in existing stores. Profitability rose to near the historic highs of the COVID era due to favorable sales mix and successful cost control. The company revised the high end of its guidance range downward as a result of what we interpreted as a challenging outlook for the rest of the year, leading us to slightly lower our near-term forecasts. The expected total return on the stock looks attractive to us, even if the near-term valuation is somewhat stretched. We reiterate our Accumulate recommendation on the basis of a favorable risk/reward ratio but lower our price target to EUR 11.0 (was EUR 11.5) following the forecast changes.

Big picture shows quarter in line with expectations

Puulo's revenue grew 15% year-on-year, driven by growth in both new and existing stores. The comparable growth in customer volumes was stronger than the growth in revenue, indicating that customers have focused on lower-priced products. However, we do not see this as a cause for concern, but rather see the growth in customer volumes as proof of the attractiveness of the concept. Overall, the performance can be considered good, as other players in the sector have generally reported sluggish revenue growth figures. Profitability grew faster than revenue, driven by improved gross margin and tight cost control. Although the company had signaled its intention to improve the scalability of growth, such a large relative jump in profitability came as a surprise to us. In relative terms, the company's adj. EBITA profitability rose to 20.7% of revenue, which is an excellent level for a retailer.

Guidance refined, good company-specific outlook despite challenging market environment

The company revised the upper end of its guidance range downwards and now expects revenue to settle between 380-400 (previously 380-410) MEUR and adj. EBITA between 60-66 (previously 60-70) MEUR. The revision of the guidance was the result of a combination of the H1 results and what we interpret as a challenging end of the year. We therefore expect the market environment remaining challenging, with the consumer situation easing only in 2025. On the other hand, we do not see this as a material drag on the company's results, as consumers seem to be increasingly focusing on products at lower price points, which is a more profitable business for the company. The company's revenue development will continue to be supported by the opening of approximately six new stores and the comparable growth resulting from the maturing store base. As a result, the company's profit level will improve as the stores opened in recent years start to approach full-flight altitude. However, increased competition in the retail sector creates some uncertainty for the company's trajectory.

Best to stay on board

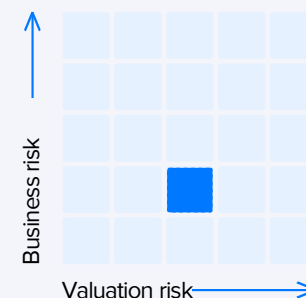
In terms of realized earnings multiples (P/E 20x and IFRS 16 adj. EV/EBIT 16x), the company is priced slightly above our comfort zone. However, this is justified as we expect the company to deliver strong earnings growth in the coming years. We forecast Puulo's result to grow at an annual rate of around 17% over the next three years. Given the 5% dividend yield and the slightly elevated valuation, the expected return on the stock is around 15%. We find this level attractive, and it exceeds our WACC, which means that the stock's risk/reward ratio is favorable. We see Puulo as one of the highest quality companies in the sector, with a concept that has proven its competitiveness in both favorable and challenging markets.

Recommendation

Accumulate
(was Accumulate)

11.00 EUR
(was EUR 11.50)

Share price:
9.84



Key figures

	2023	2024e	2025e	2026e
Revenue	338.5	388.9	431.8	481.6
growth-%	14%	15%	11%	12%
EBIT adj.	52.8	62.1	72.6	82.2
EBIT-% adj.	15.6 %	16.0 %	16.8 %	17.1 %
Net Income	38.7	45.5	54.4	61.5
EPS (adj.)	0.46	0.54	0.64	0.73

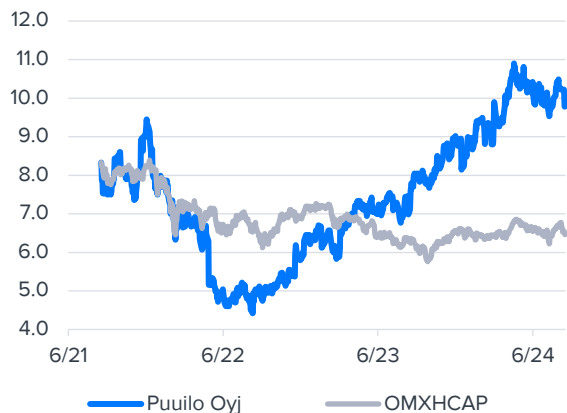
P/E (adj.)	20.3	18.3	15.3	13.6
P/B	9.2	8.5	7.2	6.2
Dividend yield-%	4.1 %	4.4 %	5.2 %	5.9 %
EV/EBIT (adj.)	16.8	15.0	12.7	11.2
EV/EBITDA	13.1	11.6	9.7	8.6
EV/S	2.6	2.4	2.1	1.9

Source: Inderes

Guidance (Adjusted)

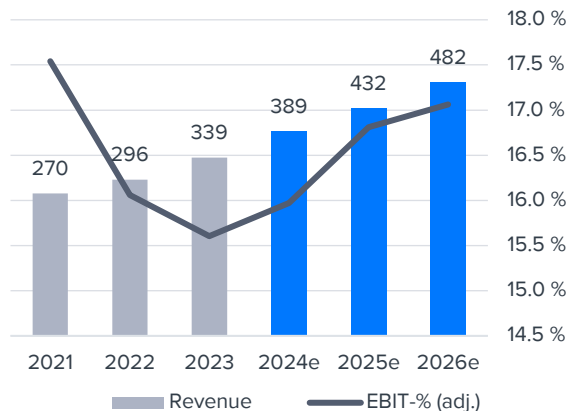
Puulo predicts that its revenue for 2024 will be 380-400 MEUR (2023: 339 MEUR) and the adjusted EBITA will be in the range of 60-66 MEUR (2023: 54.1 MEUR).

Share price



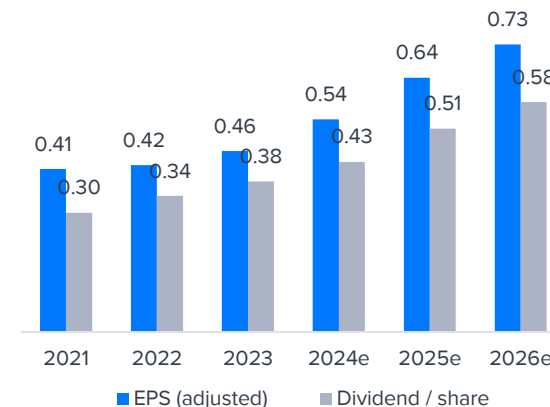
Source: Millstream Market Data AB

Revenue and EBIT-%



Source: Inderes

EPS and dividend



Source: Inderes



Value drivers

- Increasing the number of stores to over 70
- Significant growth potential remaining in ramping up existing stores
- Growth in private label
- As a result of growth, improved bargaining power with suppliers and scaling of costs
- Further streamlining of operating expenditure levels



Risk factors

- Increased competition as key competitors also expand their brick-and-mortar networks
- Global disruptions in product availability and the rise of protectionism
- Successful category management
- Weakened consumer purchasing power in a cost-inflationary environment

Valuation	2024e	2025e	2026e
Share price	9.84	9.84	9.84
Number of shares, millions	84.8	84.8	84.8
Market cap	834	834	834
EV	933	923	922
P/E (adj.)	18.3	15.3	13.6
P/E	18.3	15.3	13.6
P/B	8.5	7.2	6.2
P/S	2.1	1.9	1.7
EV/Sales	2.4	2.1	1.9
EV/EBITDA	11.6	9.7	8.6
EV/EBIT (adj.)	15.0	12.7	11.2
Payout ratio (%)	80.0 %	80.0 %	80.0 %
Dividend yield-%	4.4 %	5.2 %	5.9 %

Source: Inderes

Good growth and stronger than expected relative profitability improvement

Sales growth from both new and old stores

Puulo's Q2 revenue increased 15% to 119.9 MEUR, below our expectations (Inderes 125 and consensus 121 MEUR). The growth was driven by an increase of seven stores in the store network and a 2.1% increase in old stores (LFL). LFL growth was slightly below our expectations, which was the main reason for the forecast miss. However, the company's customer traffic grew faster than revenue (reported 18.7% and LFL 4.7%), which we believe is positive news for competitiveness. This also suggests that the average customer basket declined in Q2, which we believe was impacted by weak consumer confidence and spending power.

Excellent profitability in a challenging market environment

Puulo's adj. EBITA increased to 24.8 MEUR, which was fairly in line with our forecast expecting 25.4 MEUR. The Q2 result corresponds to a relative profitability of 20.7%, which is an excellent level for a

retailer. In terms of profitability drivers, the company's gross profit benefited from a more favorable sales mix and a higher share of private label products, reaching 37.6%. Fixed costs were a touch lower than we expected thanks to good cost control. Thus, despite the lower-than-expected revenue, profitability was more or less in line with expectations. Earnings per share came in as expected at EUR 0.22.

Upper end of guidance refined downward

Puulo revised its guidance range down a notch. The company estimates revenue of 2024 to amount to 380-400 MEUR (previously 380-410 MEUR) and adj. EBITA profitability to be in the range of 60-66 MEUR (60-70 MEUR). According to the company, the guidance revision was based on the H1 results and the outlook for H2, which is affected by, among other things, changes in the VAT rate, purchasing power and consumer confidence. The midpoint of the new guidance implies growth of more than 15% and profitability of 16%.

Healthy cash flow and balance sheet

The H1 operating cash flow was slightly below the comparison period at 37.2 MEUR, which we consider to be a very good outcome, allowing the company to expand its organic network quite efficiently. In the comparison period, the cash flow development was supported by working capital released from inventories. The company's debt position continued to improve, with net debt adjusted for IFRS 16 items at 0.3x EBITDA. Therefore, the leverage would allow the company to make even larger investments, for example in the form of an acquisition. However, we do not expect the company to make any major moves during this strategy period, as the domestic stores up for sale are small in size. International expansion may become relevant once the network of 70 stores in Finland is reached.

Estimates MEUR / EUR	Q2'23	Q2'24	Q2'24e	Q2'24e	Consensus		Difference (%)	2024e
	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. inderes	Inderes
Revenue	104	120	125	121			-4%	389
EBITA (adj.)	20.9	24.8	25.4	-			-2%	64.5
EBIT	20.6	24.4	25.1	24.2			-3%	62.1
EPS (reported)	0.18	0.22	0.22	0.22			0%	0.54
Revenue growth-%	17.1 %	14.8 %	19.8 %	15.6 %			-5 pp	14.9 %
EBITA-% (adj.)	20.0 %	20.7 %	20.3 %				0.4 pp	16.6 %

Source: Inderes & Bloomberg (consensus, 5 forecasts)

Minor revisions to forecasts

Uncertainties in the market environment

Several companies operating in the retail field have reported lackluster growth figures during H1. Puuilo is an exception in this respect, as the company has managed to grow its LFL customer volumes well. The consumer environment for the rest of the year will be characterized by increasing price competition due to weak consumer spending and an increase in the Finnish VAT rate. However, we consider the company to be well positioned relative to its competitors and believe that the company will continue on its growth trajectory.

Lower revenue expectations for the current year

We lowered our 2024 revenue forecast by 3% based on the Q2 result and a challenging outlook for the rest of the year. Otherwise, we left our top-line forecast unchanged as we believe the company will continue to open stores in line with our previous

expectations and LFL growth will pick up as the economy recovers.

We tweaked our profitability forecasts slightly

Our 2024 profitability forecasts declined at a slower pace than revenue, by around 1%. This is due to a faster-than-expected improvement in gross profit and the scaling of fixed costs. In our view, the measures taken in Q2 to scale down personnel expenses (e.g. more efficient scheduling of shifts) are of a permanent nature, the impact of which should carry over to H2. This, in turn, has a negative impact on our 2025 forecasts, as we expected the margin improvement achieved in Q2 and expected in H2 to occur only in 2025. In addition, we expect the market environment to remain challenging until the end of H1'25, which together with the VAT increase could weigh on the company's margins. Our earnings estimates for 2025-26 went down by around 2%.

Despite forecast changes, margins will reach excellent levels

Our current forecasts assume that Puuilo will open an average of six new stores per year during the remainder of the strategy period, which, together with the growth of existing stores, will be reflected in the revenue line as 12% annual growth. We expect a gradual improvement in the gross profit to 37.5% by the end of the strategy period. In our view, this will be driven by an increase in the share of private label sales. We believe that the maturing of the store base will be reflected in improved group profitability in the form of a better margin, which we forecast at 17.5% (adj. EBITA-%) at the end of 2028. As a result, we forecast Puuilo's average annual earnings growth to be 17% over the medium term (2023-26e).

Estimate revisions	2024e			2025e			2026e		
	Old	New	Change %	Old	New	Change %	Old	New	Change %
MEUR / EUR									
Revenue	400	389	-3%	432	432	0%	482	482	0%
EBIT (exc. NRIs)	62.9	62.1	-1%	74.1	72.6	-2%	83.4	82.2	-2%
EBIT	62.9	62.1	-1%	74.1	72.6	-2%	83.4	82.2	-2%
PTP	57.7	56.9	-1%	69.1	67.6	-2%	78.1	76.9	-2%
EPS (excl. NRIs)	0.54	0.54	-1%	0.66	0.64	-2%	0.74	0.73	-2%

Source: Inderes

Expected return supported by strong earnings growth

Higher valuation justified

Puuiilo's LTM P/E (20x) is slightly above our range of acceptable valuation levels (P/E ~16-18x), and we see a gradual downside. However, projected earnings growth will correct the elevated valuation in the coming years as the P/E ratio falls to a reasonable level for a growth company (25-26e: 15-14x). EV-based earnings multiples that consider the balance sheet (2025-26e IFRS 16 adj. EV/EBIT 12-10x) also seem quite reasonable when we look at Puuilo's growth potential and capital return potential. For a market leader and a company with strong earnings growth, we believe it is justified to accept temporarily elevated multiples.

Valuation slightly above peers

When gauging the relative valuation, we give main weight to the P/E ratio and dividend yield. The comparability of EV-based multiples within the peer group is weakened by differences in the length of IFRS 16 leases affecting net debt between the companies.

Examined with the 2024-25e P/E ratio, the company is priced in line with its retail peer group. In our view, a stronger growth outlook than its peers, excellent capital return potential and historical track record even justify a premium for Puuilo.

The dividend distributed by Puuilo offers a higher return (~30-40% premium) than the peer group, driven by the company's strong cash flow profile and lofty profit distribution policy.

Cash flow model indicates an upside

Our cash flow model suggests a fair value of around EUR 12, which implies a substantial upside from the current price and supports a positive view on the stock. Puuilo's cash flow profile is fairly predictable, which allows us to incorporate the value provided by the cash flow model into our valuation of the company.

Reasonable dividend yield

For 2024-25, we forecast a dividend that grows with earnings. Although the stock cannot be called very cheap based on the dividend yield of good 5%, it provides a good basis for expected returns. The dividend yield is very close to the free cash flow yield of around 6% generated by the company, which is explained by the 80% payout policy. On the updated policy, part of this could be used, e.g., for share buybacks (which are canceled), giving the investor a more tax-efficient alternative to dividends and potentially creating shareholder value if the company manages to buy the shares below fair value.

Expected return remains attractive

In terms of realized earnings multiples, the company is priced slightly above our comfort zone. However, this is justified as we expect the company to deliver strong earnings growth in the coming years. We forecast Puuilo's result to grow at an annual rate of around 17% over the next three years. Given the 5% dividend yield and the slightly elevated valuation, the expected return on the stock is around 15%. We find this level attractive, and it exceeds our WACC, which means that the stock's risk/reward ratio is favorable.

Valuation	2024e	2025e	2026e
Share price	9.84	9.84	9.84
Number of shares, millions	84.8	84.8	84.8
Market cap	834	834	834
EV	933	923	922
P/E (adj.)	18.3	15.3	13.6
P/E	18.3	15.3	13.6
P/B	8.5	7.2	6.2
P/S	2.1	1.9	1.7
EV/Sales	2.4	2.1	1.9
EV/EBITDA	11.6	9.7	8.6
EV/EBIT (adj.)	15.0	12.7	11.2
Payout ratio (%)	80.0 %	80.0 %	80.0 %
Dividend yield-%	4.4 %	5.2 %	5.9 %

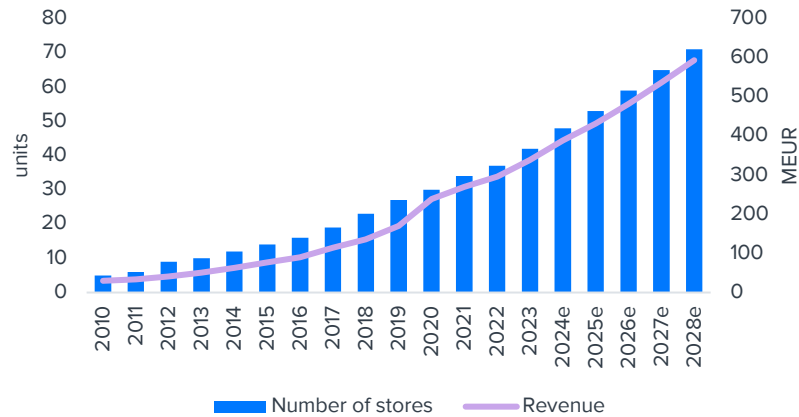
Source: Inderes

Puuilo, Q2'24

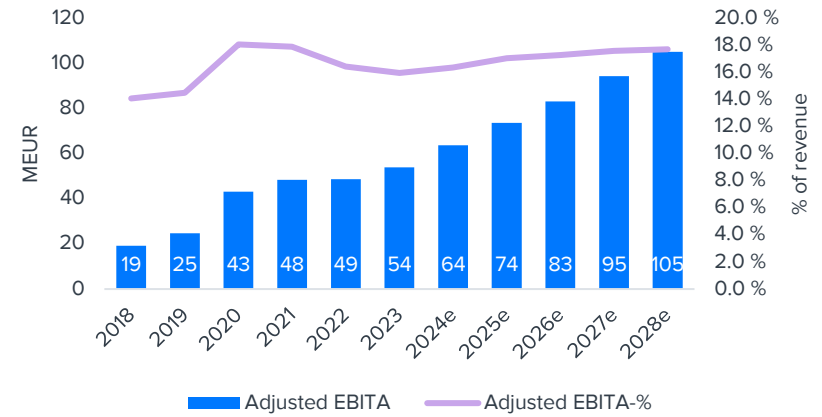


Other business indicators

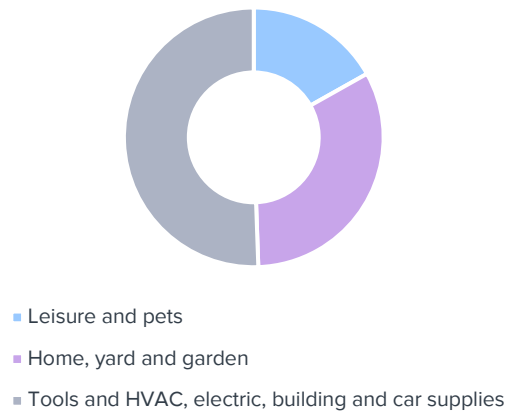
Revenue and number of stores



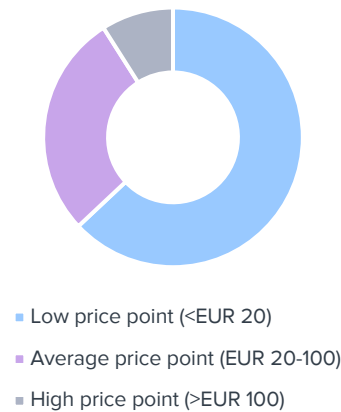
Profitability



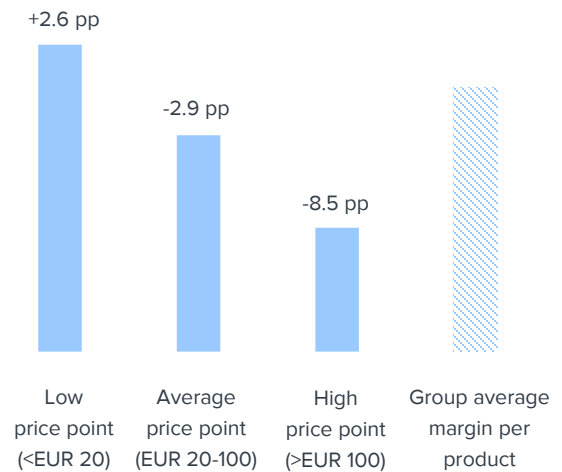
Sales distribution 2023



Revenue per price point



Product-specific margin per price point



Climate target and taxonomy

Puulo's business remains outside taxonomy

Activities typical to the retail sector are not currently specifically mentioned in taxonomy, since the sale of goods is not covered by taxonomy. Therefore, Puulo does not report any taxonomy-eligible figures at all.

Thus, we do not see taxonomy as having any impact on Puulo's business, and, e.g., on the financial situation or financing costs. As taxonomy expands, retail trade may be included, e.g. in criteria covering the circular economy.

Targets geared towards increasing responsibility

Puulo's climate and sustainability targets focus on reducing environmental impact, managing a responsible supply chain and promoting sustainable consumption. Puulo is committed to reducing its greenhouse gas emissions by, for example, improving energy efficiency and switching to renewable energy sources. For example, in the financial year 2023, 100% of the electricity purchased by the company itself came from carbon-neutral energy sources, and comparable electricity consumption decreased by 2% from the previous year.

The company also aims to contribute to circular economy and reduce waste. In the financial year 2023, the recycling rate was 67%, with the goal of increasing it to 73% by 2025. The company is continuously developing the handling and sorting of waste in order to improve the recycling rate.

The company requires its suppliers to commit to the ethical operating principles of Amfori BSCI. Puulo has set a target to increase the percentage of non-EU suppliers who are committed to BSCI or similar standards to 80% by 2025.

We believe the company has a reasonable ability to influence the responsibility of domestic suppliers, but as a foreign buyer it is still small, so the opportunity to influence is likely to come through self-selection of partners that meet the objectives.

Puulo is also prepared to comply with the new Corporate Sustainability Reporting Directive (CSRD) and will disclose information in accordance with ESRS standards for the financial year 2024.

Taxonomy eligibility	2022	2023
Revenue	-	-
OPEX	-	-
CAPEX	-	-

Taxonomy alignment	2022	2023
Revenue	-	-
OPEX	-	-
CAPEX	-	-

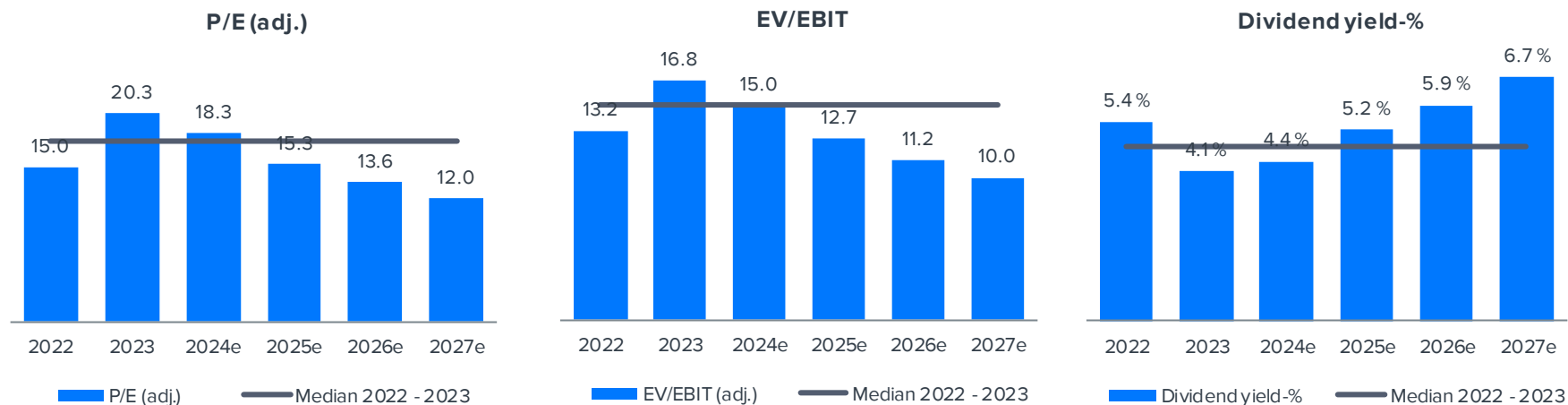
Climate

Climate target	Yes	Yes
Target according to the Paris Agreement (1.5 °C warming scenario)	No	No

Valuation table

Valuation	2019	2020	2021	2022	2023	2024e	2025e	2026e	2027e
Share price				6.32	9.26	9.84	9.84	9.84	9.84
Number of shares, millions				84.8	84.8	84.8	84.8	84.8	84.8
Market cap				536	785	834	834	834	834
EV				630	886	933	923	922	921
P/E (adj.)				15.0	20.3	18.3	15.3	13.6	12.0
P/E				15.3	20.3	18.3	15.3	13.6	12.0
P/B				7.0	9.2	8.5	7.2	6.2	5.4
P/S				1.8	2.3	2.1	1.9	1.7	1.6
EV/Sales				2.1	2.6	2.4	2.1	1.9	1.7
EV/EBITDA				10.4	13.1	11.6	9.7	8.6	7.8
EV/EBIT (adj.)				13.2	16.8	15.0	12.7	11.2	10.0
Payout ratio (%)				82.9 %	83.3 %	80.0 %	80.0 %	80.0 %	80.0 %
Dividend yield-%				5.4 %	4.1 %	4.4 %	5.2 %	5.9 %	6.7 %

Source: Inderes



Peer group valuation

Peer group valuation	Market cap	EV	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%		P/B
Company	MEUR	MEUR	2024e	2025e	2024e	2025e	2024e	2025e	2024e	2025e	2024e	2025e	2024e
Europris ASA	905	1338	12.6	11.6	7.4	6.7	1.3	1.2	12.7	11.5	5.9	5.4	2.8
Bygghem AB	212	417	24.5	14.6	5.5	4.9	0.8	0.7	31.7	12.3	1.8	4.1	1.0
Clas Ohlson AB	908	1025	15.6	11.2	7.0	6.4	1.1	1.0	18.8	13.1	3.2	3.8	5.4
Axfood AB	5326	6194	18.8	17.2	9.9	9.2	0.8	0.8	22.9	20.5	3.0	3.2	8.4
Dollar General Corp	16575	21812	9.9	12.4	7.4	8.4	0.6	0.6	11.1	14.3	2.8	2.9	2.7
Kesko Oyj	7302	10188	16.2	14.8	8.5	8.0	0.9	0.8	16.9	15.5	5.3	5.3	2.7
Musti Group Oyj	882	1041	21.9	18.4	12.5	11.0	2.2	2.1	29.9	22.1	2.6	3.0	4.5
Verkkokauppa.com Oyj	73	91	61.6	11.4	10.9	6.1	0.2	0.2		12.8	2.2	4.6	2.7
Kamux Oyj	154	229	12.0	7.9	7.0	5.3	0.2	0.2	12.4	7.4	4.8	6.6	1.3
Tokmanni Oyj	625	1449	14.2	11.9	6.3	5.8	0.9	0.8	12.3	9.1	6.5	7.9	2.3
Rusta	993	1480	21.6	16.7	9.2	8.5	1.4	1.4	17.6	18.9	2.6	2.4	5.6
Puulo Oyj (Inderes)	834	933	15.0	12.7	11.6	9.7	2.4	2.1	18.3	15.3	4.4	5.2	8.5
Average			20.8	13.5	8.3	7.3	1.0	0.9	18.6	14.3	3.7	4.5	3.6
Median			16.2	12.4	7.4	6.7	0.9	0.8	17.2	13.1	3.0	4.1	2.7
Diff-% to median			-7%	3%	56%	44%	179%	161%	6%	17%	47%	26%	215%

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	296	65.0	104	92.3	76.8	339	75.4	120	103	90.1	389	432	482	536
EBITDA	60.5	10.6	24.3	18.7	14.3	67.8	12.4	29.0	21.5	17.7	80.5	95.0	107	118
Depreciation	-13.5	-3.6	-3.7	-3.7	-4.0	-15.0	-4.8	-4.5	-4.5	-4.6	-18.4	-22.4	-25.0	-26.1
EBIT (excl. NRI)	47.6	7.0	20.6	15.0	10.3	52.8	7.6	24.4	17.0	13.1	62.1	72.6	82.2	92.3
EBIT	47.0	7.0	20.6	15.0	10.3	52.8	7.6	24.4	17.0	13.1	62.1	72.6	82.2	92.3
Net financial items	-3.1	-1.0	-1.3	-1.0	-1.2	-4.5	-1.3	-1.3	-1.3	-1.3	-5.2	-5.0	-5.3	-5.6
PTP	43.9	6.0	19.3	14.0	9.1	48.4	6.3	23.1	15.7	11.8	56.9	67.6	76.9	86.7
Taxes	-8.8	-1.2	-3.9	-2.8	-1.8	-9.7	-1.3	-4.6	-3.1	-2.4	-11.4	-13.2	-15.4	-17.3
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	35.1	4.8	15.4	11.2	7.3	38.7	5.0	18.5	12.6	9.4	45.5	54.4	61.5	69.4
EPS (adj.)	0.42	0.06	0.18	0.13	0.09	0.46	0.06	0.22	0.15	0.11	0.54	0.64	0.73	0.82
EPS (rep.)	0.41	0.06	0.18	0.13	0.09	0.46	0.06	0.22	0.15	0.11	0.54	0.64	0.73	0.82
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-%	9.7 %	10.4 %	17.1 %	15.4 %	12.4 %	14.2 %	16.1 %	14.9 %	12.0 %	17.3 %	14.9 %	11.0 %	11.5 %	11.4 %
Adjusted EBIT growth-%	0.4 %	19.6 %	16.0 %	2.5 %	9.3 %	11.0 %	8.1 %	18.8 %	13.7 %	27.3 %	17.6 %	16.9 %	13.2 %	12.3 %
EBITDA-%	20.4 %	16.3 %	23.2 %	20.2 %	18.6 %	20.0 %	16.4 %	24.2 %	20.8 %	19.6 %	20.7 %	22.0 %	22.2 %	22.1 %
Adjusted EBIT-%	16.1 %	10.8 %	19.7 %	16.2 %	13.3 %	15.6 %	10.0 %	20.4 %	16.5 %	14.5 %	16.0 %	16.8 %	17.1 %	17.2 %
Net earnings-%	11.8 %	7.4 %	14.8 %	12.1 %	9.5 %	11.4 %	6.7 %	15.4 %	12.2 %	10.4 %	11.7 %	12.6 %	12.8 %	12.9 %

Source: Inderes

Balance sheet

Assets	2022	2023	2024e	2025e	2026e
Non-current assets	107	127	133	140	148
Goodwill	33.5	33.5	33.5	33.5	33.5
Intangible assets	17.4	16.4	16.6	17.2	17.8
Tangible assets	55.6	75.9	82.7	89.2	97.1
Associated companies	0.0	0.0	0.0	0.0	0.0
Other investments	0.0	0.0	0.0	0.0	0.0
Other non-current assets	0.0	0.0	0.0	0.0	0.0
Deferred tax assets	0.7	1.0	0.0	0.0	0.0
Current assets	124	122	146	169	195
Inventories	89.9	93.1	103	108	120
Other current assets	0.0	0.0	0.0	0.0	0.0
Receivables	5.4	7.2	7.8	8.6	10.5
Cash and equivalents	28.8	21.5	35.0	52.8	64.2
Balance sheet total	231	249	279	309	344

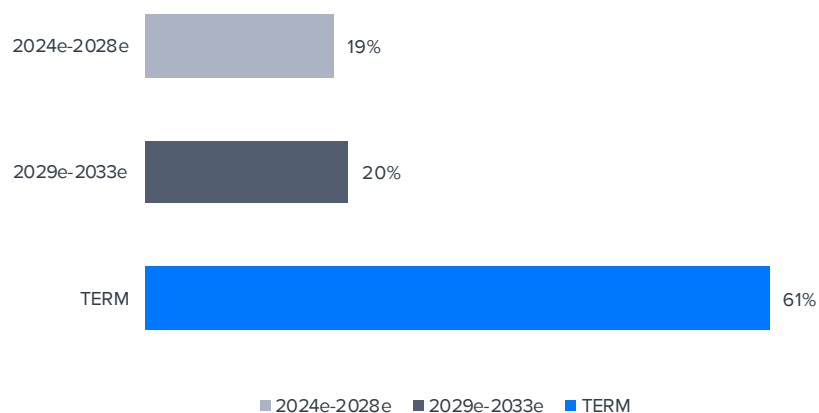
Source: Inderes

Liabilities & equity	2022	2023	2024e	2025e	2026e
Equity	76.2	85.0	98.3	116	134
Share capital	29.1	29.1	29.1	29.1	29.1
Retained earnings	47.1	55.9	69.2	87.2	105
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	0.0	0.0	0.0	0.0	0.0
Other equity	0.0	0.0	0.0	0.0	0.0
Minorities	0.0	0.0	0.0	0.0	0.0
Non-current liabilities	113	112	133	141	151
Deferred tax liabilities	0.0	2.7	0.0	0.0	0.0
Provisions	0.0	0.9	0.0	0.0	0.0
Interest bearing debt	113	108	133	141	151
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	0.0	0.0	0.0	0.0	0.0
Current liabilities	41.7	51.7	46.9	51.8	57.8
Interest bearing debt	9.9	14.6	0.2	0.0	0.0
Payables	31.8	24.2	46.7	51.8	57.8
Other current liabilities	0.0	12.9	0.0	0.0	0.0
Balance sheet total	231	249	279	309	344

DCF calculation

DCF model	2023	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	TERM
Revenue growth-%	14.2 %	14.9 %	11.0 %	11.5 %	11.4 %	10.7 %	8.4 %	7.0 %	5.0 %	3.0 %	1.8 %	1.8 %
EBIT-%	15.6 %	16.0 %	16.8 %	17.1 %	17.2 %	17.3 %	17.0 %	17.0 %	17.0 %	16.5 %	16.5 %	16.5 %
EBIT (operating profit)	52.8	62.1	72.6	82.2	92.3	103	109	117	123	123	125	
+ Depreciation	15.0	18.4	22.4	25.0	26.1	28.9	32.0	34.9	37.6	40.1	42.4	
- Paid taxes	-7.3	-13.1	-13.2	-15.4	-17.3	-19.5	-20.7	-22.2	-23.3	-23.2	-24.6	
- Tax, financial expenses	-0.9	-1.0	-1.0	-1.1	-1.1	-1.1	-1.2	-1.2	-1.3	-1.4	-1.4	
+ Tax, financial income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0	
- Change in working capital	0.4	-1.0	-0.6	-8.4	-8.3	-8.7	-7.6	-6.8	-5.2	-3.3	-2.0	
Operating cash flow	60.0	65.4	80.2	82.3	91.7	103	112	122	131	135	140	
+ Change in other long-term liabilities	0.9	-0.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-34.2	-25.5	-29.5	-33.5	-37.5	-41.5	-44.0	-46.0	-48.0	-50.0	-50.3	
Free operating cash flow	26.7	39.0	50.7	48.8	54.2	61.1	68.0	75.7	82.7	85.1	90.2	
+/- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	26.7	39.0	50.7	48.8	54.2	61.1	68.0	75.7	82.7	85.1	90.2	1432
Discounted FCFF		38.1	45.8	40.8	41.8	43.6	44.9	46.2	46.6	44.4	43.5	690
Sum of FCFF present value		1126	1088	1042	1001	959	916	871	825	778	734	690
Enterprise value DCF		1126										
- Interest bearing debt		-122.8										
+ Cash and cash equivalents		21.5										
-Minorities		0.0										
-Dividend/capital return		-32.2										
Equity value DCF		992										
Equity value DCF per share		11.7										

Cash flow distribution

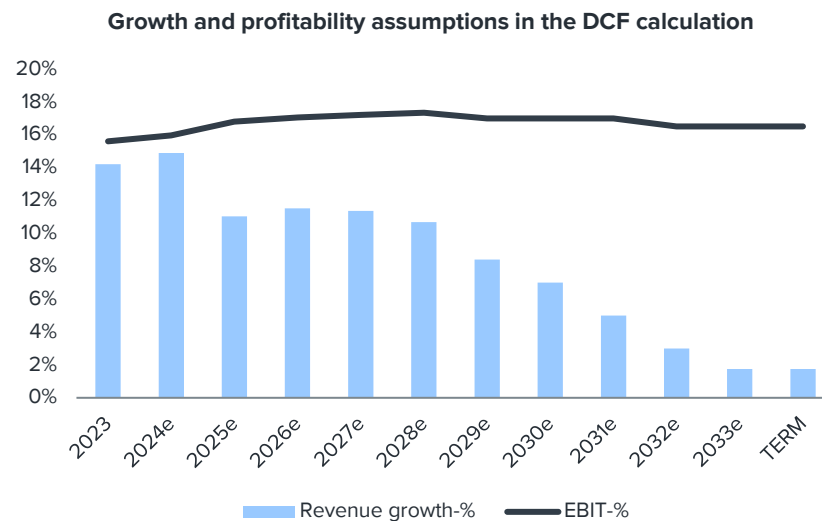
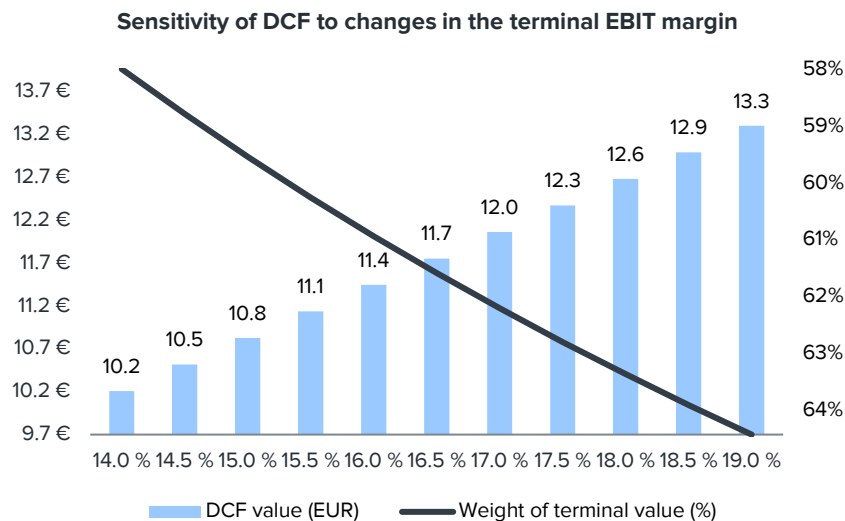
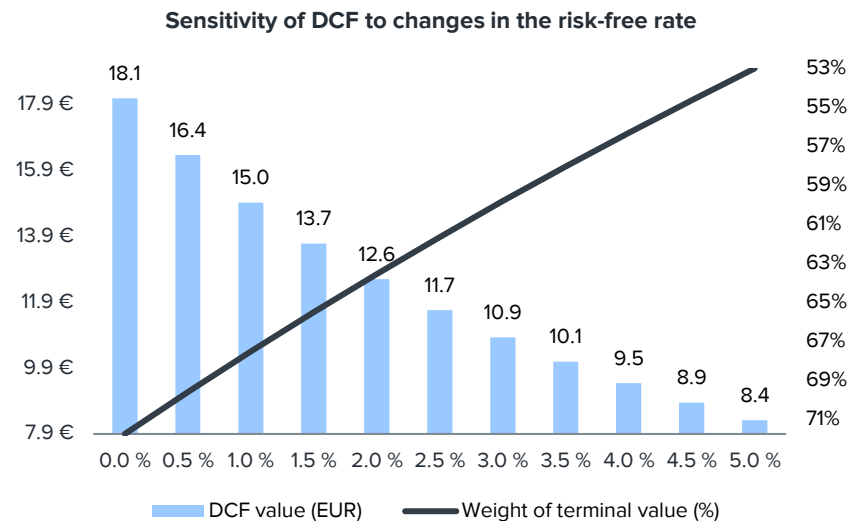
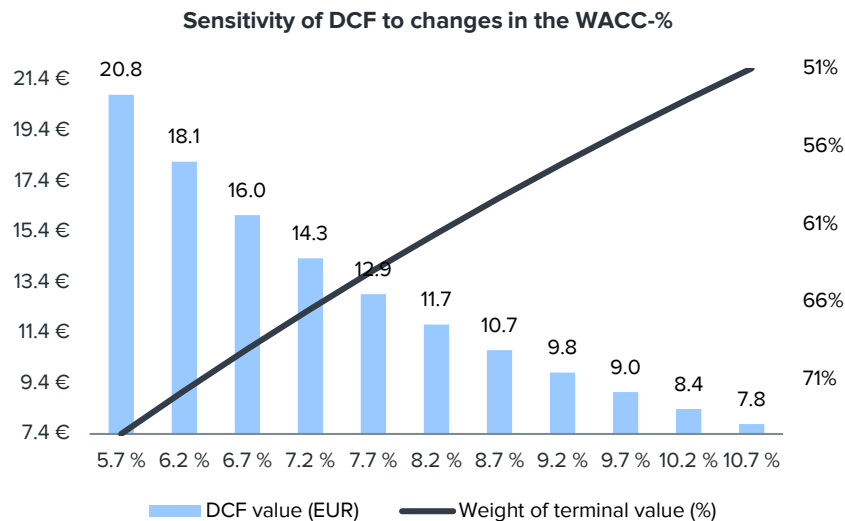


WACC

Tax-% (WACC)	20.0 %
Target debt ratio (D/(D+E))	20.0 %
Cost of debt	5.0 %
Equity Beta	1.20
Market risk premium	4.75%
Liquidity premium	1.00%
Risk free interest rate	2.5 %
Cost of equity	9.2 %
Weighted average cost of capital (WACC)	8.2 %

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	2022	2023	2024e	2025e	Per share data	2022	2023	2024e	2025e
Revenue	296.4	338.5	388.9	431.8	EPS (reported)	0.41	0.46	0.54	0.64
EBITDA	60.5	67.8	80.5	95.0	EPS (adj.)	0.42	0.46	0.54	0.64
EBIT	47.0	52.8	62.1	72.6	OCF / share	0.61	0.71	0.77	0.95
PTP	43.9	48.4	56.9	67.6	FCF / share	0.37	0.31	0.46	0.60
Net Income	35.1	38.7	45.5	54.4	Book value / share	0.90	1.00	1.16	1.37
Extraordinary items	-0.6	0.0	0.0	0.0	Dividend / share	0.34	0.38	0.43	0.51
Balance sheet	2022	2023	2024e	2025e	Growth and profitability	2022	2023	2024e	2025e
Balance sheet total	231.3	248.5	278.7	309.3	Revenue growth-%	10%	14%	15%	11%
Equity capital	76.2	85.0	98.3	116.3	EBITDA growth-%	8%	12%	19%	18%
Goodwill	33.5	33.5	33.5	33.5	EBIT (adj.) growth-%	0%	11%	18%	17%
Net debt	94.5	101.3	98.7	88.4	EPS (adj.) growth-%	2%	8%	18%	20%
Cash flow	2022	2023	2024e	2025e	EBITDA-%	20.4 %	20.0 %	20.7 %	22.0 %
EBITDA	60.5	67.8	80.5	95.0	EBIT (adj.)-%	16.1 %	15.6 %	16.0 %	16.8 %
Change in working capital	1.7	0.4	-1.0	-0.6	EBIT-%	15.9 %	15.6 %	16.0 %	16.8 %
Operating cash flow	52.1	60.0	65.4	80.2	ROE-%	48.8 %	48.0 %	49.7 %	50.7 %
CAPEX	-20.4	-34.2	-25.5	-29.5	ROI-%	24.6 %	25.9 %	28.2 %	29.7 %
Free cash flow	31.7	26.7	39.0	50.7	Equity ratio	32.9 %	34.2 %	35.3 %	37.6 %
					Gearing	124.0 %	119.2 %	100.4 %	76.0 %
Valuation multiples	2022	2023	2024e	2025e					
EV/S	2.1	2.6	2.4	2.1					
EV/EBITDA	10.4	13.1	11.6	9.7					
EV/EBIT (adj.)	13.2	16.8	15.0	12.7					
P/E (adj.)	15.0	20.3	18.3	15.3					
P/B	7.0	9.2	8.5	7.2					
Dividend-%	5.4 %	4.1 %	4.4 %	5.2 %					

Source: Inderes

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Recommendation history (>12 mo)

Date	Recommendation	Target	Share price
10/12/2021	Accumulate	8.50 €	7.77 €
12/17/2021	Accumulate	10.00 €	8.88 €
4/1/2022	Buy	8.50 €	6.72 €
5/27/2022	Buy	6.00 €	5.16 €
6/15/2022	Buy	6.00 €	4.79 €
9/8/2022	Buy	6.00 €	4.94 €
9/16/2022	Buy	6.00 €	4.92 €
12/16/2022	Buy	6.70 €	5.92 €
3/31/2023	Buy	7.00 €	6.11 €
5/16/2023	Accumulate	8.00 €	7.34 €
6/15/2023	Accumulate	8.00 €	7.18 €
<i>Analyst changed</i>			
9/13/2023	Accumulate	8.50 €	7.63 €
9/25/2023	Accumulate	9.00 €	7.93 €
12/14/2023	Accumulate	9.00 €	8.41 €
3/21/2024	Reduce	9.00 €	9.26 €
3/28/2024	Accumulate	10.00 €	9.18 €
4/24/2024	Accumulate	11.00 €	9.99 €
6/13/2024	Accumulate	11.50 €	10.31 €
9/13/2024	Accumulate	11.00 €	9.84 €



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