

# H&M

## Company report

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# We believe Q3 has been tough

We believe H&M's demand has remained sluggish in Q3, while the company faces several headwinds on the gross margin. We expect these to result in H2 being weaker than we previously expected and have hence lowered our estimates for 2024-25. We maintain our Reduce recommendation and target price of SEK 170.

## H2 set out to be softer than we previously expected

In conjunction with its Q2 report, H&M communicated that June sales are expected to be down 6%. While this was against a tough comparison figure, June is the biggest month in Q3 (Jun-Aug). The company commented further that it aims for mid-single-digit growth in H2. We believe that the consumer sentiment has remained soft and hence we now think it unlikely that H&M would hit the target of mid-single-digit growth in H2. Our local currency growth expectations are now 1% for Q3 and 4% for Q4. The negative FX impact will turn reported growth negative in Q3, we estimate, and also weigh on it in Q4. While H&M enjoyed quite strong improvement in the margins during H1, driven by gross margin improvement, the situation looks different for H2. For Q3 specifically, there will be headwinds to gross margin from "external factors" such as freight and raw material, as well as higher markdown and generally declining prices. These have all been communicated by H&M before, but the softer-than-expected demand could put some extra pressure on the margin, we believe. We foresee gross margin in Q3 to be only marginally ahead of last year at around 51%. With the lower sales estimate, H&M will not see any operational leverage in Q3, which obviously has hit our EBIT estimates as we see limited opportunities to adjust opex in the short term. As a result, our earnings forecasts are down some 10% for 2024 and we see EBIT-% below 8%, falling clearly below the company's target of 10%. We also lowered estimates for 2025, while 2026 remained unchanged.

## 10% EBIT margin ambition looks challenging even in 2025

H&M's ambition has been to reach its 10% EBIT margin target in 2024. For the past 12 months, H&M has delivered an EBIT margin of 7.6%, and we now see only little improvement during H2, with 2024 ending at around 8%. From this base and given the current sluggish demand, we do not believe the target will be reached in 2025 either. Nevertheless, we continue to see a positive margin trend and H&M reaching an EBIT margin of 9.0% in 2025 and around 9.5% in 2026. We believe the improvement requires clear top-line growth, which would give leverage to opex, and thus the margin improvement is dependent on demand improving.

## Share looks fairly valued

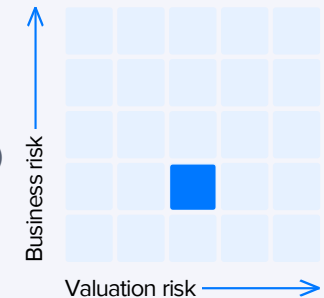
H&M's P/E for 2024 is 20x, which is at the high end of our acceptable multiples. For 2025, the expected margin improvement drives the P/E down to 16x. The multiples are below the closest peer Inditex, which trades at 28x for 2024. We believe some discount is fair given Inditex's better sales development. 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 sales/earnings growth of 5% in the medium term. Our DCF value is in line with our target and close to the current share price. Therefore, overall, we see the share as quite fairly valued.

## Recommendation

**Reduce**  
(prev. Reduce)

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

**Share price:**  
162



## Key indicators

	2023	2024e	2025e	2026e
<b>Revenue</b>	236 035	236 974	247 391	260 889
<b>growth-%</b>	6 %	0 %	4 %	5 %
<b>EBIT adj.</b>	13 538	18 695	22 388	24 816
<b>EBIT-% adj.</b>	5,7 %	7,9 %	9,0 %	9,5 %
<b>Net Income</b>	8 723	12 512	15 770	17 830
<b>EPS (adj.)</b>	4,7	7,9	9,8	11,1

<b>P/E (adj.)</b>	37,6	20,5	16,5	14,6
<b>P/B</b>	6,1	5,3	4,8	4,4
<b>Dividend yield-%</b>	3,7 %	4,3 %	4,6 %	5,3 %
<b>EV/EBIT (adj.)</b>	25,1	16,9	14,0	12,6
<b>EV/EBITDA</b>	9,1	7,8	7,0	6,6
<b>EV/S</b>	1,4	1,3	1,3	1,2

Source: Inderes

## Guidance

(Unchanged)

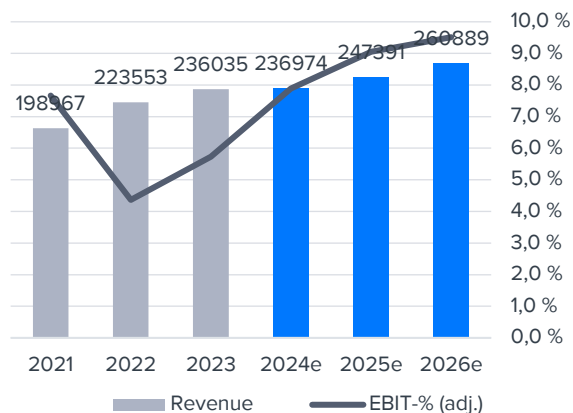
No guidance

## Share price



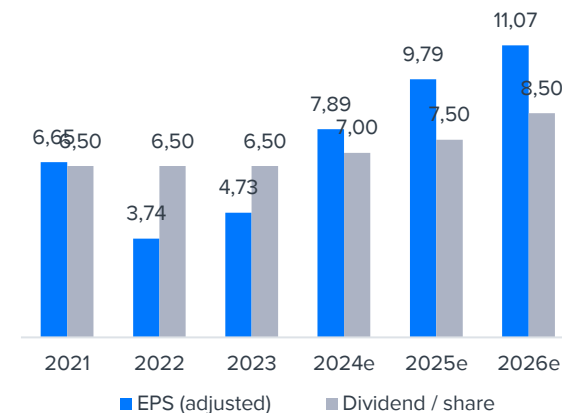
Source: Millistream Market Data AB

## Sales and EBIT-%



Source: Inderes

## EPS and dividend



Source: Inderes



## 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	162	162	162
Number of shares, m	1611	1611	1611
Market cap	260 498	260 498	260 498
EV	315 018	314 212	313 250
P/E (adj.)	20,5	16,5	14,6
P/E	20,8	16,5	14,6
P/B	5,3	4,8	4,4
P/S	1,1	1,1	1,0
EV/Sales	1,3	1,3	1,2
EV/EBITDA	7,8	7,0	6,6
EV/EBIT (adj.)	16,9	14,0	12,6
Payout ratio (%)	90 %	77 %	77 %
Dividend yield-%	4,3 %	4,6 %	5,3 %

Source: Inderes

# Demand not likely to pick up as targeted

## Targeted growth in H2 unlikely to materialize

In conjunction with its Q2 report, H&M communicated that June sales are expected to be down 6 %. While this was against a tough comparison figure, June is the biggest month in Q3. The company commented further that it aims for mid-single-digit growth in H2.

We believe that the consumer sentiment has remained soft and hence we now think it unlikely that H&M would hit the target of mid-single-digit growth in H2. Our local currency growth expectations are now 1% for Q3 and 4% for Q4. The negative FX impact will turn reported growth negative in Q3, we estimate, and also burden on it in Q4.

## Multiple margin headwinds

While H&M enjoyed quite strong improvement in the

margins during H1, driven by gross margin improvement, the situation looks different for H2. For Q3 specifically, there will be headwinds to gross margin from "external factors" such as freight and raw material, as well as higher markdown and generally declining prices. These have all been communicated by H&M before, but the softer-than-expected demand could put some extra pressure on the margin, we believe. We foresee gross margin in Q3 to be only marginally ahead of last year at around 51%.

With the lower sales estimate, H&M will not see any operational leverage in Q3, which obviously has hit our EBIT estimates as we see limited opportunities to adjust opex in the short term. As a result, our earnings forecasts are down some 10% for 2024 and we see EBIT-% below 8%, falling clearly below the company's target of 10%.

## Margin profile lowered for 2025 as well

Given the continued sluggish demand while wage inflation continues to drive opex higher, we have also lowered the margin estimates for 2025 slightly. Although we continue to see an improving trend, we now expect EBIT-% to be around 9% in 2025, while the company gets close to its 10% target in 2026 (9,5 %).

Estimate revisions MSEK / SEK	2024e	2024e	Change %	2025e	2025e	Change %	2026e	2026e	Change %
	Old	New		Old	New		Old	New	
Revenue	239274	236974	-1%	249800	247391	-1%	261827	260889	0%
EBIT	20283	18496	-9%	23800	22388	-6%	24857	24816	0%
PTP	18482	16695	-10%	22300	20888	-6%	23657	23616	0%
EPS (excl. NRIs)	8,72	7,89	-10%	10,45	9,79	-6%	11,09	11,07	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, resulting in 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. We therefore see little upside on a 12-month horizon.

## Acceptable absolute multiples in 2024-25

H&M's valuation multiples for 2023 are fairly high with P/E around 30x. H&M is, however, showing an ongoing margin recovery, which we expect to stretch out to 2025-26. The headline multiples for 2024 are P/E 21x and EV/EBIT 17x, which look relatively fair. Adjusted for lease liabilities, EV/EBIT is some 15.5x and P/E adjusted for net cash excl. IFRS 16 is around 20x. Despite the continued growth potential and high returns on capital, which we see in the company, these are in the high end of our range of acceptable multiples. As we expect further margin improvement in 2025-26, the multiples start to look more attractive with the headline P/E falling to 17x and 15x respectively. Obviously, they require the expected margin improvement to materialize.

Looking from 2026 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 2025-26 is 11-12 BNSEK, which implies a free cash flow yield of around 4%.

## Valuation compared to the peer group

All retail chains have significant lease liabilities, which muddle 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 20x, and 16x for 2025, very close to H&M. The values for the peer group vary broadly from single digits to 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 at P/E 28x for 2024 and 25x for 2025, i.e., clearly higher than H&M. Inditex has, however, also been growing 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

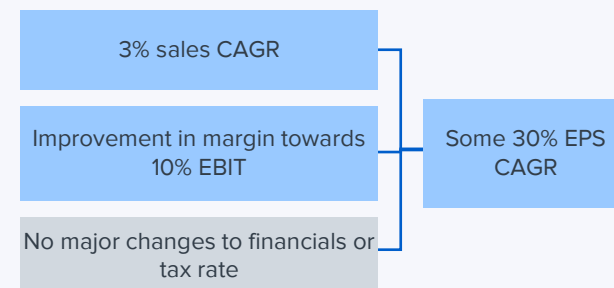
We expect steady growth and margins during 2025-2032. In the terminal period, we expect the EBIT margin to remain largely flat at around 9.5% while our terminal growth rate assumption is 3%. We estimate the cost of equity and WACC (due to no financial debt) for H&M to be 8.0%, which is fairly low given the company's 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 in line with our target price and close to the current share price, suggesting the share is fairly valued.

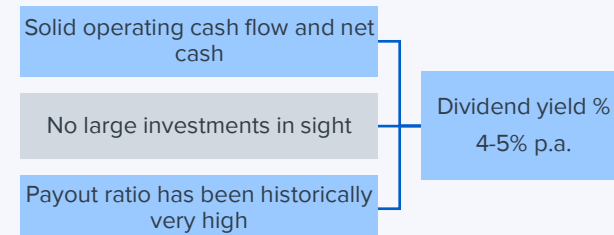
## TSR drivers 2023-2026

■ Positive ■ Neutral ■ Negative

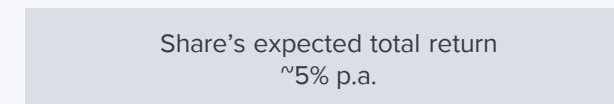
### Profit drivers



### Dividend yield drivers



### Valuation multiple drivers



# 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 and value creative growth**
- 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 in 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 minds that H&M Group's investment profile is that of a growth company. It has shown strong long-term growth throughout its history and we expect it will continue to deliver going forward as well. However, the challenge has been margins, which have deteriorated over 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 the markets in Europe 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) in omnichannel capabilities.

In the longer term, there are clearly possibilities in H&M Group's various portfolio chains and smaller business ventures to grow into major businesses and thus drive earnings and value for the Group. Perhaps the most promising ones in this respect are currently 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, and it's also vulnerable to 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, thereby intensifying competition. This means that 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 is strengthened 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 regulatory risk (currently mostly regarding the EU), which could somehow limit H&M Group's business or burden it with more costs related to the durability or circularity of the products.

In terms of earnings, we note that H&M Group had a weak period in margin development from 2010 to 2020. Despite a somewhat better outlook now, 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



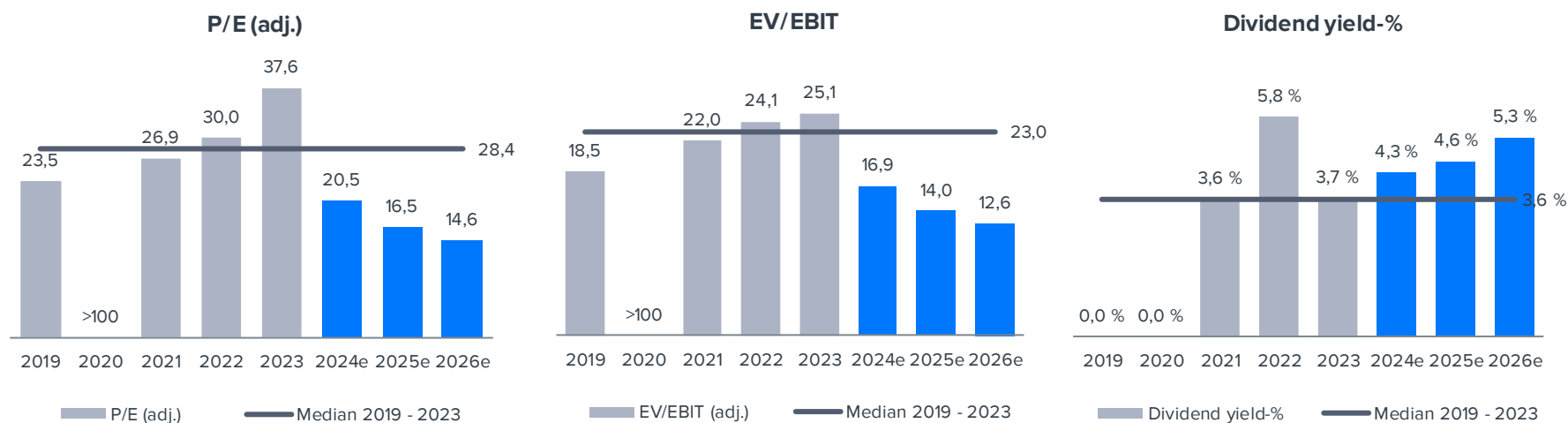
Source: Inderes



# Valuation table

Valuation	2019	2020	2021	2022	2023	2024e	2025e	2026e	2027e
Share price	190	172	179	112	178	162	162	162	162
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	260 498	260 498	260 498	260 498
EV	320 644	348 197	335 147	235 497	339 574	315 018	314 212	313 250	312 922
P/E (adj.)	23,5	>100	26,9	30,0	37,6	20,5	16,5	14,6	13,5
P/E	23,5	>100	26,9	51,8	33,3	20,8	16,5	14,6	13,5
P/B	5,5	5,2	4,9	3,6	6,1	5,3	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	1,3	1,3	1,2	1,1
EV/EBITDA	11,3	12,0	8,9	7,9	9,1	7,8	7,0	6,6	6,4
EV/EBIT (adj.)	18,5	>100	22,0	24,1	25,1	16,9	14,0	12,6	12,0
Payout ratio (%)	0,0 %	0,0 %	97,7 %	299,8 %	120,9 %	90,1 %	76,6 %	76,8 %	100,0 %
Dividend yield-%	0,0 %	0,0 %	3,6 %	5,8 %	3,7 %	4,3 %	4,6 %	5,3 %	7,4 %

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	151656	145295	21,5	19,2	14,8	13,6	4,0	3,7	28,3	25,3	3,0	3,5	8,3
Fast Retailing	91404	83468	24,2	25,2	19,7	18,5	4,4	4,0	40,1	38,9	0,8	0,8	7,2
Next	15098	17291	14,8	13,8	12,5	11,5	2,7	2,5	17,8	16,3	2,1	2,2	9,3
GAP													
Zalando	6333	5581	16,2	11,6	7,6	6,6	0,5	0,5	29,6	22,1			2,4
Victoria's Secret	1750	2684	9,5	10,3	5,2	5,4	0,5	0,5	11,6	12,6			4,1
Abercrombie & Fitch	6351	5780	13,4	9,1	10,3	7,5	1,5	1,3	22,8	14,0			6,8
Urban Outfitters	3039	2614	7,2	6,7	5,7	5,3	0,6	0,5	11,1	10,0			1,5
<b>H&amp;M (Inderes)</b>	<b>22457</b>	<b>27157</b>	<b>16,9</b>	<b>14,0</b>	<b>7,8</b>	<b>7,0</b>	<b>1,3</b>	<b>1,3</b>	<b>20,5</b>	<b>16,5</b>	<b>4,3</b>	<b>4,6</b>	<b>5,3</b>
<b>Average</b>			<b>15,3</b>	<b>13,7</b>	<b>10,8</b>	<b>9,8</b>	<b>2,0</b>	<b>1,9</b>	<b>23,0</b>	<b>19,9</b>	<b>2,0</b>	<b>2,2</b>	<b>5,6</b>
<b>Median</b>			<b>14,8</b>	<b>11,6</b>	<b>10,3</b>	<b>7,5</b>	<b>1,5</b>	<b>1,3</b>	<b>22,8</b>	<b>16,3</b>	<b>2,1</b>	<b>2,2</b>	<b>6,8</b>
<b>Diff-% to median</b>			<b>14 %</b>	<b>21 %</b>	<b>-25 %</b>	<b>-6 %</b>	<b>-12 %</b>	<b>-5 %</b>	<b>-10 %</b>	<b>2 %</b>	<b>110 %</b>	<b>109 %</b>	<b>-23 %</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	59 900	63 800	236 974	247 391	260 889	273 584
EBITDA	29 748	6 230	10 234	10 466	10 562	37 492	7 480	12 598	9 569	10 752	40 399	45 104	47 584	48 967
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	4 069	5 252	18 695	22 388	24 816	25 987
EBIT	7 169	725	4 741	4 739	4 332	14 537	2 077	7 098	4 069	5 252	18 496	22 388	24 816	25 987
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	3 619	4 802	16 695	20 888	23 616	25 487
Taxes	-2 650	144	-1 037	-1 054	-2 340	-4 287	-405	-1 673	-905	-1 201	-4 183	-5 118	-5 786	-6 244
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	2 714	3 602	12 512	15 770	17 830	19 243
EPS (adj.)	3,7	-0,3	2,0	2,0	1,0	4,7	0,7	3,2	1,7	2,2	7,9	9,8	11,1	11,9
EPS (rep.)	2,2	0,3	2,0	2,0	1,0	5,3	0,7	3,1	1,7	2,2	7,8	9,8	11,1	11,9
<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 %	-1,6 %	1,8 %	0,4 %	4,4 %	5,5 %	4,9 %
Adjusted EBIT growth-%	-36,0 %	-159,8 %	-5,0 %	78,6 %	160,8 %	38,7 %	-858,0 %	53,9 %	-14,1 %	21,2 %	38,1 %	19,8 %	10,8 %	4,7 %
EBITDA-%	13,3 %	11,4 %	17,8 %	17,2 %	16,9 %	15,9 %	13,9 %	21,1 %	16,0 %	16,9 %	17,0 %	18,2 %	18,2 %	17,9 %
Adjusted EBIT-%	4,4 %	-0,5 %	8,2 %	7,8 %	6,9 %	5,7 %	3,9 %	12,2 %	6,8 %	8,2 %	7,9 %	9,0 %	9,5 %	9,5 %
Net earnings-%	1,6 %	1,0 %	5,7 %	5,5 %	2,5 %	3,7 %	2,2 %	8,4 %	4,5 %	5,6 %	5,3 %	6,4 %	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>74647</b>	<b>75454</b>	<b>71745</b>
Inventories	42495	37358	37916	39583	41742
Other current assets	0,0	0,0	0,0	0,0	0,0
Receivables	15321	16773	15403	16080	16958
Cash and equivalents	21707	26398	21328	19791	13044
<b>Balance sheet total</b>	<b>182048</b>	<b>181273</b>	<b>178488</b>	<b>181579</b>	<b>180837</b>

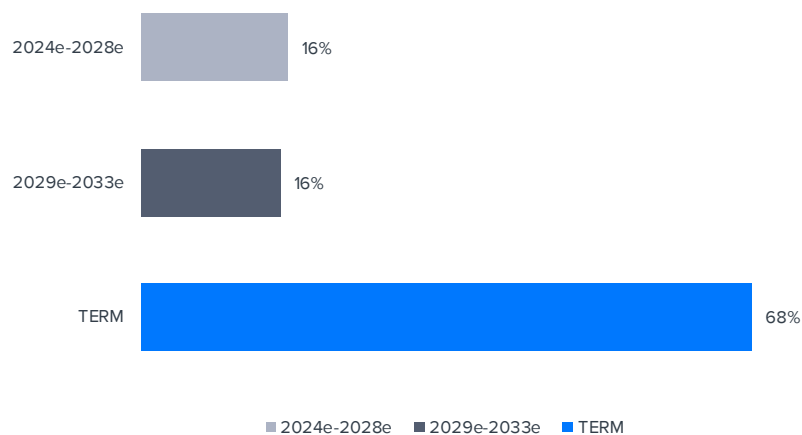
Source: Inderes

Liabilities & equity	2022	2023	2024e	2025e	2026e
<b>Equity</b>	<b>50757</b>	<b>47601</b>	<b>49570</b>	<b>54066</b>	<b>59818</b>
Share capital	207	207	207	207	207
Retained earnings	44694	41198	43167	47663	53415
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>78918</b>	<b>77513</b>	<b>71019</b>
Interest bearing debt	13710	15157	25848	23505	15796
Payables	21090	21027	21328	22265	23480
Other current liabilities	33535	31743	31743	31743	31743
<b>Balance sheet total</b>	<b>182048</b>	<b>181273</b>	<b>178488</b>	<b>181579</b>	<b>180837</b>

# DCF calculation

DCF model	2023	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	TERM
Revenue growth-%	5,6 %	0,4 %	4,4 %	5,5 %	4,9 %	5,0 %	5,0 %	5,0 %	5,0 %	5,0 %	3,0 %	3,0 %
EBIT-%	6,2 %	7,8 %	9,0 %	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>18496</b>	<b>22388</b>	<b>24816</b>	<b>25987</b>	<b>27290</b>	<b>28655</b>	<b>30087</b>	<b>31592</b>	<b>33171</b>	<b>34166</b>	
+ Depreciation	22955	21903	22716	22768	22980	23306	23716	24680	25611	26603	27934	
- Paid taxes	-4314	-6599	-5118	-5786	-6244	-6564	-6898	-7249	-7617	-8004	-8371	
- Tax, financial expenses	-503	-451	-368	-294	-123	-123	-123	-123	-123	-123	0	
+ Tax, financial income	0	0	0	0	0	0	0	0	0	0	0	
- Change in working capital	1830	113	-1406	-1822	-1714	-1847	-1939	-2036	-2138	-2245	-1414	
<b>Operating cash flow</b>	<b>34505</b>	<b>34461</b>	<b>38212</b>	<b>39682</b>	<b>40887</b>	<b>42063</b>	<b>43411</b>	<b>45360</b>	<b>47325</b>	<b>49403</b>	<b>52315</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	-30339	-32573	-31694	
<b>Free operating cash flow</b>	<b>11965</b>	<b>8945</b>	<b>13212</b>	<b>13947</b>	<b>14395</b>	<b>14792</b>	<b>15336</b>	<b>16458</b>	<b>16986</b>	<b>16830</b>	<b>20621</b>	
+/- Other	-1766	-2000	-2000	-2000	-2000	-2000	-2000	-2000	-2000	-2000	-2000	
FCFF	10199	6945	11212	11947	12395	12792	13336	14458	14986	14830	18621	386489
<b>Discounted FCFF</b>		<b>6767</b>	<b>10119</b>	<b>9987</b>	<b>9597</b>	<b>9174</b>	<b>8859</b>	<b>8896</b>	<b>8541</b>	<b>7829</b>	<b>9105</b>	<b>188973</b>
Sum of FCFF present value		277845	271078	260959	250972	241375	232202	223343	214447	205906	198077	188973
<b>Enterprise value DCF</b>		<b>277845</b>										
- Interest bearing debt		-17082										
+ Cash and cash equivalents		26398										
-Minorities		0,0										
-Dividend/capital return		-10543										
<b>Equity value DCF</b>		<b>276618</b>										
<b>Equity value DCF per share</b>		<b>172</b>										

Cash flow distribution

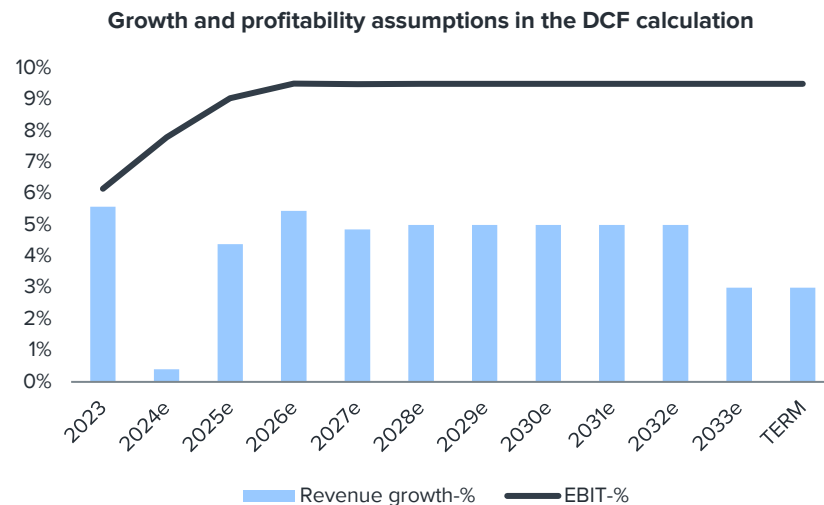
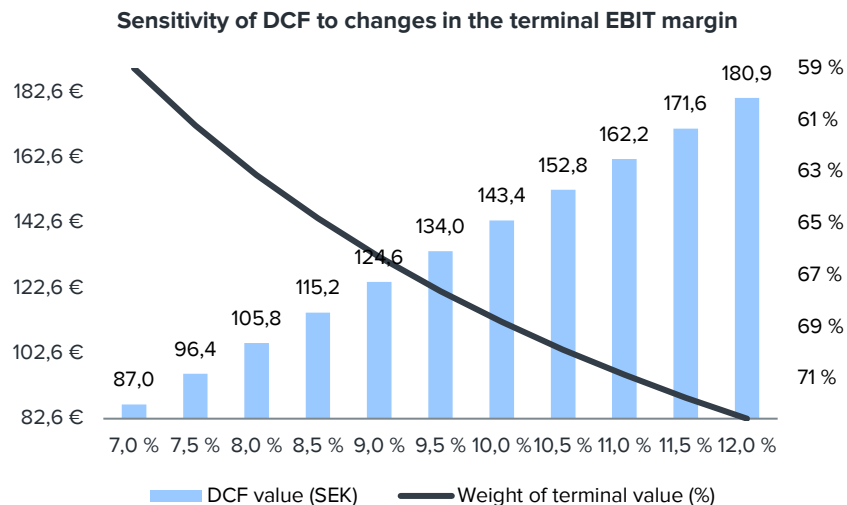
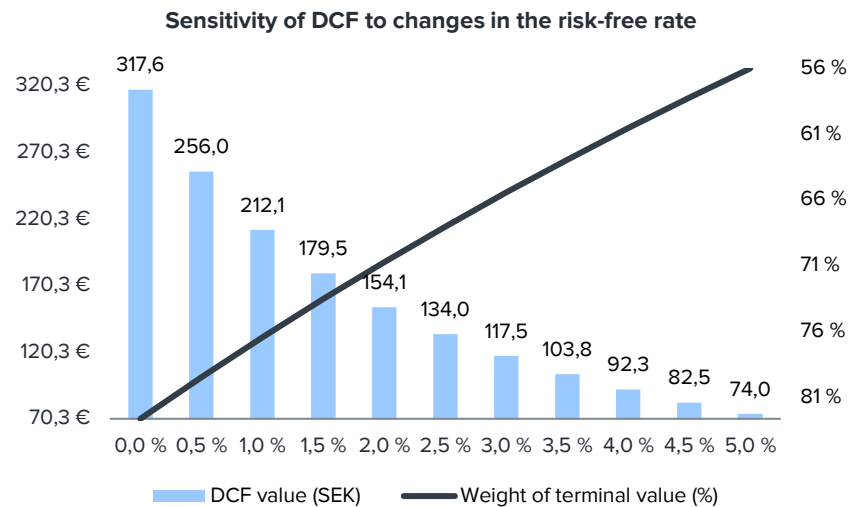
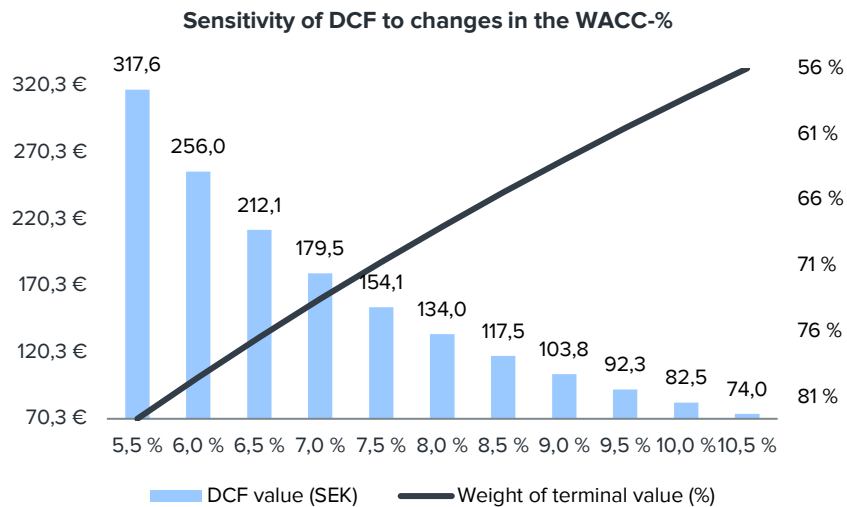


## WACC

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	<b>236974</b>	<b>247391</b>	EPS (reported)	6,7	2,2	5,3	<b>7,8</b>	<b>9,8</b>
EBITDA	37575	29748	37492	<b>40399</b>	<b>45104</b>	EPS (adj.)	6,7	3,7	4,7	<b>7,9</b>	<b>9,8</b>
EBIT	15255	7169	14537	<b>18496</b>	<b>22388</b>	OCF / share	27,1	15,2	21,1	<b>21,4</b>	<b>23,7</b>
PTP	14300	6216	13010	<b>16695</b>	<b>20888</b>	FCF / share	18,8	1,0	6,2	<b>4,3</b>	<b>7,0</b>
Net Income	11010	3566	8723	<b>12512</b>	<b>15770</b>	Book value / share	36,3	30,8	29,1	<b>30,8</b>	<b>33,6</b>
Extraordinary items	0	-2591	999	<b>-199</b>	<b>0</b>	Dividend / share	6,5	6,5	6,5	<b>7,0</b>	<b>7,5</b>
Balance sheet	2021	2022	2023	2024e	2025e	Growth and profitability	2021	2022	2023	2024e	2025e
Balance sheet total	179781	182048	181273	<b>178488</b>	<b>181579</b>	Revenue growth-%	6 %	12 %	6 %	<b>0 %</b>	<b>4 %</b>
Equity capital	60018	50757	47601	<b>49570</b>	<b>54066</b>	EBITDA growth-%	29 %	-21 %	26 %	<b>8 %</b>	<b>12 %</b>
Goodwill	64	64	1013	<b>1013</b>	<b>1013</b>	EBIT (adj.) growth-%	392 %	-36 %	39 %	<b>38 %</b>	<b>20 %</b>
Net debt	39220	50928	51572	<b>54520</b>	<b>53713</b>	EPS (adj.) growth-%	786 %	-44 %	26 %	<b>67 %</b>	<b>24 %</b>
Cash flow	2021	2022	2023	2024e	2025e	EBITDA-%	18,9 %	13,3 %	15,9 %	<b>17,0 %</b>	<b>18,2 %</b>
EBITDA	37575	29748	37492	<b>40399</b>	<b>45104</b>	EBIT (adj.)-%	7,7 %	4,4 %	5,7 %	<b>7,9 %</b>	<b>9,0 %</b>
Change in working capital	11083	-539	1830	<b>1113</b>	<b>-1406</b>	EBIT-%	7,7 %	3,2 %	6,2 %	<b>7,8 %</b>	<b>9,0 %</b>
Operating cash flow	44849	25091	34505	<b>34461</b>	<b>38212</b>	ROE-%	19,2 %	6,4 %	17,7 %	<b>25,8 %</b>	<b>30,4 %</b>
CAPEX	-13751	-23581	-22298	<b>-25000</b>	<b>-25000</b>	ROI-%	11,7 %	5,7 %	11,7 %	<b>14,7 %</b>	<b>17,7 %</b>
Free cash flow	31094	1660	10199	<b>6945</b>	<b>11212</b>	Equity ratio	33,4 %	27,9 %	26,3 %	<b>27,8 %</b>	<b>29,8 %</b>
						Gearing	65,3 %	100,3 %	108,3 %	<b>110,0 %</b>	<b>99,3 %</b>
Valuation multiples	2021	2022	2023	2024e	2025e						
EV/S	1,7	1,1	1,4	<b>1,3</b>	<b>1,3</b>						
EV/EBITDA	8,9	7,9	9,1	<b>7,8</b>	<b>7,0</b>						
EV/EBIT (adj.)	22,0	24,1	25,1	<b>16,9</b>	<b>14,0</b>						
P/E (adj.)	26,9	30,0	37,6	<b>20,5</b>	<b>16,5</b>						
P/B	4,9	3,6	6,1	<b>5,3</b>	<b>4,8</b>						
Dividend-%	3,6 %	5,8 %	3,7 %	<b>4,3 %</b>	<b>4,6 %</b>						

Source: Inderes

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

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## Recommendation history (>12 mo)

Date	Recommendation	Target	Share price
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
29.8.2024	Reduce	170	162





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