

Puuiilo Oyj

Company report

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✓ Inderes corporate customer

This report is a summary translation of the report “Kasvu jatkuu kotimaan markkinaa valtaamalla” published on 4/24/2024 at 8:20 am EEST.

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Growth continues by capturing domestic market share

Puulo's updated strategy targets stronger growth than previously expected and as a result we have revised our store opening forecasts upwards. The main drivers of the company's profit growth are a scalable cost structure driven by an expanding store network and the growth of existing stores. The near-term valuation of the stock remains slightly elevated, but we believe this is justified by the strong earnings growth profile and high return on capital. We reiterate our Accumulate recommendation and raise our target price to EUR 11.0 (was 10.0), boosted by positive forecast changes.

Core of the strategy unchanged, but Finland can accommodate more Puulo stores than estimated

The core of the company's growth-oriented strategy remained unchanged: growth is sought through the proven Puulo concept in Finland. The main drivers of profit growth were revenue growth, driven by new store openings and the comparable (like-for-like) growth of the still young store network. In addition, the company aims to increase the share of private labels, which will have a positive impact on the group's margin potential. In the long term, the company aims to increase the share of private labels by around 10 percentage points. We believe this is justified, as their margins have historically been significantly higher than A-brand products (+10pp on average). Puulo has reached a size where its growth is more scalable, for example in terms of personnel or rental costs. We believe these factors are strong enough to continue to gain market share, given the company's competitive store concept and internal cost efficiencies.

The financial targets set are achievable

Puulo is targeting revenue of more than 600 MEUR by the end of 2028. In terms of relative profitability, the targets remained virtually unchanged, i.e., an EBITA margin above 17%. With regard to the expansion of the store network, the pace of store openings will increase. If the store openings can be executed according to plan and the stores are efficient, we believe that the targets are realistic.

Our forecasts increased with the higher store network target

We have made small positive forecast changes in the short term, but significant positive changes in the medium and long term. With our forecast of 71 stores, we estimate that the company will fall marginally short of its revenue target in 2028. As the store network matures, the company's profitability profile will improve, as an opened Puulo store will only reach full flight altitude in terms of EBITDA after several years. In addition, the company can afford to improve the efficiency of its operations, for example through more efficient shift scheduling. We expect the company to exceed its relative profitability target as early as 2025. The viability of the Puulo concept and its resilience in the face of competition gives us confidence in the company's ability to continue to grow its store network effectively.

Risk-adjusted expected return at attractive level despite elevated valuation

The main drivers of the expected return on the stock are, in addition to our projected earnings growth of around 17%, a dividend yield of around 5%. We believe the valuation of the stock is elevated in the short term (P/E 24e: 18x), but within our range of accepted valuations. However, the downward pressure on the valuation is offset by strong earnings growth and dividend yield. In addition, the DCF model's indicative value (EUR 11.7), which is well above the share price, justifies a positive view on the stock.

Recommendation

Accumulate

(previous Accumulate)

EUR 11.00

(previous EUR 10.00)

Share price:

9.99



Key figures

	2023	2024e	2025e	2026e
Revenue	338.5	391.2	430.8	481.6
growth-%	14%	16%	10%	12%
EBIT adj.	52.8	63.8	72.7	82.2
EBIT-% adj.	15.6 %	16.3 %	16.9 %	17.1 %
Net Income	38.7	47.3	54.5	61.6
EPS (adj.)	0.46	0.56	0.64	0.73

P/E (adj.)	20.3	17.9	15.5	13.8
P/B	9.2	8.5	7.3	6.3
Dividend yield-%	4.1 %	4.5 %	5.1 %	5.8 %
EV/EBIT (adj.)	16.8	14.8	12.9	11.4
EV/EBITDA	13.1	11.7	9.8	8.7
EV/S	2.6	2.4	2.2	1.9

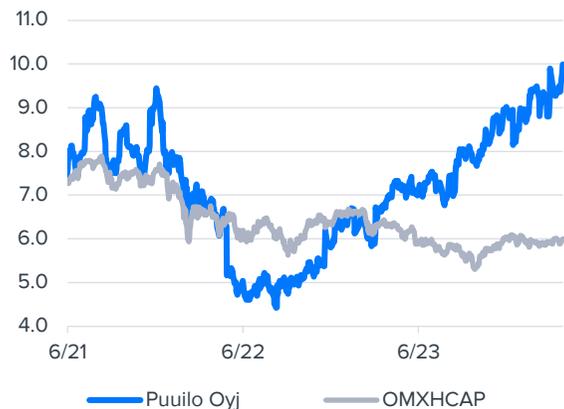
Source: Inderes

Guidance

(Unchanged)

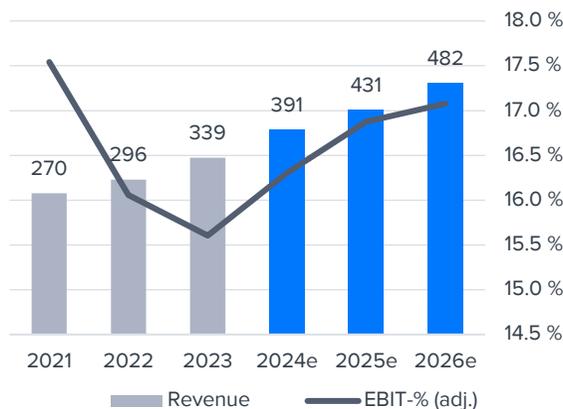
Puulo predicts that its revenue for 2024 will be 380-410 MEUR (2023: 339 MEUR) and the adjusted EBITA will be in the range of 60-70 MEUR (2023: 54.1 MEUR).

Share price



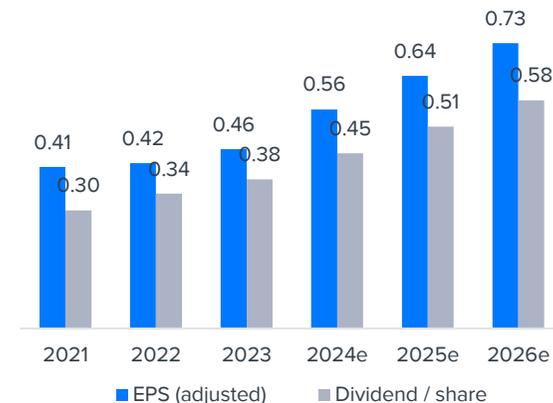
Source: Millstream Market Data AB

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	9.99	9.99	9.99
Number of shares, millions	84.8	84.8	84.8
Market cap	847	847	847
EV	946	936	934
P/E (adj.)	17.9	15.5	13.8
P/E	17.9	15.5	13.8
P/B	8.5	7.3	6.3
P/S	2.2	2.0	1.8
EV/Sales	2.4	2.2	1.9
EV/EBITDA	11.7	9.8	8.7
EV/EBIT (adj.)	14.8	12.9	11.4
Payout ratio (%)	80.0 %	80.0 %	80.0 %
Dividend yield-%	4.5 %	5.1 %	5.8 %

Source: Inderes

Strategy targets scalable growth

Core of the strategy unchanged

The core of the company's growth-oriented strategy remained unchanged: growth is sought through the proven Puuilo concept in Finland. The main drivers of profit growth were revenue growth, driven by new store openings and the comparable growth of the still young store network. In addition, the company aims to increase the share of private labels (2023: 20.6% → 30%), which will have a positive impact on the group's margin potential. Puuilo has reached a size where its growth is more scalable, for example in terms of personnel (admin+store) or rental costs.

Investor Day demonstrated the company's superiority over the market

The Puuilo concept has proven its effectiveness in the Finnish market, and the company has managed to grow even in a difficult market environment. Scalable growth is expected to continue as the company unveiled potential store locations at the Investor Day and several gaps without a Puuilo store stand out on the map of Finland (see picture on next page). According to the company's calculations, these areas have a long-term revenue

potential of more than 200 MEUR. In addition to scaling up, there is a competitive justification for increasing the number of stores, as Puuilo's performance appears to be able to withstand competitive pressure (see chart on next page). The company has gained significant market share through store network expansion and increased brand awareness. In our view, this strong competitive position is based on a unique concept that emphasizes low prices, an attractive (and in some cases different) product range, good accessibility and simple and fast customer service. We also believe that the company has been successful in its marketing, which has contributed to the increase in customer numbers.

We think the targets are realistic

In terms of revenue, Puuilo increased its target by 200 MEUR and now aims to achieve revenue of more than 600 MEUR by the end of 2028. The higher revenue target is driven by the expansion of the network to more than 70 stores and comparable growth in existing stores. In terms of relative profitability, the targets remained virtually unchanged, i.e., an EBITA margin above 17% (or more than 105 MEUR). In addition, the company aims to

distribute more than 80% of its net profit to shareholders and maintain a net debt to EBITDA ratio of < 2x.

We consider each objective to be realistic. As for the store network, the pace of store openings will increase as 5-6 (2011-23: 3-4) new stores will need to be opened per year to reach over 70 stores. If the store openings can be completed as planned and the stores are efficient (~10 MEUR/year and ~20% EBITDA margin), we believe that achieving the targets is realistic. At the same time, as the existing store network matures, the company's profitability profile will improve, as an opened Puuilo store will take several years to reach full flight altitude in terms of EBITDA margin. In addition, the company can afford to improve the efficiency of its store operations, for example through more efficient shift scheduling.

The payout ratio of over 80% is justified by the company's abundant cash flow, and we expect debt to continue to decline, also thanks to efficient free cash flow. Puuilo's business model is capital light and we estimate that the store openings under the current strategy can be financed from the company's own cash flow.

	New: 2024-28	Previous: 2021-25
Store network	> 70	> 60
Revenue	> 600 MEUR	> 400 MEUR
EBITA	> 105 MEUR	
EBITA-%	> 17%	> 17-19%
Profit distribution	≥ 80%	
Dividend policy		≥ 80%
Net debt / EBITDA	< 2x	< 2x

Graphs from Puuilo's Investor Day

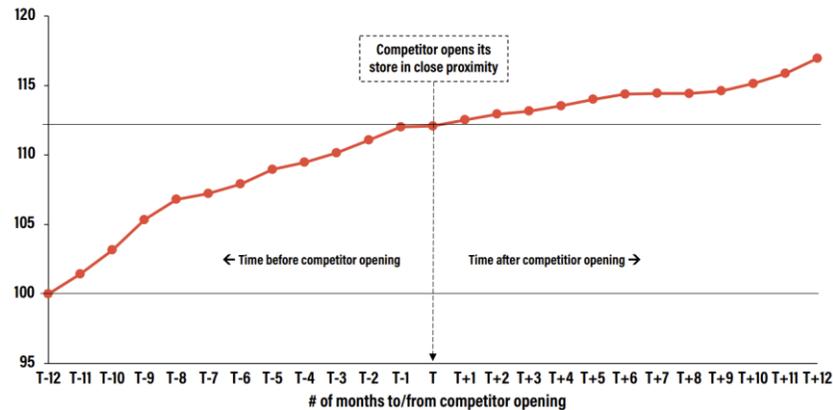
Potential new stores by geographical location



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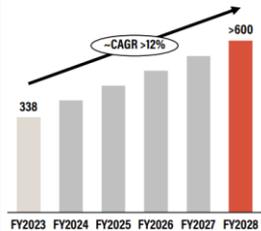
There is enough space for several Puuilo stores in Finland. The figure shows the number of potential store locations by geography.

Rolling 12-month sales development before and after the store opening of competitors (indexed, T-12 = 100)¹⁾



The Puuilo concept can withstand intense competition. The graph above shows that Puuilo's stores have withstood the pressure of a competitor opening next door and continued to grow.

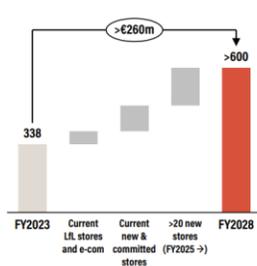
Net sales development (€m)



Sales development drivers:

- ✓ Growing the chain to >70 stores with the current concept
- ✓ Young store network, ~half of stores younger than 5 years old
- ✓ Still major untapped potential in larger cities

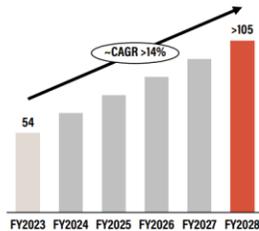
Sales development components (€m)



Sales development components:

- ✓ Strong LFL growth, historically ~5% p.a.
- ✓ Growth from maturing new and committed stores
- ✓ Major growth from >20 new store openings from FY2025 onwards

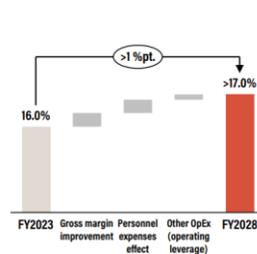
EBITA development (€m)



EBITA development drivers

- ✓ Increasing private label share of sales
- ✓ Improving already light cost structure
- ✓ Economies of scale as the average sales per store increase

EBITA development components (%pt.)



EBITA development components:

- ✓ Increasing private label effect on EBITA margin estimated between 0.4-1.0%pt.
- ✓ Proportional personnel expenses decrease as average per stores increase, est. effect of 0.4-1.0%pt. on EBITA margin
- ✓ Operating leverage effect as total sales increase, est. effect of 0.2-0.5%pt. on EBITA margin

Revenue drivers:

- Comparable growth of existing stores
- Recently opened stores
- More than 20 new stores from 2025 onwards

Profitability drivers:

- Increase in gross margin through growth of private labels (0.4-1pp impact)
- Scaling of personnel costs with growth (0.4-1pp impact)
- Scaling of other fixed costs (0.2-0.5pp impact)

Our long-term forecasts rose sharply

Estimate revisions

- We had previously estimated the company's store potential to be around 60. We have increased our store opening forecast to a level of 5-6 stores per year (71 stores in 2028) from the previous one of around 4 stores per year.
- We expect comparable growth to remain at a good level (~5%). This is supported by the growing number of recently opened stores (0-5 years old).
- In 2025-26, we increased our revenue forecasts by 2% and 6%. We expect the company to fall slightly short of its target of > 600 MEUR (2028e: 593 MEUR). If there are more store openings than we anticipate, then the company will be able to exceed its targets.
- Our profitability forecasts increased by around 3-4% as a result of higher volumes and efficiency measures. We forecast the company's EBITA to increase towards the company's target of 105 MEUR, i.e., an EBITA margin of > 17% (2028e: 104.9 MEUR; 17.7% of revenue).
- We flag slower-than-expected store network expansion as a clear forecast risk. The company's expansion strategy is conservative and it will not choose mediocre locations. The store locations should be efficient in terms of the company's history, as we forecast that sales per square foot will be fairly in line with the company's previous store openings.

Operational earnings drivers:

- Number of stores increasing towards > 70
- Comparable growth of old stores as store base matures
- Improving the gross margin by increasing the share of private labels
- Fixed cost control
- Possible decline in debt levels and gradual easing of interest rates
- We forecast annual EPS growth of 17% (2023-26e).

Estimate revisions	2024e	2024	Change	2025e	2025e	Change	2026e	2026e	Change
MEUR / EUR	Old	New	%	Old	New	%	Old	New	%
Revenue	390	391	0%	421	431	2%	454	482	6%
EBIT (exc. NRIs)	63.5	63.8	0%	70.8	72.7	3%	79.2	82.2	4%
EBIT	63.5	63.8	0%	70.8	72.7	3%	79.2	82.2	4%
PTP	58.9	59.1	0%	65.8	67.7	3%	74.2	77.0	4%
EPS (excl. NRIs)	0.56	0.56	0%	0.63	0.64	2%	0.70	0.73	4%

Source: Inderes

Earnings growth is the main driver of expected return

Higher valuation justified

The LTM P/E (22x) of Puuilo 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 high valuation in the coming years as the P/E ratio falls to an attractive level (25-26e: 16-14x). EV-based earnings multiples that take into account the balance sheet (24-25e EV/EBIT 15-13x) seem quite reasonable, but not low. For a market leader and a company with strong earnings growth, we believe it is justified to accept temporarily elevated multiples.

Valuation well 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.

The company is priced at a premium (24-25e ~15%) to its peer group on a P/E basis. In our view, a stronger growth outlook than its peers, excellent capital return potential and a good track record justify the premium.

On a dividend basis, Puuilo's stock offers a better yield than its peer group (~25% premium), driven by the company's strong cash flow profile and generous dividend policy.

DCF model indicates upside potential

Our cash flow model suggests a fair value of EUR 11.7, which implies an upside of around 17% from the current price and argues for 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 on the basis of a dividend yield of around 5%, it provides a good basis for expected returns. The dividend yield is very close to the free cash flow yield of around 5.5% 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 (and their cancellation), giving the investor a more tax-efficient alternative to dividends and a possible multiple arbitrage.

Expected return remains attractive

In terms of trailing 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 10-15%. We find this level attractive and it exceeds our WACC, which means that the risk/reward ratio is favorable.

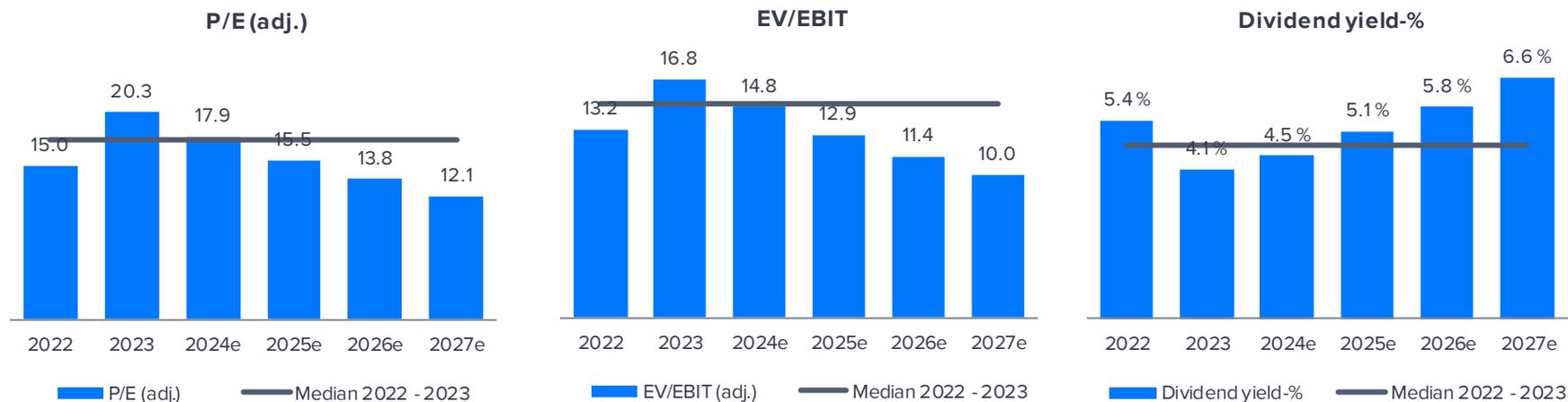
Valuation	2024e	2025e	2026e
Share price	9.99	9.99	9.99
Number of shares, millions	84.8	84.8	84.8
Market cap	847	847	847
EV	946	936	934
P/E (adj.)	17.9	15.5	13.8
P/E	17.9	15.5	13.8
P/B	8.5	7.3	6.3
P/S	2.2	2.0	1.8
EV/Sales	2.4	2.2	1.9
EV/EBITDA	11.7	9.8	8.7
EV/EBIT (adj.)	14.8	12.9	11.4
Payout ratio (%)	80.0 %	80.0 %	80.0 %
Dividend yield-%	4.5 %	5.1 %	5.8 %

Source: Inderes

Valuation table

Valuation	2019	2020	2021	2022	2023	2024e	2025e	2026e	2027e
Share price				6.32	9.26	9.99	9.99	9.99	9.99
Number of shares, millions				84.8	84.8	84.8	84.8	84.8	84.8
Market cap				536	785	847	847	847	847
EV				630	886	946	936	934	933
P/E (adj.)				15.0	20.3	17.9	15.5	13.8	12.1
P/E				15.3	20.3	17.9	15.5	13.8	12.1
P/B				7.0	9.2	8.5	7.3	6.3	5.4
P/S				1.8	2.3	2.2	2.0	1.8	1.6
EV/Sales				2.1	2.6	2.4	2.2	1.9	1.7
EV/EBITDA				10.4	13.1	11.7	9.8	8.7	7.8
EV/EBIT (adj.)				13.2	16.8	14.8	12.9	11.4	10.0
Payout ratio (%)				82.9 %	83.3 %	80.0 %	80.0 %	80.0 %	80.0 %
Dividend yield-%				5.4 %	4.1 %	4.5 %	5.1 %	5.8 %	6.6 %

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	1131	1386	12.0	11.2	7.9	7.5	1.6	1.6	14.0	12.9	4.4	4.5	3.3
Bygghem AB	170	406	19.9	14.0	5.3	4.8	0.8	0.7	16.5	9.6	2.9	4.5	0.8
Clas Ohlson AB	802	919	14.2	11.0	6.4	6.1	1.0	1.0	16.9	12.9	3.4	4.1	4.9
Axfood AB	5414	6225	18.5	17.3	9.9	9.4	0.9	0.8	22.4	20.7	2.9	3.1	7.9
Dollar General Corp	29307	35348	15.5	15.9	11.6	11.5	1.0	0.9	19.1	19.7	1.7	1.7	4.6
Kesko Oyj	6802	9362	13.9	13.1	7.7	7.3	0.8	0.8	14.4	13.5	5.9	6.0	2.4
Musti Group Oyj	820	954	20.1	16.9	11.4	10.3	2.1	1.9	27.8	20.6	2.8	3.3	4.4
Verkkokauppa.com Oyj	104	110	12.6	8.4	7.3	5.6	0.2	0.2	18.6	11.5	3.3	5.5	3.0
Kamux Oyj	214	267	11.4	8.2	7.3	5.7	0.3	0.2	12.9	9.0	3.6	5.1	1.8
Tokmanni Oyj	887	1618	13.6	11.7	6.7	6.2	1.0	0.9	13.4	10.5	5.5	6.3	3.1
Rusta	1040	1500	21.5	16.7	9.2	8.2	1.5	1.4	17.8	16.1	2.8	3.7	5.9
Puuhelmi Oyj (Inderes)	847	946	14.8	12.9	11.7	9.8	2.4	2.2	17.9	15.5	4.5	5.1	8.5
Average			15.7	13.1	8.2	7.5	1.0	0.9	17.6	14.3	3.6	4.3	3.8
Median			14.2	13.1	7.7	7.3	1.0	0.9	16.9	12.9	3.3	4.5	3.3
Diff-% to median			4%	-2%	52%	34%	152%	141%	6%	20%	35%	15%	155%

Source: Refinitiv / Inderes

Income statement

Income statement	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24e	Q2'24e	Q3'24e	Q4'24e	2024e	2025e	2026e	2027e
Revenue	296	65.0	104	92.3	76.8	339	71.6	121	105	93.1	391	431	482	536
EBITDA	60.5	10.6	24.3	18.7	14.3	67.8	12.1	26.8	22.9	19.1	80.9	95.5	107	119
Depreciation	-13.5	-3.6	-3.7	-3.7	-4.0	-15.0	-4.1	-4.2	-4.2	-4.5	-17.1	-22.8	-25.3	-26.3
EBIT (excl. NRI)	47.6	7.0	20.6	15.0	10.3	52.8	8.0	22.5	18.7	14.5	63.8	72.7	82.2	93.0
EBIT	47.0	7.0	20.6	15.0	10.3	52.8	8.0	22.5	18.7	14.5	63.8	72.7	82.2	93.0
Net financial items	-3.1	-1.0	-1.3	-1.0	-1.2	-4.5	-1.1	-1.3	-1.1	-1.3	-4.7	-5.0	-5.3	-5.5
PTP	43.9	6.0	19.3	14.0	9.1	48.4	6.9	21.2	17.7	13.3	59.1	67.7	77.0	87.5
Taxes	-8.8	-1.2	-3.9	-2.8	-1.8	-9.7	-1.4	-4.2	-3.5	-2.7	-11.8	-13.2	-15.4	-17.5
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	5.6	17.0	14.1	10.6	47.3	54.5	61.6	70.0
EPS (adj.)	0.42	0.06	0.18	0.13	0.09	0.46	0.07	0.20	0.17	0.13	0.56	0.64	0.73	0.83
EPS (rep.)	0.41	0.06	0.18	0.13	0.09	0.46	0.07	0.20	0.17	0.13	0.56	0.64	0.73	0.83
Key figures	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24e	Q2'24e	Q3'24e	Q4'24e	2024e	2025e	2026e	2027e
Revenue growth-%	9.7 %	10.4 %	17.1 %	15.4 %	12.4 %	14.2 %	10.2 %	16.3 %	13.7 %	21.2 %	15.6 %	10.1 %	11.8 %	11.4 %
Adjusted EBIT growth-%	0.4 %	19.6 %	16.0 %	2.5 %	9.3 %	11.0 %	14.0 %	9.5 %	24.9 %	41.9 %	20.8 %	14.0 %	13.1 %	13.1 %
EBITDA-%	20.4 %	16.3 %	23.2 %	20.2 %	18.6 %	20.0 %	16.9 %	22.0 %	21.8 %	20.5 %	20.7 %	22.2 %	22.3 %	22.3 %
Adjusted EBIT-%	16.1 %	10.8 %	19.7 %	16.2 %	13.3 %	15.6 %	11.2 %	18.6 %	17.8 %	15.6 %	16.3 %	16.9 %	17.1 %	17.3 %
Net earnings-%	11.8 %	7.4 %	14.8 %	12.1 %	9.5 %	11.4 %	7.8 %	14.0 %	13.5 %	11.4 %	12.1 %	12.7 %	12.8 %	13.0 %

Source: Inderes

Balance sheet

Assets	2022	2023	2024e	2025e	2026e
Non-current assets	107	127	134	141	149
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	84.1	90.2	97.9
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	147	168	194
Inventories	89.9	93.1	104	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	35.2	51.3	62.7
Balance sheet total	231	249	281	309	343

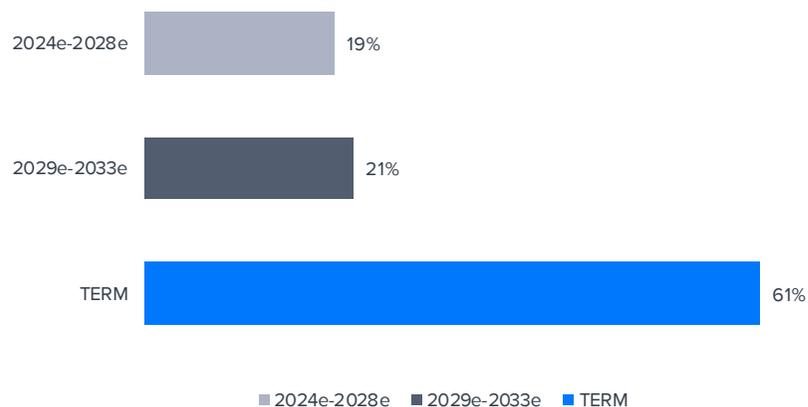
Source: Inderes

Liabilities & equity	2022	2023	2024e	2025e	2026e
Equity	76.2	85.0	100	117	135
Share capital	29.1	29.1	29.1	29.1	29.1
Retained earnings	47.1	55.9	71.0	87.7	106
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	140	150
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	140	150
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	47.4	51.7	57.8
Interest bearing debt	9.9	14.6	0.4	0.0	0.0
Payables	31.8	24.2	46.9	51.7	57.8
Other current liabilities	0.0	12.9	0.0	0.0	0.0
Balance sheet total	231	249	281	309	343

DCF calculation

DCF model	2023	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	TERM
Revenue growth-%	14.2 %	15.6 %	10.1 %	11.8 %	11.4 %	10.7 %	8.4 %	8.0 %	5.0 %	3.0 %	1.8 %	1.8 %
EBIT-%	15.6 %	16.3 %	16.9 %	17.1 %	17.3 %	17.5 %	17.5 %	17.5 %	17.5 %	17.0 %	17.0 %	17.0 %
EBIT (operating profit)	52.8	63.8	72.7	82.2	93.0	104	113	122	128	128	130	
+ Depreciation	15.0	17.1	22.8	25.3	26.3	29.1	32.1	35.0	37.6	40.1	42.5	
- Paid taxes	-7.3	-13.5	-13.2	-15.4	-17.5	-19.6	-21.4	-23.1	-24.2	-24.2	-25.6	
- Tax, financial expenses	-0.9	-0.9	-1.0	-1.1	-1.1	-1.1	-1.1	-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	-1.4	-0.1	-8.5	-8.3	-8.7	-7.6	-7.8	-5.3	-3.3	-2.0	
Operating cash flow	60.0	65.0	81.2	82.5	92.4	103	115	124	134	139	144	
+ 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	-55.1	
Free operating cash flow	26.7	38.6	51.7	49.0	54.9	61.9	70.6	78.4	86.4	89.0	89.4	
+/- 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	38.6	51.7	49.0	54.9	61.9	70.6	78.4	86.4	89.0	89.4	1419
Discounted FCFF		36.6	45.3	39.7	41.1	42.9	45.2	46.4	47.3	45.0	41.8	664
Sum of FCFF present value		1095	1059	1013	974	933	890	844	798	751	706	664
Enterprise value DCF		1095										
- Interest bearing debt		-122.8										
+ Cash and cash equivalents		21.5										
-Minorities		0.0										
-Dividend/capital return		0.0										
Equity value DCF		994										
Equity value DCF per share		11.7										

Cash flow distribution

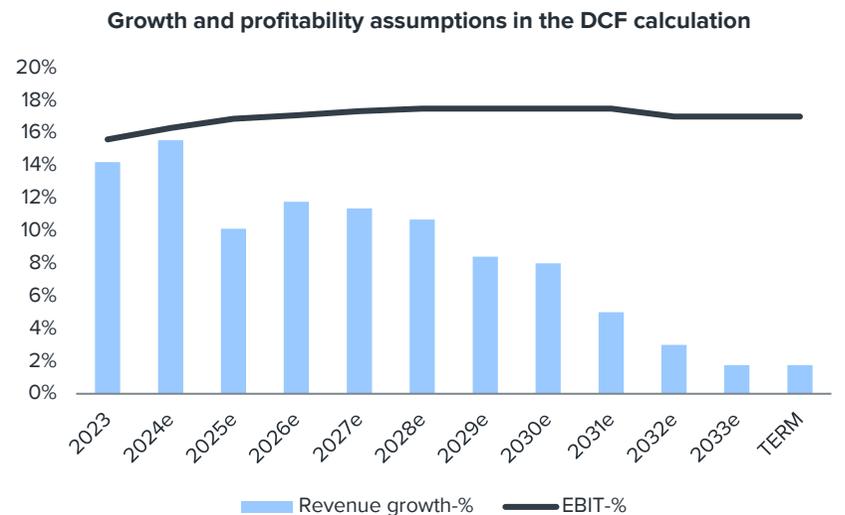
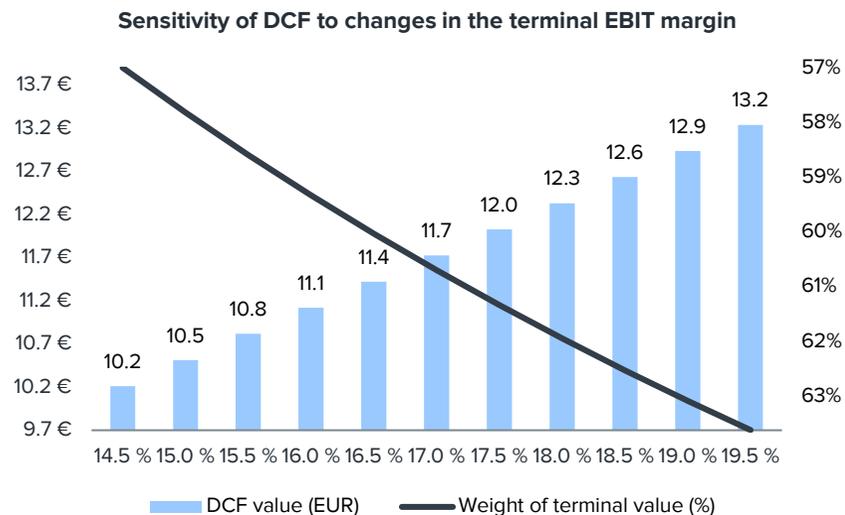
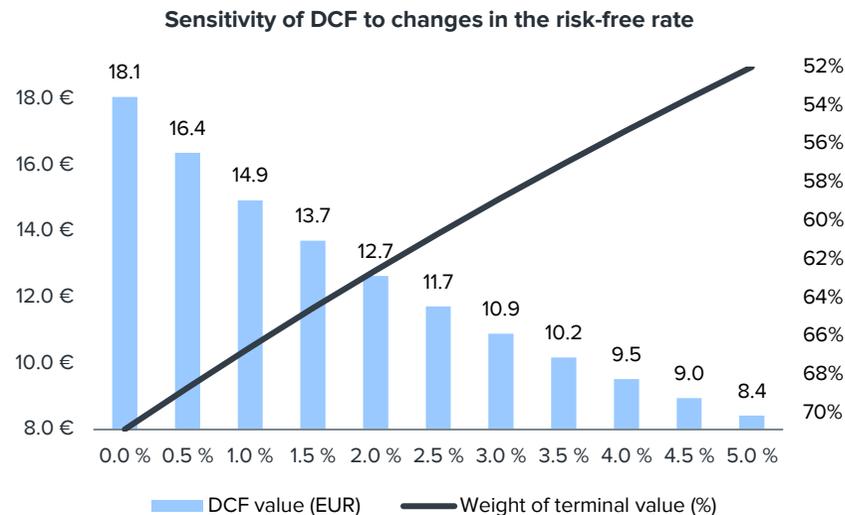
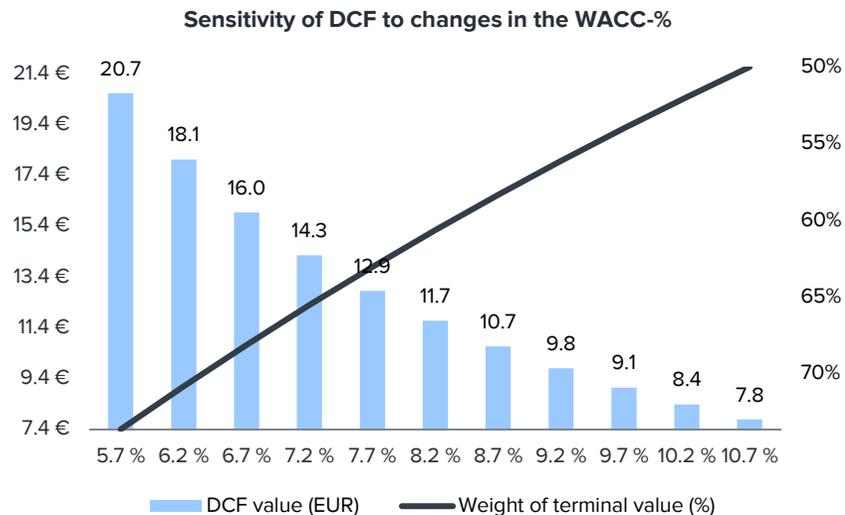


WACC

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	391.2	430.8	EPS (reported)	0.41	0.46	0.56	0.64
EBITDA	60.5	67.8	80.9	95.5	EPS (adj.)	0.42	0.46	0.56	0.64
EBIT	47.0	52.8	63.8	72.7	OCF / share	0.61	0.71	0.77	0.96
PTP	43.9	48.4	59.1	67.7	FCF / share	0.37	0.31	0.46	0.61
Net Income	35.1	38.7	47.3	54.5	Book value / share	0.90	1.00	1.18	1.38
Extraordinary items	-0.6	0.0	0.0	0.0	Dividend / share	0.34	0.38	0.45	0.51
Balance sheet	2022	2023	2024e	2025e	Growth and profitability	2022	2023	2024e	2025e
Balance sheet total	231.3	248.5	280.9	308.6	Revenue growth-%	10%	14%	16%	10%
Equity capital	76.2	85.0	100.1	116.8	EBITDA growth-%	8%	12%	19%	18%
Goodwill	33.5	33.5	33.5	33.5	EBIT (adj.) growth-%	0%	11%	21%	14%
Net debt	94.5	101.3	98.6	88.8	EPS (adj.) growth-%	2%	8%	22%	15%
Cash flow	2022	2023	2024e	2025e	EBITDA-%	20.4 %	20.0 %	20.7 %	22.2 %
EBITDA	60.5	67.8	80.9	95.5	EBIT (adj.)-%	16.1 %	15.6 %	16.3 %	16.9 %
Change in working capital	1.7	0.4	-1.4	-0.1	EBIT-%	15.9 %	15.6 %	16.3 %	16.9 %
Operating cash flow	52.1	60.0	65.0	81.2	ROE-%	48.8 %	48.0 %	51.1 %	50.3 %
CAPEX	-20.4	-34.2	-25.5	-29.5	ROI-%	24.6 %	25.9 %	28.9 %	29.6 %
Free cash flow	31.7	26.7	38.6	51.7	Equity ratio	32.9 %	34.2 %	35.6 %	37.8 %
					Gearing	124.0 %	119.2 %	98.5 %	76.0 %
Valuation multiples	2022	2023	2024e	2025e					
EV/S	2.1	2.6	2.4	2.2					
EV/EBITDA (adj.)	10.4	13.1	11.7	9.8					
EV/EBIT (adj.)	13.2	16.8	14.8	12.9					
P/E (adj.)	15.0	20.3	17.9	15.5					
P/B	7.0	9.2	8.5	7.3					
Dividend-%	5.4 %	4.1 %	4.5 %	5.1 %					

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	Osta	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 €
4/24/2023	Accumulate	11.00 €	9.99 €



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