

Tokmanni

Company report

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✓ Inderes corporate customer

This report is a summary translation of the report “Marginaalien heikentyminen hellittää loppuvuonna” published on 2/13/2023 at 7:52 am

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Weakening of margins will ease toward the end of the year

Tokmanni's Q4 result was close to our expectations, but the 2023 guidance and the underlying comments on the development of the different cost items were more positive than we expected. Inflation still holds consumers' purchasing power hostage, but increased price awareness in customer behavior seems to have strengthened, which we believe supports Tokmanni's development. The company's own strategic work also remained good. We raised our estimates and the target price to EUR 14.0 (previous EUR 12.50). We reiterate our Accumulate recommendation.

Tokmanni's performance was close to our expectations and dividend better than we estimated

Tokmanni's sales increased by 1.5% to EUR 339 million, close to our EUR 338 million estimate. Comparable in-store sales decreased by 1% as customers were cautious. Tokmanni's gross margin was slightly below expected as campaign sales grew, but the company was again able to improve the efficiency of its cost structure surprisingly well in an inflationary environment, which compensated for this. Tokmanni's EBIT decreased by 12% to EUR 35.8 million (estimate 35.1 MEUR). The dividend proposal was EUR 0.76 per share, which exceeded our estimate (EUR 0.70). Inventories shrunk from the previous quarter as planned, raising the cash flow to a strong EUR 92 million (Q4: 21: 75 MEUR).

Tokmanni is doing right things in its strategy, but inflation still takes the edge of earnings growth in coming quarters

Tokmanni's guidance for 2023 is that its revenue is EUR 1,200–1,270 million and comparable EBIT EUR 85–100 million (2022: 85.8 MEUR). We raised our EBIT estimate by 5% to EUR 90 million. Especially, the company's comments on the purchase and freight prices making a downturn in the Far East so that impacts will start to show already in late spring, surprised us positively and lay the foundation for an earnings improvement in H2'23. The first part of the logistics center should also be in use already during Q2 when the cost of rental warehouses will fall. The drop in electricity prices will moderate the rise in real estate costs, but we expect that rents visible in depreciation will continue to rise also in 2023. The collective agreement negotiations in trade reached an agreement last night and we included the agreed salary increases in our estimates. The cost of building new stores has also decreased and we have raised our number of stores estimate slightly. The company's financial objectives for 2025 were introduced in a favorable market situation, but in today's environment they seem unlikely to be reached. The competition also remains tight as key competitors continue to expand their networks. We now expect that 2025 revenue will be EUR 1,365 million (target: 1,500 MEUR) and EBIT EUR 114 million (target: 150 MEUR).

Strong dividend yield and if guidance holds, earnings growth starts to support expected return

P/E ratios for 2023 and 2024 are 12x and 11x and the corresponding EV/EBITDA ratios are 7x and 6x. Although the valuation multiples are favorable compared to history (P/E 15x and EV/EBITDA 9x), the difference is partly explained by the exceptional uncertainty in the economic picture and the rise in interest expectations. The valuation discount compared to the peer group consisting of discount, consumer goods and daily-goods stores is 20%, so from this point of view there is upside in the share. In early 2023, we expect a further decline in the company's result and before the turn in the result trend, we do not see proper upward drivers in the share so we do not yet take a bolder stance. However, we believe that our DCF calculation (EUR 16) reflects the real potential of the share and that if the company returns to clear earnings growth in the second half of 2023 as we estimate, the uncertainty concerning Tokmanni's performance starts to dissipate. At that point we expect that the earnings growth (9% CAGR 2022-26e) and increase in valuation multiples will start supporting the expected return in addition to a strong 6% dividend yield.

Recommendation

Accumulate

(previous Accumulate)

EUR 14.00

(previous EUR 12.50)

Share price:

12.98



Key figures

	2022	2023e	2024e	2025e
Revenue	1168.0	1215.7	1289.1	1365.0
growth-%	2 %	4 %	6 %	6 %
EBIT adj.	85.7	90.0	101.7	113.6
EBIT-% adj.	7.3 %	7.4 %	7.9 %	8.3 %
Net Income	58.8	63.0	72.2	83.2
EPS (adj.)	1.03	1.07	1.23	1.41
P/E (adj.)	11.0	12.1	10.6	9.2
P/B	2.7	2.9	2.6	2.3
Dividend yield-%	6.7 %	6.0 %	6.2 %	6.6 %
EV/EBIT (adj.)	12.2	12.8	10.6	9.1
EV/EBITDA	6.7	6.8	5.7	5.3
EV/S	0.9	0.9	0.8	0.8

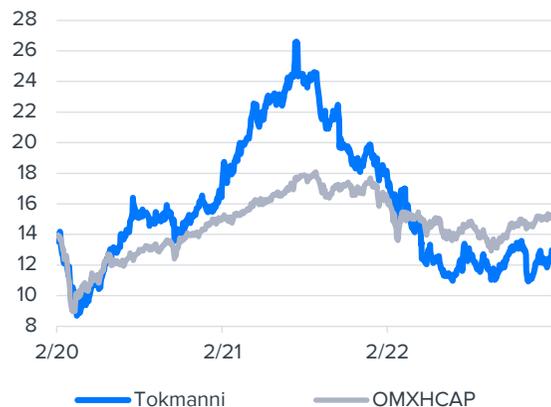
Source: Inderes

Guidance

(Unchanged)

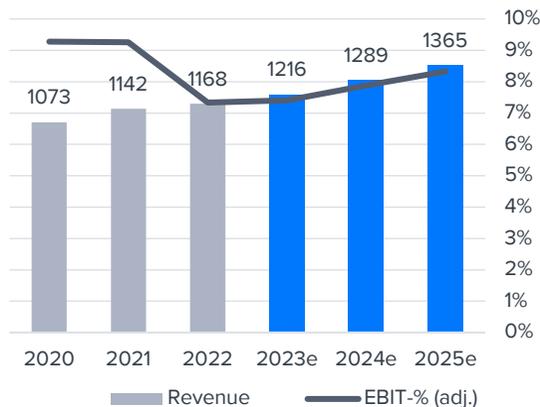
In 2023, Tokmanni expects its revenue to be EUR 1,200–1,270 million. Comparable EBIT is expected to be EUR 85–100 million.

Share price



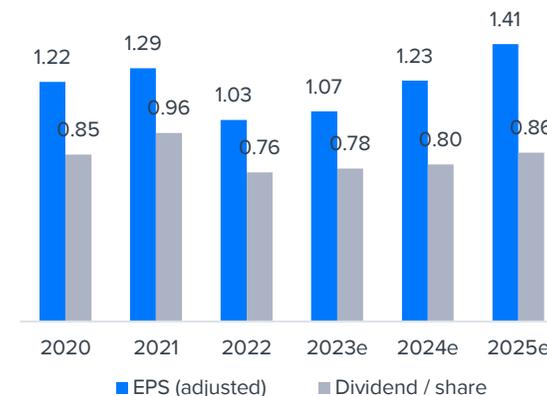
Source: Millstream Market Data AB

Revenue and EBIT %



Source: Inderes

EPS and dividend



Source: Inderes



Value drivers

- New store openings
- Increase in private label share
- Increasing the number of SKU and expanding into new product categories
- Untapped potential of loyal customers
- Increasing B2B sales
- Smart buying becoming more popular
- Economies of scale through volumes, e.g., in purchasing and negotiating lease terms
- Option to expand abroad
- Exploiting own online store as a potential platform for third party products



Risk factors

- Consumers' spending returning from goods to services
- Decreasing consumer purchasing power as inflation runs rampant
- Decreasing consumer confidence
- Tighter competition and new international challengers
- Failure in acquisitions or international expansion
- Dependence on the central warehouse in Mäntsälä
- Reputation and price impression risks
- Disruptions in product availability and sector's dependence on manufacturing in the Far East

Valuation	2023e	2024e	2025e
Share price	13.0	13.0	13.0
Number of shares, millions	58.9	58.9	58.9
Market cap	764	764	764
EV	1149	1072	1037
P/E (adj.)	12.1	10.6	9.2
P/E	12.1	10.6	9.2
P/FCF	14.9	5.8	8.5
P/B	2.9	2.6	2.3
P/S	0.6	0.6	0.6
EV/Sales	0.9	0.8	0.8
EV/EBITDA	6.8	5.7	5.3
EV/EBIT (adj.)	12.8	10.6	9.1
Payout ratio (%)	72.9 %	65.2 %	60.8 %
Dividend yield-%	6.0 %	6.2 %	6.6 %

Source: Inderes

Expected development, but dividend surprised positively

Sales development still showed caution

Tokmanni's sales increased by 1.5% to EUR 339 million, close to our estimate of EUR 338 million. Growth was supported by the expansion of the store network by two stores to 198 by the end of the year and growth was again generated from the more defensive daily-goods trade. The company also announced for the first time the distribution of grocery (daily-goods) and consumer goods sales. In 2022, 51.2% (49.9%) of Tokmanni's sales came from grocery products and 48.8% (50.1%) from non-grocery products. This was in line with our calculations, as we have estimated the division to be close to 50/50.

The company's comparable growth was slightly in the red (-1%) as the challenging demand situation continued. Like-for-like customer visits decreased by 2.0% and the like-for-like average basket in stores grew by 1.0% to EUR 22.40.

Gross margin was still under pressure

The comparable gross margin decreased to 35.2% while we expected it to drop slightly less to 36% (Q4'21: 36.2%). As expected, the gross margin was supported by an increase to 35.9% in the share of brands managed by Tokmanni (Q4'21: 34,3%), but it was particularly depressed by increased campaign sales based on special offers and the sales structure that focused more on groceries than in the comparison period.

In Q4, other operating costs increased further and represented 9.1% of revenue (Q4'21: 8.4%) and their growth was particularly affected by the increase in property costs. The relative share of personnel costs of revenue remained at the previous year's level, being 10.7%. Overall, expense discipline was better than we expected, which offset the effects of the gross margin decline in our estimates. Depreciation increased with rents and was close to our

expectations (5.5% of sales vs. Q4'21: 5.3% of sales). There were also no major surprises on the lower lines. As a result, adjusted EBIT decreased to EUR 35.8 million (Q4'21: 40.5 MEUR) and was close to our expectations (35.1 MEUR).

Dividend proposal exceeded our expectations

The dividend proposal was EUR 0.76 per share, which exceeded our estimate (EUR 0.70). However, the company did not reach the generous dividend (EUR 0.96 per share) of the comparison period after a challenging year. Tokmanni also managed to reduce its inventories as expected during Q4, which raised cash flow to as much as EUR 92 million. At the end of the year, inventories stood only at EUR 281 million, which was still higher than the year before (Q4'21: 264 MEUR). We point out that the value of inventories also shows the price inflation of the products.

Estimates MEUR / EUR	Q4'21	Q4'22	Q4'22e	Q4'22e	Consensus		Difference (%)	2022
	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. inderes	Tot.
Revenue	334	339	338	339	335	348	0%	1168
EBIT (adj.)	40.5	35.8	35.1	34.9	34.1	35.9	2%	85.8
PTP	38.3	30.0	32.4	31.9	30.6	33.1	-7%	73.3
EPS (reported)	0.52	0.41	0.44	0.43	0.42	0.45	-7%	1.00
DPS	0.96	0.76	0.70	0.74	0.70	0.80	9%	0.76
Revenue growth-%	2.3 %	1.5 %	1.1 %	1.5 %	0.3 %	4.2 %	0.3 pp	2.3 %
EBIT-% (adj.)	12.1 %	10.6 %	10.4 %	10.3 %	10.2 %	10.3 %	0.2 pp	7.3 %

Lähde: Inderes & Infront (consensus)

We raised our estimates supported by the strong guidance

We especially cut our cost estimates

The company reiterated that the prerequisites for the success of discount retail are excellent in a price-driven market. We believe that clear indications of this have finally appeared also in the Finnish market, e.g., in the changes in the market share development of grocery trade.

We raised our EBIT estimate by 5% to EUR 90 million (guidance 85-100 MEUR). Especially, the comments on the purchase and freight prices making a downturn in the Far East so that impacts will begin to show in the figures already in late spring, surprised us positively. The first part of the logistics center should also be in use already during Q2 when the cost of rental warehouses will fall. The drop in electricity prices will moderate the rise in real estate costs, but we expect that rents visible in depreciation will continue to rise also in 2023. The collective agreement negotiations in trade reached an

agreement last night and we included the agreed salary increases in our estimates. For 2023, the solution was slightly more expensive than we expected, but for 2024 it was correspondingly lower. The cost of building stores has also decreased and we have raised our number of stores estimate slightly.

Strategy implementation has progressed well in the background

In 2023, focus will be on growing corporate sales. It was recently branded under the name 'Tokmanni Tukku' and has, according to the company, already developed well in a price-driven market. Miny also expands further as its launch has been a success. Other own brands also progressed well in Q4 and the company still sees growth potential in them. Tokmanni Klubi has nearly 2 million members. Data collected from loyal customers gives the company a new cost-effective marketing tool.

An interesting acquisition in clothing

Tokmanni announced that it will acquire all shares in the shoe stores Click Shoes Oy and Shoe House Oy. The companies have a total of 29 stores across Finland, as well as an online store. Their 2021 revenue totaled nearly EUR 10 million and EBIT was about EUR 1 million. Ownership of the companies will be transferred to Tokmanni on March 1, 2023. We already added the acquisition to our estimates. The acquisition target seems to be an efficient operator like Tokmanni, which is also indicated by its high profitability considering the industry. The company sees further expansion possibilities for the chain. We are positive about the acquisition, especially as we see synergies between Tokmanni's clothing business and the acquisition target, especially in purchasing in the Far East. The stores are usually located in shopping centers in good locations and the company does not believe they cannibalize Tokmanni's sales.

Estimate revisions	2022	2022	Change	2023e	2023e	Change	2024e	2024e	Change
MEUR / EUR	Inderes	Actualized	%	Old	New	%	Old	New	%
Revenue	1167	1168	0%	1195	1216	2%	1255	1289	3%
EBIT (exc. NRIs)	85	86	1%	85.5	90.0	5%	96.1	102	6%
EBIT	86	84	-2%	85.5	90.0	5%	96.1	102	6%
PTP	76	73	-3%	73.7	78.8	7%	85.0	90.3	6%
EPS (excl. NRIs)	1.01	1.03	2%	1.00	1.07	7%	1.15	1.23	6%
DPS	0.70	0.76	9%	0.70	0.78	11%	0.80	0.80	0%

Source: Inderes

Dividends and low multiples attract

The expected return of the share is outlined on the sidebar

P/E ratios for 2023 and 2024 are 12x and 11x and the corresponding EV/EBITDA ratios are 7x and 6x. Although the valuation multiples are favorable compared to history (P/E 15x and EV/EBITDA 9x), the difference is partly explained by the uncertainty in the economic picture and the rise in interest expectations.

Relative valuation now at a clear discount

We have tried to compile our peer group so that it considers the demand profile of the categories sold by Tokmanni and its customers' profiles in the best possible way. In the current cost-inflationary environment the defensiveness of the sold categories is highlighted in the valuation multiples accepted by the market. As a general rule, consumer goods traders are priced clearly below players selling groceries. This is logical, as players selling basic necessities have more pricing power when the customer cannot choose not to buy, even if prices rise.

Tokmanni is primarily profiled from the customers' perspective as variety discount store, because the customer promise is built around a cheap price image and this is maintained to the end. The peer group includes leading discount stores (Europris, b&m, Dollar General, Target, Puuilo).

We point out that Tokmanni's product categories also include defensiveness due to the high share of grocery trade (half of sales). This is represented by Kesko, Musti and Axfood among the peers. The second half of Tokmanni's sales is more volatile consumer goods trade and this is represented in the peers by Clas Ohlsson, Bygghuset, Kamux and Verkkokauppa.

Tokmanni's pricing is again at a clearer discount relative to the peer group. We believe that a valuation at par with the peers could be considered justified.

TSR drivers

Examined from different angles, we do not yet see any significant short-term upside in Tokmanni's valuation multiples in the current interest rate environment that is also characterized by considerable uncertainty. In practice, a higher acceptable valuation would require either that the longer-term interest rate expectations made a downturn, a steeper slope in Tokmanni's earnings growth in the next few years or better evidence that it will materialize but the prevailing interest rate environment elevates the uncertainty.

The expected return for the share in the longer term consists of the estimated 9%/CAGR EPS growth (2022-2026e) and a dividend yield of 6%. In early 2023, Tokmanni's result still falls in our estimates and the expected return for this period is largely limited to the dividend according to our estimates.

We believe that our DCF calculation (EUR 16) reflects the real potential of the share (p. 11) and if the company returns to clear earnings growth in the second half of 2023 as we estimate, the uncertainty concerning Tokmanni's performance starts to dissipate. In that case, we expect earnings growth and the slight increase in valuation multiples to start supporting the expected return in addition to the dividend yield.

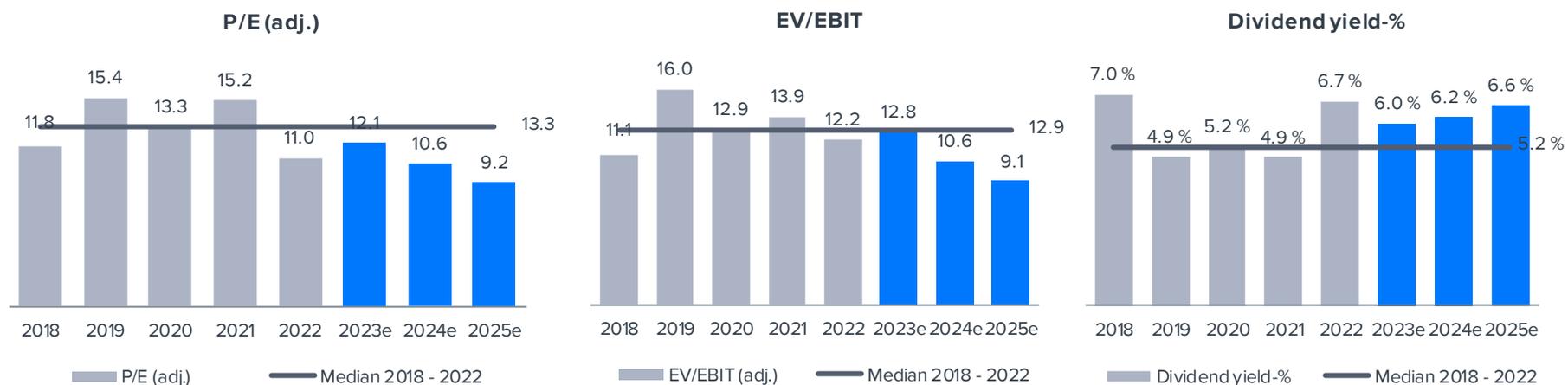
The company's new guidance is strong considering the challenging conditions and if the company reaches even the middle of the range, we feel it provides a clear track record for the market.



Valuation table

Valuation	2018	2019	2020	2021	2022	2023e	2024e	2025e	2026e
Share price	7.18	12.6	16.2	19.7	11.3	13.0	13.0	13.0	13.0
Number of shares, millions	58.9	58.9	58.8	58.9	58.9	58.9	58.9	58.9	58.9
Market cap	423	743	956	1157	665	764	764	764	764
EV	558	1123	1288	1471	1048	1149	1072	1037	1000
P/E (adj.)	11.8	15.4	13.3	15.2	11.0	12.1	10.6	9.2	8.7
P/E	11.8	15.8	13.4	14.8	11.3	12.1	10.6	9.2	8.7
P/FCF	15.5	neg.	10.2	15.0	neg.	14.9	5.8	8.5	8.1
P/B	2.4	4.0	4.4	4.7	2.7	2.9	2.6	2.3	2.1
P/S	0.5	0.8	0.9	1.0	0.6	0.6	0.6	0.6	0.6
EV/Sales	0.6	1.2	1.2	1.3	0.9	0.9	0.8	0.8	0.7
EV/EBITDA	8.6	8.6	7.9	8.4	6.7	6.8	5.7	5.3	5.0
EV/EBIT (adj.)	11.1	16.0	12.9	13.9	12.2	12.8	10.6	9.1	8.5
Payout ratio (%)	82.2 %	77.5 %	70.2 %	72.5 %	76.1 %	72.9 %	65.2 %	60.8 %	70.0 %
Dividend yield-%	7.0 %	4.9 %	5.2 %	4.9 %	6.7 %	6.0 %	6.2 %	6.6 %	8.0 %

Source: Inderes



Peer group valuation

Peer group valuation Company	Market cap MEUR	EV MEUR	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%		P/B
			2023e	2024e	2023e	2024e	2023e	2024e	2023e	2024e	2023e	2024e	2023e
Europris ASA	1085	1408	11.8	11.2	7.9	7.6	1.6	1.6	12.9	12.1	4.5	4.7	3.3
Bygghem AB	214	470	12.3	11.4	5.0	4.8	0.7	0.7	7.5	6.9	7.8	6.6	0.9
Clas Ohlson AB	411	607	17.6	11.4	5.6	4.9	0.8	0.7	14.6	10.6	7.4	8.1	3.1
Axfood AB	4956	5762	20.3	18.2	10.7	10.0	0.8	0.8	23.3	21.1	3.0	3.2	7.7
Dollar General Corp	48077	53344	16.8	15.6	13.9	12.9	1.5	1.4	21.0	18.9	0.9	0.9	8.8
Kesko Oyj	7993	10097	13.6	13.2	8.1	7.9	0.8	0.8	14.5	14.1	5.5	5.5	2.8
Musti Group Oyj	604	738	20.0	16.5	10.0	8.8	1.8	1.6	22.6	18.4	3.2	3.9	3.5
B&M European Value Retail	5346	7531	12.2	12.3	8.4	8.3	1.3	1.3	12.9	13.5	4.8	4.0	6.1
Target Corp	73302	87810	25.5	16.0	14.8	10.8	0.9	0.9	30.7	18.1	2.2	2.4	7.4
Puuhilo Oyj	558	643	13.4	12.8	10.5	10.1	2.1	2.0	15.4	14.8	5.1	5.4	7.0
Verkkokauppa.com Oyj	118	148	19.4	9.6	11.7	7.1	0.3	0.3	26.0	11.1	2.9	5.4	3.8
Kamux Oyj	201	280	14.6	9.9	8.7	6.7	0.3	0.3	10.7	7.5	2.7	3.8	1.7
Tokmanni (Inderes)	764	1149	12.8	10.6	6.8	5.7	0.9	0.8	12.1	10.6	6.0	6.2	2.9
Average			16.4	13.2	9.6	8.3	1.1	1.0	17.7	13.9	4.1	4.5	4.7
Median			15.7	12.5	9.4	8.1	0.9	0.8	15.0	13.8	3.8	4.3	3.7
Diff-% to median			-19%	-16%	-27%	-30%	11%	0%	-19%	-23%	56%	43%	-22%

Source: Refinitiv / Inderes. NB: The market cap Inderes uses does not consider own shares held by the company.

Income statement

Income statement	2021	Q1'22	Q2'22	Q3'22	Q4'22	2022	Q1'23e	Q2'23e	Q3'23e	Q4'23e	2023e	2024e	2025e	2026e
Revenue	1142	227	307	295	339	1168	232	325	302	357	1216	1289	1365	1405
Group	1142	227	307	295	339	1168	232	325	302	357	1216	1289	1365	1405
EBITDA	175	17.5	46.7	41.3	51.8	157	16.4	48.4	44.4	58.6	168	187	197	199
Depreciation	-66.8	-17.8	-18.1	-18.5	-18.8	-73.2	-18.9	-19.2	-19.6	-20.1	-77.8	-85.6	-83.6	-81.2
EBIT (excl. NRI)	106	-0.5	27.0	23.5	35.8	85.7	-2.5	29.2	24.8	38.5	90.0	102	114	118
EBIT	108	-0.3	28.6	22.8	33.0	84.0	-2.5	29.2	24.8	38.5	90.0	102	114	118
Group	108	-0.3	28.6	22.8	33.0	84.0	-2.5	29.2	24.8	38.5	90.0	102	114	118
Net financial items	-10.2	-2.5	-2.5	-2.8	-2.9	-10.7	-2.8	-2.8	-2.8	-2.8	-11.2	-11.4	-9.6	-8.5
PTP	97.5	-2.8	26.1	20.0	30.1	73.3	-5.3	26.4	22.0	35.7	78.8	90.3	104	110
Taxes	-19.6	0.6	-5.2	-4.0	-5.9	-14.6	1.1	-5.4	-4.4	-7.1	-15.8	-18.1	-20.8	-21.9
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net earnings	78.0	-2.2	20.8	16.0	24.2	58.8	-4.2	21.1	17.6	28.6	63.0	72.2	83.2	87.6
EPS (adj.)	1.29	-0.04	0.33	0.28	0.46	1.03	-0.07	0.36	0.30	0.49	1.07	1.23	1.41	1.49
EPS (rep.)	1.32	-0.04	0.35	0.27	0.41	1.00	-0.07	0.36	0.30	0.49	1.07	1.23	1.41	1.49
Key figures	2021	Q1'22	Q2'22	Q3'22	Q4'22	2022	Q1'23e	Q2'23e	Q3'23e	Q4'23e	2023e	2024e	2025e	2026e
Revenue growth-%	6.4 %	0.6 %	1.7 %	5.3 %	1.5 %	2.3 %	1.8 %	6.1 %	2.5 %	5.2 %	4.1 %	6.0 %	5.9 %	2.9 %
Adjusted EBIT growth-%	6.2 %	-107 %	-16.5 %	-9.9 %	-11.6 %	-18.9 %	392.8 %	8.4 %	5.4 %	7.6 %	5.0 %	12.9 %	11.8 %	3.9 %
EBITDA-%	15.3 %	7.7 %	15.2 %	14.0 %	15.3 %	13.5 %	7.1 %	14.9 %	14.7 %	16.4 %	13.8 %	14.5 %	14.4 %	14.2 %
Adjusted EBIT-%	9.3 %	-0.2 %	8.8 %	8.0 %	10.6 %	7.3 %	-1.1 %	9.0 %	8.2 %	10.8 %	7.4 %	7.9 %	8.3 %	8.4 %
Net earnings-%	6.8 %	-1.0 %	6.8 %	5.4 %	7.1 %	5.0 %	-1.8 %	6.5 %	5.8 %	8.0 %	5.2 %	5.6 %	6.1 %	6.2 %

Source: Inderes

Balance sheet

Assets	2021	2022	2023e	2024e	2025e
Non-current assets	449	475	507	449	441
Goodwill	136	136	136	136	136
Intangible assets	4.7	4.0	6.1	6.4	6.8
Tangible assets	306	330	363	304	295
Associated companies	0.1	0.2	0.0	0.0	0.0
Other investments	0.2	0.7	0.7	0.7	0.7
Other non-current assets	0.0	2.1	0.0	0.0	0.0
Deferred tax assets	1.4	1.6	1.6	1.6	1.6
Current assets	368	319	313	332	351
Inventories	264	281	274	290	307
Other current assets	0.0	2.5	2.5	2.5	2.5
Receivables	23.0	26.4	27.5	29.1	30.9
Cash and equivalents	81.3	9.1	9.5	10.0	10.6
Balance sheet total	817	794	820	781	792

Source: Inderes

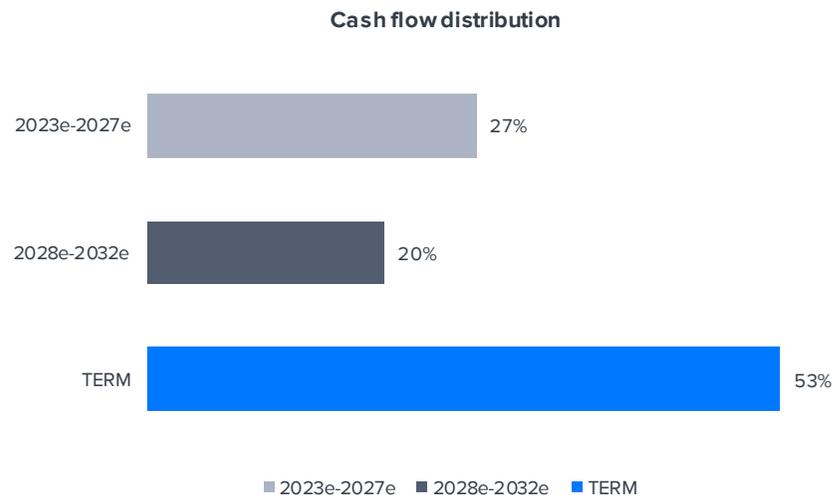
Liabilities & equity	2021	2022	2023e	2024e	2025e
Equity	245	247	266	292	328
Share capital	0.1	0.1	0.1	0.1	0.1
Retained earnings	137	138	156	182	218
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	-2.0	-0.8	0.0	0.0	0.0
Other equity	110	110	110	110	110
Minorities	0.0	0.0	0.0	0.0	0.0
Non-current liabilities	345	328	360	291	260
Deferred tax liabilities	0.0	0.0	0.0	0.0	0.0
Provisions	0.0	0.0	0.0	0.0	0.0
Long term debt	340	323	355	287	255
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	5.3	4.8	4.8	4.8	4.8
Current liabilities	227	219	195	197	203
Short term debt	55.9	69.7	39.4	31.8	28.4
Payables	165	149	154	164	174
Other current liabilities	6.4	1.1	1.1	1.1	1.1
Balance sheet total	816	794	820	781	792

DCF calculation

DCF model	2022	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	TERM
Revenue growth-%	2.3 %	4.1 %	6.0 %	5.9 %	2.9 %	3.0 %	2.5 %	2.0 %	2.0 %	2.0 %	1.5 %	1.5 %
EBIT-%	7.2 %	7.4 %	7.9 %	8.3 %	8.4 %	8.0 %	8.0 %	8.0 %	8.0 %	8.0 %	8.0 %	8.0 %
EBIT (operating profit)	84.0	90.0	102	114	118	116	119	121	123	126	128	
+ Depreciation	73.2	77.8	85.6	83.6	81.2	81.2	80.0	82.3	81.3	83.7	82.6	
- Paid taxes	-14.8	-15.8	-18.1	-20.8	-21.9	-21.7	-22.4	-23.0	-23.7	-24.5	-25.0	
- Tax, financial expenses	-2.1	-2.3	-2.3	-1.9	-1.7	-1.5	-1.3	-1.2	-1.0	-0.7	-0.5	
+ 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	-44.9	12.6	-8.7	-9.1	-4.8	-5.1	-4.4	-3.6	-3.6	-3.7	-2.8	
Operating cash flow	95.4	162	158	165	171	169	171	176	176	181	182	
+ Change in other long-term liabilities	-0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-98.8	-111.0	-27.0	-75.4	-76.2	-77.2	-78.2	-79.1	-80.2	-80.2	-85.5	
Free operating cash flow	-3.9	51.4	131	89.9	94.6	91.6	92.4	96.4	96.3	101	96.5	
+/- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	-3.9	51.4	131	89.9	94.6	91.6	92.4	96.4	96.3	101	96.5	1507
Discounted FCFF		48.0	114	72.1	70.2	62.9	58.8	56.8	52.5	50.8	45.1	705
Sum of FCFF present value		1335	1287	1174	1102	1032	969	910	853	801	750	705
Enterprise value DCF		1335										
- Interesting bearing debt		-392.4										
+ Cash and cash equivalents		9.1										
- Minorities		0.0										
- Dividend/capital return		0.0										
Equity value DCF		952										
Equity value DCF per share		16.2										

Wacc	
Tax-% (WACC)	20.0 %
Target debt ratio (D/(D+E))	20.0 %
Cost of debt	4.5 %
Equity Beta	1.20
Market risk premium	4.75%
Liquidity premium	0.90%
Risk free interest rate	2.5 %
Cost of equity	9.1 %
Weighted average cost of capital (WACC)	8.0 %

Source: Inderes



Summary

Income statement	2020	2021	2022	2023e	2024e	Per share data	2020	2021	2022	2023e	2024e
Revenue	1073.2	1141.8	1168.0	1215.7	1289.1	EPS (reported)	1.21	1.32	1.00	1.07	1.23
EBITDA	163.6	174.6	157.2	167.8	187.3	EPS (adj.)	1.22	1.29	1.03	1.07	1.23
EBIT	98.9	107.7	84.0	90.0	101.7	OCF / share	2.70	2.27	1.62	2.76	2.69
PTP	88.9	97.5	73.3	78.8	90.3	FCF / share	1.60	1.31	-0.07	0.87	2.23
Net Income	71.2	78.0	58.8	63.0	72.2	Book value / share	3.69	4.16	4.20	4.52	4.97
Extraordinary items	-0.6	2.1	-1.7	0.0	0.0	Dividend / share	0.85	0.96	0.76	0.78	0.80
Balance sheet	2020	2021	2022	2023e	2024e	Growth and profitability	2020	2021	2022	2023e	2024e
Balance sheet total	785.0	816.5	793.8	820.4	780.5	Revenue growth-%	14 %	6 %	2 %	4 %	6 %
Equity capital	217.3	244.7	247.0	266.0	292.3	EBITDA growth-%	25 %	7 %	-10 %	7 %	12 %
Goodwill	135.8	136.2	136.2	136.2	136.2	EBIT (adj.) growth-%	41 %	6 %	-19 %	5 %	13 %
Net debt	332.8	314.3	383.3	384.6	308.4	EPS (adj.) growth-%	49 %	6 %	-20 %	4 %	15 %
Cash flow	2020	2021	2022	2023e	2024e	EBITDA-%	15.2 %	15.3 %	13.5 %	13.8 %	14.5 %
EBITDA	163.6	174.6	157.2	167.8	187.3	EBIT (adj.)-%	9.3 %	9.3 %	7.3 %	7.4 %	7.9 %
Change in working capital	15.2	-20.0	-44.9	12.6	-8.7	EBIT-%	9.2 %	9.4 %	7.2 %	7.4 %	7.9 %
Operating cash flow	158.6	133.7	95.4	162.3	158.3	ROE-%	35.4 %	33.8 %	23.9 %	24.6 %	25.9 %
CAPEX	-64.3	-55.8	-98.8	-111.0	-27.0	ROI-%	16.2 %	17.0 %	13.1 %	13.9 %	16.0 %
Free cash flow	94.0	77.3	-3.9	51.4	131.3	Equity ratio	27.7 %	30.0 %	31.1 %	32.4 %	37.5 %
Valuation multiples	2020	2021	2022	2023e	2024e	Gearing	153.1 %	128.5 %	155.2 %	144.6 %	105.5 %
EV/S	1.2	1.3	0.9	0.9	0.8						
EV/EBITDA (adj.)	7.9	8.4	6.7	6.8	5.7						
EV/EBIT (adj.)	12.9	13.9	12.2	12.8	10.6						
P/E (adj.)	13.3	15.2	11.0	12.1	10.6						
P/B	4.4	4.7	2.7	2.9	2.6						
Dividend-%	5.2 %	4.9 %	6.7 %	6.0 %	6.2 %						

Source: Inderes

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return of the share is very attractive

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Recommendation history (>12 mo)

Date	Recommendation	Target price	Share price
08-05-21	Buy	25.00 €	21.68 €
29-07-21	Accumulate	27.00 €	24.66 €
31-10-21	Buy	25.00 €	19.68 €
<i>Change of analyst</i>			
14-02-22	Buy	20.00 €	17.90 €
27-04-22	Buy	17.00 €	14.78 €
02-05-22	Buy	15.00 €	12.40 €
27-05-22	Accumulate	13.50 €	12.17 €
01-08-22	Accumulate	14.00 €	12.82 €
30-09-22	Accumulate	12.50 €	11.04 €
31-10-22	Accumulate	12.50 €	11.83 €
19-12-22	Accumulate	12.50 €	11.63 €
13-02-23	Accumulate	14.00 €	12.98 €



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