

# Orthex

## Extensive report

4/22/2024



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✓ Inderes corporate customer

This report is a summary translation of the report “Kasvupanostukset tuottavat vielä hedelmää” published on 4/22/2024 at 8:30 am EEST.

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# Growth efforts will eventually bear fruit

We reiterate our target price of EUR 7.0 and Accumulate recommendation for Orthex. The revenue of Orthex, a manufacturer of everyday consumer goods, returned to clear growth in Q4, setting the stage for further earnings growth. In our view, the company's production facilities are capable of supporting a much higher revenue load than today, which means that revenue growth has the potential to increase the already high returns on capital. In our view, the valuation picture for the stock appears moderate, although the recent rise in oil prices may also lead to an increase in Orthex's raw material prices, which increases the short-term forecast risk.

## Leading Nordic consumer goods company

Orthex is a leading Nordic household and consumer goods company. It has three main brands (Orthex, SmartStore and GastroMax) and one side brand (Kökskungen), under which it offers products in different use categories (e.g. home storage, food storage, kitchen utensils, plant care, home and garden). Around 90% of the products are manufactured in the Nordic countries in Orthex's three highly automated factories. Nearly 80% of revenue comes from the Nordic countries, but the company has about 800 customers in more than 40 countries. The distribution channels for the products are mainly large European retail chains. Orthex's primary target market in Europe is worth approximately 4 BNEUR and consists of sales of home and food storage solutions and kitchen utensils. Orthex is the Nordic market leader in home and food storage. The products have a low unit price and are purchased for daily use, which reduces the cyclical nature of demand and price sensitivity.

## Strategy seems sound, but we take profitability target with a grain of salt

Orthex's long-term financial targets include organic revenue growth in excess of 5% and a comparable EBITA margin in excess of 18% over time. Outside the Nordic countries, the aim is to grow by more than 10% per year with existing and new key customers. We forecast the company's revenue to grow at a CAGR of 6% from 2024 to 2026, which will require market share gains. The scalability of the cost structure allows for improved relative profitability in our estimates, and we forecast that the increase in the operating margin to 15%, together with growing revenues, will drive significant earnings growth in the coming years. We want the company to demonstrate that the ambitious profitability target is achievable, but otherwise the company's strategy and financial targets seem very realistic and achievable to us.

## Easy to stay on board of a quality growth company

Orthex's earnings-based valuation (2024e: EV/EBIT 10x, P/E: 13x) is relatively neutral in our view, and the expected return of around 15% over the next few years, based on our forecasts, argues in favor of holding the stock. Our 2024-2025 EBIT forecasts price Orthex at a discount of approximately 15-20% to peers, and we see room to narrow the earnings-based discount. We believe the market may continue to perceive Orthex's performance as more cyclical than reality as the earnings level, which was hit by exceptionally high cost inflation in 2022, is still fresh in investors' minds. In our view, the company's limited track record and smaller size relative to peers may partly explain the cautious pricing relative to peers. Our DCF model also suggests upside from current levels and a value of EUR 7.3 per share.

## Recommendation

**Accumulate**

(previous Accumulate)

**EUR 7.00**

(previous EUR 7.00)

**Share price:**

6.26



## Key figures

	2023	2024e	2025e	2026e
<b>Revenue</b>	85.9	90.8	96.6	102.4
<b>growth-%</b>	2%	6%	6%	6%
<b>EBIT adj.</b>	10.0	12.3	13.5	15.0
<b>EBIT-% adj.</b>	11.7 %	13.6 %	14.0 %	14.6 %
<b>Net Income</b>	6.9	8.4	9.5	10.8
<b>EPS (adj.)</b>	0.35	0.47	0.53	0.61
<b>P/E (adj.)</b>	15.5	13.2	11.7	10.3
<b>P/B</b>	2.8	2.8	2.5	2.2
<b>Dividend yield-%</b>	3.9 %	4.0 %	4.3 %	5.1 %
<b>EV/EBIT (adj.)</b>	11.8	10.3	9.2	7.9
<b>EV/EBITDA</b>	7.9	7.8	6.9	6.1
<b>EV/S</b>	1.4	1.4	1.3	1.2

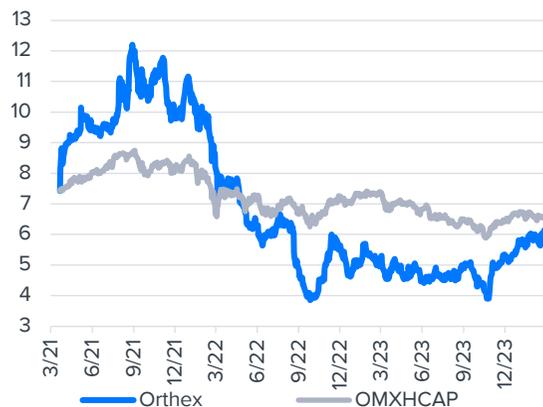
Source: Inderes

## Guidance

(Unchanged)

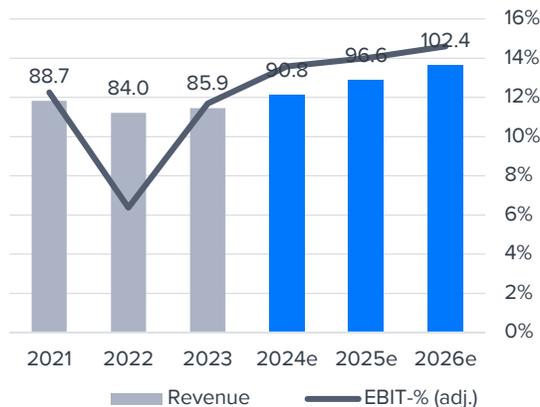
Orthex does not publish a short-term outlook. In the long term, the company targets average organic growth of over 5% and an adjusted EBITA margin of over 18%.

## Share price



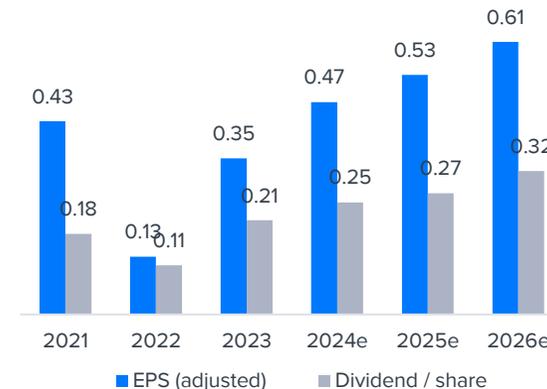
Source: Millstream Market Data AB

## Revenue and EBIT-%



Source: Inderes

## EPS and dividend



Source: Inderes



## Value drivers

- Large and defensive target market
- Favorable megatrends drive product demand growth
- Leading position in the Nordic countries and the possibility of expanding to Europe through key customers
- Fragmented industry offers opportunities for acquisitions
- Known consumer brands
- Strong relations with retail chains
- Efficient and automated production with short delivery times



## Risk factors

- Fluctuations in raw material prices and disruptions in availability
- Dependence on the operation of own production facilities
- Production capacity limits growth
- Success on export markets
- Risks involved in achieving financial targets
- Acquisition risks
- Plastics have a bad reputation as a raw material

Valuation	2024e	2025e	2026e
Share price	6.26	6.26	6.26
Number of shares, millions	17.8	17.8	17.8
Market cap	111	111	111
EV	128	124	119
P/E (adj.)	13.2	11.7	10.3
P/E	13.2	11.7	10.3
P/B	2.8	2.5	2.2
P/S	1.2	1.2	1.1
EV/Sales	1.4	1.3	1.2
EV/EBITDA	7.8	6.9	6.1
EV/EBIT (adj.)	10.3	9.2	7.9
Payout ratio (%)	52.8 %	50.6 %	52.7 %
Dividend yield-%	4.0 %	4.3 %	5.1 %

Source: Inderes

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# Orthex in brief

Orthex is one of the leading manufacturers of household goods in the Nordic countries. The company offers a comprehensive range of storage solutions, from kitchenware to gardening. Orthex's distribution channels are mainly European retail chains, through which the products find their way to the consumer.

## 1956

Year of establishment

## 20-25%<sup>(1)</sup>

Market share in household storage categories in the Nordic countries

## ~0.5%<sup>(1)</sup>

Market share in the home and food storage categories in Western Europe<sup>(2)</sup>

## 85.9 MEUR (+2% vs. 2022)

Revenue 2023

## 10.8 MEUR (adj. EBIT: 12.6%)

Adjusted EBIT 2023

## 281

Headcount at the end of 2023 (FTE)

## 3 own factories

Sweden (2) Finland (1)

### 1956-2011

Transformation through acquisitions  
Strong market position in the Nordic countries and growing presence in other European countries

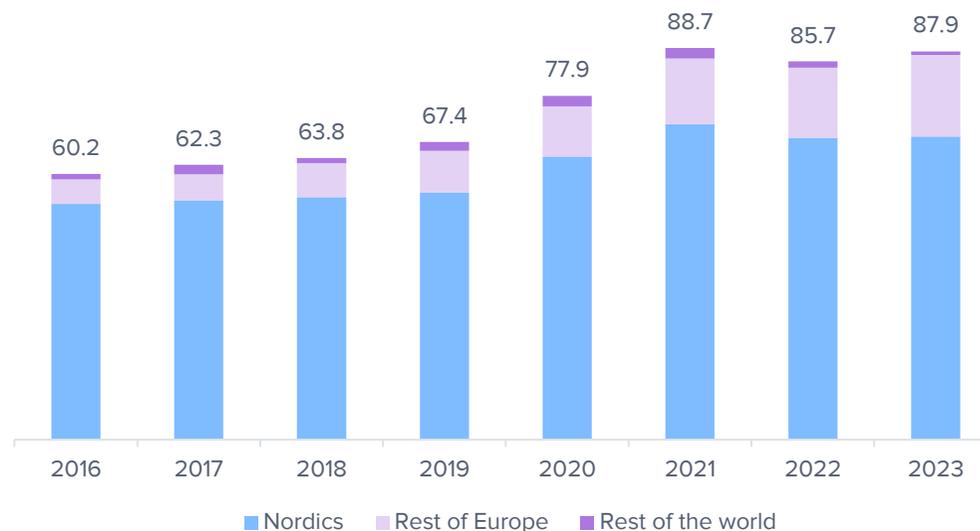
### 2011-2014

Integration of acquired companies and development in customer orientation  
Sharpening the brand portfolio and product range  
Focus from production to demand

### 2014-

Expanding outside the Nordic countries  
Establishment of a sales organization in France, Germany, the UK and Benelux  
Outsourced warehouse on the German-French border in 2020  
Several new sustainability projects  
IPO 3/2021

Development of invoiced sales (MEUR)



1) In 2019

2) Austria, Belgium, France, Germany, Spain, Netherlands, Switzerland, United Kingdom

3) 2016 and 2017 revenue converted to invoiced sales assuming the same percentage difference as 2018-2022

# Company description and business model 1/7

## Manufacturer of high-quality housewares

Orthex is a leading Nordic manufacturer of household goods, striving to provide functional and sustainable products. The company focuses on four different product categories: Storage, Kitchen, Home & Yard, and Plant Care. Sustainability is a key part of the company's business, and it does not produce disposable products. The majority of the company's revenue comes from the Nordic countries, but the company's customer base is global, and the company is looking for particularly fast growth in other markets.

## Brand portfolio created through acquisitions

Orthex's main brands include **SmartStore** (storage boxes and food storage), **GastroMax** (kitchen products) and **Orthex** (home, yard and plant care products). In addition to the main brands, the range includes externally produced kitchenware under the **Kökskungen** brand.

The current product and brand portfolio has been created through acquisitions. In 2010, the company acquired the Swedish company Sveico AB, which increased the company's expertise in manufacturing high-quality kitchen products. The acquisition added the GastroMax kitchen brand to the company's portfolio and the Gnosjö factory to its operations.

In 2011, Orthex acquired Hammarplast Consumer AB, which expanded the product range in the storage and gardening categories. The acquisition brought with it the SmartStore brand and the right to use the Tingsryd factory.

Around 90% of Orthex's sales come from its own brand products, and it also manufactures private label products for retailers on a discretionary basis. Private label products are only produced for tactical reasons (e.g. to include own brand products in the same distribution channel).

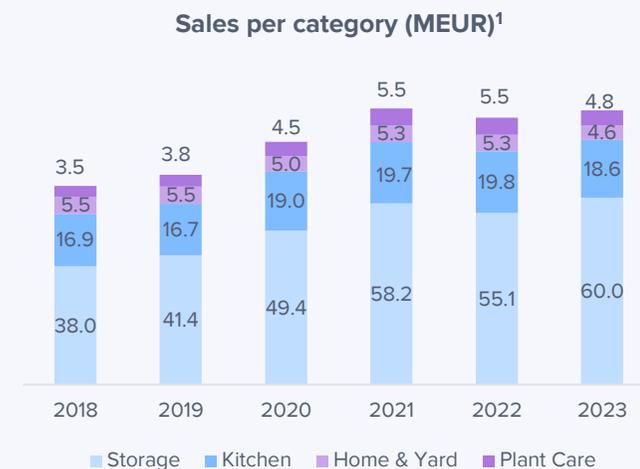
## Sales focused on the Nordic countries

Nearly 80% of Orthex's sales come from the Nordic countries, where the largest markets, Finland and Sweden, are the fastest growing. In other European countries (2023: 21% of revenue), growth has been particularly strong in Germany and France thanks to new retailers. Roughly 1% of the company's sales come from outside Europe and these sales are concentrated in the US and one larger customer. Sales outside Europe are not a core part of Orthex's strategy, and we do not expect them to grow significantly in the coming years.

## Broad clientèle

Orthex has a large customer base of approximately 800 customers in more than 40 countries. Customers include department, specialty, discount, grocery and online retailers. The reference list consists of renowned distributors in the Nordic countries and Western Europe.

Despite its large key accounts, Orthex is not dependent on any single distributor, which lowers its risk profile. No single customer accounted for more than 10% of Orthex's revenue in 2023.



1) The sales figures reported by Orthex differ slightly from reported revenues because they exclude rebates, customer bonuses, and cash discounts given to customers.

# Company description and business model 2/7

## Long-term partner for retailers

Orthex's growth is based on winning new customers and deepening cooperation. The company aims to make its products available in new stores and online shops, while expanding its product range in existing distribution channels. In the export market, the company aims to grow through key accounts. In 2015, Orthex products were sold in around 130 stores in key export markets, but by 2020 that figure had risen to 2,200.

Orthex has framework agreements with its key customers containing product price lists, which are typically renewed annually. Typically, retailers have 2-3 price increase windows per year during which Orthex can negotiate price increases, and it typically takes 4-9 months to implement a price increase. Price increase processes cannot be altered once they have started. As a result, e.g., in an environment of high cost inflation, the company must wait for the next pricing window to react to the changed cost level.

Orthex strives to provide its customers with excellent customer service to deepen customer relationships. According to the company, retailers are well served by selling interesting and well-known products and brands, product innovation, active marketing, efficient logistics and customized solutions.

The wide range of products allows the company to act as a one-stop shop, making it easier for the retailers to manage their own offerings. Orthex also offers its customers electronic data interchange links that allow new orders to be automated by inventory.

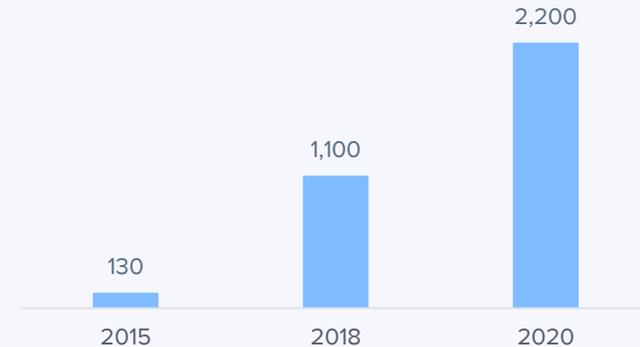
The company also assists customers with in-store displays and enhances products in customers' online stores with its own brand pages. These measures are not unique among consumer product companies, but we believe Orthex excels in presenting its products both in-store and online.

About 4% of Orthex's invoiced sales are business sales. Customers in the corporate sector include suppliers of office and packaging supplies, professional equipment and food suppliers. Orthex has no specific growth plans in this customer segment.

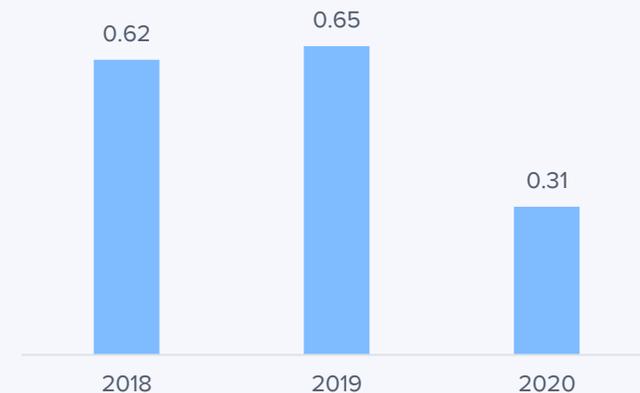
## Own sales are not part of core business

In addition to retail stores, Orthex products are also sold directly to consumers at the company's outlet stores in Tingsrydi and Lohja. Orthex has a shop at the factory in Lohja and a seasonal outlet tent in Tingsryd. Outlet sales accounted for about 1% of Orthex's revenue but suffered in 2020 when the Tingsryd outlet store was closed for the entire summer due to COVID. Orthex is not actively looking to increase outlet sales, but there is a strategic benefit to getting direct consumer feedback on its products and concepts in its outlets. In addition to outlet sales, Orthex had a small online store in Finland, but the company closed it to focus on B2B sales. We welcome the company's discipline to focus on its strengths.

Number of stores reached in key export markets



Outlet sales (MEUR)



# Company description and business model 3/7

## Products can be found in almost every home

Orthex may not sound familiar as a brand, but the company's products are popular and can be found in almost every home in Finland. A good example of this is a survey conducted by *Ilta-Sanomat* in 2019, which found that two of the most common products found in Finnish homes are made by Orthex. Of the respondents (113,500 people), 89% owned an Orthex freezer box and 87% owned an Orthex 10-liter plastic bucket.

## Sustainability at the heart of product development

Orthex aims to be the industry forerunner in sustainability. All products are recyclable and there are no disposable products in the product portfolio. Product design aims to create product solutions that are practical, timeless in design and support minimalism. Nordic quality and a growing range of innovative bio-based products are the company's selling points for growth. The management has determined that it is not worth exporting ordinary buckets outside the Nordic countries, but there is a demand for responsibly produced products, such as buckets made from old fishing nets. According to the company, French consumers are willing to pay several times more for buckets made from fishing nets in Carrefour stores to support sustainable development. We believe one of the strengths of Orthex's product categories is that there is little need to customize products or collections for the target market.

## The product range is regularly updated

To ensure a timely and innovative product offering

and to grow the brand, Orthex aims for 10% of sales to come from new stock keeping units (SKUs). In this context, the product is classified as new in the year of launch and the following two years.

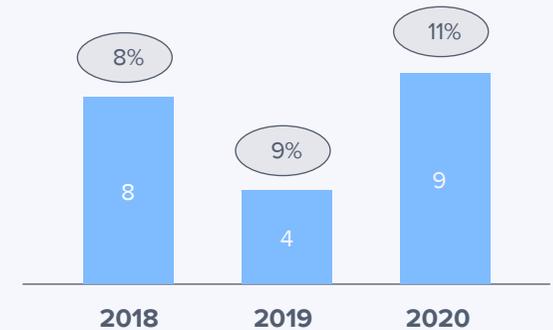
Between 2018 and 2020, the company launched a total of 21 new products, with new products accounting for between 8% and 11% of sales. New products are introduced with better features and higher margins than before. As a result, the sales focus on new products improves Orthex's profitability. The share of new products in sales is very high when compared to the total number of SKUs.

## Focusing on what works

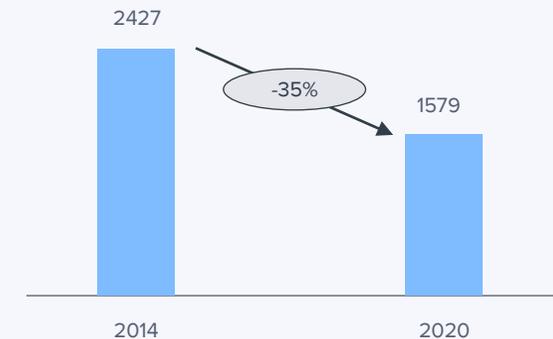
Despite the regular introduction of new products, Orthex does not allow its product range to swell, but removes weak products from the range in order to improve working capital and the offering. Despite good revenue growth, the total number of Orthex SKUs fell by 35% between 2014 and 2020. Seasonal products for children (including plastic sleds and other snow toys) used to be one of Orthex's product categories, but the snow toy business [was sold](#) to the Finnish company Wiitta Oy in 2021 to optimize the product range.

Previously, Orthex's acquisitions created a need for a more efficient product offering. In 2011-2014, Orthex focused on integrating Sveico and Hammarplast into the group, and the size of the brand portfolio was reduced to four. The acquired brands Hammarplast, Sveico, Sarvis and HammarSarvis were discontinued as the company focused on its current core brands.

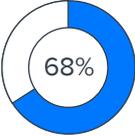
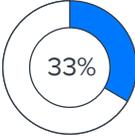
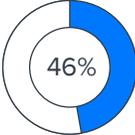
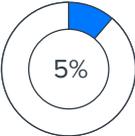
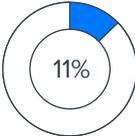
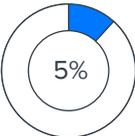
New product launches and share of new products in sales



Number of stock keeping units



# Orthex's products

Product category	Brand	Percentage of invoiced sales <sup>(1)</sup>	Share of stock keeping units <sup>(2)</sup>	Product description examples	
Storage	smart store™	 68%	 33%		<ul style="list-style-type: none"> <li>• Storage boxes</li> <li>• Sorting &amp; recycling</li> <li>• Storage baskets</li> </ul>
Kitchen	<b>GastroMax™</b> by orthex™ smart store™ 	 21%	 46%		<ul style="list-style-type: none"> <li>• Food storage</li> <li>• Kitchen utensils</li> <li>• Baking</li> <li>• Tableware</li> </ul>
Home & Yard	orthex™	 5%	 11%		<ul style="list-style-type: none"> <li>• Laundry baskets</li> <li>• Waste bins</li> <li>• Buckets and tubs</li> <li>• Mailboxes</li> </ul>
Plant Care	orthex™	 5%	 10%		<ul style="list-style-type: none"> <li>• Pots</li> <li>• Saucers</li> <li>• Window boxes</li> <li>• Watering cans</li> </ul>
		 86 MEUR	 1579 units		

1) 2023, 2) Does not include Kökskungen

# Orthex's customers and distribution channels

Distribution channel	Nordic retailers	Retailers outside the Nordics
 Discount stores	    	 
 Daily-goods stores	   	    
 Specialty stores	   	          
 E-commerce	  	   

# Company description and business model 4/7

## Seasonality of activity is very even

Orthex's seasonal fluctuations in demand are small and do not result in large revenue swings from quarter to quarter. Typically, Q2 is the slowest quarter for sales due to lower volumes in the Storage and Kitchen product groups as retailers clear inventories to make room for summer season products. In turn, Q3 is typically the strongest quarter as retailers restock in the same product categories and due to the light cost structure resulting from the summer holiday period. Q4 is also strong in terms of sales as retailers prepare for promotional sales at the beginning of the year. In recent years, sales have not followed the normal seasonal pattern as retailers adapt to rapidly changing consumer behavior and Orthex balances between campaign sales and profitability.

## Production located in Sweden and Finland

Orthex has three production sites, located in Sweden (Gnosjö and Tingsryd) and Finland (Lohja). The company's factories are highly automated and capable of producing a wide range of products. Thanks to its high level of automation, Orthex has a relatively lower number of employees than its competitors of almost the same size (2023: 281 FTE). Production efficiency and growth in new European markets are reflected in the fact that the company's revenue growth has outpaced headcount growth.

Most Orthex products are manufactured on injection molding machines. Depending on its size, a new injection molding machine costs between 200 and 750 thousand euros. Injection molding machines are flexible from a production standpoint because they

can make products of different shapes by changing the mold in use. Agile manufacturing allows production to be adapted to demand. The color of the finished product depends on the material used, so the same mold can be used to make products of any color. In addition to the injection molding machines, Orthex has 14 metal machines that are used to manufacture products for the kitchen segment.

The Tingsryd factory is the heart of Orthex. It is by far the largest of the company's three factories and focuses on manufacturing products in the Storage category. The plant produces large batches and is highly efficient due to its high level of automation. The Lohja factory has the widest product portfolio and manufactures products for every product category in the company. The Gnosjö plant is by far the smallest in the company. It specializes in products for the Kitchen segment and, in addition to injection molding machines, also has metal machines for the various manufacturing needs of the category. We estimate that Orthex's existing production facilities could support revenue of around 110-130 MEUR without major construction investments.

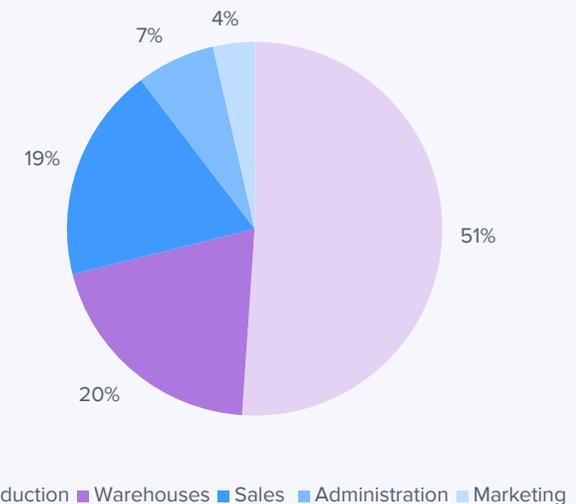
## Investments have paid off quickly

New molds are Orthex's largest single cost in new product development. The target payback period for a new mold is 24 months, but after the very successful launch of SmartStore Collect, for example, the mold paid for itself in 9 months. A new mold typically costs around 50-150 thousand euros and has a life cycle of several million products.

Revenue by quarter (MEUR)



Breakdown of staff by job function<sup>1</sup>



# Orthex' production plants and offices

 8 Local sales organizations

 3 Production plants

## Tingsryd, Sweden

- Focused on the Storage category
- Orthex has leased the factory

## Gnosjö, Sweden

- Focused on the Kitchen category
- Orthex has leased the factory

## Lohja, Finland

- Manufactures products for every product category
- Orthex owns the factory

 4 Warehouses

## Tingsryd & Lohja

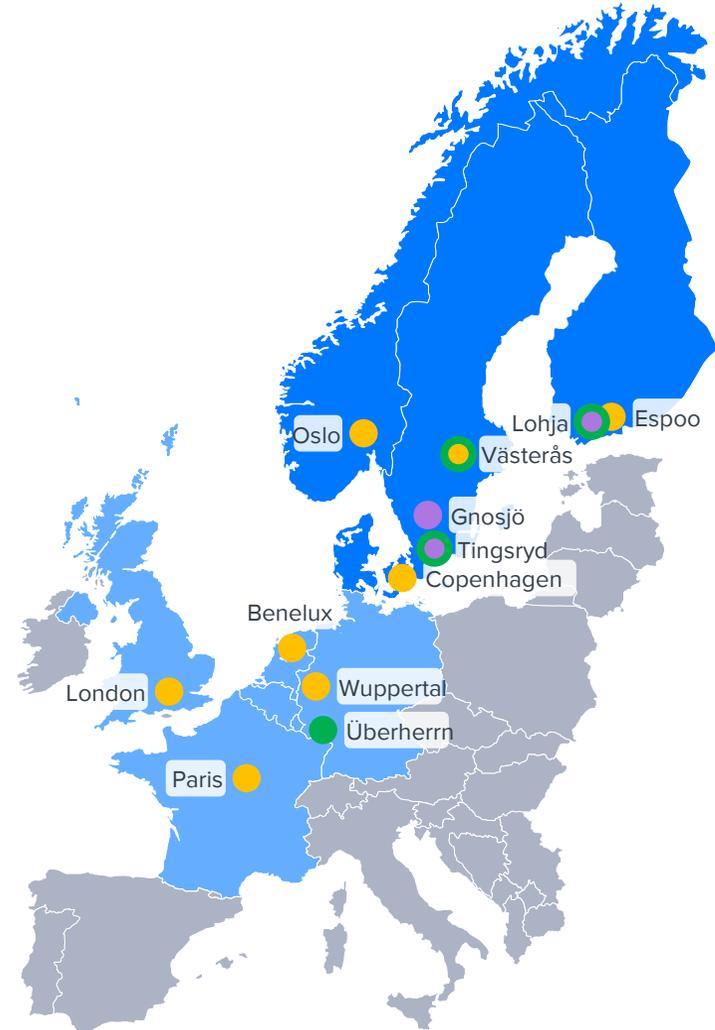
- Centralized warehouses at factories

## Västerås, Sweden

- Small warehouse for Kökskungen products

## Überherrn, Germany

- Outsourced warehouse
- Shortens delivery times to Western Europe
- An important tool for serving European customers



# Company description and business model 5/7

## Trying to get rid of virgin materials in manufacturing

Orthex uses many different raw materials in its production, depending on the intended use and desired properties of the product to be manufactured. Bio-based and recycled raw materials are emphasized in product design, and the company has increased their share of production materials to about 16% in just a few years.

The company prefers to use recycled plastic, but virgin plastic is simply better for certain applications. Within the European Union, plastics that come into contact with food must be manufactured for food contact and recycled plastic is not suitable for this use. Another weakness of recycled plastic is that it is weaker than virgin plastic and cannot be made transparent.

Orthex aims to achieve carbon-neutral production by 2030, an ambitious goal that requires increasing the use of bio-based and recycled raw materials to 80% of the materials used. In recent years, volume-weighted carbon dioxide emissions from manufacturing have been on a downward trend, but the company cannot achieve this goal alone; advances in materials technology are also needed. For example, changing regulations and the increasing use of mechanical or chemical recycling may allow for a more diverse use of recycled plastics in Orthex products in the future. We believe that Orthex's local and low-emission manufacturing is a selling point for some customers because by focusing on Orthex products, the store can reduce

its Scope 3 emissions.

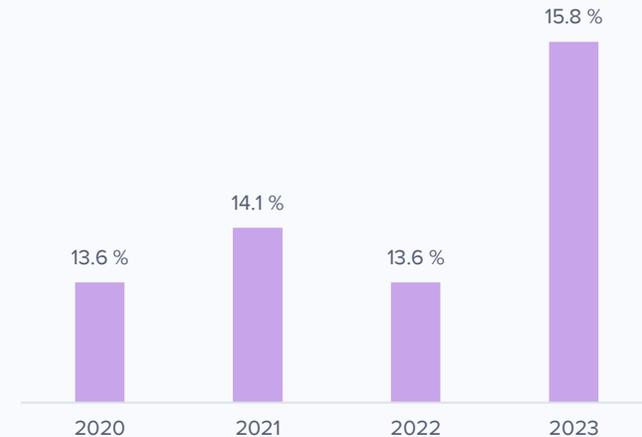
## New materials are developed in collaboration with partners

To meet the growing consumer demand for products that support sustainability, Orthex collaborates on product development with companies such as BASF, Borealis, Fortum, Lassila & Tikanoja, Kesko and Stora Enso. Strategic partnerships reduce the cost of product development and the search for new raw materials and allow the company to benefit from the expertise of others.

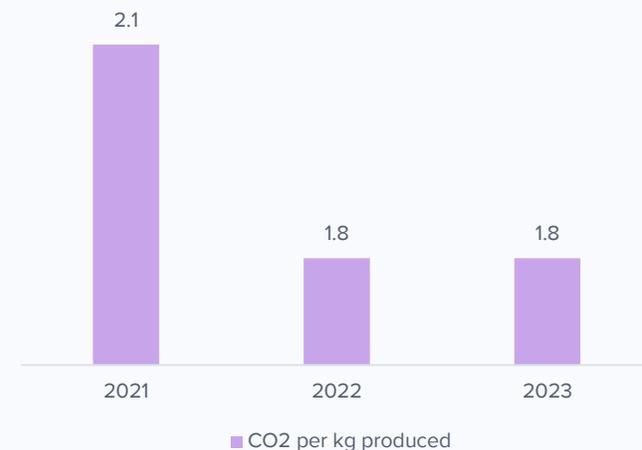
## Plastic price continues to have significant impact on profitability for now

Manufacturing costs are by far the largest cost item for Orthex (2023: 72% of revenue). Most of the raw materials used by Orthex are plastic polymers, and the company uses more than 30 different types of polymers in its production. Orthex buys polymers directly from producers, which includes a wide range of suppliers from small to large raw material producers. Raw material prices and manufacturer margins are typically negotiated annually based on estimated volumes for the following year. The company is a relatively large buyer of raw materials in the Nordic countries, which gives it some purchasing power and better purchasing conditions than smaller players.

Percentage of renewable and recycled materials used in manufacturing



CO2 per kg produced (kg CO2 eq./year)



# Company description and business model 6/7

Orthex has two methods of negotiating raw material prices. The price can be linked to the current market price of the plastic polymer (PPC plastic), minus a discount. Typically, 2/3 of the company's purchases follow this. Alternatively, the price of the plastic polymer is tied to the price index for propylene (C3), which is used to make polymers, plus a processor's margin. About 1/3 of purchases are typically agreed in this way. By linking purchase prices to different points in the value chain of plastic polymers, the company limits its exposure to various disruptions in the production chain. Raw materials are generally not purchased on the spot market and the company does not take a position on price movements by timing the market. Nor does it hedge against price fluctuations with derivative

instruments. In our opinion, there is no suitable product to hedge against fluctuations in the price of Orthex's raw materials, as other factors besides oil affect the price of Orthex's raw materials. We do not see a material need for hedging instruments as the company was able to weather the exceptionally high cost inflation in 2022, although this increases earnings volatility.

Orthex uses mostly oil-based raw materials in its production, so their price is somewhat correlated to the price of oil. The company aims to increase the share of recycled plastics and bio-based raw materials to 80% by 2030. The prices of bio-based and recycled materials have historically been more stable than Orthex's other raw materials, so as their

weight increases, profitability volatility is expected to decrease.

## Other materials

Orthex's raw material sourcing includes not only various plastics, but also steel sheets, dyes and additives, product components and packaging materials. Most of the company's products are manufactured entirely in-house, but some products use components from other manufacturers, such as some metal components and bamboo covers for the SmartStore line.



Source: 1) PlasticPortal, 2) Bloomberg

# Company description and business model 7/7

## Former primary owner is no longer involved

Orthex has only one series of shares, so voting rights are allocated according to ownership. Prior to its IPO in March 2021, Orthex was owned by Sponsor Capital funds. Sponsor sold its last shares (11.6% of the total Orthex share capital) in November 2021 at a price of EUR 10 per share. The shares were sold to several different parties and a total of 25,000 shares were purchased by CEO Alexander Rosenlew at that time.

## Ownership structure is fairly concentrated

Orthex's ownership is fairly concentrated, with the top 10 owners holding just over half of the company's shares. The two largest owners are Conficap Oy, owned by Maarit Toivanen and her children, and Alexander Rosenlew, CEO of Orthex. For the long-term management of the company, we welcome the ownership structure of the two institutional anchor shareholders and, in particular, the significant shareholding of the CEO, which aligns the interests of management and other shareholders. The size of the anchor owners protects Orthex in the event of a hostile takeover, as any anchor owner could choose to prevent the buyer from achieving the 90% ownership required for a buyout.

Since Sponsor Capital's exit, there have been no significant changes in Orthex's ownership structure and the current 10 largest shareholders have been on board since the IPO. We believe that holding the shares beyond the challenging year of 2022 is a sign of long-term commitment and confidence in the company. The company's largest owners are all

Finnish, and a strong domestic market orientation is a clear feature of the company's ownership structure. A total of 12.3% of Orthex shares were held by foreign owners or nominees at the end of March, which we believe is a moderate level given the international nature of the business. In our view, growing interest/awareness among foreign investors could put buying pressure on the stock in the future.

## Management has maintained its holdings

Orthex currently has eight members of the management team and, generally, the other members of the management team also have a significant shareholding in the company. Tom Ståhlberg, Chief Supply Officer, is one of Orthex's 10 largest shareholders, along with Rosenlew.

Since the IPO, several members of management have increased their holdings by purchasing shares on the stock exchange, but none of them or any board member has, to our knowledge, sold any shares. A certain longevity is also reflected in the low management turnover. Since the IPO, only the departure of Peter Ottosson, factory manager at Gnosjö, has been announced. He is due to leave his post in May 2024. It is our understanding that the position will be filled with a minor change in the organizational structure, so there will be no need for a new hire. Given Orthex's historically strong financial performance, we see the low level of management turnover as a positive thing.

Largest shareholders (3/2024)	Number of shares	Stake
Conficap Oy	2,486,240	14.0 %
Rosenlew Alexander <sup>1</sup>	2,084,405	11.7 %
Ilmarinen Mutual Pension Insurance Company	1,061,000	6.0 %
Thominvest Oy	761,000	4.3 %
Varma Mutual Pension Insurance Company	639,350	3.6 %
OP-Suomi Pienyhtiöt	589,341	3.3 %
Sr Aktia Capital	381,274	2.2 %
Oy Julius Tallberg Ab	352,571	2.0 %
Fondita Nordic Micro Cap	328,500	1.9 %
Ståhlberg Tom Christian	313,220	1.8 %
<b>10 largest in total</b>	<b>8,996,901</b>	<b>50.7 %</b>

Management ownership (3/2024)	Number of shares	Stake
Rosenlew Alexander <sup>1</sup>	2,084,405	11.7 %
Ståhlberg Tom Christian	313,220	1.8 %
Mercier Michel Jean-Jacques	209,300	1.2 %
Kukkonen Hanna Maria Rarahu	200,800	1.1 %
Mäkelä Saara-Kaisa Maria	141,000	0.8 %
Hans Cronquist	100,000	0.6 %
Peter Ottosson	91,100	0.5 %
Alex Nielsen	1,000	0.0 %
<b>Total</b>	<b>3,140,825</b>	<b>17.7 %</b>
Number of shares in total	17,758,854	100 %

1) Also takes into account the ownership of the controlling company

# Storage category

## Orthex's largest and most profitable category

Storage is Orthex's largest, most profitable, and fastest growing product category. 68% of Orthex's invoiced sales come from the Storage category, although only about a third of the group's SKUs fall into this category. The category is sold under the SmartStore brand and includes products such as storage boxes, organizer boxes and waste sorting bins. SmartStore aims to serve the full range of consumer storage needs.

Between 2014 and 2019, the total market for storage products grew by 2% per year in Orthex's main markets. Sales of storage products are stable and resilient to economic cycles, and Orthex has grown by around 14% per year in this category since 1998. Between 2018 and 2023, growth has slowed slightly to around 10%. 2021 was a very strong year for consumer companies across the board due to a favorable business environment, which was reflected in Orthex's figures. Sales in Orthex's Storage category have already recovered from this spending hangover and the category set a new sales record last year, a truly impressive performance given the changing business environment.

As a category leader, SmartStore is able to maintain good sales margins, but margins are occasionally squeezed by promotional sales that Orthex uses to win new accounts or defend market share. Depending on the year, promotional sales can account for 20-30% of Orthex's sales and are typically driven down in a cost inflationary business environment.

## Renowned for quality

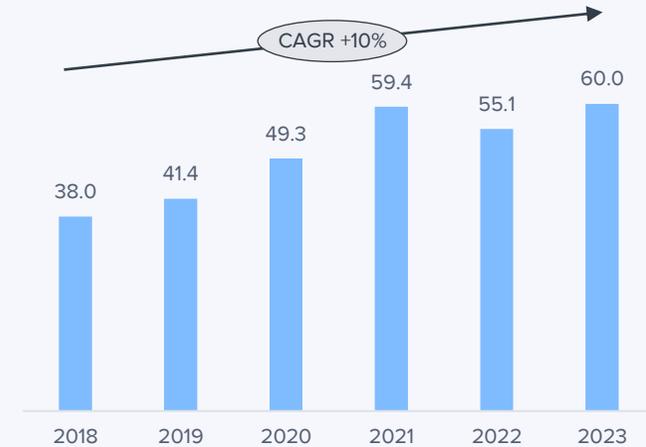
SmartStore products are known for their durability and modularity, with an emphasis on Nordic design and sustainability. The company is so confident in the quality of its products that it offers a warranty of up to ten years. SmartStore boxes are typically made from recycled plastic and their properties are adapted to their intended use. For example, a product may be designed for aesthetics, durability, or even waterproofing. Orthex boxes stack conveniently inside each other, reducing transportation costs and storage space.

An example of a versatile and practical product is the SmartStore Collect sorter, launched in 2020. In addition to its original purpose, the container is made really sturdy and can be used as a stool, for example. The product has responded well to consumer demand for stylish product solutions that facilitate recycling.

## SmartStore as a key to negotiating new customer contracts

SmartStore is Orthex's strongest brand and its prestigious image in the storage segment gives the company bargaining power. As a result, products in the Storage category are typically used as a starting point for negotiations with a new distributor. Retailers value brands like SmartStore that are "category captains". As a result of the successful collaboration, Orthex is looking to increase the number of SKUs and product categories in the retailer's offering.

Sales of the Storage category (MEUR)



Invoiced sales of the Storage category by quarter (MEUR)



# Kitchen category

## Second largest product category

The Kitchen category is Orthex's second largest, accounting for about a quarter of invoiced sales. Products in this category are primarily sold under the GastroMax brand. Kitchen is the group's largest product category, accounting for as much as 46% of SKUs. Examples of kitchen products sold include cutting boards, food storage containers, and kitchen utensils.

In Orthex's primary market, the food storage category grew 3% per annum between 2014 and 2019, while kitchen utensils grew only 1%. Orthex experienced a growth spurt in the Kitchen category as the pandemic-driven home cooking boom inspired consumers to cook and drove the category's sales to a new level in 2020.

## Wide range of products suits distributors

The range of kitchen products is really wide, which is one of Orthex's strengths in retail. Retailers typically want convenience, so buying all kitchenware from the same manufacturer is an advantage for a company like Orthex, which has a wide range of products. Typically, the goal is to add kitchen products to the range of retailers who already have a positive experience with Orthex SmartStore storage solutions. In 2023, Orthex moved its food storage category products under the SmartStore brand to more efficiently invest in brand building.

The company's goal for the Kitchen category is to expand its product range with sustainable materials. The industry uses a lot of plastic in food storage and kitchen utensils, and Orthex believes in its potential to

become a preferred supplier of sustainable products. Innovative use is made of alternative materials to plastic, and the company manufactures products in this category using materials such as sugar cane, castor oil and wood fiber.

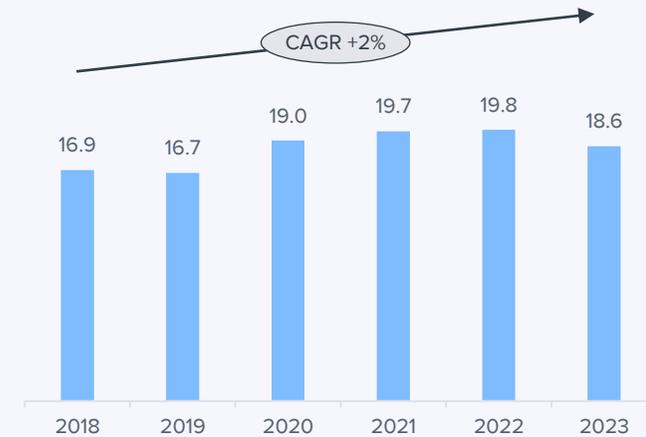
## The Kökskungen "side brand"

In addition to GastroMax, there is another brand under the Kitchen category: Kökskungen. Kökskungen products are typically less expensive than GastroMax, making them suitable for retailers for whom GastroMax's price range is too high.

The Kökskungen brand is partly tactical in that it gives Orthex visibility into the demand for lower-priced products and its evolution in the category. Kökskungen is managed from Västerås, where it has its own warehouse. The brand is clearly differentiated from the rest of the group, so that products from external suppliers are not confused with the brand, quality and image of Orthex's own production.

Orthex is mainly responsible for the production of GastroMax products, while Kökskungen products are manufactured by European and Asian partners. Kökskungen complements the GastroMax range with a number of products not found on GastroMax. If a Kökskungen product proves successful, the company may launch a similar product under GastroMax at a higher price point. The Kökskungen business is profitable for Orthex, but there is no determined effort to grow it. The brand is mainly concentrated in Sweden (and to a lesser extent in Finland), so sales of the category in other countries are dependent on GastroMax.

Sales of the Kitchen category (MEUR)



Invoiced sales of the Kitchen category by quarter (MEUR)



# Plant Care category

## Small growth star in the group

The Plant Care category is small, but has been Orthex's fastest growing business area in recent years. Since 2018, the category has grown at a CAGR of 7%, with demand occasionally exceeding management expectations. The company says it has invested more in developing the Storage and Kitchen categories, but thanks to good products and favorable market developments, the Plant Care category has performed very well.

The Plant Care category represents only 5% of the group's invoiced sales and 10% of its inventory, making it the smallest product category. Historically, sales in this category have been concentrated in Sweden and Finland.

## Range of products made from recycled materials

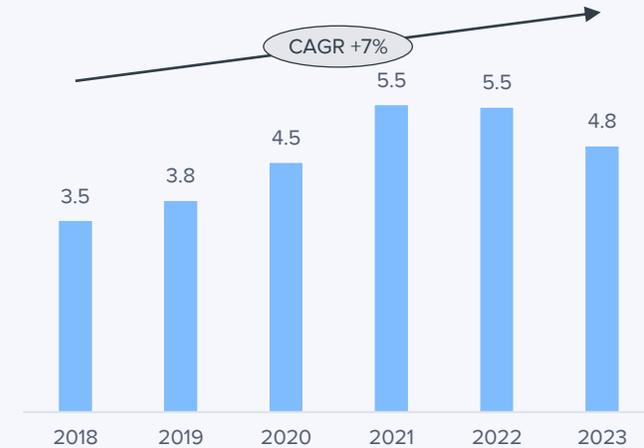
As Plant Care products do not need to be transparent and do not come into contact with food, this category is particularly suitable for the use of recycled plastics. All products in this segment are made from recycled plastic, most of which is originally consumer plastic (e.g. cutlery packaging). Plastic is a practical raw material for plant care products due to its durability, light weight and water resistance.

## Latent opportunity

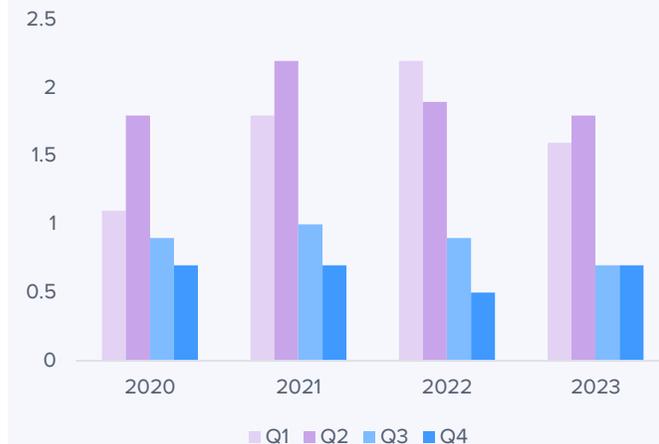
The Plant Care category includes plant pots, watering cans and pot saucers. Products in this category are designed to meet the needs of the urban gardener. Self-watering pots are an example

of a practical product that the company aims to use to make everyday life easier for its target group. Relatively few resources have been invested in Plant Care in terms of product development and marketing, but the category has been described by management as a potential "latent opportunity" due to its strong growth.

Sales of the Plant Care category (MEUR)



Invoiced sales of the Plant Care category by quarter (MEUR)



# Home & Yard category

## Everyday range

Home & Yard is the second of Orthex's small categories. In 2023, the category accounted for around 5% of the group's invoiced sales and in 2020 it accounted for 11% of the group's total SKUs. The category includes accessories that can be thought of as truly everyday products, such as laundry baskets, buckets, pails, water buckets and mailboxes. Orthex has a particularly strong market position in certain specialty products, such as sauna equipment. Home & Yard products can be made almost entirely from recycled plastic because they do not need to be transparent and do not come into contact with food.

## Category has been stripped down to a cash cow

From a strategic perspective, the Home & Yard category is a typical cash cow (i.e., the category is not growing much and the goal is to optimize its profitability). The sales of the category are profitable, but there is limited investment in terms of product development. From 2018 to 2023, the category's invoiced sales have declined by an average of 3% per year. The decline in sales is due to the focus on proven concepts and the reduction of less profitable children's and seasonal products, as well as the divestment of the snow toy business. To our understanding, the Home & Yard category has seen the largest reduction in the number of SKUs to streamline the group's product offering. The product portfolio streamlining may slightly reduce the company's revenues, but we see it as a net positive as it supports the company's sales margin and improves capital management (i.e. increases return

on capital).

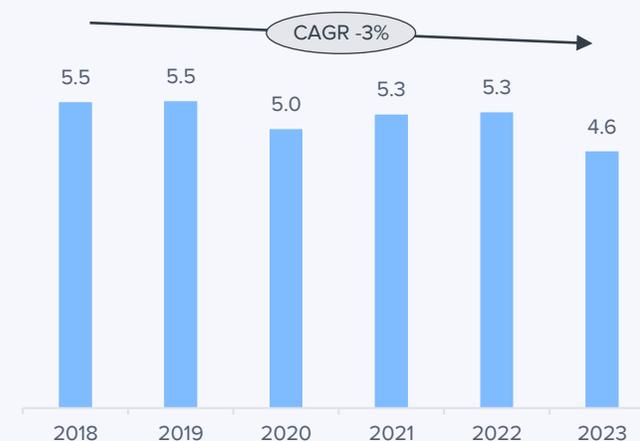
## Moderate targets for growth

The European market is typically dominated by a domestic manufacturer with a strong market position in the Home & Yard category. We believe this is due to the simple nature of the products, which limits the brand's pricing power, and the high transportation costs of the products relative to their selling price. On the other hand, it protects companies in the sector from foreign competition and increases the market share of local players. This dynamic is also evident in Orthex's sales, which are clearly more concentrated in Finland than in other categories. Orthex does not invest much in international growth in this product group but aims to optimize market share in the Nordic countries.

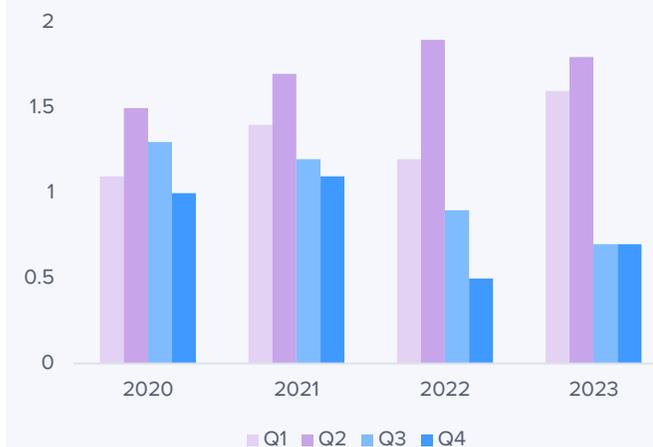
## Sluggish growth and profitability profile creates opportunities on the M&A front

In our view, the growth potential of the Home & Yard category is generally limited, with pricing power constrained by the difficulty of differentiating from other manufacturers. As a result, we see companies focused on the Home & Yard category as particularly attractive targets from a valuation perspective if Orthex is only looking to increase production capacity close to key customers (e.g. instead of a new brand or product line). Due to the flexible production process of injection molding machines, the production capacity of the target would be available for the production of other product groups and would mainly require the introduction of in-house molds.

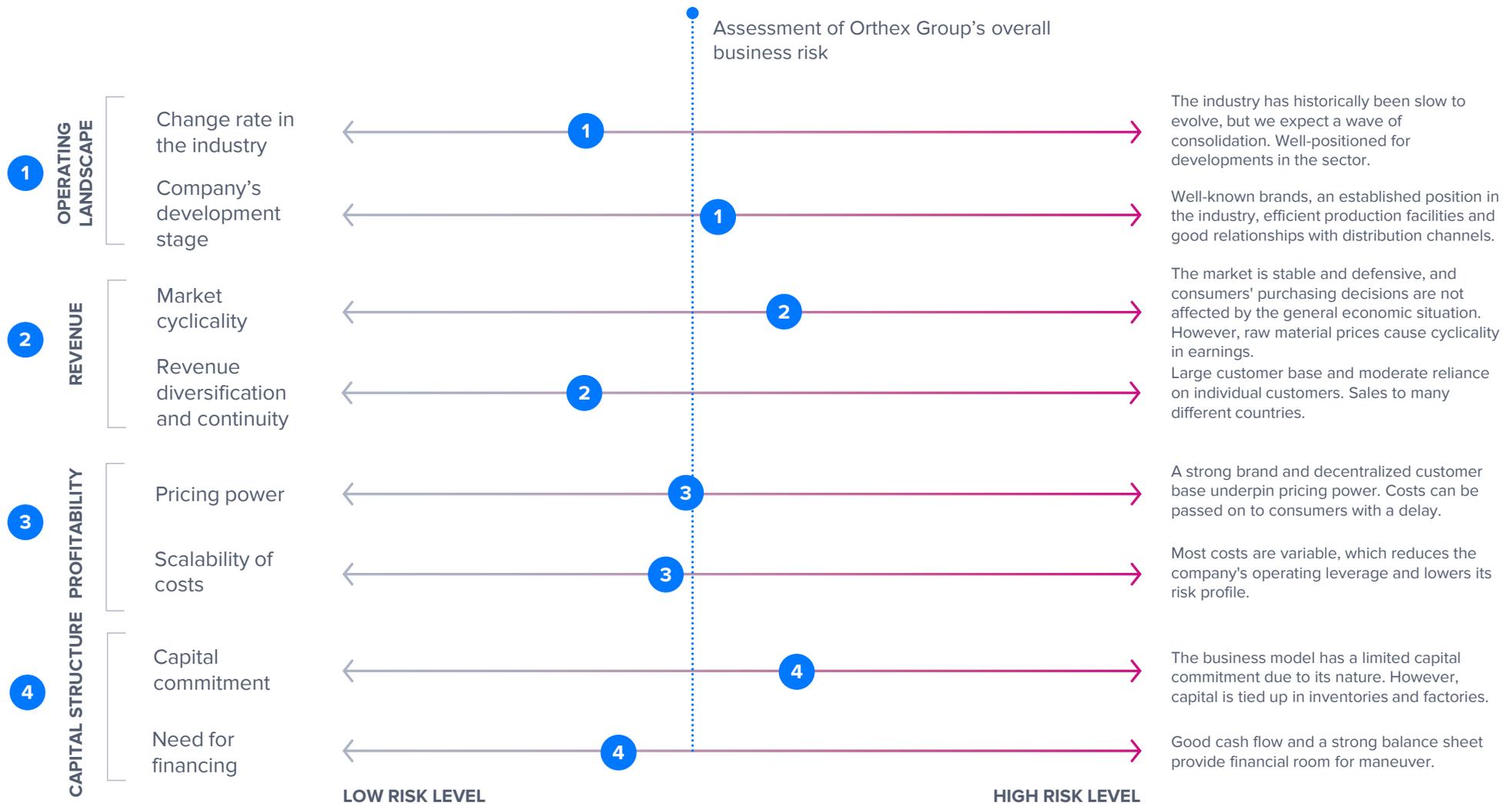
Sales of the Home & Yard category (MEUR)



Invoiced sales of the Home & Yard category by quarter (MEUR)



# Risk profile of the business model



# Industry and competitive landscape 1/5

## Cyclically stable demand

Orthex products are affordable and everyday. We believe that the low unit price of products limits their price elasticity and the need for consumers to postpone purchases during a weaker economic cycle. These factors make demand steady and improve its predictability. Orthex's target market grew by 1.8% per annum (2014-2019), according to an analysis by an international consulting company.

## Target market of 4 billion euros

Storage, food storage and kitchen utensils constitute a target market of approximately 500 MEUR in the Nordic countries. Including France, Germany and the United Kingdom as Orthex's largest export markets (totaling 3.5 BNEUR), the target market is approximately 4 billion euros. On a

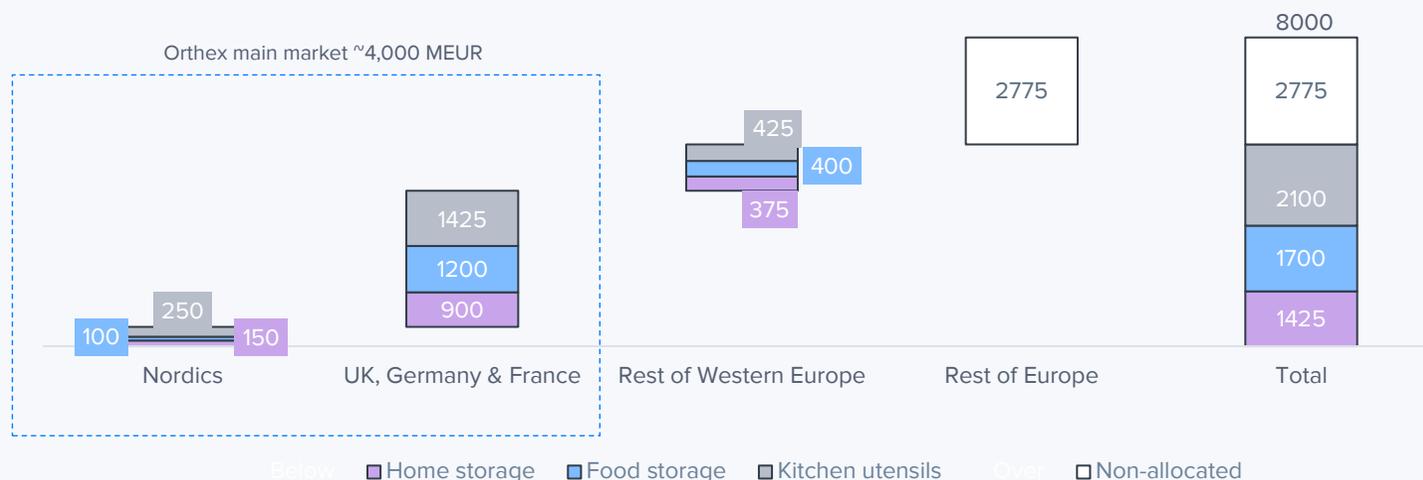
European scale, the total market is approximately 8 BNEUR, but includes several countries where Orthex does not operate. Large investments in factories, brand building and retailer relationships make it difficult for Orthex to enter its target market and limit potential competition.

## Fragmented competitive landscape provides M&A opportunities

The market for plastic products is truly fragmented and there are typically no clear market leaders in European countries. Orthex's 20-25% market share in the Nordic storage category<sup>(2)</sup> makes it a major player locally, but its market share in Western Europe is only ~0.5%. The sector's players are typically small, which makes it suitable for mergers and acquisitions. Increasing production capacity, entering new markets and product segments, and

attracting new partners are the factors we believe will drive Orthex to identify potential acquisition targets. The IPO gave the company more room to maneuver in the M&A market by strengthening its balance sheet, facilitating access to the capital markets and making it easier to use its own shares as a means of payment. Orthex appears to be a selective buyer, which we believe limits the risk of overpaying.

Size of the target market for the storage and kitchen products group (MEUR)<sup>(1)</sup>



1) 2019. Excludes Home & Yard and Plant Care categories because their size is difficult to determine. 2) Includes food storage. Source: Study by an international consultancy

# Industry and competitive landscape 2/5

## Market in the tailwind of urbanization

Orthex's business is underpinned by megatrends such as urbanization and society's drive towards sustainable development. Urbanization is particularly pronounced in Orthex's core markets, with the proportion of the population living in urban areas approaching 90% in all Nordic countries by 2022.

## Urbanization drives demand for storage solutions

In the Nordic countries, young people in particular have long been moving from smaller towns to larger cities in search of education and career opportunities. With urbanization, consumers are prioritizing location and moving to smaller homes,

reducing the amount of space available. This trend is also supported by the increasing prevalence of living alone. Reduced square footage creates the need for stylish solutions to organize your home.

## Changes in consumption habits

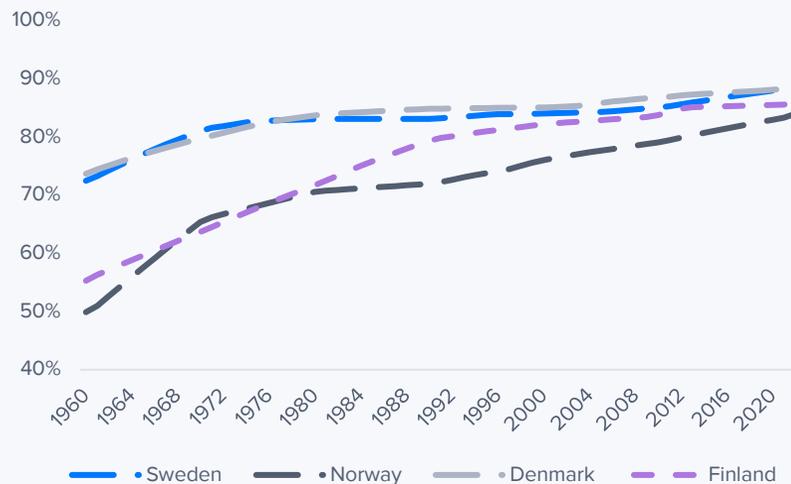
In addition to the Storage category, the Kitchen and Plant Care categories are benefiting from apparent changes in consumer habits. Consumers' interest in cooking and healthy living is driving many to expand their range of kitchen utensils, creating demand for products in the Kitchen category. However, the opposite trend can be seen in the increasing prevalence of dining out. Indoor plants are also becoming more common, especially in

cities, to brighten homes and freshen indoor air.

## Sustainability is highlighted on retail shelves

With society's increasing emphasis on sustainability, retailers need to add trendy products to their assortments to meet demand, but also to maintain a responsible image. Many consumers prefer environmentally friendly products and are willing to pay more for them, creating demand and making them more profitable. Orthex is well positioned in this trend as an industry leader in sustainability.

Percentage of people living in urban areas



Average floor area of completed residential buildings in Finland (m<sup>2</sup>, rolling 12 months)



# Industry and competitive landscape 3/5

	Revenue (MEUR)	Home storage	Food storage	Kitchen utensils	Home & Yard	Plant Care	Finland
Nordic competitors	<b>orthex™</b>	86 <sup>(1)</sup>	✓	✓	✓	✓	
	<b>FISKARS™</b>	1230 <sup>(1)</sup>		✓	✓	✓	
	<b>PLASTI1</b> <small>HOUSEKEEPING MADE SIMPLE</small>	92 <sup>(2)</sup>	✓	✓		✓	
	<b>NHG®</b> <small>ORGANIZED LIVING</small>	80 <sup>(2)</sup>	✓	✓	✓	✓	
	<b>np NORDISKA PLAST</b>	19 <sup>(2)</sup>	✓	✓		✓	
International competitors	<b>KIS</b> <small>KETER CURVER</small>	1,600 <sup>(2)</sup>	✓	✓		✓	
	<b>newell</b> <small>BRANDS</small>	4,050 <sup>(1)*</sup>	✓	✓			
	<b>Helen of Troy</b>	1850 <sup>(1)</sup>		✓	✓		
	<b>Ill rotho</b>	109 <sup>(6)</sup>	✓	✓		✓	
	<b>wham®</b>	76 <sup>(2)</sup>	✓	✓	✓	✓	
	<b>keeper</b>	80 <sup>(2)</sup>	✓	✓		✓	
	<b>Really Useful Box</b>	58 <sup>(2)</sup>	✓				
	<b>Tontarelli</b> <small>PIRELLA GÖTTSCHE LOWE</small>	47 <sup>(2)</sup>	✓	✓		✓	
	<b>sundis</b>	50 <sup>(4)</sup>	✓	✓		✓	

1) 2023, 2) 2022, 3) 2021, 4) 2020, 5) 2019, 6) 2018 7) 2018

Source: Orthex's view, based on several sources, including the Orbis database and a study by an international management consulting firm.

\*Newell Brands' Home & Commercial Solutions segment

# Industry and competitive landscape 4/5

## A highly fragmented target market

Orthex's target market is highly fragmented in Europe, providing an opportunity for mergers and acquisitions. Orthex estimates that it has more than 30 significant competitors, 15 of which are approximately the size of Orthex in terms of revenue. According to Sponsor Capital, there are dozens of companies in Finland alone that use injection molding in their production. We understand that most companies in the industry were founded in the 1950s and 60s and are facing a generational change. In addition to manufacturers, private labels are major competitors, accounting for 12% of the kitchenware market and 10% of the food storage market in Western Europe, according to Euromonitor estimates.

Orthex still has plenty of room to increase production without significant investment, but we believe it will participate in the consolidation of the sector if a suitable target is found. The IPO prospectus describes the acquisition targets in the Storage category as particularly interesting. In particular, we believe that new factory capacity in Western Europe would be attractive as it would allow for smoother service to key customers and faster delivery of goods. In addition to new production capacity and product line extensions, acquisitions can typically generate synergies in sales, marketing, costs and increased negotiating power.

## Initial investment, customer relationships and brand create a barrier to entry

There are certain barriers to entry in the plastics industry that protect Orthex from increased

competition. To start production, a new entrant has to invest heavily in production capacity. In addition to capacity, selling large volumes requires building long-term relationships with customers. Customers often prefer large players because of their broad product range, high production volumes and perceived lower risk profile. In addition to negotiating with customers, large companies also benefit from economies of scale and have an advantage with raw material suppliers. Producers prioritize their large accounts, and small buyers may not be able to source raw materials efficiently if there is a shortage of capacity in the sector.

In addition to operational efficiency, Orthex has been very successful in building its own brand, which is reflected in high profitability. Some consumer goods manufacturers end up as private label manufacturers for a large company like IKEA, which squeezes margins and makes it difficult to build your own brand. Orthex is not dependent on stores to produce their private labels, but rather is a tool for the company to negotiate with customers. Roughly 90% of Orthex's sales are own brand sales.

## Fragmented competitive landscape

**In the home storage market**, Orthex estimates that in 2019 it had a share of around 20-25% of the Nordic market of around 140 MEUR. The quality and premium segment covered approximately 30-40% of the market and Orthex was estimated to be the market leader in this segment.

Plast1 A/S, NHG's Plast Team A/S and Nordiska Plast AB are among Orthex's closest Nordic competitors. In the market, Orthex is larger than its competitors, offers a wider range of products and is

one of the few companies in the Storage category with significant operations outside the Nordic countries. In terms of size, range and positioning, Orthex's closest competitors in Europe are Curver LTD and Rotho Group. IKEA also offers home storage solutions, but consumers tend to buy its products in conjunction with larger home furnishing projects. In addition, the products are typically more fragile than Orthex products, reducing durability.

**The kitchenware market** is characterized by a huge number of small companies and a few large global brands offering a wide range of products. Orthex's main competitors are the Danish Plast Team, and the British What More UK. Both companies are smaller than Orthex and also offer solutions in the Storage category. Orthex also competes in this category with Fiskars, Brabantia, Mepal BV Joseph Ltd and Tefal. Competition in this segment is particularly diverse due to low transportation costs, which contributes to international sales and competition.

**In the Plant Care category**, Orthex competes with garden and plant care companies such as Elho B.V. and What More UK, but few have the wide range of products that Orthex has. The company's products also compete with ceramic pots, and plastic is a competitive material because it is more durable, lighter, and better able to withstand cold.

**In the Home & Yard category**, the competition is very local and the companies offer very similar product titles. As Orthex is mainly positioned in this category in Finland, its closest competitors are Plast1 and Nordiska Plast.

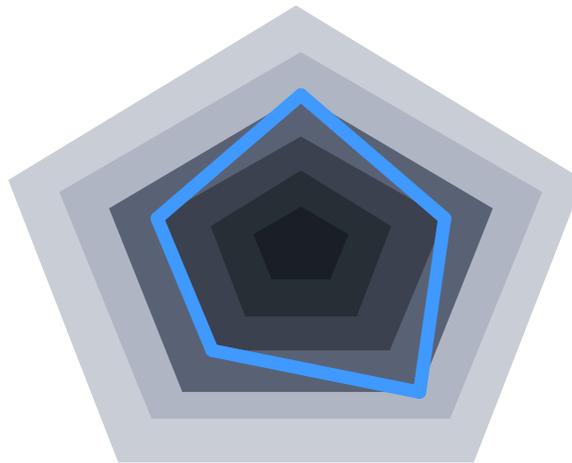
# Industry and competitive landscape 5/5

## Current competitive situation (moderate\*)

- The industry is growing at a moderate pace and competition for shelf space is fairly fierce.
- In the Nordic countries, Orthex has a strong market share and its brands provide pricing power
- Product differentiation is a challenge that intensifies competition
- The high volume of products relative to price limits the price competitiveness of distant goods through freight prices, and local competition appears rational.

## Threat of substitutes (low\*)

- At product level, the sector is very mature  
Products evolve over time, e.g., through material innovation, but the threat of new product groups replacing current ones is not relevant
- In terms of material innovation, we see Orthex as a disruptor



## Bargaining power of product suppliers (low\*)

- There are many suppliers of raw materials in the sector
- Suppliers have little room for differentiation, so the market mechanism determines the price level
- Single operator switching costs are particularly high
- Orthex is a fairly large buyer, which strengthens its negotiating position
- The threat of vertical integration of suppliers is non-existent

## Threat of new competitors (low\*)

- The industry's growth prospects are not particularly appealing, which limits its attractiveness
- In addition to production, entry into the sector requires investment in product development and building a brand and distribution network
- In manufacturing, product development, and distribution, economies of scale can create competitive advantages that create moats.

## Customers' bargaining power (moderate\*)

- Brand and product locality underpin pricing power
- Distributors typically have several suppliers in the same category
- From the consumer's point of view, storage products have a low unit cost at the price point, which reduces price sensitivity  
Price flexibility of demand is higher for retailers
- Retailers' private label products pose a competitive threat, although they also need a category leader on the shelf to support a low price image

\*Inderes' view of the threats caused by industry power for Orthex on the scale no threat, minor, low, moderate, significant and high.

# Strategy and financial targets 1/2

## The Storage category is at the heart of the growth strategy

Orthex aims to: 1) to become Europe's leading brand in the Storage product group and 2) to strengthen its position as one of the leading household goods companies in the Nordic countries. The key priorities for achieving these objectives are:

### Continued success in the Nordic countries

The Nordic countries account for nearly 80% of Orthex's sales and will continue to be an important market for the company. The goal is to further strengthen the market position by implementing the lessons learned from previous years. The company will continue to grow the Storage product line through promotions and expand the use of "excellent in-store display" concepts. We believe that commercial excellence, such as product presentation, is Orthex's strength, both in-store and online. To enable growth in the Nordic countries, the company will continue to launch innovative new products and to grow the kitchen product group by focusing on sustainability and identified opportunities to expand cross-selling. By working closely with online and multi-channel retailers, Orthex aims to unlock the potential of online sales.

### Accelerating export market growth through key accounts

The export market still represents a modest share of sales, but represents a significant growth opportunity for Orthex, and the strategy of geographic expansion is being implemented through key accounts. Orthex established local sales offices in Germany, France and the UK in 2016-2017 and a local sales office for the Benelux in 2022. Growth will be sought mainly

through key customers headquartered in these countries (e.g. Bauhaus, Carrefour and John Lewis) and expansion into their stores in other countries. With the growth in export countries, we also see Orthex in a position to improve its normalized profitability as the proportion of associated fixed costs decreases.

## Factors supporting the growth strategy

### Clear strategy focused on storage solutions

Orthex is targeting growth in the export market with products in the Storage category, as the company has a strong position in the category in the Nordic countries, many industry trends are expected to support demand, and these products have the highest margins of any of Orthex's product categories.

The Kitchen product group aims to accelerate growth by focusing on kitchen utensils and food preservation products, some of which are made from sustainable raw materials. The Kitchen product group also aims to cross-sell by leveraging Orthex's existing customer and supplier networks.

In the Plant Care product group, the company focuses on well-designed and responsibly produced pots. Orthex believes that plastic is the most practical raw material for plant care products and the category is seen as having growth potential, supported by the home decoration and herb growing trends.

In the Home & Yard product group, Orthex focuses on existing products that are in steady demand in the Nordic countries. The company makes limited investments in the product group and is strongly cash flow driven. Orthex has a strong position in certain specialty products (e.g. sauna equipment) that

are in high demand, especially in Finland.

### Pioneer in sustainability

Orthex strives to differentiate itself from the competition through sustainability, high quality and timeless Nordic design. The company will continue to increase its focus on bio-based and recycled raw materials in its production, which it believes is a competitive advantage in the industry.

### Maintaining a high level of innovation

Orthex differentiates itself in the industry with innovative products and in-store presentation capabilities. With a high level of innovation and increasing use of bio-based/recycled materials, the company aims to stay on the cutting edge. These factors have also historically enabled the introduction of new, higher-margin products. The latest example of the company's product development is a wide range of waste sorting bins.

### An industry ripe for consolidation

The European plastics industry is very fragmented. The company expects that M&A will be important opportunities to achieve its objectives. Orthex says it will carefully evaluate the acquisition potential of the Storage product group in particular, should such opportunities arise. We believe it is highly unlikely that Orthex will invest in a new production facility, so the company has a clear incentive for M&A as it nears its current capacity limits. According to our estimates, the existing production facilities are quite capable of supporting a higher sales load (Inderes estimate +30%), so there is no urgent need to make moves.

# Strategy and financial targets 2/2

## Financial targets

Orthex's financial targets are:

- Average annual revenue growth of more than 5% at group level and more than 10% outside the Nordic countries (in local currencies)
- Adjusted EBITA margin of over 18% over time
- Net debt to adjusted EBITDA ratio below 2.5x
- Dividend payout ratio of at least 50%

Orthex's key customers are at the heart of the growth objective. We believe that the target of 5% growth at group level through new customer wins and expansion of existing customers is credible. Orthex has grown at an average annual rate of 7% between 2019 and 2023, and we believe the company has the potential to achieve the 5% growth target in the future. However, Orthex' target market is growing moderately, and to achieve the growth target the company needs to gain market share. Given Orthex's high normalized profitability and spare production capacity, we believe the company could even invest more aggressively in growth at the expense of profitability as a value creation mechanism.

## Sustained EBITA above 18% would be a high level

In our view, Orthex's profitability target of an EBITA margin in excess of 18 % would on a normalized basis be a very high level and would require further scaling of the current cost structure. Fluctuating oil-based raw material prices create volatility in Orthex's profitability, and low manufacturing costs have pushed the company to an EBITA margin of 17% in 2020, but otherwise the company's relative

profitability has been far from its longer-term target. Despite the lower-than-targeted profitability, the company's business is clearly value-creating and, due to the efficient use of the balance sheet, an EBITA margin of more than 18% would imply a very high return on capital employed of around 40-50% adjusted for goodwill.

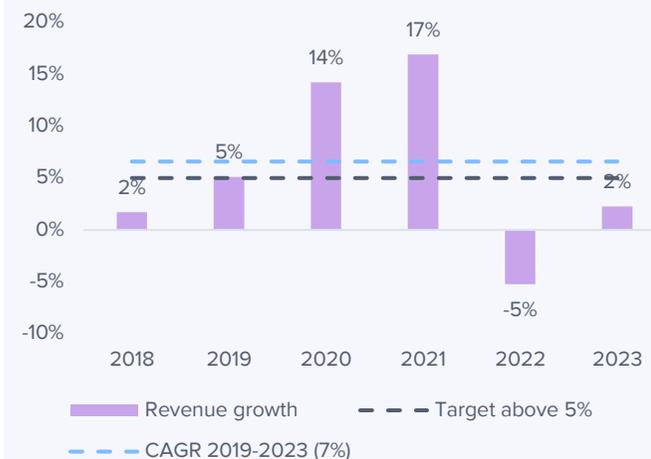
## Normalized leverage

With respect to leverage, Orthex aims to maintain a net debt to Adjusted EBITDA ratio of less than 2.5x, although this ratio may temporarily increase, for example in connection with acquisitions. We think this is a reasonable level, although given the volatility of profitability, we also think it is worth looking at net debt relative to normalized EBITDA. This is because high cost inflation, which has weighed on profitability, has at times pushed the company's leveraging above target. At the end of 2023, the company was well below target at 1.5x.

## Dividend growth is also on track for the future

Orthex aims to pay a dividend twice a year, increasing over time. The company aims to pay out at least half of the profit for the fiscal year. We see the company well-positioned to grow earnings, which also allows for an upward dividend trajectory, and the dividend on 2023 earnings exceeded 2022 and 2021 levels. Due to high cost inflation, Orthex temporarily cut its 2022 dividend, but investors should be aware of the exceptionally difficult business environment.

## Actualized growth and target level



## Actualized profitability and target level



# Investment profile

1.

**Leading Nordic brand company specializing in household products**

2.

**Broad customer base, diverse product portfolio and strong retail relationships**

3.

**Automated production and well-known brands drive industry-leading profitability**

4.

**Established position in the Nordic countries and good platform for European expansion through key customers**

5.

**A defensive and fragmented market provides stability to the business and the opportunity for industry consolidation**

## Potential



- The target market is large and defensive
- Favorable megatrends behind the business (urbanization, sustainability)
- Expansion into Europe through major retail chains
- Opportunity for growth through M&A
- Automated factories, high-quality and durable products, efficient logistics and well-known brands support competitiveness

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## Risks



- Raw material price fluctuations and availability issues
- The company is dependent on the performance of its own production facilities
- Production capacity limits growth
- M&A risks

# Economic situation and historical development 1/4

Orthex was established in 1956 when Aulis Kallonen bought Orth-Export from its Danish parent company, Orth-Plast. In 2009, private equity investor Intera Partners purchased the majority of the company from the founding family. The company's majority ownership was transferred to Sponsor Capital in 2015.

## Growth driven by acquisitions

In 2010, Orthex acquired the Swedish kitchenware manufacturer Sveico AB. The acquisition roughly doubled Orthex's revenue to 25 MEUR and brought the Sveico, GastroMax and Kökskungen brands into the group. The consolidation of the sector continued the following year and this time the target company was Hammarplast Consumer AB of

Sweden.

The acquisition of Hammarplast, which focused on the Home & Yard product categories, again doubled the group's revenue to 56 MEUR.

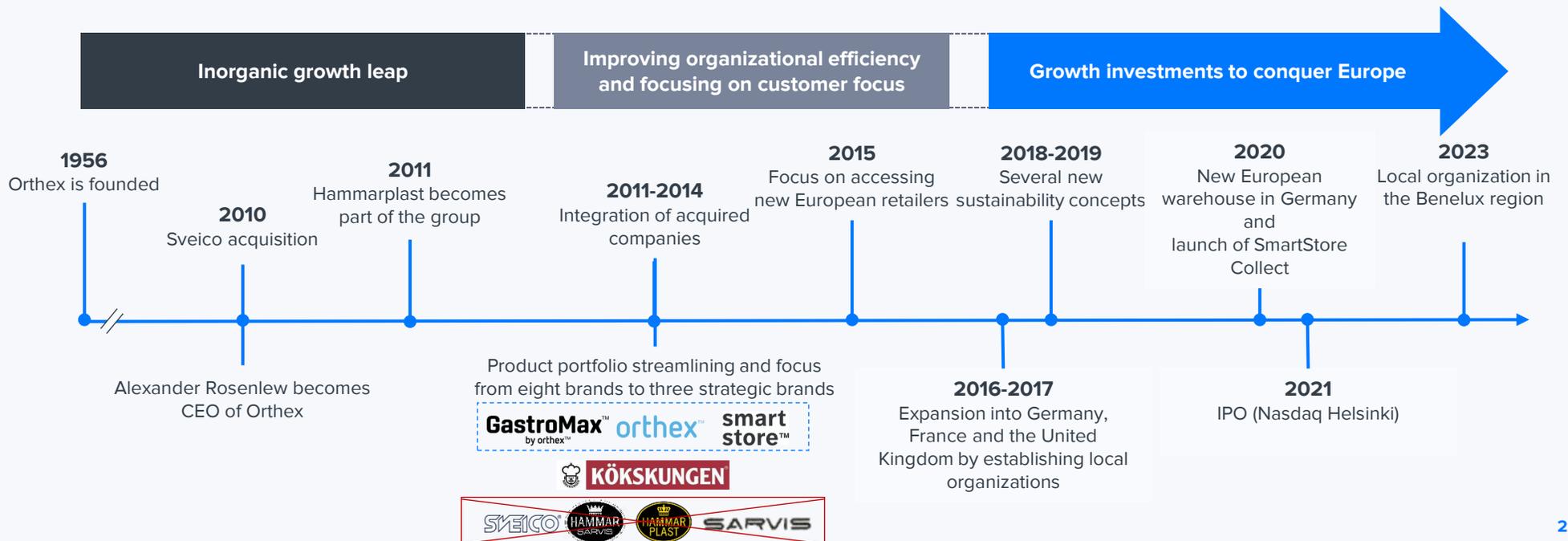
## A few years to integrate acquisitions

In 2011-2014 Orthex invested in the integration and reorganization of Sveico and Hammarplast. The group, which had previously operated on a production-oriented basis, began to focus more closely on consumer needs when designing its product portfolio. Management's attention shifted from eight brands to three main brands (Orthex, SmartStore, GastroMax) around which the business was built.

The brands HammarPlast, Sveico, Sarvis and HammarSarvis, which came to the group through the acquisitions of Sveico and Hammarplast, were discontinued and Kökskungen became a less visible "side brand".

## Expanding beyond the Nordic countries

Since 2015, Orthex has focused on developing its distribution and sales network in Europe and getting its products into the assortment of major retailers. To support the project, the company established separate subsidiaries and sales organizations in Germany, France, and the United Kingdom. In 2020, Orthex opened a new warehouse in Überherrn, Germany to speed up the transportation of goods to Central and Western Europe.



# Economic situation and historical development 2/4

## Post-pandemic consumption hangover was quickly overcome

Over the 2019-2023 period, Orthex's revenue has grown by around 7% per annum, which is above the 5% threshold of the financial targets. Growth has been driven by strategic growth in key customers and new customer wins. The fastest growth has been in other European markets, where revenues have grown at an average annual rate of 19%, but the Nordic countries have also achieved annual growth of just under 5%.

We estimate that the slowdown in growth in recent years is due to retailers' efforts to reduce inventory levels, weakened consumer purchasing power and, in part, Orthex's own efforts to reduce promotional sales amid cost inflation to defend profitability. However, in the second half of 2023, there were clear signs of a recovery in demand in the Nordic countries and more active campaign sales than in recent years thanks to lower raw material prices.

Outside of Europe, Orthex sales have been sluggish and we believe that the development is largely dependent on a single customer. We do not see this market as a key area for measuring Orthex's performance.

## Gross margin has recovered

Orthex's adjusted gross margin has been volatile in recent years due to swings in plastic raw material prices. Gross margin, which has historically averaged around 29%, fell to 21% in 2022 due to declining revenue and significant cost inflation. However, exceptionally high cost inflation subsided fairly quickly and Orthex's gross margin recovered to a

healthy 28% last year, driven by lower manufacturing costs and recovering sales. Within manufacturing costs, materials and services are by far the largest and most volatile cost item for Orthex, averaging 55% of revenue between 2020 and 2023. At its peak, the item accounted for 63% of revenue in 2022, but only 45% in 2020.

## EBITA margin has seen huge swings due to cost inflation

Orthex has maintained a strict cost discipline, but the fluctuation in gross margin has inevitably affected the company's operating result. Comparable EBITA has fluctuated widely in recent years, ranging from 7% to 17% of revenue. Gross margin has been the main driver of EBITA margin volatility and the company's cost structure has grown only moderately in recent years, despite a growth-oriented strategy. Administration costs have amounted to around 6% of Orthex's revenue, while sales and marketing costs have ranged from 9% to 12%. Due to the constraints imposed by the COVID pandemic, Orthex's cost structure temporarily declined to an unusually low level as a result of canceled trade fairs and customer meetings shifted to digital channels. At the same time, these factors temporarily limited the company's ability to invest in European growth.

Growth and profitability

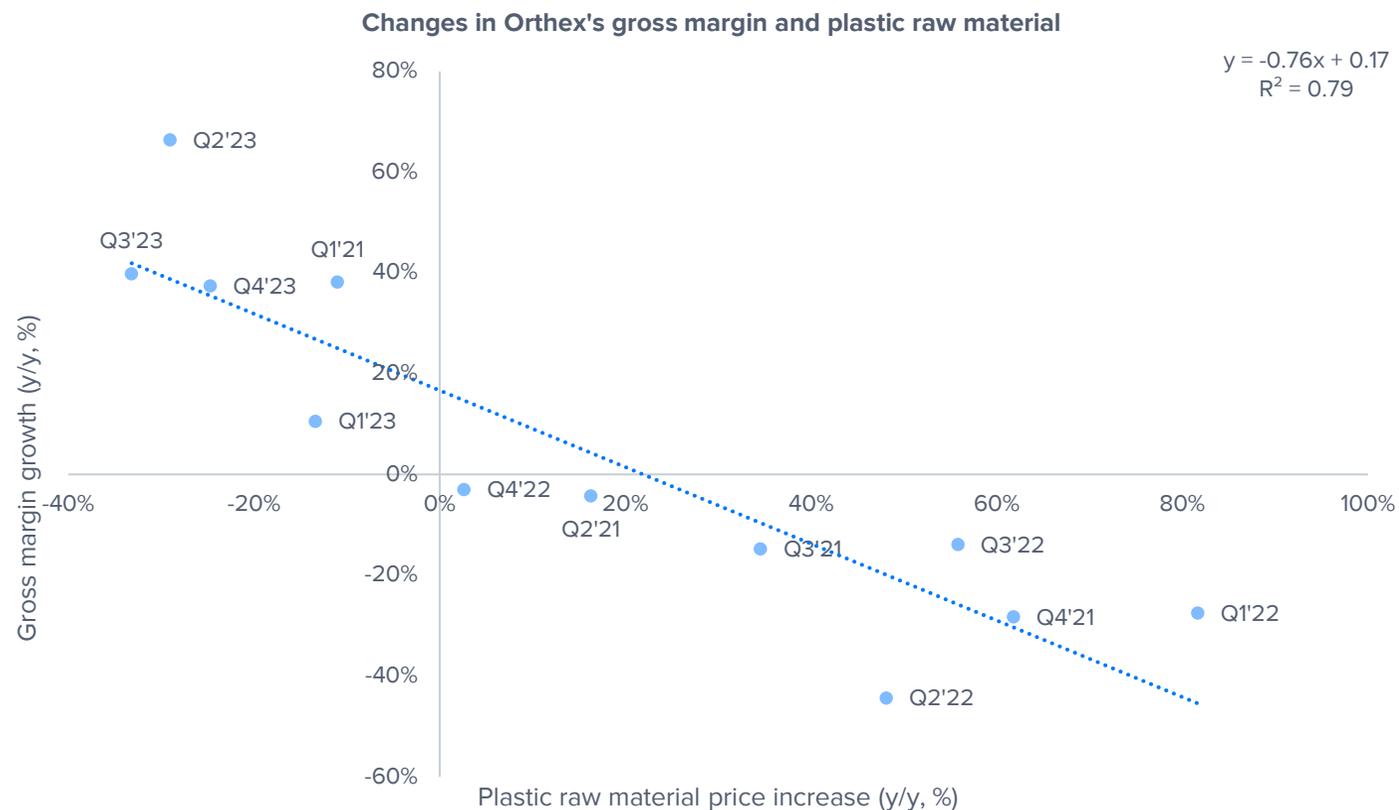


Development of comparable EBITA<sup>1</sup>



<sup>1</sup> 2018 under FAS accounting, 2023 adjusted Swedish State electricity subsidy of 0.7 MEUR

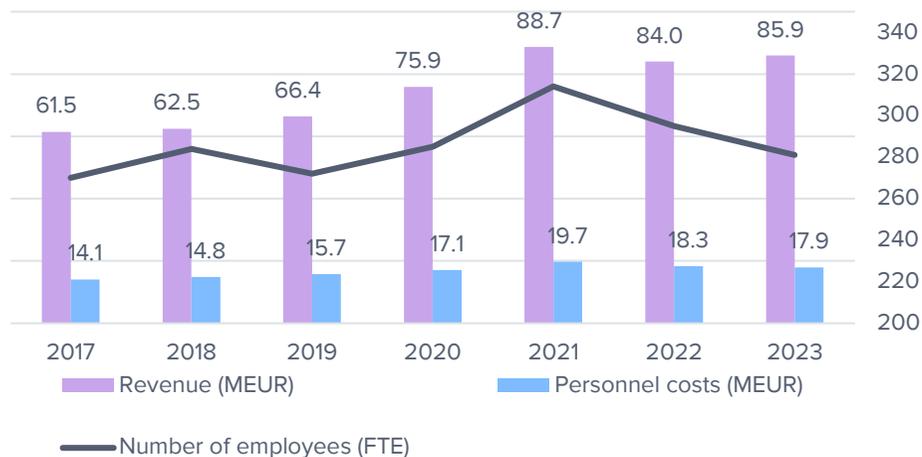
# Development of Orthex's gross margin 2020-2023



Orthex primarily uses plastic-based raw materials in its production, and as a result, the company's gross margin has also been affected by the significant fluctuations in raw material prices in recent years. Based on regression analysis, changes in the price of plastic raw material have a -0.76x impact on Orthex's profitability. The company has conducted its own sensitivity analysis, based on which a 10% change in the price of virgin plastic raw material would have had an impact of 2.2 MEUR on the net result last year. Based on a sample of Orthex quarterly reports, the trend between plastic raw material price developments and gross margin seems clear, but the correlation can be expected to weaken as production shifts increasingly from virgin plastic to recycled and bio-based raw materials. Based on a highly simplified model, gross margin increased by an average of 17% per year over the sample period, after adjusting for the impact of plastic raw material.

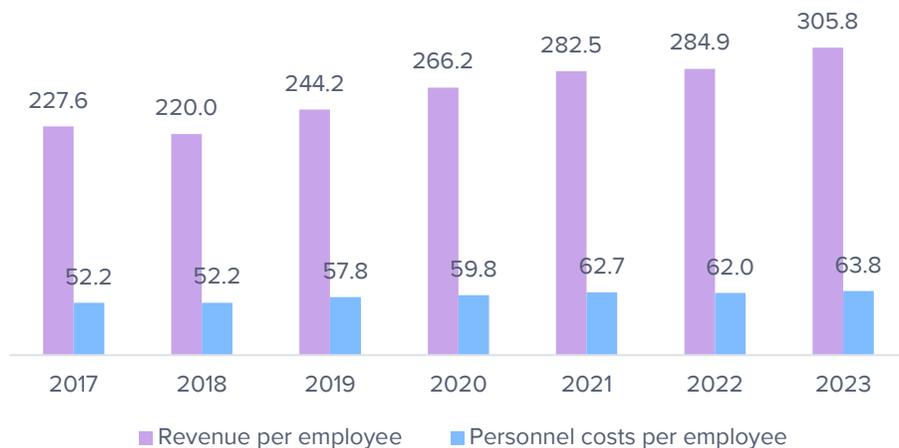
# The organization has realized efficiency gains

Revenue and personnel costs have increased...



- Orthex's headcount and costs peaked at the time of the IPO in 2021
- After the IPO, the number of employees have decreased from 314 to 281 at the end of 2023 due to a reduction in production and warehouse jobs
- Despite the reduction in the number of employees, the revenue potential of the current group has not decreased, but rather increased.

... but efficiency per employee has improved



- Orthex's revenue per employee has grown faster than its personnel costs, providing a lever for scalability. However, the resulting efficiency gains are not fully reflected in the bottom line because they require investments in automation that are eliminated on the income statement
- We believe Orthex could still realize additional efficiencies from automation, but these investments could prove suboptimal if the company acquires production facilities closer to its key customers in the rest of Europe
- In the short term, we expect per-employee efficiency to be under pressure due to the new Benelux sales office

# Economic situation and historical development 3/4

## Moderate level of investment

Orthex's investments over the last few years have been around 2.2-5.4 MEUR per year, representing 3.0-5.4% of revenue. According to the company, about 1/3 of the investments are replacement or maintenance investments and about 2/3 of the investments are either for new products or for completely new capacities. In 2021, the level of investment increased significantly as the company made five significant investments in machinery to meet demand in the Storage category.

Based on management comments, the level of investment is expected to be in the range of 4-5% of revenue over the longer term. We estimate that the company will be able to increase the capacity of its existing production facilities up to a revenue level of around 110-130 MEUR in this way, so there is no acute need for a new production facility.

As the company approaches the upper limit of its current production capacity, it will have to choose between organic expansion investments and acquisitions to create new capacity. We believe that acquisition targets will be identified around fast-growing new key accounts (Germany and France).

## Working capital is stable and typical of a consumer products manufacturing company

Orthex's net working capital at the end of 2023 was 14.3 MEUR or 16.6% of revenue. The level of working capital has remained relatively stable in recent years and is at a normal level compared to other manufacturing consumer products companies listed

on Nasdaq Helsinki (e.g. Harvia and Fiskars working capital ~16-18% of revenue). Orthex's business is seasonally very stable, so working capital does not vary significantly throughout the year.

Working capital is tied up in raw material stocks as well as inventories of finished and unfinished goods. Orthex's current assets have been around 9-14 MEUR (13-17% of revenue) in recent years. The high euro value of current assets in recent years is partly due to higher commodity prices, although the impact has now normalized. The company has production facilities close to its Nordic customers, and one of Orthex's competitive advantages is fast delivery to customers' stores to keep retail inventories low.

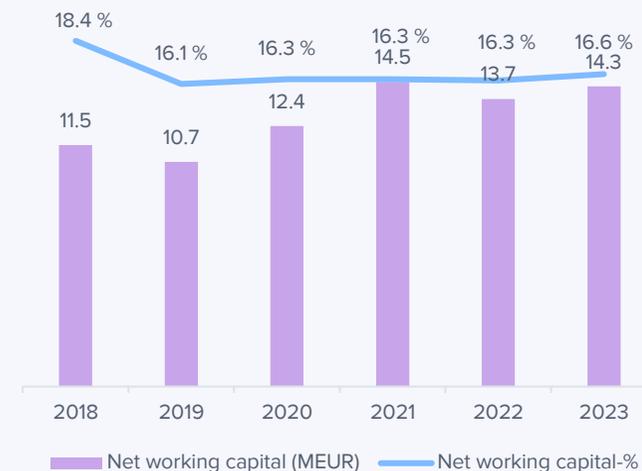
Working capital is also tied up in trade and other receivables, which in recent years have been around 14-18 MEUR (16-21% of revenue).

In our opinion, Orthex manages its invested capital well, which is reflected in the high turnover rate of invested capital. The capital turnover ratio, excluding goodwill, has been around 2-3x in recent years. Thanks to the high capital turnover ratio, Orthex's business would be value-creating with an operating margin of 6%.

## Moderate level of investment



## Net working capital has improved



# Economic situation and historical development 4/4

## Moderate leverage

At the end of 2023, Orthex had 22.3 MEUR net debt on its balance sheet, which is a total of 1.5x the rolling 12-month adjusted EBITDA. Of the net debt, 7.9 MEUR were IFRS 16. lease liabilities.

Orthex's leverage ratio is moderate relative to the company's long-term goal of maintaining a ratio below 2.5x. Interest-bearing debt has been on a declining trend, increasing the financial flexibility of the balance sheet. Increasing the leverage ratio to three would provide Orthex with a total of 22 MEUR in cash for M&A, in addition to the potential use of own equity.

At the end of 2023, Orthex had 34.4 MEUR in equity on its balance sheet and a healthy equity ratio of 40%. We estimate that Orthex's economic value of equity is higher than its book value, as the book value of the Lohja plant, which the company owns and has had on its balance sheet since the 1950s, is significantly lower than its market value. This also partly explains the company's high turnover of capital employed.

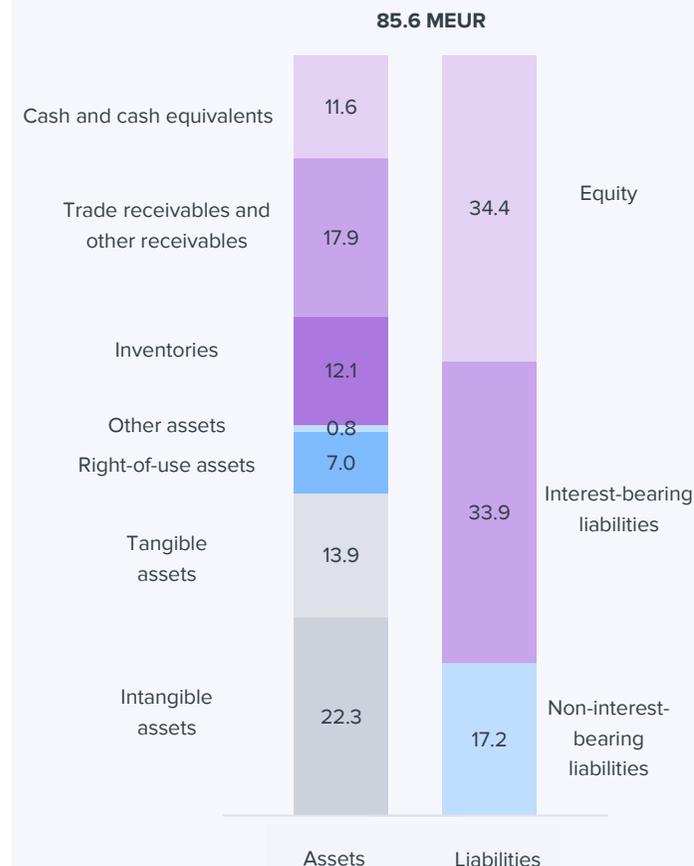
## Intangible assets stand out on the balance sheet

The largest asset item of Orthex's balance sheet is intangible assets, which consists almost entirely of goodwill. Most of the goodwill was created during the group's formation in 2015, and under IFRS accounting it is tested for impairment annually instead of being amortized. Due to Orthex's strong earnings position and subsequent growth investments, we do not see a material risk of

impairment of goodwill.

Apart from the large intangible assets, Orthex's balance sheet is fairly traditional for a manufacturing company. At the end of 2023, the balance sheet included 13.9 MEUR of tangible fixed assets, consisting mainly of machinery and equipment and buildings. In addition, Orthex had right-of-use assets worth 7.0 MEUR, mainly related to the rental of buildings, but also to the rental of machinery and equipment. Orthex has other assets of 0.8 MEUR on its balance sheet, which consisted almost entirely of deferred tax assets.

Orthex's balance sheet structure  
Q4'23 (MEUR)



# Estimates 1/3

## We expect sales to have bottomed out already

Orthex does not provide near-term guidance, which contributes to the difficulty of short-term forecasting. However, the company is targeting annual revenue growth of more than 5% at the group level, which we believe is a realistic level under normal circumstances. The company's growth strategy focuses on growth outside the Nordic countries, where the company aims to increase revenue by more than 10% on average.

## We believe the bottom of the demand cycle is behind

We forecast Orthex's current year revenue to grow by 6%, which implies a clear slowdown from the 15% growth rate of Q4'23. In Q4, Orthex faced a weaker-than-usual comparison period and the highest growth rates were unusually recorded in the Nordic countries. However, we believe that the Q4 report confirmed our confidence that the bottom of the demand cycle caused by retailer destocking is behind and that the company is once again positioned for healthy growth going forward. The return to growth in the real purchasing power of Nordic consumers will also improve Orthex's prospects for growth this year.

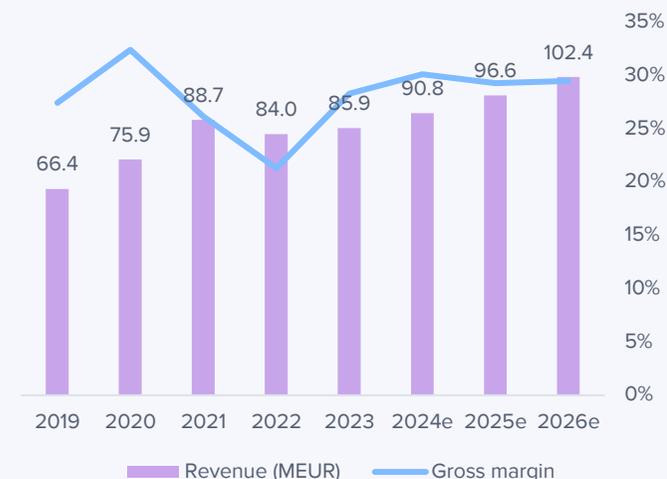
At current raw material price levels, Orthex will not receive the same significant benefit from declining raw material prices as in the prior year, and as a result, the company's future earnings growth will be more dependent on revenue growth and the scaling of its fixed cost structure. We expect the company's gross margin to strengthen slightly in the current year, driven by lower manufacturing costs in the first half of the year and the scaling of manufacturing

costs. In the comparison period, the weakening of the Nordic currencies impacted Orthex's profitability, but we do not expect a similar headwind this year. Orthex does not report the volume of promotional sales, and as a result, a sales mix that differs from our projections may result in revenue and gross margin deviating from our estimates. However, the various effects offset each other in the gross profit. We forecast Orthex's adjusted EBIT to increase to 12.3 MEUR (14% of revenue) in 2024, driven by a higher gross margin than in the comparison period. We see some pressure on operating expenses in the current year due to higher growth investments than in the prior year (i.e. new sales personnel).

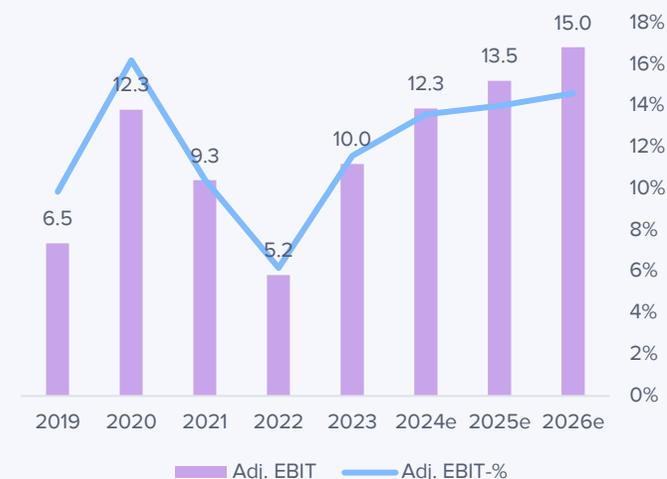
## We expect an improvement in 2025-26, still landing below the profitability target

We forecast Orthex's revenue to grow by 6% in 2025-26, based on modest market growth and increasing market share. We expect growth to be concentrated in other European markets, where the company has the potential for further significant growth due to its small market share and growing distribution. Our operating profit forecasts for the coming years are set at 13.5-15.0 MEUR, which implies an EBIT margin of 14-15%. In our profitability forecasts, we expect the company's gross margin to remain in line with historical averages at around 29-30%, i.e., we do not take a strong view on future raw material price fluctuations. In terms of sales and marketing, however, we see scope for scaling up as the company gets the new Benelux sales office up and running.

Revenue and gross margin



EBIT forecasts



## Estimates 2/3

In our view, achieving an EBITA margin above 18%, which is the company's long-term target, would require either higher revenue volumes than we forecast or lower raw material prices than today. At this stage of Orthex's investment story, visibility on the sustainability of the over-cycle development is not good and we see it as the main question mark when assessing normalized returns on capital.

### Looking ahead, figures are normalizing toward industry standards

Looking ahead, we expect Orthex to grow slightly faster than the overall market, driven by its European growth strategy, but revenue growth will remain moderate at 3-5%. In the longer term, the company's operating margin will moderate towards 12%.

### We see the 2022 dividend as a temporary blip

We forecast that Orthex will achieve EPS of EUR 0.47 in the current year (2023: EUR 0.35). We expect the company to pay out slightly more than half of its earnings as dividends, resulting in a dividend of EUR 0.25 per share on current year earnings, in line with the dividend policy of a payout ratio of over 50%. In our view, Orthex's weak earnings and low dividend in 2022 were a temporary setback due to significant cost inflation, and we see good prospects for the company to increase its dividend per share through earnings growth in the coming years.

Despite a dividend policy that points to an increasing payout, we continue to believe that temporary dividend cuts are possible (and even prudent) if the company identifies greater investment opportunities. The company's returns on capital have historically

been strong, and we are confident in its ability to allocate capital efficiently. As a result, we believe that a flexible dividend policy that supports capital allocation opportunities would be optimal from a shareholder value perspective.

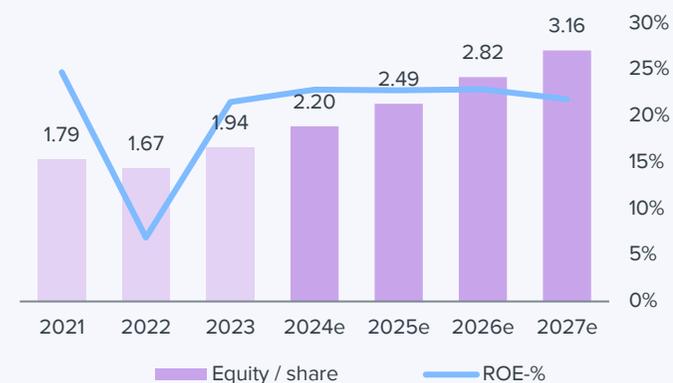
### Equity and ROE estimates

We expect Orthex's return on equity to be 23% for the current year and to fluctuate around that level for the next several years. Given the relatively moderate payout ratio in our medium-term forecasts, the excess cash will gradually accumulate unless the company is active in M&A. We believe it is highly likely that Orthex is currently evaluating acquisition targets that would allow the company to expand into export markets in Europe that are important to its growth strategy. As a result, we believe the balance sheet is likely to strengthen until the company decides to make major investments in its growth story, either through acquisitions or organically by building more manufacturing capacity. However, we do not see an urgent need for larger than usual investments to increase production capacity, as the revenue potential of the company's existing production facilities is sufficient to meet our medium-term sales forecasts.

### EPS and dividend estimates



### Oma pääoma / osake ja ROE-%



# Estimates 3/3

## Estimate revisions

- Our discussions with management strengthened our confidence in Orthex's growth in the coming years, and as a result we have slightly increased our revenue forecasts.
- We understand that in addition to the new Benelux sales office, Orthex has also expanded its sales team in other key European markets.
- We are particularly interested in the company's new products for sorting and recycling solutions, as regulation is already creating pressure for higher recycling rates, supporting the overall market growth prospects for this product group.
- We have slightly increased our gross margin estimates for the early part of the year as plastic raw material prices have remained moderate compared to the same period last year.

Estimate revisions	2024e	2024e	Change	2025e	2025e	Change	2026e	2026e	Change
MEUR / EUR	Old	New	%	Old	New	%	Old	New	%
Revenue	89.8	90.8	1%	95.8	96.6	1%	101	102	1%
EBITDA	15.9	16.4	3%	17.9	18.0	0%	19.4	19.4	0%
EBIT (exc. NRIs)	11.8	12.3	5%	13.3	13.5	1%	14.5	15.0	3%
EBIT	11.8	12.3	5%	13.3	13.5	1%	14.5	15.0	3%
PTP	10.0	10.6	5%	11.7	11.9	2%	13.2	13.6	3%
EPS (excl. NRIs)	0.45	0.47	5%	0.53	0.53	2%	0.59	0.61	3%
DPS	0.23	0.25	9%	0.27	0.27	0%	0.30	0.32	7%

Source: Inderes

# Income statement

Income statement	2021	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24e	Q2'24e	Q3'24e	Q4'24e	2024e	2025e	2026e	2027e
<b>Revenue</b>	<b>88.7</b>	<b>84.0</b>	<b>20.5</b>	<b>20.1</b>	<b>21.9</b>	<b>23.4</b>	<b>85.9</b>	<b>21.8</b>	<b>21.3</b>	<b>23.5</b>	<b>24.1</b>	<b>90.8</b>	<b>96.6</b>	<b>102</b>	<b>108</b>
Nordics	72.9	68.4	16.2	16.3	17.8	18.4	68.7	17.1	17.3	18.7	18.2	71.2	73.7	76.3	78.6
Rest of Europe	15.1	15.9	4.9	3.9	4.2	5.5	18.5	5.2	4.3	4.9	6.3	20.7	24.0	27.3	30.6
Rest of the world	2.5	1.4	0.2	0.3	0.2	0.1	0.8	0.2	0.2	0.2	0.2	0.8	0.8	0.9	0.9
Discounts and rebates	-1.8	-1.7	-0.8	-0.4	-0.3	-0.5	-2.0	-0.7	-0.4	-0.3	-0.5	-1.9	-2.0	-2.1	-2.2
<b>EBITDA</b>	<b>13.2</b>	<b>9.2</b>	<b>3.4</b>	<b>3.1</b>	<b>4.6</b>	<b>3.9</b>	<b>14.9</b>	<b>4.1</b>	<b>2.8</b>	<b>5.1</b>	<b>4.4</b>	<b>16.4</b>	<b>18.0</b>	<b>19.4</b>	<b>20.3</b>
Depreciation	-4.0	-4.0	-1.0	-1.0	-1.0	-1.0	-4.1	-1.0	-1.0	-1.0	-1.0	-4.1	-4.5	-4.4	-4.5
<b>EBIT (excl. NRI)</b>	<b>10.9</b>	<b>5.4</b>	<b>2.4</b>	<b>1.3</b>	<b>3.5</b>	<b>2.9</b>	<b>10.0</b>	<b>3.0</b>	<b>1.8</b>	<b>4.1</b>	<b>3.4</b>	<b>12.3</b>	<b>13.5</b>	<b>15.0</b>	<b>15.9</b>
<b>EBIT</b>	<b>9.3</b>	<b>5.2</b>	<b>2.3</b>	<b>2.1</b>	<b>3.5</b>	<b>2.9</b>	<b>10.8</b>	<b>3.0</b>	<b>1.8</b>	<b>4.1</b>	<b>3.4</b>	<b>12.3</b>	<b>13.5</b>	<b>15.0</b>	<b>15.9</b>
Share of profits in assoc. compan.	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	0.0
Net financial items	-1.6	-2.2	-0.6	-0.7	-0.3	-0.6	-2.2	-0.5	-0.5	-0.4	-0.4	-1.8	-1.6	-1.4	-1.3
<b>PTP</b>	<b>7.7</b>	<b>3.0</b>	<b>1.7</b>	<b>1.3</b>	<b>3.2</b>	<b>2.3</b>	<b>8.5</b>	<b>2.5</b>	<b>1.4</b>	<b>3.7</b>	<b>3.0</b>	<b>10.6</b>	<b>11.9</b>	<b>13.6</b>	<b>14.6</b>
Taxes	-1.6	-0.9	-0.4	-0.3	-0.8	-0.2	-1.6	-0.5	-0.3	-0.7	-0.6	-2.2	-2.4	-2.8	-3.0
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	0.0
<b>Net earnings</b>	<b>6.0</b>	<b>2.1</b>	<b>1.3</b>	<b>1.1</b>	<b>2.4</b>	<b>2.1</b>	<b>6.9</b>	<b>2.0</b>	<b>1.1</b>	<b>2.9</b>	<b>2.4</b>	<b>8.4</b>	<b>9.5</b>	<b>10.8</b>	<b>11.6</b>
<b>EPS (adj.)</b>	<b>0.43</b>	<b>0.13</b>	<b>0.08</b>	<b>0.02</b>	<b>0.13</b>	<b>0.12</b>	<b>0.35</b>	<b>0.11</b>	<b>0.06</b>	<b>0.16</b>	<b>0.13</b>	<b>0.47</b>	<b>0.53</b>	<b>0.61</b>	<b>0.65</b>
<b>EPS (rep.)</b>	<b>0.34</b>	<b>0.12</b>	<b>0.07</b>	<b>0.06</b>	<b>0.13</b>	<b>0.12</b>	<b>0.39</b>	<b>0.11</b>	<b>0.06</b>	<b>0.16</b>	<b>0.13</b>	<b>0.47</b>	<b>0.53</b>	<b>0.61</b>	<b>0.65</b>
<b>Key figures</b>	<b>2021</b>	<b>2022</b>	<b>Q1'23</b>	<b>Q2'23</b>	<b>Q3'23</b>	<b>Q4'23</b>	<b>2023</b>	<b>Q1'24e</b>	<b>Q2'24e</b>	<b>Q3'24e</b>	<b>Q4'24e</b>	<b>2024e</b>	<b>2025e</b>	<b>2026e</b>	<b>2027e</b>
<b>Revenue growth-%</b>	16.9 %	-5.2 %	-0.5 %	-4.1 %	-0.9 %	15.0 %	2.2 %	6.5 %	5.9 %	7.2 %	3.1 %	5.6 %	6.4 %	6.1 %	5.4 %
<b>Adjusted EBIT growth-%</b>	-15.0 %	-50.7 %	33.1 %	-716.7 %	58.9 %	81.6 %	87.3 %	28.5 %	40.9 %	15.8 %	18.5 %	22.8 %	9.7 %	10.6 %	6.1 %
<b>EBITDA-%</b>	14.9 %	11.0 %	16.4 %	15.1 %	20.8 %	16.7 %	17.3 %	18.6 %	13.3 %	21.6 %	18.4 %	18.1 %	18.6 %	18.9 %	18.8 %
<b>Adjusted EBIT-%</b>	12.3 %	6.4 %	11.6 %	6.4 %	16.0 %	12.3 %	11.7 %	14.0 %	8.5 %	17.3 %	14.1 %	13.6 %	14.0 %	14.6 %	14.7 %
<b>Net earnings-%</b>	6.8 %	2.5 %	6.4 %	5.3 %	10.9 %	9.1 %	8.0 %	9.3 %	5.1 %	12.4 %	9.9 %	9.3 %	9.8 %	10.5 %	10.7 %

Source: Inderes

# Balance sheet

Assets	2022	2023	2024e	2025e	2026e
<b>Non-current assets</b>	<b>43.8</b>	<b>44.0</b>	<b>43.4</b>	<b>43.3</b>	<b>43.4</b>
Goodwill	22.3	22.3	22.3	22.3	22.3
Intangible assets	0.1	0.0	0.2	0.2	0.2
Tangible assets	20.6	20.9	20.8	20.7	20.9
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	0.1	0.1	0.1	0.1	0.1
Deferred tax assets	0.8	0.7	0.0	0.0	0.0
<b>Current assets</b>	<b>38.0</b>	<b>41.5</b>	<b>39.0</b>	<b>42.5</b>	<b>44.5</b>
Inventories	14.3	12.1	12.7	14.0	14.3
Other current assets	0.1	0.0	0.0	0.0	0.0
Receivables	13.4	17.9	15.4	16.9	17.9
Cash and equivalents	10.3	11.6	10.9	11.6	12.3
<b>Balance sheet total</b>	<b>81.8</b>	<b>85.6</b>	<b>82.4</b>	<b>85.8</b>	<b>88.0</b>

Source: Inderes

Liabilities & equity	2022	2023	2024e	2025e	2026e
<b>Equity</b>	<b>29.7</b>	<b>34.4</b>	<b>39.1</b>	<b>44.2</b>	<b>50.2</b>
Share capital	0.1	0.1	0.1	0.1	0.1
Retained earnings	22.3	26.9	31.6	36.7	42.7
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	-0.5	-0.4	-0.4	-0.4	-0.4
Other equity	7.9	7.9	7.9	7.9	7.9
Minorities	0.0	0.0	0.0	0.0	0.0
<b>Non-current liabilities</b>	<b>32.8</b>	<b>30.4</b>	<b>25.3</b>	<b>23.0</b>	<b>18.7</b>
Deferred tax liabilities	0.8	0.8	0.8	0.8	0.8
Provisions	0.0	0.0	0.0	0.0	0.0
Interest bearing debt	32.0	29.6	24.5	22.2	17.9
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
<b>Current liabilities</b>	<b>19.3</b>	<b>20.7</b>	<b>18.0</b>	<b>18.6</b>	<b>19.1</b>
Interest bearing debt	4.3	4.3	2.7	2.5	2.0
Payables	14.0	15.7	14.5	15.4	16.4
Other current liabilities	1.0	0.7	0.7	0.7	0.7
<b>Balance sheet total</b>	<b>81.8</b>	<b>85.5</b>	<b>82.4</b>	<b>85.8</b>	<b>88.0</b>

# Share valuation 1/3

## Expected return justifies further purchases

We reiterate our target price of EUR 7.0 and Accumulate recommendation. In our view, the risk-adjusted expected return over the next 12 months is good, which encourages further purchases. We estimate the fair value of the stock to be around EUR 6.5-8.0 based on the cash flow model and its sensitivity analysis, absolute valuation multiples and relative valuation. We see revenue growth as a key driver for the coming years, as growth within the limits of the current production facilities is highly profitable due to moderate investment needs. Looking further ahead, the company's ability to execute on larger plant investments/M&A becomes central to the investment story, but current evidence makes it difficult to assess the company's ability to allocate larger amounts of capital.

## Earnings and balance sheet provide a suitable framework for valuation

We believe that Orthex's valuation should be viewed on an earnings and balance sheet basis, both in absolute terms and relative to peers. The DCF model is also an appropriate tool to value the company. Orthex's revenue returned to significant growth in Q4 and we expect the growth slump to be behind now. From a valuation perspective, it will be particularly interesting to see to what extent earnings growth accelerates as the challenging business environment of the past few years normalizes and the growth seeds sown in recent years come to fruition.

### + Factors supporting the valuation:

- Solid evidence of growth and stable demand for products
- High return on capital potential
- Conditions for creating value through M&A

### - Factors negatively affecting the valuation:

- Limited evidence of high profitability at target levels
- Fluctuations in raw material prices add a cyclical component to results

## The current year's earnings-based valuation supports the stock

Based on our forecasts for the current year, Orthex's earnings-based valuation (P/E: 13x , EV/EBIT: 10x) appears moderate and that there is even some upside potential, especially in the EV multiples. However, the recent rise in oil prices due to geopolitical concerns adds a degree of risk to the forecast which, if sustained and passed through to Orthex's raw material prices, could hamper the earnings improvement we are forecasting for the current year. In our view, a long-term owner should take profitability fluctuations caused by raw material prices as background noise, as Orthex's strong profitability and good balance sheet position mean that there is no need to worry about balance sheet risks. Looking out over the next few years, the earnings-based valuation will turn attractive, which we believe will offset the near-term earnings-related forecast risk.

## TSR drivers 2024-2026

■ Positive ■ Neutral ■ Negative

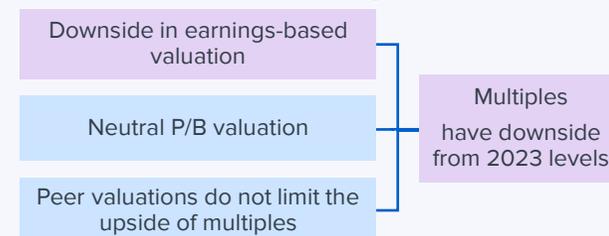
### Profit drivers



### Dividend yield drivers



### Valuation multiple drivers



Share's expected return ~15% p.a.

# Share valuation 2/3

## P/B valuation is moderate

Orthex trades at a P/B multiple of 2.8x based on our current year estimates. This level is higher than the Nasdaq Helsinki median, but in our view is justified given Orthex's high ROE potential (ROE 2023-2025e): 22-23%). The usefulness of the P/B ratio is undermined by the significant amount of intangible assets on the balance sheet, as book value is typically a poor reflection of the true value of intangible assets. The applicability of the P/B ratio is also undermined by Orthex's relatively short stock market history, which means that a reliable longer-term track-record of the company's return on equity is not available.

## Dividend-based valuation

In our view, Orthex has the potential to establish itself as a stable dividend payer despite the dividend dip in 2022. Orthex operates in defensive markets and typically has strong cash flow due to low investment needs. The company's dividend policy is to pay a stable and increasing dividend of at least 50% of net profit for the financial year. We forecast a payout ratio of 50-53% over the next few years, which at current share price levels translates into a dividend yield of 4-5% based on our earnings forecasts. We believe Orthex would be able to pay out a higher proportion of its earnings in dividends than we forecast but given the pressure on valuation multiples in the industry and the resulting potential for attractive M&A opportunities, we see a stronger balance sheet as a better solution for value creation.

## DCF indicates upside

In our DCF calculation, we assume a gradual slowdown in Orthex's growth towards a terminal assumption of 2%. In our forecasts, the company's EBIT margin will decline from nearly 15% in 2026 to a terminal level of 11.5% as competition intensifies. Orthex's profitability will certainly be much more volatile than our forecasts over the longer term, but we want to reflect our view of the company's longer-term, over-cycle profitability potential. In the longer term, we expect Orthex's return on investment to be in the range of 18-20%, which is a high level and requires the company to maintain its competitive advantages.

Our DCF model suggests a value of EUR 7.3 per share for Orthex, which represents a clear upside from current share price levels. At the end of the DCF model's forecast period, Orthex's revenue will reach 128 MEUR, which we believe is achievable with the company's current factories, taking into account low inflation. Supported by moderate investment needs over the forecast period and the ability to scale manufacturing costs, our projections put the return on reinvested capital at a very high level.

Valuation	2024e	2025e	2026e
Share price	6.26	6.26	6.26
Number of shares, millions	17.8	17.8	17.8
Market cap	111	111	111
EV	128	124	119
P/E (adj.)	13.2	11.7	10.3
P/E	13.2	11.7	10.3
P/B	2.8	2.5	2.2
P/S	1.2	1.2	1.1
EV/Sales	1.4	1.3	1.2
EV/EBITDA	7.8	6.9	6.1
EV/EBIT (adj.)	10.3	9.2	7.9
Payout ratio (%)	52.8 %	50.6 %	52.7 %
Dividend yield-%	4.0 %	4.3 %	5.1 %

Source: Inderes

# Share valuation 3/3

## Peer group valuation limits upside

Orthex's peer group consists of publicly traded consumer goods companies. While none of the companies are entirely comparable to Orthex's plastic storage solutions and other household products, each of the companies in the peer group is somewhat similar to Orthex because of its own characteristics. Most peers have a brand/product that is the best-known alternative in its market segment ("category captain"). Other similarities between Orthex and the peer group can be found in the same geographical business area, similar production and distribution strategy, growth or profitability profile, etc.

## We see valuation upside relative to peers

The median peer group EV/sales multiple is 1.3x for 2024 and 2025. Compared to these, Orthex is valued in line with its peers on a revenue basis.

The median peer group EV/EBIT multiples for 2024 and 2025 are 14x and 11x respectively, against which Orthex is priced at a discount of around 20%, while the P/E discount is around 15%. In our view, Orthex's earnings-based valuation has some upside potential relative to peers, given the company's strong profitability and favorable growth prospects.

In our view, Orthex's normalized return on capital is higher than the peer group median, which justifies

the premium in the P/B ratio. However, at current levels it is difficult to see significant upside to peers as the company's P/B is at a premium of over 100% to the peer group median.

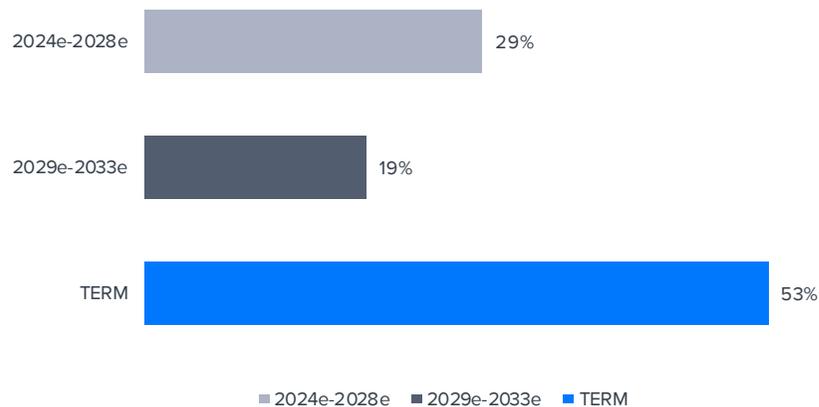
Peer group valuation	Market cap	EV	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%		P/B
Company	MEUR	MEUR	2024e	2025e	2024e	2025e	2024e	2025e	2024e	2025e	2024e	2025e	2024e
Duni AB	436	526	8.0	7.1	5.9	5.4	0.8	0.7	10.6	9.3	4.7	5.0	1.3
Fiskars Oyj Abp	1398	1840	15.5	12.3	10.6	8.8	1.5	1.4	16.4	13.6	4.7	5.1	1.8
Harvia Oyj	752	791	20.5	18.6	17.6	15.9	4.7	4.3	27.6	24.5	1.9	2.1	6.2
Leifheit AG	156	116	5.8	4.7	4.2	3.5	0.4	0.4	10.2	8.2	4.9	7.9	1.3
Marimekko Oyj	489	484	14.2	12.9	11.1	10.2	2.7	2.5	18.5	16.7	3.5	4.2	6.4
Rapala VMC Corp	122	233	16.0	12.2	9.0	7.3	1.0	0.9	48.0	18.4	1.1	1.0	0.8
Thule Group AB	2734	2908	19.4	16.7	16.7	14.7	3.5	3.2	24.7	21.1	3.2	3.5	4.3
Nokian Tyres plc	1246	1464	16.1	11.1	6.5	5.3	1.1	1.0	23.9	15.2	5.3	5.8	0.9
Assa Abloy AB	29234	34585	16.7	15.6	13.8	13.0	2.7	2.6	21.8	19.5	1.9	2.1	3.4
Newell Brands Inc	2705	7003	12.5	11.0	8.5	8.0	1.0	1.0	12.2	9.1	4.0	4.0	0.9
DOMETIC Group	2315	3518	12.7	10.9	9.3	8.2	1.5	1.4	14.7	11.8	2.5	3.2	1.0
Raisio Oyj	306	249	10.7	9.3	7.3	6.6	1.1	1.1	14.7	13.4	7.2	7.4	1.2
Husqvarna AB	4076	5234	12.7	10.9	7.9	7.1	1.2	1.1	15.6	12.7	3.8	4.1	1.9
Helen of Troy Ltd	2147	2815	10.4	9.9	9.1	8.4	1.5	1.5	11.0	9.9			1.4
<b>Orthex (Inderes)</b>	<b>111</b>	<b>128</b>	<b>10.3</b>	<b>9.2</b>	<b>7.8</b>	<b>6.9</b>	<b>1.4</b>	<b>1.3</b>	<b>13.2</b>	<b>11.7</b>	<b>4.0</b>	<b>4.3</b>	<b>2.8</b>
<b>Average</b>			<b>13.7</b>	<b>11.7</b>	<b>9.8</b>	<b>8.7</b>	<b>1.8</b>	<b>1.6</b>	<b>19.3</b>	<b>14.5</b>	<b>3.7</b>	<b>4.3</b>	<b>2.3</b>
<b>Median</b>			<b>13.5</b>	<b>11.1</b>	<b>9.0</b>	<b>8.1</b>	<b>1.3</b>	<b>1.3</b>	<b>16.0</b>	<b>13.5</b>	<b>3.8</b>	<b>4.1</b>	<b>1.4</b>
<b>Diff-% to median</b>			<b>-23%</b>	<b>-17%</b>	<b>-14%</b>	<b>-15%</b>	<b>4%</b>	<b>1%</b>	<b>-18%</b>	<b>-13%</b>	<b>5%</b>	<b>5%</b>	<b>108%</b>

Source: Refinitiv / Inderes

# DCF calculation

DCF model	2023	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	TERM
Revenue growth-%	2.2 %	5.6 %	6.4 %	6.1 %	5.4 %	4.5 %	3.5 %	3.0 %	2.5 %	2.0 %	2.0 %	2.0 %
EBIT-%	12.5 %	13.6 %	14.0 %	14.6 %	14.7 %	12.5 %	12.0 %	12.0 %	12.0 %	11.5 %	11.5 %	11.5 %
<b>EBIT (operating profit)</b>	<b>10.8</b>	<b>12.3</b>	<b>13.5</b>	<b>15.0</b>	<b>15.9</b>	<b>14.1</b>	<b>14.0</b>	<b>14.4</b>	<b>14.8</b>	<b>14.5</b>	<b>14.7</b>	
+ Depreciation	4.1	4.1	4.5	4.4	4.5	4.6	4.7	4.8	4.9	5.0	5.2	
- Paid taxes	-1.5	-1.5	-2.4	-2.8	-3.0	-2.8	-2.8	-2.9	-3.0	-2.9	-3.0	
- Tax, financial expenses	-0.4	-0.4	-0.3	-0.3	-0.3	-0.1	-0.1	-0.1	-0.1	0.0	0.0	
+ 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	-0.8	0.7	-1.8	-0.4	-0.3	-0.4	-0.3	-0.5	-0.4	-0.4	-0.4	
<b>Operating cash flow</b>	<b>12.1</b>	<b>15.2</b>	<b>13.4</b>	<b>15.9</b>	<b>16.8</b>	<b>15.3</b>	<b>15.5</b>	<b>15.7</b>	<b>16.2</b>	<b>16.2</b>	<b>16.5</b>	
+ Change in other long-term liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-4.4	-4.1	-4.3	-4.6	-4.8	-5.1	-5.2	-5.4	-5.5	-5.6	-5.6	
<b>Free operating cash flow</b>	<b>7.7</b>	<b>11.1</b>	<b>9.0</b>	<b>11.3</b>	<b>11.9</b>	<b>10.3</b>	<b>10.3</b>	<b>10.4</b>	<b>10.7</b>	<b>10.5</b>	<b>10.9</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	7.7	11.1	9.0	11.3	11.9	10.3	10.3	10.4	10.7	10.5	10.9	174
<b>Discounted FCFF</b>		<b>10.5</b>	<b>7.9</b>	<b>9.1</b>	<b>8.9</b>	<b>7.0</b>	<b>6.5</b>	<b>6.0</b>	<b>5.8</b>	<b>5.2</b>	<b>5.0</b>	<b>79.9</b>
Sum of FCFF present value		152	141	133	124	116	108	102	95.9	90.2	84.9	79.9
<b>Enterprise value DCF</b>		<b>152</b>										
- Interest bearing debt		-33.9										
+ Cash and cash equivalents		11.6										
-Minorities		0.0										
-Dividend/capital return		0.0										
<b>Equity value DCF</b>		<b>130</b>										
<b>Equity value DCF per share</b>		<b>7.3</b>										

Cash flow distribution

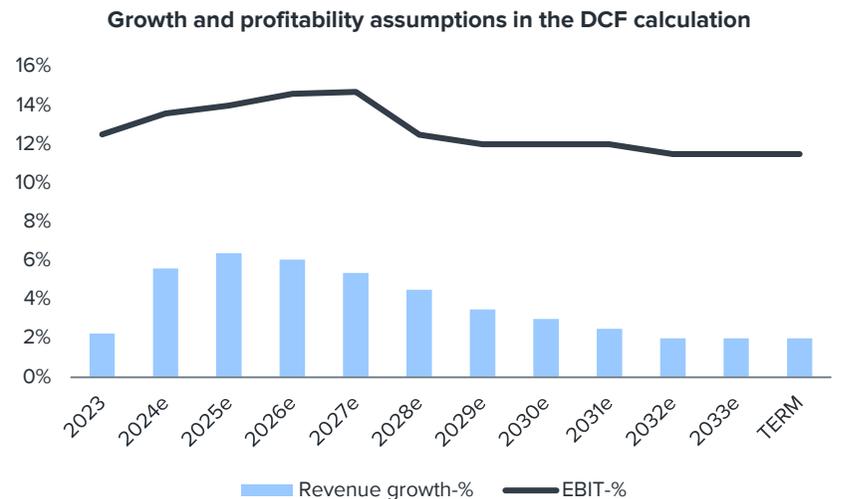
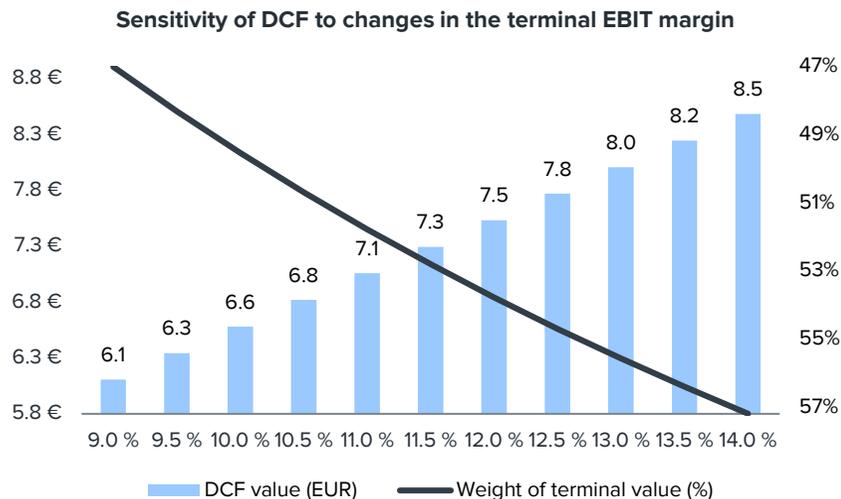
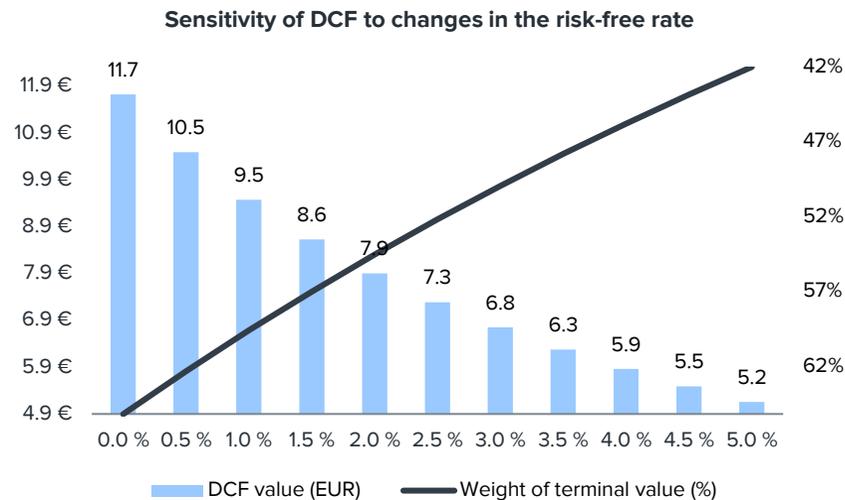
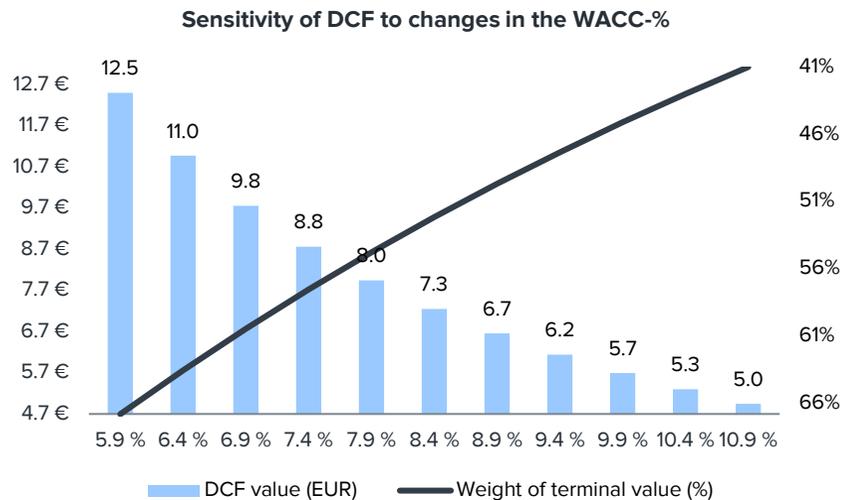


## WACC

Tax-% (WACC)	20.0 %
Target debt ratio (D/(D+E))	10.0 %
Cost of debt	6.5 %
Equity Beta	1.10
Market risk premium	4.75%
Liquidity premium	1.00%
Risk free interest rate	2.5 %
<b>Cost of equity</b>	<b>8.7 %</b>
<b>Weighted average cost of capital (WACC)</b>	<b>8.4 %</b>

Source: Inderes

# DCF sensitivity calculations and key assumptions in graphs



Source: Inderes. Note that the weight of the terminal value (%) is shown on an inverse scale for clarity.

# Summary

Income statement	2021	2022	2023	2024e	2025e	Per share data	2021	2022	2023	2024e	2025e
Revenue	88.7	84.0	85.9	90.8	96.6	EPS (reported)	0.34	0.12	0.39	0.47	0.53
EBITDA	13.2	9.2	14.9	16.4	18.0	EPS (adj.)	0.43	0.13	0.35	0.47	0.53
EBIT	9.3	5.2	10.8	12.3	13.5	OCF / share	0.55	0.42	0.68	0.86	0.75
PTP	7.7	3.0	8.5	10.6	11.9	FCF / share	0.31	0.31	0.43	0.62	0.51
Net Income	6.0	2.1	6.9	8.4	9.5	Book value / share	1.79	1.67	1.94	2.20	2.49
Extraordinary items	-1.6	-0.2	0.7	0.0	0.0	Dividend / share	0.18	0.11	0.21	0.25	0.27
Balance sheet	2021	2022	2023	2024e	2025e	Growth and profitability	2021	2022	2023	2024e	2025e
Balance sheet total	88.8	81.8	85.6	82.4	85.8	Revenue growth-%	17%	-5%	2%	6%	6%
Equity capital	31.8	29.7	34.4	39.1	44.2	EBITDA growth-%	-20%	-30%	61%	10%	10%
Goodwill	23.7	22.3	22.3	22.3	22.3	EBIT (adj.) growth-%	-16%	-51%	87%	23%	10%
Net debt	25.9	26.0	22.3	16.4	13.0	EPS (adj.) growth-%	-15%	-70%	170%	36%	13%
Cash flow	2021	2022	2023	2024e	2025e	EBITDA-%	14.9 %	11.0 %	17.3 %	18.1 %	18.6 %
EBITDA	13.2	9.2	14.9	16.4	18.0	EBIT (adj.)-%	12.3 %	6.4 %	11.7 %	13.6 %	14.0 %
Change in working capital	-1.6	-0.6	-0.8	0.7	-1.8	EBIT-%	10.4 %	6.2 %	12.5 %	13.6 %	14.0 %
Operating cash flow	9.8	7.5	12.1	15.2	13.4	ROE-%	24.7 %	6.9 %	21.5 %	22.9 %	22.8 %
CAPEX	-4.3	-1.9	-4.4	-4.1	-4.3	ROI-%	13.9 %	7.5 %	16.0 %	18.3 %	20.0 %
Free cash flow	5.5	5.6	7.7	11.1	9.0	Equity ratio	35.8 %	36.3 %	40.3 %	47.5 %	51.5 %
						Gearing	81.4 %	87.6 %	64.8 %	41.9 %	29.5 %
Valuation multiples	2021	2022	2023	2024e	2025e						
EV/S	2.6	1.3	1.4	1.4	1.3						
EV/EBITDA (adj.)	17.4	11.8	7.9	7.8	6.9						
EV/EBIT (adj.)	21.2	20.4	11.8	10.3	9.2						
P/E (adj.)	26.7	36.3	15.5	13.2	11.7						
P/B	6.4	2.8	2.8	2.8	2.5						
Dividend-%	1.6 %	2.4 %	3.9 %	4.0 %	4.3 %						

Source: Inderes

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

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## Recommendation history (>12 mo)

Date	Recommendation	Target	Share price
3/26/2021	Accumulate	8.50 €	7.42 €
5/12/2021	Accumulate	11.00 €	10.15 €
8/26/2021	Accumulate	13.00 €	11.48 €
9/20/2021	Buy	13.00 €	10.50 €
11/11/2021	Accumulate	12.50 €	11.63 €
<i>Analysts changed</i>			
1/13/2022	Accumulate	11.50 €	10.44 €
3/10/2022	Accumulate	8.00 €	7.14 €
5/11/2022	Reduce	7.00 €	6.68 €
8/26/2022	Reduce	5.00 €	5.42 €
10/11/2022	Accumulate	4.40 €	3.93 €
11/14/2022	Accumulate	5.80 €	5.27 €
3/9/2023	Accumulate	5.60 €	5.05 €
5/18/2023	Accumulate	5.60 €	4.99 €
8/25/2023	Accumulate	5.40 €	4.64 €
11/8/2023	Buy	6.00 €	4.95 €
3/6/2024	Accumulate	7.00 €	6.39 €
22/43/2024	Accumulate	7.00 €	6.26 €



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