

Stockmann

Company report

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✓ Inderes corporate customer

This report is a summary translation of the report "Tulosohjeistus odotetusti laskeva tälle vuodelle" published on 2/26/2023 at 2:16 pm

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res.**

Declining earnings guidance for 2023 as expected

Stockmann's Q4 result was slightly below our expectation, but 2023 guidance was roughly in line with expectations. We raised our 2023-24 estimates slightly. However, we still feel the share's earnings potential as limited and reiterate our Reduce recommendation and EUR 2.1 target price. Our still topical initiation of coverage report is available [here](#).

Q4 result slightly below our expectations, Lindex's gross margin was strong

Stockmann's Q4 revenue decreased by 2% from the comparison period and was below our expectation (2% growth). The Group's adjusted EBIT decreased from the comparison period to EUR 26 million (Q421: 30 MEUR), slightly below our expectation (27.5 MEUR). In term of divisions, the weakened krona pressed Lindex's reported revenue development by 3% (our estimate 0%), but in local currencies growth was positive. Lindex's adjusted EBIT was EUR 23 million, only EUR 1 million below the comparison period. The gross margin remained at last year's level due to lower discounts and improved purchasing efficiency, despite the negative impact of the strengthened USD. We had expected a 1 percentage point drop. Stockmann division's revenue was at last year's level, while we expected a 5% increase. The Stockmann division's result was slightly below the comparison period and our expectations.

Guidance relatively well in line with expectations, we raised our estimates a bit

The company's 2023 guidance is that revenue will be EUR 960-1,020 million (2022: 982 MEUR) and adjusted EBIT EUR 60- 80 million (2022: 80 MEUR). We raised our 2023-24 estimates a bit (2-3 MEUR or some 5% at EBIT level), as Lindex in particular appears to continue to perform strongly, as indicated by the high gross margin in Q4. We did not revise our revenue estimates even though they were slightly below expected in Q4. This is supported by both the company's 2023 guidance and its comments that sales increased in early 2023. We now expect an adjusted EBIT of EUR 69 million in 2023 , which is very close to the middle of the guidance range.

The company continues its strategy process and postponed its CMD

Stockmann also mentioned in the report that it is assessing strategic options and funding for the post-restructuring period. This strategy work and/or the restructuring process has apparently taken longer than expected, as the company announced that it would postpone the CMD planned for March. However, the comments by CEO Latvanen gave us the impression that this examination will focus more on the possible investments needed by the current divisions and their financing than structural measures like the separation of Lindex and Stockmann. There are no significant investments in our estimates after 2024.

Neutral valuation, expected revenue is low as we do not expect the sum of the parts value to realize

Our estimate for Stockmann's 2023-24 P/E ratio adjusted for lease liabilities and cash is about 10x and EV/EBIT about 8x. We consider these levels neutral. Our sum-of-the-parts value is EUR 3-4 and clearly above the current share price, but realizing it would require, in our view, a clear improvement in the performance of department stores or restructuring, which we don't expect in the next few years. Thus, we don't see this latent value being materialized in the near future. In the longer term, we do not expect significant earnings growth and the group's estimated return on capital is below our required return. The declining performance trend in the near future and the negative cash flow (due to the logistics investment) depress the expected return and thus support our negative view.

Recommendation

Reduce

(previous Reduce)

EUR 2.10

(previous EUR 2.10)

Share price:

2.00



Key figures

	2022	2023e	2024e	2025e
Revenue	982	980	990	1005
growth-%	9%	0%	1%	2%
EBIT adj.	80	69	63	67
EBIT-% adj.	8.1 %	7.0 %	6.4 %	6.7 %
Net Income	102	30	26	30
EPS (adj.)	0.32	0.19	0.16	0.18

P/E (adj.)	6.3	10.6	12.7	11.1
P/B	1.0	0.9	0.8	0.8
Dividend yield-%	0.0 %	0.0 %	0.0 %	0.0 %
EV/EBIT (adj.)	9.7	12.4	13.0	11.9
EV/EBITDA	3.0	4.9	4.7	4.4
EV/S	0.8	0.9	0.8	0.8

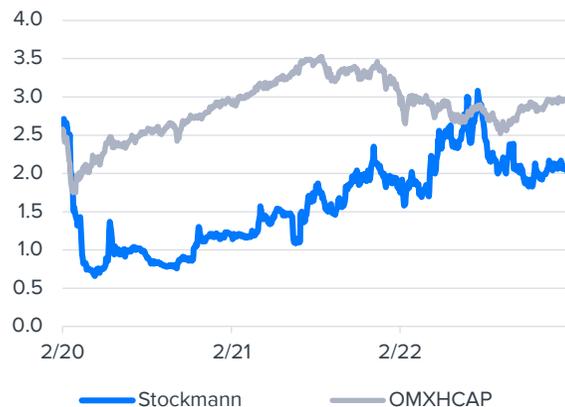
Source: Inderes

Guidance

(New guidance)

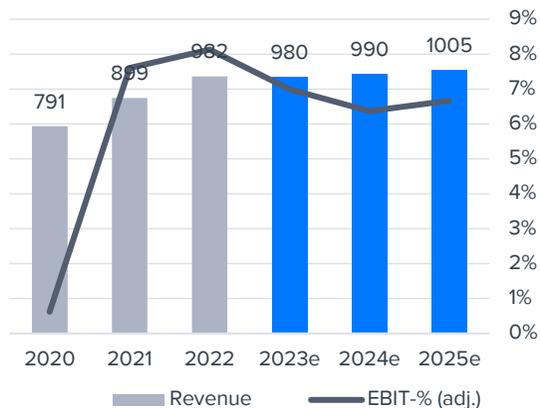
In 2023, Stockmann expects the Group's revenue to be in the range of EUR 960–1,020 million and the Group's adjusted operating result to be EUR 60–80 million, subject to foreign exchange rate fluctuation.

Share price



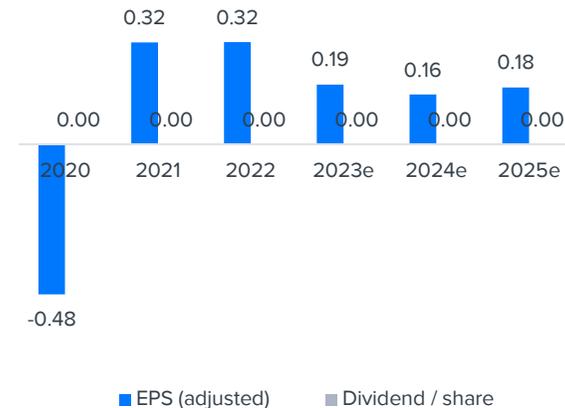
Source: Millstream Market Data AB

Revenue and EBIT %



Source: Inderes

EPS and dividend



Source: Inderes



Value drivers

- Lindex's cash flow and value creation
- Gradual improvement in the profitability of department stores
- Corporate restructuring ending, which enables, e.g., dividend distribution and structural arrangements



Risk factors

- Department stores destroy value and we see no change to this in the next few years
- During and after the restructuring, Stockmann's access to funding may be limited
- Lindex's result, like the fashion industry in general, has been unpredictable

Valuation	2023e	2024e	2025e
Share price	2.00	2.00	2.00
Number of shares, millions	160.5	165.0	165.0
Market cap	330	330	330
EV	849	822	795
P/E (adj.)	10.6	12.7	11.1
P/E	10.6	12.7	11.1
P/FCF	neg.	6.4	6.7
P/B	0.9	0.8	0.8
P/S	0.3	0.3	0.3
EV/Sales	0.9	0.8	0.8
EV/EBITDA	4.9	4.7	4.4
EV/EBIT (adj.)	12.4	13.0	11.9
Payout ratio (%)	0.0 %	0.0 %	0.0 %
Dividend yield-%	0.0 %	0.0 %	0.0 %

Source: Inderes

Revenue and earnings slightly below our expectations

Revenue below our expectation and decreased slightly

Q4 revenue decreased by 2% from the comparison period and was below our expectation. Lindex's revenue grew by 4.5% in SEK, but the weakened krona pressed the reported development to a 3% drop (our estimate 0%). However, we believe the best way to measure revenue development would be in local currencies, because measured in SEK growth is exaggerated. The company did not report revenue development in local currencies, but mentioned that it was positive. Revenue of the Stockmann division was at last year's level, while we expected a 5% increase. This is a relatively weak performance, given that the comparison period was to some extent depressed by the COVID pandemic.

Earnings also slightly below our expectations, Lindex's gross margin was strong

Stockmann's adjusted EBIT decreased from the comparison period and was slightly below our

expectation. Lindex's adjusted EBIT was EUR 23 million, only EUR 1 million below the comparison period. This was supported by the gross margin being at last year's level, despite the negative impact of the strengthened USD on sourcing costs. The gross margin was supported by lower discounts and improved purchasing efficiency. We had expected a 1 percentage point drop in the gross margin. However, Lindex's EBIT was in line with our estimate. For the Stockmann division, the result was EUR 3 million, which was below both our estimate (5 MEUR) and the comparison period (6 MEUR). Compared to the comparison period this was due to the higher cost level from sale and leaseback of real estate (which is not fully reflected in EBIT but partly in financial expenses). Revenue and the gross margin being below our expectations also depressed EBIT. Q4 is the seasonally best quarter for the Stockmann division, and a result of only EUR 3 million is weak and highlights the division's challenges.

Balance sheet was slightly stronger than we expected

The company's cash flow was better than we expected and cash assets at the end of the year were EUR 168 million (our estimate around 130 MEUR). Stockmann also has EUR 68 million in debt excluding lease liabilities, i.e. net cash excluding lease liabilities was EUR 100 million. The deviation in cash flow and thus cash assets from our expectations was caused at least by clearly increased tax liabilities (probably more a timing issue) and slightly lower investments. The company's 2022 figures are muddled by the sale and lease-back of real estate and repayment of restructuring debts, which means that balance sheet and cash flow estimates were complicated.

Estimates MEUR / EUR	Q4'21	Q4'22	Q4'22e	Q4'22e	Consensus		Difference (%)	2022
	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. inderes	Actualized
Revenue	278	273	282	276			-3%	982
EBIT (adj.)	29.7	26.1	27.5	-			-5%	79.8
EBIT	50.6	24.6	27.5	28.0			-11%	155
EPS (adj.)	0.14	0.12	0.10	-			18%	0.32
EPS (reported)	0.23	0.11	0.10	0.10			8%	0.65
DPS	0.00	0.00	0.00	0.00				0.00
Revenue growth-%	0.0 %	-1.8 %	1.6 %	-0.6 %			-3.4 pp	9.2 %
EBIT-% (adj.)	10.7 %	9.6 %	9.8 %				-0.2 pp	8.1 %

Source: Inderes & Bloomberg, 3 analysts (consensus)

Estimates raised a bit

Expectations within guidance range

The company's 2023 guidance is that revenue will be EUR 960-1,020 million (2022: 982 MEUR) and adjusted EBIT EUR 60- 80 million (2022: 80 MEUR). Before the result, both our and consensus expectations were revenue of about EUR 980 million and EUR 65 million EBIT. So the expectations are within the range indicated by the company.

We raised our 2023-24 estimates a bit, as Lindex in particular appears to continue to perform strongly, as indicated by the high gross margin in Q4. We do, however, expect that Lindex's EBIT will be EUR 75 million this year compared to a record EUR 90 million in 2022. We did not revise our revenue estimates even though they were slightly below expected in Q4. This is supported by both the company's 2023 guidance and its comments that sales increased in early 2023. The comparison period was, however, still affected by the COVID situation especially early in the year, so we had expected growth in the

Stockmann division in particular. We now expect an adjusted EBIT of EUR 69 million in 2023, very close to the middle of the guidance range.

Minor changes in assumptions concerning restructuring debts

In connection with the result the company said that its goal is to complete the restructuring this year. However, there has been no concrete progress in early 2023, as disputed liabilities related to terminated leases are still subject to legal proceedings. Stockmann could, naturally, stop the restructuring by paying the debts as required, but we do not believe this will happen, because it would cost the company a lot more. We believe that the restructuring process can still last several years if the current legal cases are taken all the way.

We still expect that Stockmann will have to pay about EUR 40 million for disputed debts, of which EUR 32 million has a cash effect and the rest is converted into

shares. We have now considered these payments in full in the figures for 2023 (previously 2023-24) to make our estimates as clear as possible. Stockmann has made a provision of about EUR 30 million for the disputed debts.

CMD postponed, strategy work ongoing

The company also reported that the CMD planned for mid-March will be postponed. The company wants to examine its strategic options also after the restructuring and present these more clearly. We believe postponing the CMD can be due ,e.g., to the restructuring process taking longer than the company believed and the changes in the Board of Directors last spring, when, ,e.g., the Chairman changed. The company did not discuss any plans for the separation of Lindex and department stores.

Estimate revisions	2022	2022e	Change	2023e	2023e	Change	2024e	2024e	Change
MEUR / EUR	Inderes	Actualized	%	Old	New	%	Old	New	%
Revenue	991	982	-1%	980	980	0%	990	990	0%
EBITDA	262	258	-2%	169	173	2%	174	175	1%
EBIT (exc. NRIs)	81.2	79.8	-2%	65.0	68.5	5%	60.0	63.0	5%
EBIT	158	155	-2%	65.0	68.5	5%	60.0	63.0	5%
PTP	131	129	-1%	35.0	38.5	10%	30.8	33.0	7%
EPS (excl. NRIs)	0.30	0.32	7%	0.18	0.19	8%	0.15	0.16	6%
DPS	0.00	0.00		0.00	0.00		0.00	0.00	

Source: Inderes

Valuation and recommendation 1/3

Some challenges in valuation

We feel there are a few factors that make the valuation of Stockmann difficult. Firstly, a loss-making department store business affects the company's earnings multiples, which make it difficult to use group figures as a whole. Secondly, the performance of both divisions has been very volatile over the last decade, so finding some kind of normal level is not self-evident. This is also muddled by the effects of COVID and the structural changes in the Stockmann division. Thirdly, the company's large lease liabilities distort balance sheet and EV-based figures and, on the other hand, without lease liabilities, the company has net cash. Based on these facts, we feel a need to look at figures that have been adjusted in various ways. We also feel that a sum of the parts approach is relevant for Stockmann but in its use one should note the timing of when the possible hidden value can realistically be released. We have also evaluated different scenarios in the sum of the parts calculations.

Valuation summary - Reduce

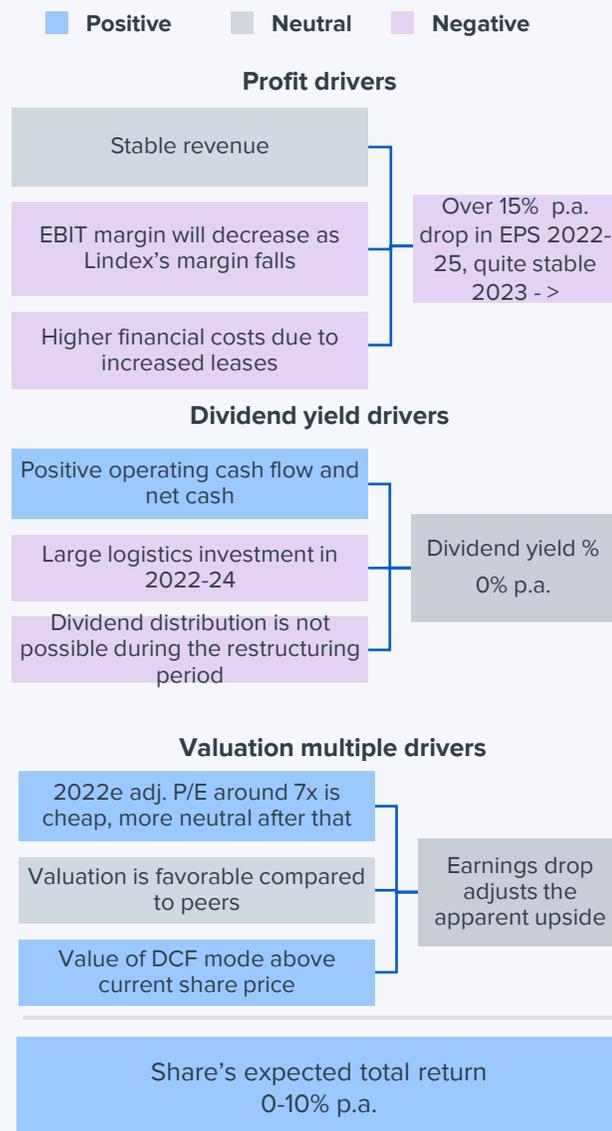
At the current earnings level, Stockmann's valuation is neutral. Stockmann is not likely to pay dividends in the next few years and its cash flow will be clearly negative this year. Thus, we estimate that the expected return for the next few years will remain at 0-10%. In the medium term, we expect Stockmann to reach 5-7% return on capital and 8-10% return on free cash flow. The company could also pay this out as a dividend in the longer term if there are no bigger investments. Thus, the return potential both in the

coming years and in the medium term is below our 10% required return. Therefore, our recommendation for share is Reduce. The values indicated by the sum of the parts and the DCF model are well above the current share price. They, however, assume that the department stores will at some point turn cash-flow positive, which we still consider very uncertain and, in any case, years away.

Earnings and cash flow multiples

We feel one should not look directly at multiples calculated based on reported figures in Stockmann's valuation. We believe a better way is to adjust the market cap for net cash in the P/E ratio and to remove lease liabilities from EV. If we remove lease liabilities from EV their earnings impact included in financial items should, in our opinion, be considered, which gives a comparable figure without IFRS 16 effects. In addition, we consider the expected impact of the disputed debts (both on debt and number of shares). P/E for this year would be about 10x and EV/EBIT (or in practice EV/PTP) 8x. The figures for 2024 are at the same level as we do not expect the result to change significantly and the debt situation to change substantially. We believe that these multiples are relatively neutral for Stockmann.

TSR drivers 2022-2025



Valuation 2/3

Our estimate of Stockmann's sustainable free cash flow is EUR 25-30 million and we do not expect the company to achieve substantial earnings growth in the longer term. This means a cash flow rate of 8-10% at current market cap. If Stockmann is net cash positive, the company could at least in principle distribute the entire cash flow as dividends, as long as it is technically possible after the restructuring. However, the post-restructuring investments the company mentioned may reduce cash flow and dividend potential. In any case, the longer-term cash-flow rate is slightly under our 10% required return.

We do not consider selling or listing Lindex likely in the next few years

As Stockmann consists of two clearly separate business operations and department stores generate a loss, we see sum of the parts as a useful way to determine the value of the company. Stockmann was selling Lindex in 2019-20, but the deal could not be completed before the COVID crisis. Investors should, however, note that since then Stockmann has sold its properties and during the restructuring program no significant structural arrangements can, in practice, be made. When the value of real estate and cash flow supported the department stores, separating Lindex would have been easier, while in the current situation we believe it is only possible/likely when department stores generate sufficiently good and sustainable positive earnings/cash flow. With our estimates, this situation is not on the horizon at least in the next few years. We therefore see that any (partial) sale of

Lindex is only realistic on a longer horizon. Comments from the largest shareholder (a 15% stake jointly held by Konstsamfundet and JC Switzerland) also suggest that no structural measures are planned for Lindex in the short term.

Sum of the parts EUR 3.4 per share

Nevertheless, we believe that the sum of the parts is an interesting and useful perspective to the valuation of the stock. In our neutral scenario, we value Lindex at around EUR 600 million, which, with next year's earnings estimates, means an EV/EBIT of around 8.5x (excluding lease liabilities). Lindex's closest peers KappAhl and MQ were usually priced below 10x EV/EBIT when listed. Given the higher interest rates and the impact of IFRS 16, the valuation could be expected to be slightly lower in today's market. With an EBIT of EUR 70 million, which we estimate to be the normalized earnings level, Lindex generates about EUR 50 million in free cash flow/net profit. By discounting this with a 1.5% growth assumption and a 10% required return, Lindex's current value is about EUR 600 million. Translated into a P/E ratio this means around 12x. This is close to the level of Nordic retail sector peers (10-15x for 2024), but well below the level of the larger global competitors H&M and Inditex of about 20x. We believe that the strong global market position and brand of these companies offer them clearly better growth prospects than Lindex, which makes the higher valuation justified.

Sum of the parts calculation	Value, MEUR
Lindex	600
Department stores and other costs	-100
Total	500
Debt excluding lease liabilities	-68
Cash at the end of 2024	133
Value of the share capital	565
Value per share	3.4

Valuation 3/3

We value department stores and group expenses, which we expect to have a negative impact on earnings and cash flow in the coming years, at a negative EUR 100 million. Most of this is the negative value of the department stores, while group expenses are only EUR 2-3 million per year.

This estimate also requires that the cash flow of department stores be at least zero in one way or another in 3-5 years, in order to stop negative cash flow. Then the company's EV would be EUR 500 million. We subtract the bond from this and consider the cash position at the end of 2024. We do this because the cash position at the end of 2024 considers the amount of disputed claims we assume to fall due and Lindex's large logistics investments in the next few years. As a result, the value of the share capital is EUR 565 million, or EUR 3.4 per share.

The potential relative to the current share price is considerable. If we look at this through the required return and assume that the investor would receive this EUR 3.4 in five years' time, the annual return would be about 10%. In addition, from 2024-25 onwards, some dividend yield could be added to this. If we compare this with a 10% required return and consider the uncertainty associated with value realization (and, of course, the value itself), the return potential that seems high on paper no longer seems particularly high.

So we do not rely on this value, mainly because we do not see the separation of Lindex as realistic with the development we estimate for the department

stores. We believe Stockmann without Lindex would generate clearly negative cash flow and would therefore not be viable. We believe that the (partial) sale/listing of Lindex and using the received funds to cover the losses of the department stores would be a very risky move from the company's management, which we do not believe in either. In our view, possible value creation in the coming years is more likely to take place as the earnings levels of the department store business improve, thus reducing or eliminating the negative value currently attributed to it.

Scenario of the sum-of-the-parts valuation

If the company were to find a buyer for its department store business (i.e. sell it off at zero price), the value of the company would only consist of Lindex and would be close to EUR 4. Therefore, restructuring clearly has the potential to create value in the company, especially if it can reduce/eliminate the negative impact of department stores on the value of the company.

Balance sheet based valuation

Stockmann's balance sheet mainly includes intangible assets and lease liabilities. Thus, we do not believe that balance sheet valuation is a particularly good tool for Stockmann. We note, however, that the P/B ratio is about 0.8x-0.9x in the coming years. When our ROE estimate is 6-7%, clearly less than our required return, a P/B ratio of below 1x is absolutely justified.

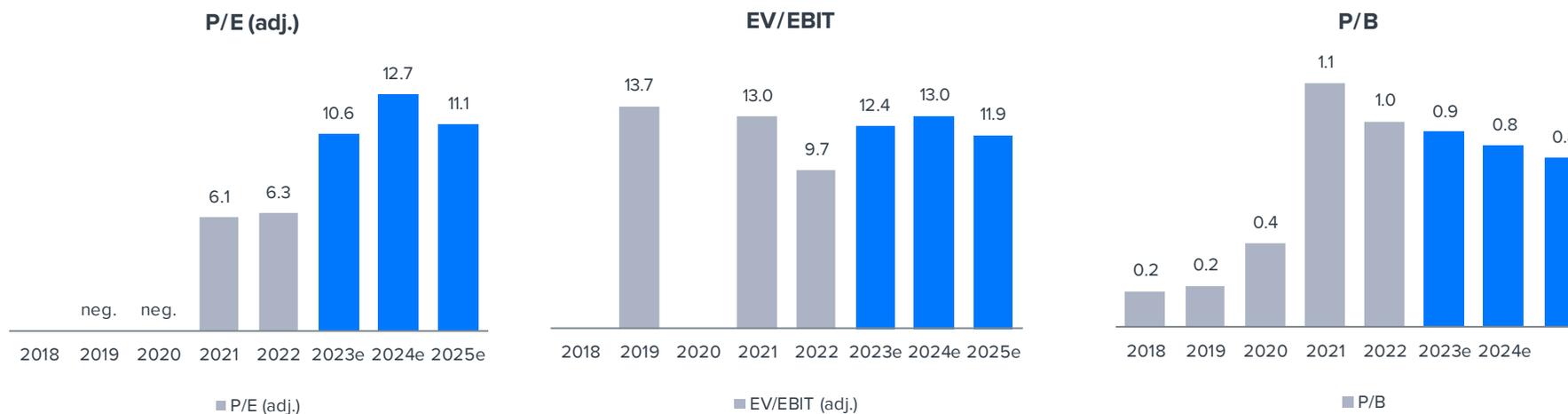
Valuation	2023e	2024e	2025e
Share price	2.00	2.00	2.00
Number of shares, millions	160.5	165.0	165.0
Market cap	330	330	330
EV	849	822	795
P/E (adj.)	10.6	12.7	11.1
P/E	10.6	12.7	11.1
P/FCF	neg.	6.4	6.7
P/B	0.9	0.8	0.8
P/S	0.3	0.3	0.3
EV/Sales	0.9	0.8	0.8
EV/EBITDA	4.9	4.7	4.4
EV/EBIT (adj.)	12.4	13.0	11.9
Payout ratio (%)	0.0 %	0.0 %	0.0 %
Dividend yield-%	0.0 %	0.0 %	0.0 %

Source: Inderes

Valuation table

Valuation	2018	2019	2020	2021	2022	2023e	2024e	2025e	2026e
Share price	2.00	2.26	1.14	1.96	2.05	2.00	2.00	2.00	2.00
Number of shares, millions	72.0	72.0	72.0	114.0	155.2	160.5	165.0	165.0	165.0
Market cap	141	155	80	303	320	330	330	330	330
EV	685	542		889	774	849	822	795	764
P/E (adj.)		neg.	neg.	6.1	6.3	10.6	12.7	11.1	9.6
P/E		neg.	neg.	4.7	3.1	10.6	12.7	11.1	9.6
P/FCF	0.3	0.8	0.8	2.3	1.1	neg.	6.4	6.7	6.1
P/B	0.2	0.2	0.4	1.1	1.0	0.9	0.8	0.8	0.7
P/S	>100	0.2	0.1	0.3	0.3	0.3	0.3	0.3	0.3
EV/Sales	>100	0.6		1.0	0.8	0.9	0.8	0.8	0.8
EV/EBITDA		22.5		4.8	3.0	4.9	4.7	4.4	4.1
EV/EBIT (adj.)		13.7		13.0	9.7	12.4	13.0	11.9	10.6
Payout ratio (%)		0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Dividend yield-%	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %

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	2023e	2024e	2023e	2024e	2023e	2024e	2023e	2024e	2023e	2024e	2023e
Stockmann	313	800	12.0	12.5	4.7	4.6	0.8	0.8	11.2	13.4			0.9
H & M	18835	23445	22	16	8	7	1	1	24.9	17.7	5.0	5.3	4.2
Fast Retailing	59422	56778	24.1	20.3	15.1	14.1	3.1	2.9	35.5	31.2	0.8	0.9	4.8
Inditex	88856	84500	15.5	15.2	10.0	9.9	2.6	2.5	21.5	20.8	4.1	4.2	5.4
Tokmanni	784	1167	12.8	11.4	7.0	6.4	1.0	0.9	12.3	10.8	5.9	6.5	2.9
Puutilo	532	617	12.9	12.3	10.1	9.7	2.1	1.9	14.7	14.1	5.3	5.7	6.6
Kesko	8079	10183	13.7	13.3	8.2	8.0	0.9	0.8	14.6	14.2	5.4	5.5	2.8
Clas Ohlson	398	595	19.3	11.2	5.4	4.7	0.7	0.7	15.9	10.3	7.7	8.5	3.0
Stockmann (Inderes)	330	849	12.4	13.0	4.9	4.7	0.9	0.8	10.6	12.7	0.0	0.0	0.9
Average			16	14	9	8	2	1	18.3	16.2	4.8	5.1	3.8
Median			13.7	12.5	8.2	7.9	1.1	1.1	14.7	14.1	5.1	5.4	3.6
Diff-% to median			-9%	4%	-40%	-41%	-21%	-22%	-28%	-10%	-100%	-100%	-75%

Source: Refinitiv / Inderes

Income statement

Income statement	2021	Q1'22	Q2'22	Q3'22	Q4'22	2022	Q1'23e	Q2'23e	Q3'23e	Q4'23e	2023e	2024e	2025e	2026e
Revenue	899	196	269	244	273	982	200	260	240	280	980	990	1005	1003
Lindex	607	134	188	167	172	661	135	180	165	180	660	670	685	699
Stockmann	292	62	81	77	100	321	65	80	75	100	320	320	320	304
EBITDA	185	35.5	141	31.9	49.3	258	17.5	54.5	45.0	55.5	173	175	179	184
Depreciation	-103	-25.7	-26.9	-25.9	-24.7	-103	-26.0	-26.0	-26.0	-26.0	-104	-112	-112	-112
EBIT (excl. NRI)	68.3	-3.7	35.4	22.0	26.1	80	-8.5	28.5	19.0	29.5	69	63	67	72
EBIT	82.1	9.8	115	6.0	24.6	155	-8.5	28.5	19.0	29.5	69	63	67	72
Lindex	75	5.5	39.0	22.8	23.0	90	0.0	30.0	20.0	25.0	75	70	70	75
Stockmann	12	6.3	78.3	-15.8	2.4	71	-8.0	-1.0	-0.5	5.0	-4.5	-4.0	0.0	0.0
Undistributed	-4.1	-2.0	-2.8	-1.0	-0.9	-6.7	-0.5	-0.5	-0.5	-0.5	-2.0	-3.0	-3.0	-3.0
Net financial items	-17	-5.4	-6.5	-7.3	-6.5	-26	-7.5	-7.5	-7.5	-7.5	-30	-30	-29	-29
PTP	65	4.4	108	-1.3	18.1	129	-16.0	21.0	11.5	22.0	39	33	38	44
Taxes	-17.3	-1.6	-27.4	2.0	-0.5	-27.5	3.4	-4.4	-2.4	-4.6	-8.1	-6.9	-7.9	-9.1
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	48	2.8	80.6	0.7	17.5	102	-12.6	16.6	9.1	17.4	30	26	30	34
EPS (adj.)	0.32	-0.05	0.12	0.13	0.12	0.32	-0.08	0.10	0.06	0.11	0.19	0.16	0.18	0.21
EPS (rep.)	0.42	0.02	0.52	0.00	0.11	0.66	-0.08	0.10	0.06	0.11	0.19	0.16	0.18	0.21

Key figures	2021	Q1'22	Q2'22	Q3'22	Q4'22	2022	Q1'23e	Q2'23e	Q3'23e	Q4'23e	2023e	2024e	2025e	2026e
Revenue growth-%	13.7 %	26.0 %	17.9 %	2.6 %	-1.8 %	9.2 %	2.0 %	-3.3 %	-1.7 %	2.7 %	-0.2 %	1.0 %	1.5 %	-0.2 %
Adjusted EBIT growth-%	1293.9 %	-82.5 %	32.1 %	-33.1 %	-12.2 %	16.8 %	129.7 %	-19.5 %	-13.6 %	13.1 %	-14.1 %	-8.0 %	6.3 %	7.5 %
EBITDA-%	20.6 %	18.1 %	52.6 %	13.1 %	18.1 %	26.3 %	8.8 %	21.0 %	18.8 %	19.8 %	17.6 %	17.7 %	17.8 %	18.4 %
Adjusted EBIT-%	7.6 %	-1.9 %	13.2 %	9.0 %	9.6 %	8.1 %	-4.3 %	11.0 %	7.9 %	10.5 %	7.0 %	6.4 %	6.7 %	7.2 %
Net earnings-%	5.3 %	1.4 %	30.0 %	0.3 %	6.4 %	10.4 %	-6.3 %	6.4 %	3.8 %	6.2 %	3.1 %	2.6 %	3.0 %	3.4 %

Source: Inderes

Balance sheet

Assets	2021	2022	2023e	2024e	2025e
Non-current assets	1002	890	946	949	952
Goodwill	272	251	251	251	251
Intangible assets	120	114	114	114	114
Tangible assets	583	498	554	557	560
Associated companies	0.0	0.0	0.0	0.0	0.0
Other investments	0.5	0.7	0.7	0.7	0.7
Other non-current assets	3.8	3.1	3.1	3.1	3.1
Deferred tax assets	23.8	23.8	23.8	23.8	23.8
Current assets	414	385	326	351	381
Inventories	155	174	172	168	171
Other current assets	0.0	0.0	0.0	0.0	0.0
Receivables	45.7	43.2	49.0	49.5	50.3
Cash and equivalents	214	168	106	133	160
Balance sheet total	1416	1276	1272	1300	1333

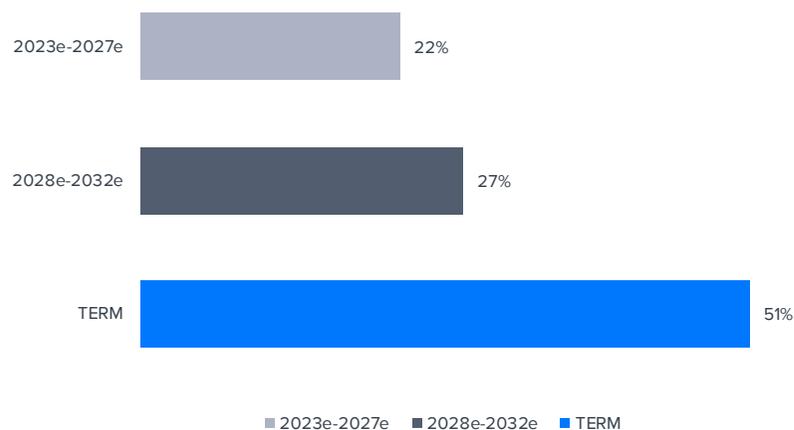
Source: Inderes

Liabilities & equity	2021	2022	2023e	2024e	2025e
Equity	268	336	366	392	422
Share capital	77.6	77.6	77.6	77.6	77.6
Retained earnings	103	205	235	261	291
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	14.4	-18.9	-18.9	-18.9	-18.9
Other equity	73.2	72.3	72.3	72.3	72.3
Minorities	0.0	0.0	0.0	0.0	0.0
Non-current liabilities	409	586	590	590	590
Deferred tax liabilities	40.6	40.3	40.3	40.3	40.3
Provisions	0.0	0.0	0.0	0.0	0.0
Long term debt	330	545	550	550	550
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	37.8	0.7	0.0	0.0	0.0
Current liabilities	740	361	316	318	321
Short term debt	470	77.3	75.0	75.0	75.0
Payables	223	179	191	193	196
Other current liabilities	46.4	105	50.0	50.0	50.0
Balance sheet total	1416	1283	1272	1300	1333

DCF calculation

DCF model	2022	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	TERM
Revenue growth-%	9.2 %	-0.2 %	1.0 %	1.5 %	-0.2 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	1.0 %	1.0 %
EBIT-%	15.8 %	7.0 %	6.4 %	6.7 %	7.2 %	7.0 %	7.0 %	7.0 %	7.0 %	8.5 %	8.5 %	8.5 %
EBIT (operating profit)	155	68.5	63.0	67.0	72.0	70.2	70.2	70.2	70.2	85.2	86.1	
+ Depreciation	103	104	112	112	112	112	112	112	112	113	113	
- Paid taxes	-27.8	-8.1	-6.9	-7.9	-9.1	-8.9	-9.1	-9.2	-9.4	-12.7	-12.8	
- Tax, financial expenses	-5.5	-6.3	-6.3	-6.1	-6.0	-5.8	-5.7	-5.5	-5.4	-5.2	-5.3	
+ Tax, financial income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Change in working capital	-2.4	-46.0	4.7	-0.4	0.1	0.0	0.0	0.0	0.0	0.0	-0.3	
Operating cash flow	222	112	166	165	169	168	168	168	168	180	180	
+ Change in other long-term liabilities	-37.1	-0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	8.5	-160.0	-115.0	-115.0	-115.0	-115.0	-115.0	-115.0	-117.7	-112.6	-124.4	
Free operating cash flow	194	-48.6	51.4	49.6	54.0	52.5	52.5	52.5	49.8	67.3	56.0	
+/- Other	100.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	294	-48.6	51.4	49.6	54.0	52.5	52.5	52.5	49.8	67.3	56.0	634
Discounted FCFF		-44.9	43.2	37.9	37.5	33.2	30.2	27.5	23.7	29.2	22.1	250
Sum of FCFF present value		490	535	492	454	416	383	353	325	301	272	250
Enterprise value DCF		490										
- Interesting bearing debt		-285										
+ Cash and cash equivalents		168										
-Minorities		0.0										
-Dividend/capital return		0.0										
Equity value DCF		373										
Equity value DCF per share		2.3										

Cash flow distribution



Wacc	
Tax-% (WACC)	21.0 %
Target debt ratio (D/(D+E))	0.0 %
Cost of debt	5.0 %
Equity Beta	1.35
Market risk premium	4.75%
Liquidity premium	1.00%
Risk free interest rate	2.5 %
Cost of equity	9.9 %
Weighted average cost of capital (WACC)	9.9 %

Source: Inderes

Summary

Income statement	2020	2021	2022	2023e	2024e	Per share data	2020	2021	2022	2023e	2024e
Revenue	790.7	899.0	981.7	980.0	990.0	EPS (reported)	-4.05	0.42	0.66	0.19	0.16
EBITDA	-252.4	185.0	258.1	172.5	174.9	EPS (adj.)	-0.48	0.32	0.32	0.19	0.16
EBIT	-252.4	82.1	154.9	68.5	63.0	OCF / share	-3.65	1.01	1.43	0.70	1.01
PTP	-294.0	65.2	129.2	38.5	33.0	FCF / share	1.48	1.16	1.89	-0.30	0.31
Net Income	-291.6	45.1	101.6	30.4	26.1	Book value / share	2.86	2.35	2.16	2.28	2.38
Extraordinary items	-257.3	13.8	75.1	0.0	0.0	Dividend / share	0.00	0.00	0.00	0.00	0.00
Balance sheet	2020	2021	2022	2023e	2024e	Growth and profitability	2020	2021	2022	2023e	2024e
Balance sheet total	1424.3	1416.1	1275.5	1272.4	1300.4	Revenue growth-%	-18%	14%	9%	0%	1%
Equity capital	206.1	268.1	335.5	366.0	392.0	EBITDA growth-%	-1147%	-173%	40%	-33%	1%
Goodwill	277.5	271.5	250.9	250.9	250.9	EBIT (adj.) growth-%	-88%	1294%	17%	-14%	-8%
Net debt	724.5	586.7	454.4	519.3	491.7	EPS (adj.) growth-%	14%	-168%	0%	-42%	-17%
Cash flow	2020	2021	2022	2023e	2024e	EBITDA-%	-31.9 %	20.6 %	26.3 %	17.6 %	17.7 %
EBITDA	-252.4	185.0	258.1	172.5	174.9	EBIT (adj.)-%	0.6 %	7.6 %	8.1 %	7.0 %	6.4 %
Change in working capital	-9.8	-56.9	-2.4	-46.0	4.7	EBIT-%	-31.9 %	9.1 %	15.8 %	7.0 %	6.4 %
Operating cash flow	-262.5	115.0	222.4	112.1	166.4	ROE-%	-57.9 %	20.2 %	33.7 %	8.7 %	6.9 %
CAPEX	809.3	-17.1	8.5	-160.0	-115.0	ROI-%	-22.0 %	7.6 %	15.3 %	7.0 %	6.3 %
Free cash flow	106.8	132.7	293.8	-48.6	51.4	Equity ratio	14.5 %	18.9 %	26.3 %	28.8 %	30.1 %
Valuation multiples	2020	2021	2022	2023e	2024e	Gearing	351.5 %	218.8 %	135.4 %	141.9 %	125.4 %
EV/S		1.0	0.8	0.9	0.8						
EV/EBITDA (adj.)		4.8	3.0	4.9	4.7						
EV/EBIT (adj.)		13.0	9.7	12.4	13.0						
P/E (adj.)	neg.	6.1	6.3	10.6	12.7						
P/B	0.4	1.1	1.0	0.9	0.8						
Dividend-%	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %						

Source: Inderes

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Recommendation history (>12 mo)

Date	Recommendation	Target price	Share price
18-11-22	Reduce	2.00 €	1.97 €
20-01-23	Reduce	2.10 €	2.05 €
27-02-23	Reduce	2.10 €	2.00 €



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