

# Anora

## Company report

11/24/2022



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

✓ Inderes corporate customer

This report is a summary translation of the report "Q3 tulos ja uudet tavoitteet odotusten mukaiset" published on 11/23/2022 at 06:49 pm.

inde  
res.

# Q3 results and new targets in line with expectations

Anora's Q3 results were close to expectations and the company reiterated its guidance. Our estimates are at the top end of the company's guidance range. The company also announced new financial targets and strategy, which will be further discussed at next week's Capital Markets Day. We slightly raised our 2023 estimates - otherwise the revisions remained small. You can read more about our views on the company in our recent [extensive report](#). In our view, the valuation of Anora looks relatively correct, which leads to a low expected return. We reiterate our Reduce recommendation and EUR 7.5 target price.

## Q3 results weakened as expected as the market normalized after COVID

Anora's Q3 revenue grew 10%, driven entirely by the acquisition of Danish Globus Wine in the summer. Organic growth was slightly negative. This was due to a fall in demand as monopoly sales returned to normal following exceptionally strong COVID-period sales and the loss of a customer in the Wine segment's client portfolio. Anora's comparable EBITDA was EUR 23 million, down in all divisions year-on-year, but in line with our expectations. This was due to a fall in volumes as demand normalized after COVID, lower gross margin (42.1% vs. 45.4% y-o-y) due to higher raw material costs and an increase in fixed costs. The price increases weren't enough to fully compensate for higher production costs and will continue next year.

## Full-year guidance unchanged – we expect the company to hit the upper end of it

Anora reiterated its guidance and continues to expect a full-year comparable EBITDA margin of EUR 75-85 million. After nine months, the company has made a comparable EBITDA of EUR 55 million, so the bottom end of the guidance range looks very conservative. Q4 is seasonally the company's strongest and we expect the company to reach the upper end of its guidance range, with a slight overshoot possible. We raised our 2023 margin estimates slightly, resulting in a 2% increase in EBITDA and a 4% increase in operating profit. We lowered our dividend forecasts in line with the new targets.

## New financial targets and strategy announced, Capital Markets Day on November 29

Anora also announced today for the first time its financial targets following the merger of Altia and Arcus. The company targets 3-5% net sales growth (including acquisitions), 16% comparable EBITDA, a net debt/ EBITDA ratio below 2.5x and a dividend payout ratio of 50-70%. These are pretty much in line with our expectations. We think the EBITDA target is demanding, because even with the support of high demand in 2020-21, the company didn't quite reach it, as it was between 15-16%. Our forecast for the coming years is 12-13%. Anora aims to achieve its objectives by leading category growth in Sweden, Norway and Finland, expanding its position (i.e. gaining market share) in Denmark and the Baltics, and growing outside the Nordic region. Anora didn't comment in what timeframe it intends to achieve the targets but calls them long-term goals. The company will provide more details on the new targets at the Capital Markets Day on November 29.

## High valuation and weak expected returns

Although we expect earnings growth from Anora in the next few years, we believe that the expected return is mainly based on dividend yield that is around 4- 5% in our estimates. We feel the 13-15x P/E ratio for the next few years is correct or slightly elevated. We expect that Anora will generate a ROE that is roughly equivalent to the return requirement, i.e., 7-8%, which makes the P/B level of 1.0 seem justified.

## Recommendation

**Reduce**

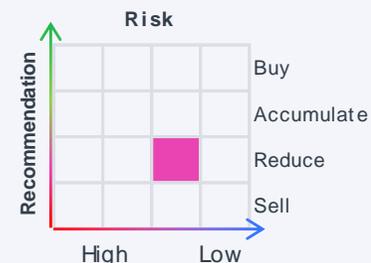
(previous Reduce)

**EUR 7.50**

(previous EUR 7.50)

**Share price:**

7.40



## Key figures

	2021	2022e	2023e	2024e
<b>Revenue</b>	665.0	712.1	728.7	743.3
<b>growth-%</b>	94%	7%	2%	2%
<b>EBITDA (adj.)</b>	101.0	84.2	89.5	94.4
<b>EBITDA-% (adj.)</b>	15.2 %	11.8 %	12.3 %	12.7 %
<b>Net Income</b>	42.7	26.0	34.0	38.6
<b>EPS (adj.)</b>	1.04	0.50	0.50	0.57

<b>P/E (adj.)</b>	10.5	14.9	14.7	13.0
<b>P/B</b>	1.5	1.0	1.0	0.9
<b>Dividend yield-%</b>	4.1 %	4.7 %	4.7 %	5.4 %
<b>EV/EBIT (adj.)</b>	12.4	14.4	11.9	10.5
<b>EV/EBITDA</b>	9.1	9.6	7.4	6.7
<b>EV/S</b>	1.3	1.0	0.9	0.8

Source: Inderes

## Guidance

(Unchanged)

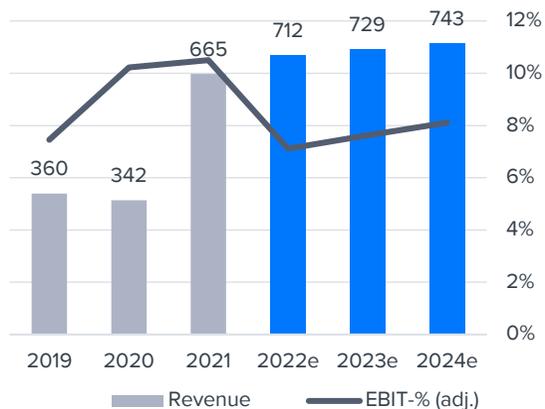
Anora's comparable EBITDA in 2022 is expected to be between EUR 75-85 million.

### Share price



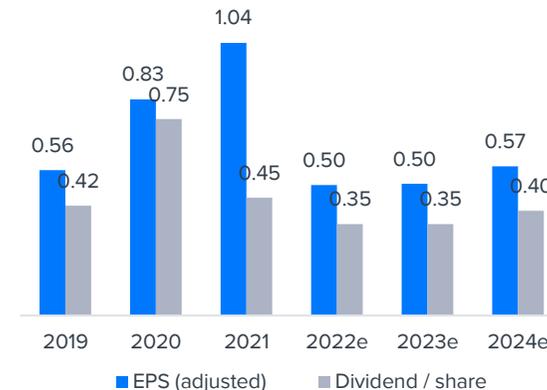
Source: Millstream Market Data AB

### Revenue and EBIT %



Source: Inderes

### EPS and dividend



Source: Inderes



### Value drivers

- Strong market position and extensive product portfolio
- Stable market and profitability
- Synergy benefits from the merger will support growth and profitability in coming years
- Good dividend payment capacity



### Risk factors

- Normalization of demand after COVID depressed earnings
- Price fluctuations of barley affects earnings
- Anora will continue to seek acquisitions which involves risks related to the price and integration
- Dividends may be cut if the company wants to invest more in growth

Valuation	2022e	2023e	2024e
Share price	7.40	7.40	7.40
Number of shares, million:	67.6	67.6	67.6
Market cap	500	500	500
EV	731	662	631
P/E (adj.)	14.9	14.7	13.0
P/E	19.3	14.7	13.0
P/FCF	neg.	4.9	7.9
P/B	1.0	1.0	0.9
P/S	0.7	0.7	0.7
EV/Sales	1.0	0.9	0.8
EV/EBITDA	9.6	7.4	6.7
EV/EBIT (adj.)	14.4	11.9	10.5
Payout ratio (%)	91.1 %	69.6 %	70.1 %
Dividend yield-%	4.7 %	4.7 %	5.4 %

Source: Inderes

# Q3 figures were quite close to our forecasts

## Net sales grew by 10%, supported by acquisition

Anora's Q3 revenue grew 10%, driven entirely by the acquisition of Danish Globus Wine in the summer. Organic growth was slightly negative. This was due to a fall in demand as monopoly sales returned to normal following exceptionally strong COVID-period sales and the loss of a customer in the Wine segment's client portfolio. The Spirits segment reached the comparison period's net sales and Industrial grew thanks to price increases.

## Results down in all divisions, but in line with our expectations

Anora's comparable EBITDA was EUR 23 million, down in all divisions, but in line with our forecast. The one-off items in both the estimates and the actual figures are mainly merger-related non-recurring costs. The decline was due to lower volumes as

demand normalized after COVID, lower gross margin (42.1% vs. 45.4% y-o-y) due to higher raw material costs and an increase in fixed costs. The price increases weren't enough to compensate for higher production costs and the company says they will probably continue next year. Against our forecasts, profitability was disappointing in the Spirits segment, but better than expected in the Wine and Industrial segments and thus in line with our expectations at group level.

## Weak cash flow during 2022

Anora's Q3 cash flow from operating activities was EUR 7 million, which better than the EUR -5 million of the comparison period. However, the cash flow for the whole first year is EUR 36 million negative, while it was only EUR 7 million negative in the comparison period. This is due to working capital being tied up in

higher prices and in anticipation of availability problems. In addition, total cash flow was affected by the acquisition of Globus Wine (80 MEUR) during Q3.

## Balance sheet below new target

After the acquisition of Globus Wine with debt, Anora's net debt/adj. EBITDA was 3.4x for the last 12 months, after accounting for Globus' results. This is well above the below 2.5x target announced today. However, the company has said that in the case of acquisitions, the target may be exceeded. On the other hand, a weaker-than-targeted balance sheet could lead to a reduction in the dividend from last year's level in order to allocate more cash flow to debt repayment. We have lowered our dividend forecast to reflect this. We expect to hear more about capital allocation priorities at next week's Capital Markets Day.

Estimates MEUR / EUR	Q3'21	Q3'22	Q3'22e	Q3'22e	Consensus		Difference (%)	2022e
	Comparator	Actualized	Inderes	Consensus	Low	High	Act. vs. inderes	Inderes
Revenue	165	182	183	181			-1%	712
EBITDA (adj.)	30.1	23.4	23.5	-			0%	84.3
EBITDA	28.2	21.8	22.0	22.0			-1%	76.6
EBIT (adj.)	22.3	14.4	15.0	-			-4%	50.7
EBIT	20.5	12.8	13.5	14.0			-5%	43.0
EPS (reported)	0.30	0.12	0.11	0.12			5%	0.38
Revenue growth-%	0.0 %	10.1 %	10.7 %	9.6 %			-0.6 pp	7.1 %
EBIT-% (adj.)	13.5 %	7.9 %	8.2 %				-0.3 pp	7.1 %

Source: Inderes & Bloomberg (consensus)

# Estimates revised largely for 2023

## Guidance for 2022 remains unchanged

Anora reiterated its guidance and continues to expect a full-year comparable EBITDA margin of EUR 75-85 million. After nine months, the company has achieved a comparable EBITDA of EUR 55 million, i.e., the guidance implies a Q4 result of EUR 20-30 million. The lower end of the range is less than the Q3 level (23 MEUR), although Q4 is seasonally the company's strongest and cost pressures are easing. Therefore, we expect the company to reach the upper end of its guidance range (84 MEUR) and a slight overshoot is possible.

## Revisions mainly to next year and dividends

We raised our 2023 margin expectations slightly, leading to 2-5% higher estimates for next year. This is mainly due to the cost pressures leveling off, which should support Anora's margins when price

increases come into effect with delay. The better-than-expected profitability of the Wine segment in Q3 with Globus also gives a slightly better indication of next year's profitability than previously expected.

In addition, we lowered our dividend estimate to the upper end of the new dividend payout ratio target, i.e., 70%. Otherwise, our estimates are virtually unchanged.

## New financial targets

Anora also announced today its new financial targets, for the first time for the merged Anora. They are:

- 3-5% growth in net sales, including acquisitions, but mainly organic growth
- 16% comparable EBITDA
- less than 2.5x net debt/adj. EBITDA

- 50-70% dividend payout ratio

These are quite in line with our expectations, which we have gone through [in our extensive report](#). The 16% EBITDA target is demanding in our view, as even with the support of high demand in the COVID era, the company didn't quite reach it in 2020-21 and as it was between 15-16%. Our estimate for the coming years is 12-13%.

Anora aims to achieve its objectives by leading category growth in Sweden, Norway and Finland, expanding its position (i.e. gaining market share) in Denmark and the Baltics, and growing outside the Nordic region. Anora didn't comment in what timeframe it intends to achieve the targets but calls them long-term goals. The company will provide more details on the new targets at the Capital Markets Day on November 29.

Estimate revisions	2022e	2022e	Change	2023e	2023e	Change	2024e	2024e	Change
MEUR / EUR	Old	New	%	Old	New	%	Old	New	%
Revenue	710	712	0%	727	729	0%	742	743	0%
EBITDA (adj.)	84.0	84.3	0%	87.6	89.5	2%	94.3	94.4	0%
EBIT (exc. NRIs)	51.4	50.7	-1%	53.6	55.5	4%	60.0	60.3	0%
EBIT	43.7	43.0	-2%	53.6	55.5	4%	60.0	60.3	0%
PTP	33.6	32.7	-2%	41.1	43.0	5%	48.5	48.8	1%
EPS (excl. NRIs)	0.49	0.50	1%	0.48	0.50	5%	0.57	0.57	1%
DPS	0.45	0.35	-22%	0.45	0.35	-22%	0.45	0.40	-11%

Source: Inderes

# Valuation and recommendation

## Valuation summary - Reduce, target price EUR 7.5

Anora's expected return for the next few years will consist of both a dividend yield and moderate earnings growth, as merger synergies materialize and the current headwind from raw material prices alleviates. We believe that the share's valuation level for 2022 is somewhat expensive considering the modest organic growth potential.

Thus, we believe the total expected return to mainly be based on the dividend yield and is below 10%. Therefore, our recommendation for the share is Reduce with a EUR 7.5 target price.

## Value of the DCF model slightly exceeds the current share price

Due to the stable industry, steady growth and relatively easily predictable business, the DCF model is, in our opinion, a relevant valuation method for Anora. Our DCF model gives Anora a debt-free value of about EUR 710 million, which means that the value of the share capital is about EUR 570 million, or EUR 8.5 per share.

## Earnings-based valuation is slightly expensive

Anora's EV/EBIT valuation is approximately 15x with 2022 earnings. Anora only has one year of history, but we find Altia's historic valuation levels relevant also to Anora, because the return on capital and growth profile are very similar. Examined like this, the average historical EV/EBIT of Altia/Anora is about 11.5x. Similarly, the P/E ratio for 2022 is 15x and the historical average is 12x. However, the historical ratios of former Arcus have been somewhat higher, P/E 14-18x and EV/EBIT 12-18x. The earnings multiples for 2022 are highish in our opinion considering the

modest return on capital and growth outlook.

As regards the EV-based valuation, we note that Anora has a relatively high lease liability in its balance sheet, over EUR 100 million, relative to its value, which is not actual financial liability. On the other hand, it has off-balance-sheet sold receivables of some EUR 35 million which can be considered as debt-like assets.

## Balance sheet-based valuation in order

With our estimates, Anora's return on capital (both ROE and ROCE) will be around 7-8% in 2024-25. We examine these years because at that time most merger synergies should be visible, and the earnings level should correspond to the company's potential. This rate of return is practically the same as our return requirement (8.0% for equity, 7.5% for total capital). Therefore, the balance sheet-based valuation of the share, or P/B, should be around 1.0x. The same is true for the EV/IC ratio (i.e. enterprise value/invested capital). At the current share price, both the P/B and EV/IC ratios for 2022-25 are 0.9-1.0x. This would indicate that the valuation level is pretty much correct as is.

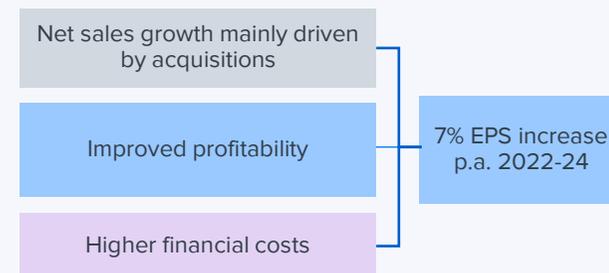
## The expected return is below 10% even in the longer term

As the return on capital remains below 10 % and at the level of the required return also further into the future, we do not consider Anora's expected return as attractive even in the longer term. If Anora would distribute its entire free cash flow as dividends the dividend yield would be approximately 8%. In our opinion, this describes Anora's long-term annual return potential well.

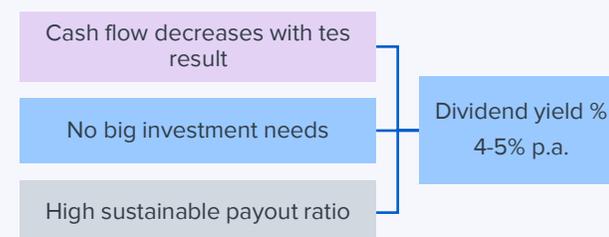
## TSR drivers 2022-2024

■ Positive ■ Neutral ■ Negative

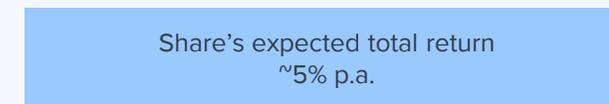
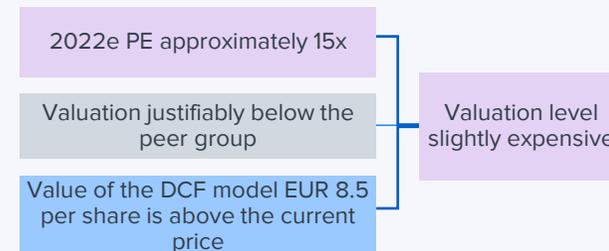
### Profit drivers



### Dividend yield drivers



### Valuation multiple drivers



# Financial objectives

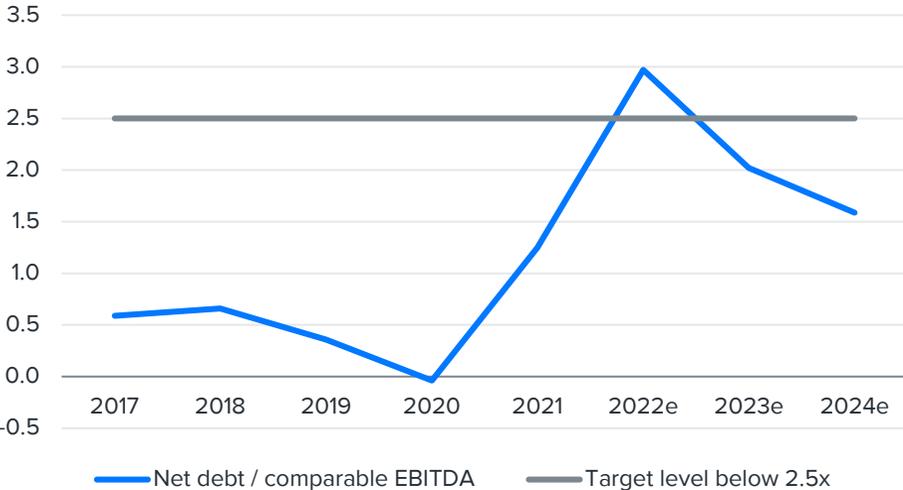
Net sales growth vs. target level



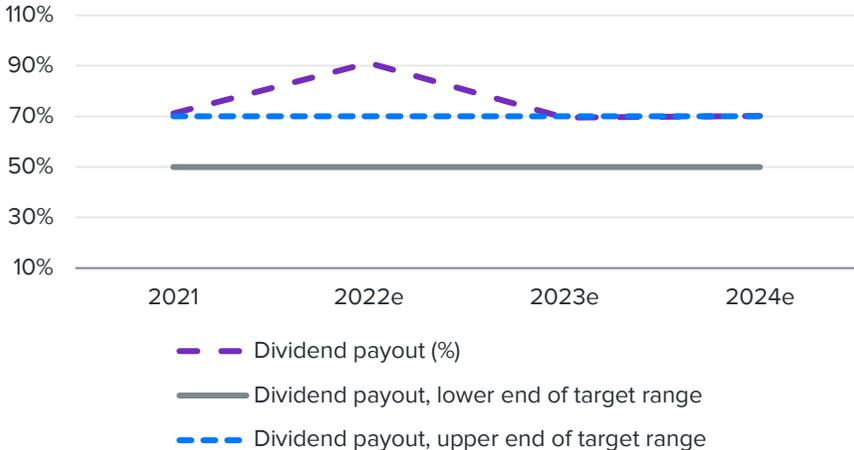
Anora pro forma net sales and profitability



Net debt / comparable EBITDA



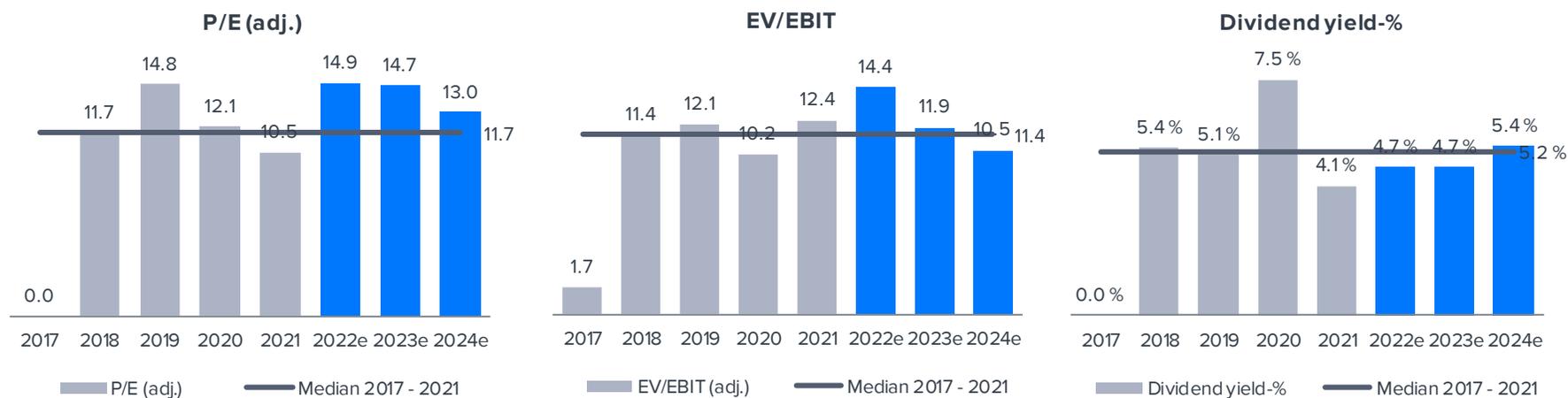
Dividend payout vs. target level



# Valuation table

Valuation	2017	2018	2019	2020	2021	2022e	2023e	2024e	2025e
Share price		7.10	8.20	9.98	10.9	<b>7.40</b>	<b>7.40</b>	<b>7.40</b>	<b>7.40</b>
Number of shares, millions	36.0	36.1	36.1	36.1	46.6	<b>67.6</b>	<b>67.6</b>	<b>67.6</b>	<b>67.6</b>
Market cap		257	296	361	736	<b>500</b>	<b>500</b>	<b>500</b>	<b>500</b>
EV	48	304	325	357	864	<b>731</b>	<b>662</b>	<b>631</b>	<b>606</b>
P/E (adj.)	0.0	11.7	14.8	12.1	10.5	<b>14.9</b>	<b>14.7</b>	<b>13.0</b>	<b>11.6</b>
P/E	0.0	17.0	16.1	20.3	11.9	<b>19.3</b>	<b>14.7</b>	<b>13.0</b>	<b>11.6</b>
P/FCF	0.0	73.7	8.2	7.0	neg.	<b>neg.</b>	<b>4.9</b>	<b>7.9</b>	<b>8.5</b>
P/B	0.0	1.7	2.0	2.3	1.5	<b>1.0</b>	<b>1.0</b>	<b>0.9</b>	<b>0.9</b>
P/S	0.0	0.7	0.8	1.1	1.1	<b>0.7</b>	<b>0.7</b>	<b>0.7</b>	<b>0.7</b>
EV/Sales	0.1	0.9	0.9	1.0	1.3	<b>1.0</b>	<b>0.9</b>	<b>0.8</b>	<b>0.8</b>
EV/EBITDA	1.2	8.9	7.6	8.9	9.1	<b>9.6</b>	<b>7.4</b>	<b>6.7</b>	<b>6.2</b>
EV/EBIT (adj.)	1.7	11.4	12.1	10.2	12.4	<b>14.4</b>	<b>11.9</b>	<b>10.5</b>	<b>9.5</b>
Payout ratio (%)	0.0 %	91.3 %	82.6 %	152.7 %	71.1 %	<b>91.1 %</b>	<b>69.6 %</b>	<b>70.1 %</b>	<b>62.9 %</b>
Dividend yield-%		5.4 %	5.1 %	7.5 %	4.1 %	<b>4.7 %</b>	<b>4.7 %</b>	<b>5.4 %</b>	<b>5.4 %</b>

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	2022e	2023e	2022e	2023e	2022e	2023e	2022e	2023e	2022e	2023e	2022e
Brown-Forman	33687	34999	31.7	27.9	29.5	26.1	9.5	8.9	42.5	36.9	1.9	1.1	13.6
Davide Campari Milano	11761	12676	23.3	20.5	19.9	17.6	4.8	4.4	29.9	26.7	0.7	0.7	4.5
Diageo	98398	116517	22.0	18.3	19.9	16.7	6.8	5.8	26.4	21.5	2.1	2.2	12.4
Remy-Cointreau	8426	8765	27.4	20.5	24.3	18.4	6.8	5.5	37.6	29.1	1.2	1.3	5.1
Constellation Brands	45737	56505	20.0	19.4	17.8	16.7	6.7	6.1	25.6	23.2	1.2	1.3	3.8
Olvi	668	632	15.4	13.5	10.3	9.0	1.4	1.4	20.5	18.1	3.6	3.9	2.1
Royal Unibrew	3278	3866	17.8	16.3	13.9	12.7	2.5	2.3	16.9	17.7	3.2	3.1	6.1
<b>Anora (Inderes)</b>	<b>500</b>	<b>731</b>	<b>14.4</b>	<b>11.9</b>	<b>9.6</b>	<b>7.4</b>	<b>1.0</b>	<b>0.9</b>	<b>14.9</b>	<b>14.7</b>	<b>4.7</b>	<b>4.7</b>	<b>1.0</b>
<b>Average</b>			<b>22.5</b>	<b>19.5</b>	<b>19.4</b>	<b>16.7</b>	<b>5.5</b>	<b>4.9</b>	<b>28.5</b>	<b>24.7</b>	<b>2.0</b>	<b>2.0</b>	<b>6.8</b>
<b>Median</b>			<b>22.0</b>	<b>19.4</b>	<b>19.9</b>	<b>16.7</b>	<b>6.7</b>	<b>5.5</b>	<b>26.4</b>	<b>23.2</b>	<b>1.9</b>	<b>1.3</b>	<b>5.1</b>
<b>Diff-% to median</b>			<b>-34%</b>	<b>-39%</b>	<b>-52%</b>	<b>-56%</b>	<b>-85%</b>	<b>-84%</b>	<b>-44%</b>	<b>-37%</b>	<b>148%</b>	<b>253%</b>	<b>-81%</b>

Source: Refinitiv / Inderes

# Income statement

Income statement	2020	Q1'21	Q2'21	Q3'21	Q4'21	2021	Q1'22	Q2'22	Q3'22	Q4'22e	2022e	2023e	2024e	2025e
<b>Revenue</b>	<b>342</b>	<b>134</b>	<b>160</b>	<b>165</b>	<b>206</b>	<b>665</b>	<b>133</b>	<b>166</b>	<b>182</b>	<b>231</b>	<b>712</b>	<b>729</b>	<b>743</b>	<b>758</b>
Wine	0.0	62.2	75.0	72.6	93.1	303	53.2	70.4	85.1	110	319	359	366	373
Spirits	0.0	41.9	51.7	57.2	74.0	225	44.9	59.5	57.1	80.0	242	240	245	250
Industrial	0.0	54.1	64.4	68.8	67.5	255	60.8	67.5	78.5	75.0	282	250	255	260
Group and eliminations	0.0	-24.1	-31.0	-33.4	-29.0	-117.5	-25.5	-31.6	-38.8	-34.0	-130	-120	-122	-125
<b>EBITDA</b>	<b>40.3</b>	<b>13.2</b>	<b>21.5</b>	<b>28.2</b>	<b>32.3</b>	<b>95.2</b>	<b>11.9</b>	<b>15.3</b>	<b>21.8</b>	<b>27.5</b>	<b>76.6</b>	<b>89.5</b>	<b>94.4</b>	<b>98.2</b>
Depreciation	-17.4	-7.8	-7.9	-7.7	-7.8	-31.2	-7.8	-7.8	-9.0	-9.0	-33.6	-34.0	-34.1	-34.3
<b>EBIT (excl. NRI)</b>	<b>35.0</b>	<b>8.8</b>	<b>15.8</b>	<b>22.3</b>	<b>22.9</b>	<b>69.8</b>	<b>5.2</b>	<b>11.1</b>	<b>14.3</b>	<b>20.0</b>	<b>50.7</b>	<b>55.5</b>	<b>60.3</b>	<b>63.9</b>
<b>EBIT</b>	<b>22.9</b>	<b>5.4</b>	<b>13.6</b>	<b>20.5</b>	<b>24.5</b>	<b>64.0</b>	<b>4.1</b>	<b>7.5</b>	<b>12.8</b>	<b>18.5</b>	<b>43.0</b>	<b>55.5</b>	<b>60.3</b>	<b>63.9</b>
Wine (EBITDA)	0.0	6.8	8.6	10.0	13.2	38.6	3.0	4.6	8.9	12.5	29.0	34.1	36.6	39.2
Spirits (EBITDA)	0.0	7.4	10.6	11.9	18.2	48.1	8.0	9.4	8.8	15.0	41.2	43.2	44.1	44.9
Industrial (EBITDA)	0.0	3.3	4.6	7.0	2.8	17.7	3.6	4.2	5.8	3.0	16.6	16.3	17.9	18.2
Group and eliminations	0.0	-4.3	-2.2	-0.7	-1.9	-9.1	-2.7	-2.9	-1.7	-3.0	-10.3	-4.0	-4.1	-4.2
Share of profits in assoc. compan.	1.2	1.0	-0.1	0.3	0.4	1.6	0.9	0.0	-0.4	0.3	0.8	1.5	1.5	1.5
Net financial items	-2.9	-2.6	-3.1	-2.6	-2.8	-11.1	-2.4	-2.2	-3.0	-3.5	-11.1	-14.0	-13.0	-11.0
<b>PTP</b>	<b>21.3</b>	<b>3.8</b>	<b>10.4</b>	<b>18.2</b>	<b>22.1</b>	<b>54.5</b>	<b>2.6</b>	<b>5.3</b>	<b>9.5</b>	<b>15.3</b>	<b>32.7</b>	<b>43.0</b>	<b>48.8</b>	<b>54.4</b>
Taxes	-3.5	-1.0	-2.6	-3.9	-3.9	-11.4	-0.6	-1.0	-1.6	-3.5	-6.7	-8.7	-9.9	-11.1
Minority interest	0.0	-0.1	-0.1	-0.1	-0.1	-0.4	-0.1	0.0	0.0	-0.1	-0.2	-0.3	-0.3	-0.3
<b>Net earnings</b>	<b>17.8</b>	<b>2.7</b>	<b>7.7</b>	<b>14.2</b>	<b>18.1</b>	<b>42.7</b>	<b>1.9</b>	<b>4.3</b>	<b>7.9</b>	<b>11.7</b>	<b>25.8</b>	<b>34.0</b>	<b>38.6</b>	<b>43.0</b>
<b>Net earnings</b>	<b>17.8</b>	<b>2.7</b>	<b>7.7</b>	<b>14.2</b>	<b>18.1</b>	<b>42.7</b>	<b>1.9</b>	<b>4.3</b>	<b>7.9</b>	<b>11.7</b>	<b>25.8</b>	<b>34.0</b>	<b>38.6</b>	<b>43.0</b>
<b>EPS (adj.)</b>	<b>0.83</b>	<b>0.13</b>	<b>0.21</b>	<b>0.34</b>	<b>0.35</b>	<b>1.04</b>	<b>0.04</b>	<b>0.12</b>	<b>0.14</b>	<b>0.19</b>	<b>0.50</b>	<b>0.50</b>	<b>0.57</b>	<b>0.64</b>
<b>EPS (rep.)</b>	<b>0.49</b>	<b>0.06</b>	<b>0.17</b>	<b>0.30</b>	<b>0.39</b>	<b>0.92</b>	<b>0.03</b>	<b>0.06</b>	<b>0.12</b>	<b>0.17</b>	<b>0.38</b>	<b>0.50</b>	<b>0.57</b>	<b>0.64</b>

Key figures	2020	Q1'21	Q2'21	Q3'21	Q4'21	2021	Q1'22	Q2'22	Q3'22	Q4'22e	2022e	2023e	2024e	2025e
<b>Revenue growth-%</b>	-4.8 %	0.0 %	0.0 %	0.0 %	-40.0 %	94.2 %	-0.5 %	3.5 %	10.1 %	12.4 %	7.1 %	2.3 %	2.0 %	2.0 %
<b>Adjusted EBIT growth-%</b>	30.6 %				-34.6 %	99.5 %	-40.7 %	-29.7 %	-35.8 %	-12.7 %	-27.5 %	9.6 %	8.6 %	6.0 %
<b>EBITDA-%</b>	11.8 %	9.8 %	13.4 %	17.1 %	15.7 %	14.3 %	8.9 %	9.3 %	12.0 %	11.9 %	10.8 %	12.3 %	12.7 %	12.9 %
<b>Adjusted EBIT-%</b>	10.2 %	6.6 %	9.9 %	13.5 %	11.1 %	10.5 %	3.9 %	6.7 %	7.9 %	8.7 %	7.1 %	7.6 %	8.1 %	8.4 %
<b>Net earnings-%</b>	5.2 %	2.0 %	4.8 %	8.6 %	8.8 %	6.4 %	1.4 %	2.6 %	4.3 %	5.1 %	3.6 %	4.7 %	5.2 %	5.7 %

Source: Inderes

# Balance sheet

Assets	2020	2021	2022e	2023e	2024e
<b>Non-current assets</b>	<b>186</b>	<b>692</b>	<b>758</b>	<b>749</b>	<b>741</b>
Goodwill	81.4	278	313	313	313
Intangible assets	20.7	197	232	232	232
Tangible assets	69.1	197	193	184	176
Associated companies	9.1	16.3	16.3	16.3	16.3
Other investments	1.4	0.7	1.0	1.0	1.0
Other non-current assets	0.0	0.1	0.0	0.0	0.0
Deferred tax assets	3.8	3.1	3.0	3.0	3.0
<b>Current assets</b>	<b>270</b>	<b>542</b>	<b>513</b>	<b>488</b>	<b>498</b>
Inventories	92.3	140	178	160	164
Other current assets	0.2	0.2	0.2	0.2	0.2
Receivables	46.8	233	228	219	223
Cash and equivalents	131	169	107	109	111
<b>Balance sheet total</b>	<b>456</b>	<b>1233</b>	<b>1271</b>	<b>1238</b>	<b>1239</b>

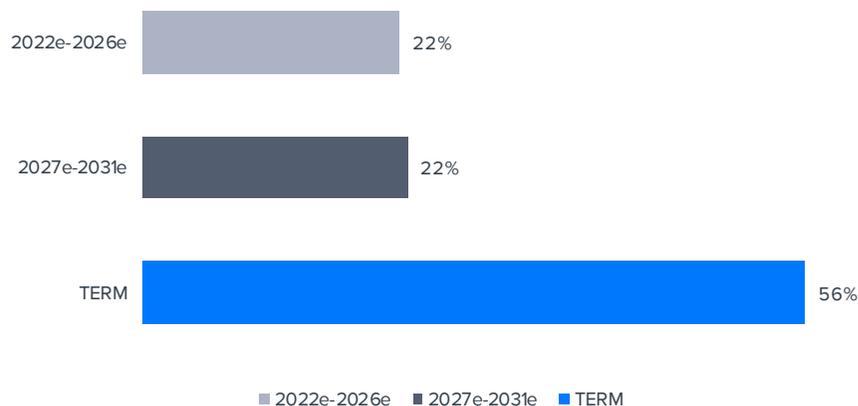
Source: Inderes

Liabilities & equity	2020	2021	2022e	2023e	2024e
<b>Equity</b>	<b>156</b>	<b>508</b>	<b>504</b>	<b>514</b>	<b>529</b>
Share capital	60.5	61.5	61.5	61.5	61.5
Retained earnings	115	122	117	128	142
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	-19.5	324	324	324	324
Minorities	0.0	0.9	1.1	1.3	1.5
<b>Non-current liabilities</b>	<b>94.6</b>	<b>310</b>	<b>373</b>	<b>313</b>	<b>287</b>
Deferred tax liabilities	16.8	48.4	48.4	48.4	48.4
Provisions	1.1	3.0	3.0	3.0	3.0
Long term debt	76.7	257	322	261	235
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	0.0	1.7	0.0	0.0	0.0
<b>Current liabilities</b>	<b>205</b>	<b>415</b>	<b>395</b>	<b>411</b>	<b>423</b>
Short term debt	50.2	38.1	35.7	29.0	26.1
Payables	153	374	356	379	394
Other current liabilities	2.0	2.8	2.8	2.8	2.8
<b>Balance sheet total</b>	<b>456</b>	<b>1233</b>	<b>1271</b>	<b>1238</b>	<b>1239</b>

# DCF calculation

DCF model	2021	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	TERM
Revenue growth-%	94.2 %	7.1 %	2.3 %	2.0 %	2.0 %	1.0 %	1.0 %	1.0 %	1.0 %	1.0 %	1.0 %	1.0 %
EBIT-%	9.6 %	6.0 %	7.6 %	8.1 %	8.4 %	7.5 %	7.5 %	7.5 %	7.5 %	8.0 %	8.0 %	8.0 %
<b>EBIT (operating profit)</b>	<b>64.0</b>	<b>43.0</b>	<b>55.5</b>	<b>60.3</b>	<b>63.9</b>	<b>57.4</b>	<b>58.0</b>	<b>58.6</b>	<b>59.2</b>	<b>63.7</b>	<b>64.4</b>	
+ Depreciation	31.2	33.6	34.0	34.1	34.3	36.1	35.2	34.6	34.2	29.5	29.5	
- Paid taxes	20.9	-6.5	-8.7	-9.9	-11.1	-10.5	-10.9	-11.2	-11.5	-12.7	-12.1	
- Tax, financial expenses	-2.4	-3.2	-3.8	-3.6	-3.2	-2.4	-2.2	-2.0	-1.7	-1.6	-1.4	
+ Tax, financial income	0.0	0.9	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.0	
- Change in working capital	-10.8	-51.7	49.8	7.4	0.1	0.1	0.1	0.1	0.1	0.1	0.1	
<b>Operating cash flow</b>	<b>103</b>	<b>16.0</b>	<b>128</b>	<b>89.2</b>	<b>84.9</b>	<b>81.5</b>	<b>81.1</b>	<b>81.0</b>	<b>81.0</b>	<b>79.9</b>	<b>80.4</b>	
+ Change in other long-term liabilities	3.6	-1.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-530.9	-100.2	-25.0	-25.5	-26.0	-26.5	-27.1	-27.6	-28.2	-29.5	-31.6	
<b>Free operating cash flow</b>	<b>-424.4</b>	<b>-85.9</b>	<b>103</b>	<b>63.7</b>	<b>58.9</b>	<b>55.0</b>	<b>54.1</b>	<b>53.4</b>	<b>52.9</b>	<b>50.4</b>	<b>48.8</b>	
+/- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	-424.4	-85.9	103	63.7	58.9	55.0	54.1	53.4	52.9	50.4	48.8	759
<b>Discounted FCFF</b>		<b>-85.3</b>	<b>94.9</b>	<b>54.7</b>	<b>47.1</b>	<b>40.9</b>	<b>37.4</b>	<b>34.3</b>	<b>31.6</b>	<b>28.1</b>	<b>25.3</b>	<b>393</b>
Sum of FCFF present value		702	787	692	638	591	550	512	478	446	418	393
<b>Enterprise value DCF</b>		<b>702</b>										
- Interesting bearing debt		-295.0										
+ Cash and cash equivalents		169										
-Minorities		-1.1										
-Dividend/capital return		-30.4										
<b>Equity value DCF</b>		<b>565</b>										
<b>Equity value DCF per share</b>		<b>8.4</b>										

Cash flow distribution



Wacc	
Tax-% (WACC)	22.0 %
Target debt ratio (D/(D+E))	10.0 %
Cost of debt	4.0 %
Equity Beta	1.05
Market risk premium	4.75%
Liquidity premium	1.00%
Risk free interest rate	2.0 %
<b>Cost of equity</b>	<b>8.0 %</b>
<b>Weighted average cost of capital (WACC)</b>	<b>7.5 %</b>

Source: Inderes

# Summary

Income statement	2019	2020	2021	2022e	2023e	Per share data	2019	2020	2021	2022e	2023e
Revenue	359.6	342.4	665.0	<b>712.1</b>	<b>728.7</b>	EPS (reported)	0.51	0.49	0.92	<b>0.38</b>	<b>0.50</b>
EBITDA	43.0	40.3	95.2	<b>76.5</b>	<b>89.5</b>	EPS (adj.)	0.56	0.83	1.04	<b>0.50</b>	<b>0.50</b>
EBIT	25.1	22.9	64.0	<b>43.0</b>	<b>55.5</b>	OCF / share	1.56	1.77	2.21	<b>0.24</b>	<b>1.89</b>
PTP	24.6	21.3	54.5	<b>32.8</b>	<b>43.0</b>	FCF / share	1.00	1.43	-9.11	<b>-1.27</b>	<b>1.52</b>
Net Income	18.4	17.8	42.7	<b>26.0</b>	<b>34.0</b>	Book value / share	4.18	4.32	10.88	<b>7.43</b>	<b>7.59</b>
Extraordinary items	-1.7	-12.1	-5.8	<b>-7.7</b>	<b>0.0</b>	Dividend / share	0.42	0.75	0.45	<b>0.35</b>	<b>0.35</b>
Balance sheet	2019	2020	2021	2022e	2023e	Growth and profitability	2019	2020	2021	2022e	2023e
Balance sheet total	400.1	455.5	1233.3	<b>1271.1</b>	<b>1237.7</b>	Revenue growth-%	1%	-5%	94%	<b>7%</b>	<b>2%</b>
Equity capital	151.2	156.3	507.9	<b>503.7</b>	<b>514.2</b>	EBITDA growth-%	26%	-6%	136%	<b>-20%</b>	<b>17%</b>
Goodwill	80.1	81.4	277.8	<b>312.8</b>	<b>312.8</b>	EBIT (adj.) growth-%	1%	31%	100%	<b>-27%</b>	<b>10%</b>
Net debt	28.8	-3.8	126.1	<b>250.4</b>	<b>181.0</b>	EPS (adj.) growth-%	-9%	49%	26%	<b>-52%</b>	<b>1%</b>
Cash flow	2019	2020	2021	2022e	2023e	EBITDA-%	12.0 %	11.8 %	14.3 %	<b>10.7 %</b>	<b>12.3 %</b>
EBITDA	43.0	40.3	95.2	<b>76.5</b>	<b>89.5</b>	EBIT (adj.)-%	7.5 %	10.2 %	10.5 %	<b>7.1 %</b>	<b>7.6 %</b>
Change in working capital	19.4	24.2	-10.8	<b>-51.7</b>	<b>49.8</b>	EBIT-%	7.0 %	6.7 %	9.6 %	<b>6.0 %</b>	<b>7.6 %</b>
Operating cash flow	56.3	64.0	102.9	<b>16.0</b>	<b>127.7</b>	ROE-%	12.2 %	11.5 %	12.9 %	<b>5.1 %</b>	<b>6.7 %</b>
CAPEX	-19.6	-12.0	-530.9	<b>-100.2</b>	<b>-25.0</b>	ROI-%	12.5 %	9.2 %	12.1 %	<b>5.8 %</b>	<b>7.3 %</b>
Free cash flow	36.3	51.7	-424.4	<b>-85.9</b>	<b>102.7</b>	Equity ratio	37.8 %	34.3 %	41.2 %	<b>39.6 %</b>	<b>41.5 %</b>
Valuation multiples	2019	2020	2021	2022e	2023e	Gearing	19.0 %	-2.4 %	24.8 %	<b>49.7 %</b>	<b>35.2 %</b>
EV/S	0.9	1.0	1.3	<b>1.0</b>	<b>0.9</b>						
EV/EBITDA (adj.)	7.6	8.9	9.1	<b>9.6</b>	<b>7.4</b>						
EV/EBIT (adj.)	12.1	10.2	12.4	<b>14.4</b>	<b>11.9</b>						
P/E (adj.)	14.8	12.1	10.5	<b>14.9</b>	<b>14.7</b>						
P/B	2.0	2.3	1.5	<b>1.0</b>	<b>1.0</b>						
Dividend-%	5.1 %	7.5 %	4.1 %	<b>4.7 %</b>	<b>4.7 %</b>						

Source: Inderes

# Disclaimer and recommendation history

The information presented in Inderes reports is obtained from several different public sources that Inderes considers to be reliable. Inderes aims to use reliable and comprehensive information, but Inderes does not guarantee the accuracy of the presented information. Any opinions, estimates and forecasts represent the views of the authors. Inderes is not responsible for the content or accuracy of the presented information. Inderes and its employees are also not responsible for the financial outcomes of investment decisions made based on the reports or any direct or indirect damage caused by the use of the information. The information used in producing the reports may change quickly. Inderes makes no commitment to announcing any potential changes to the presented information and opinions.

The reports produced by Inderes are intended for informational use only. The reports should not be construed as offers or advice to buy, sell or subscribe investment products. Customers should also understand that past performance is not a guarantee of future results. When making investment decisions, customers must base their decisions on their own research and their estimates of the factors that influence the value of the investment and take into account their objectives and financial position and use advisors as necessary. Customers are responsible for their investment decisions and their financial outcomes.

Reports produced by Inderes may not be edited, copied or made available to others in their entirety, or in part, without Inderes' written consent. No part of this report, or the report as a whole, shall be transferred or shared in any form to the United States, Canada or Japan or the citizens of the aforementioned countries. The legislation of other countries may also lay down restrictions pertaining to the distribution of the information contained in this report. Any individuals who may be subject to such restrictions must take said restrictions into account.

Inderes issues target prices for the shares it follows. The recommendation methodology used by Inderes is based on the share's 12-month expected total shareholder return (including the share price and dividends) and takes into account Inderes' view of the risk associated with the expected returns. The recommendation policy consists of four tiers: Sell, Reduce, Accumulate and Buy. As a rule, Inderes' investment recommendations and target prices are reviewed at least 2–4 times per year in connection with the companies' interim reports, but the recommendations and target prices may also be changed at other times depending on the market conditions. The issued recommendations and target prices do not guarantee that the share price will develop in line with the estimate. Inderes primarily uses the following valuation methods in determining target prices and recommendations: Cash flow analysis (DCF), valuation multiples, peer group analysis and sum of parts analysis. The valuation methods and target price criteria used are always company-specific and they may vary significantly depending on the company and (or) industry.

Inderes' recommendation policy is based on the following distribution relative to the 12-month risk-adjusted expected total shareholder return.

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

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

The analysts who produce Inderes' research and Inderes employees cannot have 1) shareholdings that exceed the threshold of significant financial gain or 2) shareholdings exceeding 1% in any company subject to Inderes' research activities. Inderes Oyj can only own shares in the target companies it follows to the extent shown in the company's model portfolio investing real funds. All of Inderes Oyj's shareholdings are presented in itemised form in the model portfolio. Inderes Oyj does not have other shareholdings in the target companies analysed. The remuneration of the analysts who produce the analysis are not directly or indirectly linked to the issued recommendation or views. Inderes Oyj does not have investment bank operations.

Inderes or its partners whose customer relationships may have a financial impact on Inderes may, in their business operations, seek assignments with various issuers with respect to services provided by Inderes or its partners. Thus, Inderes may be in a direct or indirect contractual relationship with an issuer that is the subject of research activities. Inderes and its partners may provide investor relations services to issuers. The aim of such services is to improve communication between the company and the capital markets. These services include the organisation of investor events, advisory services related to investor relations and the production of investor research reports.

More information about research disclaimers can be found at [www.inderes.fi/research-disclaimer](http://www.inderes.fi/research-disclaimer).

Inderes has made an agreement with the issuer and target of this report, which entails compiling a research report.

## Recommendation history (>12 mo)

Date	Recommendation	Target price	Share price
9/27/2022	Reduce	7.50 €	7.05 €
11/24/2022	Reduce	7.50 €	7.40 €



Inderes' mission is to connect listed companies and investors. We produce high-quality research and content for the needs of our extensive investor community.

At Inderes we believe that open data is every investor's fundamental right. We guarantee investors' access to award-winning research, insightful video content and an active investor community.

For listed companies we ensure that there is always high-quality information available on the company for investors and shareholders for decision making, and that data collected from investors can be utilized by the companies.

Over 100 Finnish listed companies want to serve their shareholders and investors through us by utilizing our company research services, data driven IR services, content creation and consulting.

### Inderes Oyj

Itämerentori 2

FI-00180 Helsinki, Finland

+358 10 219 4690

Award-winning research at [inderes.fi](https://www.inderes.fi)



STARMINE  
ANALYST AWARDS  
FROM REFINITIV



THOMSON REUTERS  
ANALYST AWARDS



Juha Kinnunen  
2012, 2016, 2017, 2018, 2019, 2020



Mikael Rautanen  
2014, 2016, 2017, 2019



Sauli Vilén  
2012, 2016, 2018, 2019, 2020



Antti Viljakainen  
2014, 2015, 2016, 2018, 2019, 2020



Olli Koponen  
2020



Joni Grönqvist  
2019, 2020



Erkki Vesola  
2018, 2020



Petri Gostowski  
2020



Atte Riikola  
2020

**Research belongs  
to everyone.**