

# Kamux

## Company report

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**Petri Kajaani**  
+358 50 527 8680  
petri.kajaani@inderes.fi



**Thomas Westerholm**  
+358 50 541 2211  
thomas.westerholm@inderes.fi

✓ Inderes corporate customer

This report is a summary translation of the report "Vahvaa tulokasvua ja iso panostus autovarastoon" published on 05/13/2021 at 8:04 pm

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# Strong earnings growth and big investment in car inventory

Kamux's Q1 was again extremely strong (revenue +25% and adjusted EBIT +44%) and the figures exceeded our expectations. At the end of Q1, Kamux increased its car inventories clearly from the comparison period to prepare for the seasonally lively Q2. In our view, there is still a shortage of used cars on the market so a record-high inventory and favorable pricing environment due to the shortage generate in our opinion good preconditions for a strong Q2 for Kamux. Supported by the better-than-expected Q1 report and attractive long-term earnings growth outlook we raise our target price to EUR 17.0 (previously 16.0) but due to the share price rise we revise our recommendation to Accumulate (previously Buy).

## Revenue and operating profit grew from the comparison period and exceeded market expectations

Q1 revenue grew by 25% to EUR 210 million (consensus EUR 186 million). Revenue grew strongly in every operating country (Finland +20%, Sweden +48%, Germany +40%) and Kamux continued winning market shares. Operating profit grew driven by Finnish operations by a strong 44% and amounted to EUR 5.7 million (consensus: EUR 5.3 million). In Sweden and Germany, the operational EBIT weakened, e.g., due to COVID restrictions, growth investments, and substantial intra-Group sales. Despite EBIT being clearly above our estimates, the EUR 0.09 EPS (Q1'20: EUR 0.06) was exactly in line with our and the consensus estimate, due to slightly elevated financing costs. The value of Kamux's car inventory rose by 58% from the comparison period to EUR 122 million for the seasonally strong Q2, which resulted in weak cash flow and higher net debt in Q1. The record-high inventory and the favorable pricing environment caused by a shortage of used cars give Kamux good preconditions for generating strong figures in Q2 and implement the new strategy of even stronger growth.

## We raised our estimates and expect stronger revenue growth than the guidance

Despite the strong Q1, Kamux repeated its 2021 guidance based on which the company expects revenue to amount to EUR 800-850 million (2020: EUR 724 million) and adjusted EBIT to grow from the year before (2020: 30.7 million). After the Q1 report, we raised our revenue estimate to EUR 862 million (previously EUR 835 million), which requires a 19% growth and exceeding the revenue guidance range. We raised our comparable EBIT estimate to EUR 34.5 million (previously EUR 34.0 million) which means 12% growth from 2020 and a 4.0% EBIT margin. There seems to be a shortage of used cars, which has resulted in their prices rising. This supports Kamux's revenue growth outlook because the company's inventories were at record level when entering Q2. Kamux's efficient concept has proven it works and the company's stable performance speaks for itself. Competitive advantage that relies on economies of scale (most extensive network, biggest car selection, smart IT systems, integrated services, and low fixed costs) support the expectation that Kamux can strengthen its position considerably also in future on the fragmented EUR 100 billion target market (Finland, Sweden and Germany) at the expense of smaller players. Impressive performance in Q1 strengthened our confidence in the company's competitiveness and we raised our 2022-2023 revenue and EBIT estimates by 2-4%. We expect revenue to grow by an average of 19% p.a. in 2021-2023 and the EBIT margin to be 3.7-4.0% (2020 adjusted EBIT: 4.2%).

## The share offers a very competitive return expectation

P/E ratios for 2021 and 2022 based on our estimates are 24x and 21x. Earnings-based valuation has risen clearly since our last update and is now at its highest during Kamux's time as a listed company. We believe investors should focus on Kamux's good long-term growth outlook because if they materialize the valuation drops quickly. Kamux has an excellent track record of profitable growth, an efficient business model and preconditions to grow into number one in used cars in Europe utilizing its current working concept. The ~16% annual EPS growth and ~2% dividend yield we expect for the strategy period offer positive drivers for the share and we find the share's return expectation to be good.

## Recommendation

**Accumulate**

(previous Buy)

**EUR 17.00**

(previous EUR 16.00)

**Share price:**

15.60



## Key indicators

	2020	2021e	2022e	2023e
<b>Revenue</b>	724	862	1047	1230
<b>growth %</b>	10 %	19 %	22 %	18 %
<b>EBIT adjusted</b>	30.7	34.5	39.1	45.7
<b>EBIT % adjusted</b>	4.2 %	4.0 %	3.7 %	3.7 %
<b>Net profit</b>	23.3	25.7	29.5	35.7
<b>EPS (adjusted)</b>	0.57	0.64	0.74	0.89
<b>P/E (adjusted)</b>	23.8	24.2	21.2	17.4
<b>P/B</b>	5.7	5.6	4.8	4.0
<b>Dividend yield %</b>	1.8 %	1.6 %	1.7 %	1.9 %
<b>EV/EBIT (adjusted)</b>	17.9	18.3	16.4	14.1
<b>EV/EBITDA</b>	13.5	13.8	12.6	10.7
<b>EV/Sales</b>	0.8	0.7	0.6	0.5

Source: Inderes

## Guidance

(Unchanged)

In 2021, Kamux expects its revenue to reach EUR 800-850 million and adjusted operating profit to increase from the previous year (2020: 30.7 million).

### Share price



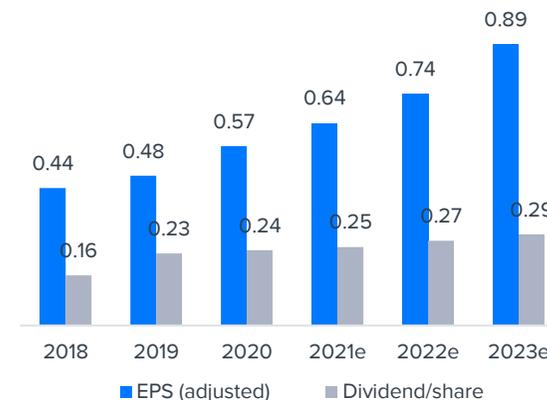
Source: Thomson Reuters

### Revenue and EBIT %



Source: Inderes

### EPS and dividend



Source: Inderes



### Value drivers

- Opening new car showrooms in Finland, Sweden and Germany
- Increasing digital transactions
- Recruiting new talented sale personnel and reaching a bigger car selection
- Speeding up inventory turnover
- Increasing sales of integrated services
- Benefits of scale from volumes, e.g., in procurement and sales commissions to third parties
- Profitability improvement in Germany and Sweden

### Risk factors

- Weakening car sales due to COVID
- Strong historical growth rate slowing down
- Profitability in Sweden and Germany clearly below the level in Finland
- Reputation risk related to Kamux
- Negative changes to car tax legislation
- Slowdown in inventory turnover and impairment in inventories
- Competitors can copy Kamux's operating model
- New services that disrupt the industry related to, e.g., digitalization and platform economy

### Valuation

- Earnings-based valuation does not, in our opinion, consider the company's attractive long-term growth outlook sufficiently
- Dividend that rises with earnings growth offers good return
- Strong balance sheet, quick revenue growth, stable profitability, and high return on equity are good for shareholder value in the long term
- Valuation is supported by good performance amidst the COVID pandemic and increased confidence in the concept working on larger European markets

# Profitable growth continued and inventory has been stocked up for summer

## Revenue grew by 25%

Kamux's Q1 revenue grew by 25% to EUR 210 million, which exceeded our estimate (190 million) and the consensus (186 million). Strong growth was driven by opening new showrooms and good sales development in comparable showrooms (+13%). The number of sold cars increased by 14% from the comparison period. The number of sold cars grew more slowly than revenue, which means that the average price of sold cars increased clearly from the comparison period.

According to Kamux's estimate, the market for used cars grew in Finland and Sweden but shrunk in Germany. The market landscape was especially challenging in Germany as due to COVID restrictions sales took place mainly in digital channels throughout Q1. Despite the variable market landscape, Kamux grew strongly in every operating country and continued winning market shares.

## Revenue from integrated services grew more slowly than total revenue

Revenue from integrated services with extremely strong margins grew by 5.3% to EUR 9.4 million, which corresponds with 4.5% of total revenue (Q1'20: 5.3%). Kamux sells a lot of integrated services in connection

with the cars (financing, insurance and Kamux Plus), where the compensation is irrelevant of the car price. As a result, growth in the average price of cars causes pressure to the relative share of integrated services in Group revenue. In addition, the restrictions in Germany made it more difficult to sell integrated services and revenue from this decreased.

## Gross margin on level with comparison period

Q1 gross margin grew by 27% and amounted to EUR 23.2 million (11.0% of revenue). The gross margin grew by 0.1 percentage points even though the margin in the comparison period was depressed by an exceptionally high EUR 1.6 million inventory write-down caused by the market situation depressed by COVID.

## The result in Finland scaled nicely with growth

Good revenue growth and scaling of figures were reflected in the lower lines of Kamux's income statement and Q1 operating profit grew by 44% from the comparison period to EUR 5.7 million (EBIT 2.7%). Our operating profit estimate was EUR 5.0 million and the consensus estimate was EUR 5.3 million, so the company exceeded market expectations. EBIT growth came fully from Finland where Q1 EBIT grew by 42% to EUR 8.3 million (Q1'20: EUR 5.2 million). In Sweden,

EBIT decreased from the comparison period due to growth investments and increased internal sales. The result of Germany that was depressed by COVID restrictions also weakened from the comparison period.

## EPS was depressed by higher financing costs than expected

Despite the stronger than expected operating profit, EPS at EUR 0.09 was in line with our and consensus estimates. Between the operating profit and EPS, higher than expected financing costs evaporated of which the company said part were items related to exchange rates and derivative valuation. During Q1, Kamux prepared for the busy summer season and pumped its inventories full of cars. The company's inventories have grown by 58% from the comparison period to EUR 122 million. As a result of this, operational cash flow weakened from the comparison period, net debt increased to EUR 76 million (Q4'20: EUR 45 million) and cash in hand at the end of Q1 was only EUR 0.4 million. Despite the increased net debt, the CFO emphasized in the Q1 webcast that the company's balance sheet is strong (equity ratio 45%) and it still has EUR 15 million in unutilized credit limits. Increasing the car inventory can be interpreted as the company investing big in targeting high sales figures in Q2.

Estimates	Q1'20	Q1'21	Q1'21e	Q1'21e	Consensus		Difference (%)	2021e
	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. inderes	Inderes
MEUR / EUR								
Revenue	167	210	190	186	179	193	10%	862
EBIT (adj.)	4.0	5.7	5.0	5.3	4.2	6.6	14%	34.5
EBIT	4.0	5.7	5.0	5.3	4.2	6.6	14%	34.5
PTP	3.5	4.6	4.6	4.9	3.8	6.4	0%	32.2
EPS (reported)	0.06	0.09	0.09	0.09	0.08	0.12	-8%	0.64
Revenue growth-%	17.1%	25.4%	13.6%	11.1%	7.0%	15.3%	11.7 pp	19.0%
EBIT-% (adj.)	2.4%	2.7%	2.6%	2.8%	2.3%	3.4%	0.1 pp	4.0%

Source: Inderes & Infront (consensus)

# Estimate changes were positive

## Guidance for 2021 was repeated

Kamux repeated its 2021 guidance based on which revenue is expected to reach EUR 800-850 million and adjusted operating profit to increase from 2020. In 2020, Kamux's revenue was EUR 724 million and adjusted EBIT EUR 30.7 million (EBIT 4.2%). After the Q1 report that was better than expected, we raised our 2021 revenue estimate to EUR 862 million (previously EUR 835 million) which means 19% growth from 2020. We raised our comparable EBIT estimate for 2021 to EUR 34.5 million (previously EUR 34.0 million) which means 12% growth from 2020 and a 4.0% EBIT margin.

Kamux's year started out strongly and the inventory at the end of Q1 was record high, which indicates that the company is preparing for a lively Q2 season. There still seems to be a shortage of used cars on the market, which was resulted in a higher price level. This supports revenue growth in 2021 and our estimate grew beyond the company's revenue guidance range after the Q1 report.

In 2021, Kamux has so far only opened one new showroom (Gothenburg) and announced that it will open one new showroom (Oulu). This year, Kamux will move two showrooms to bigger premises (Lieliahti in Tampere and Koskelo in Espoo). During its

CMD this spring, Kamux said it will focus on opening larger showrooms so in future we are likely to see less new showroom openings and more moves to larger premises. We expect Kamux to announce the opening of another 1-2 new showrooms this year and the rate to accelerate towards the end of the strategy period in 2022 and 2023. We believe Kamux's 2021 revenue guidance is a bit cautious because the pandemic maintains high uncertainty and opening new showrooms has been challenging in the exceptional circumstances.

## Growth at the core of the 2021-2023 strategy period

In March, Kamux announced its new strategy and financial objectives for 2021-2023. Based on these, the company now focuses more on business growth and it is prepared to sacrifice some profitability because the growth outlook on the market is now so attractive. Kamux's vision is to be number one in used car sales in Europe. There is a clear demand for Kamux's concept (chain-like, international player specialized in digital retail trade of used cars) on the fragmented EUR 100 billion market in Finland, Sweden and Germany. The company is now ready to take a huge growth leap and develop scalability, which we feel will be positively visible in profitability towards the end of the strategy period and beyond.

New financial targets (2021-2023) are: over 20% annual revenue growth (previously +10), growing adjusted EBIT and at least 3.5% adjusted EBIT margin (previously 4.0%), over 25% ROE and at least 25% payout ratio (previously +30%).

## Small positive changes in estimates for next few years

We made small positive changes to our estimates for the next few years after the Q1 report. Our revenue estimate for 2022-2023 grew by some 4% and our operating profit estimate grew by 2-3%. In our updated estimates, revenue will grow to EUR 1,230 million by the end of the strategy period (2023e) which translates to 19% annual growth during the strategy period. Due to the new targets that clearly focus more on growth than profitability we have kept our 2022-2023 EBIT margin estimates a bit lower than what has been seen in recent years. Our EBIT margin estimate for the next few years is 3.7%. This means 14% annual growth in adjusted operating profit during the strategy period. Strong growth investments together with the growing relative share of less profitable Sweden and Germany depress the EBIT margin.

Estimate revisions	2021e	2021e	Change	2022e	2022e	Change	2023e	2023e	Change
MEUR / EUR	Old	New	%	Old	New	%	Old	New	%
Revenue	835	862	3%	1010	1047	4%	1183	1230	4%
EBIT (exc. NRIs)	34.0	34.5	1%	37.9	39.1	3%	44.8	45.7	2%
EBIT	34.0	34.5	1%	37.9	39.1	3%	44.8	45.7	2%
EPS (excl. NRIs)	0.66	0.64	-2%	0.73	0.74	2%	0.88	0.89	2%
DPS	0.25	0.25	0%	0.27	0.27	0%	0.29	0.29	0%

# Valuation still reasonable

## Valuation still reasonable

P/E and EV/EBITDA ratios for 2021 based on our estimates are 24x and 14x and they will drop to 21x and 13x in 2022 because of growth. Kamux's valuation multiples have risen clearly from our last update, which is why we lower our recommendation to Accumulate (previously Buy).

During the new strategy period (2021-2023) Kamux will focus more on growth than profitability or dividend distribution. Medium-term growth target was raised in March to over 20% (previously +10%), the targeted EBIT margin was lowered to over 3.5% (previously +4.0%), and the payout ratio was lowered to at least 25% (previously +30%). We estimate some 19% annual revenue growth for Kamux during the strategy period for 2021-2023. We are slightly below the company's own targets because we want more proof of measures to reach the targeted growth. The COVID situation has naturally made it problematic to open new showrooms but we want to see more news about new showroom openings to justify higher growth estimates.

We expect the EBIT margin to decrease a bit during the strategy period 2021-2023, which results in slower growth in adjusted operating profit, some 14%, than in revenue. According to the company, Kamux aims at nearly doubling its revenue during the strategy period. If the company is successful in doing this with profitability remaining close to current levels, we believe the market value would also have good preconditions to double during the strategy period (if valuation multiples remain at the current levels).

## New concepts in the pipeline

In connection with announcing its new strategy, Kamux said that it will focus on opening bigger

showrooms in future (which enables more efficient processes) and a plan to pilot a car leasing service. The new leasing service has been offered in one of Kamux's showrooms since the beginning of April so it cannot at this point be given much weight as a growth driver. If the pilot is successful, it will be expanded to other showrooms so it can become a good source of income for the company. Kamux also announced it is opening a new showroom and a large processing center in Oulu, which enables efficient and more accurate handling of cars, such as inspections, repairs, sales preparations, and logistics. These are, however, still small openings compared to the company's size class and do not result in changes to our view of the company as an investment object. During the CMD, the company also mentioned new experiments in the development pipeline but no concrete examples of these have been introduced yet.

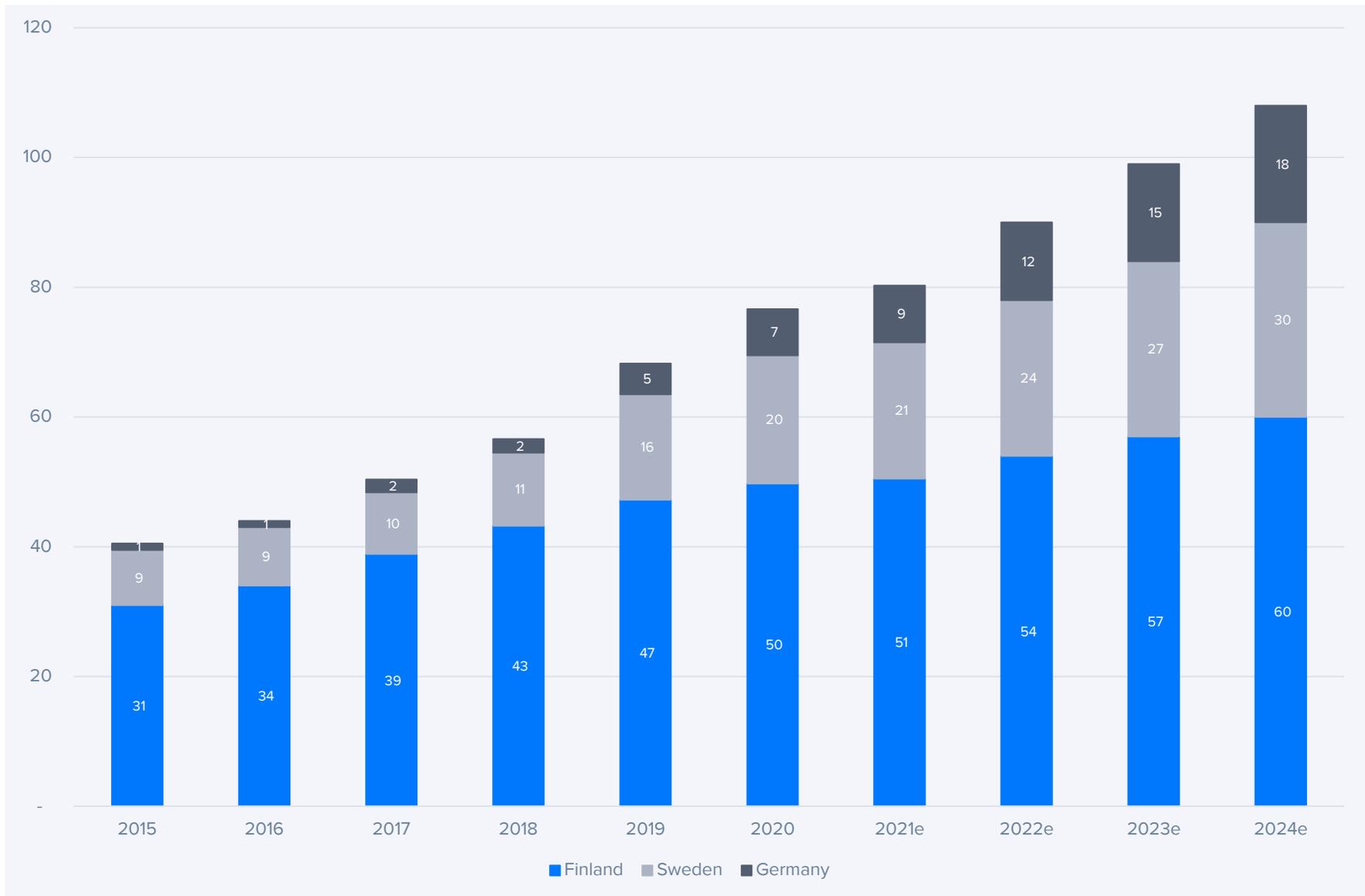
## Dividend takes the backseat in a growth-oriented strategy period

The dividend yield for the next couple of years with our estimates are 1.6% and 1.7%. In our estimates, the payout ratio is 30-40% while the figure has fluctuated between 40 and 50% in recent years. Even though the company will distribute less of its result as dividends than before, the share's expected total return can in the longer term be more attractive due to stronger earnings growth. Kamux's management has an excellent track record of efficient reallocation of capital and a lower payout ratio gives them more leeway to do this. The ~16% EPS growth we estimate for the strategy period clearly plays a bigger role in investors' return expectations than the dividend yield of some ~2% we estimate for the next few years.

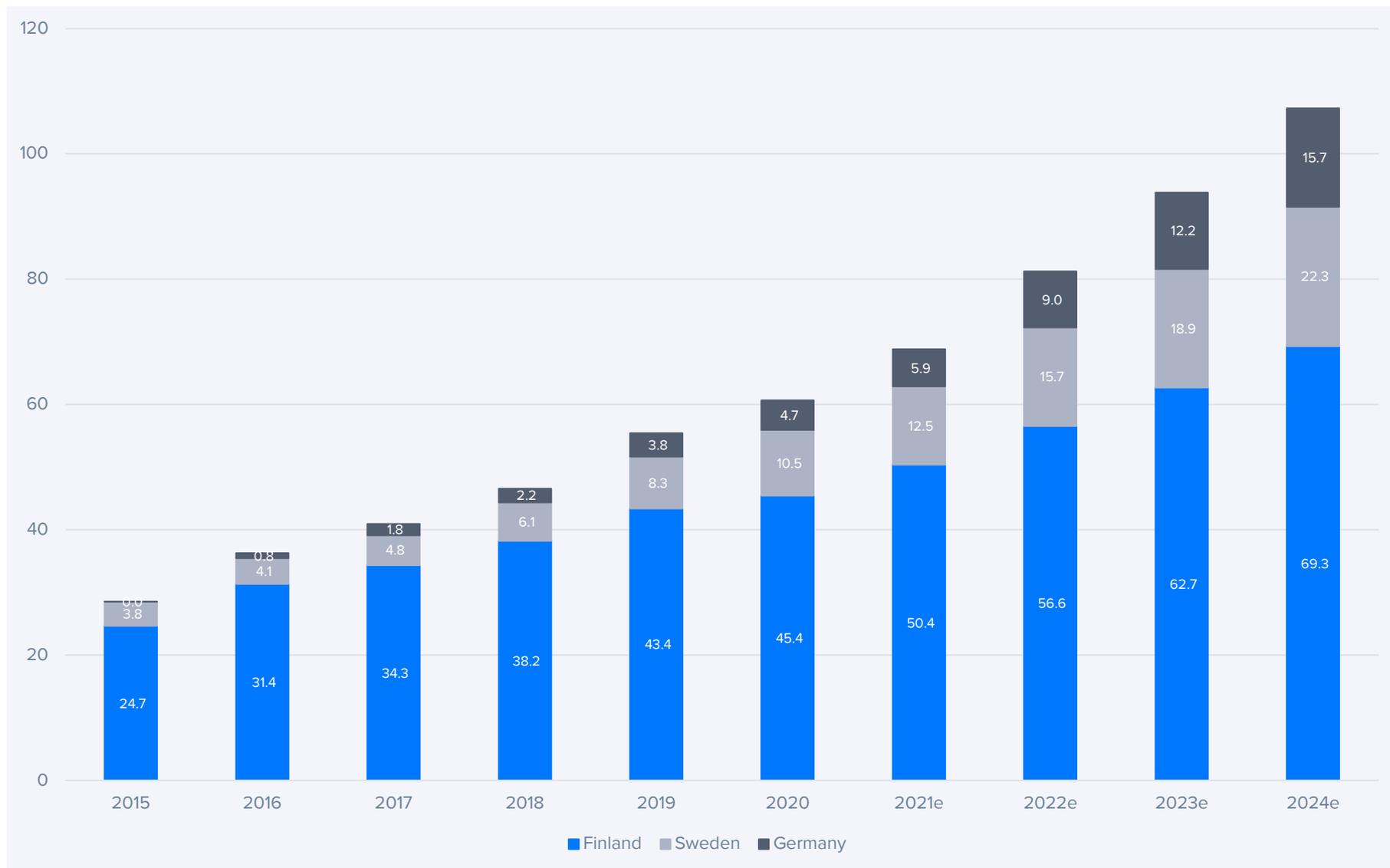
Valuation	2021e	2022e	2023e
Share price	15.6	15.6	15.6
Number of shares, millions	40.0	40.0	40.0
Market cap	624	624	624
EV	631	642	643
P/E (adj.)	24.2	21.2	17.4
P/E	24.2	21.2	17.4
P/FCF	63.2	>100	55.8
P/B	5.6	4.8	4.0
P/S	0.7	0.6	0.5
EV/Sales	0.7	0.6	0.5
EV/EBITDA	13.8	12.6	10.7
EV/EBIT (adj.)	18.3	16.4	14.1
Payout ratio (%)	38.8 %	36.6 %	32.4 %
Dividend yield-%	1.6 %	1.7 %	1.9 %

Source: Inderes

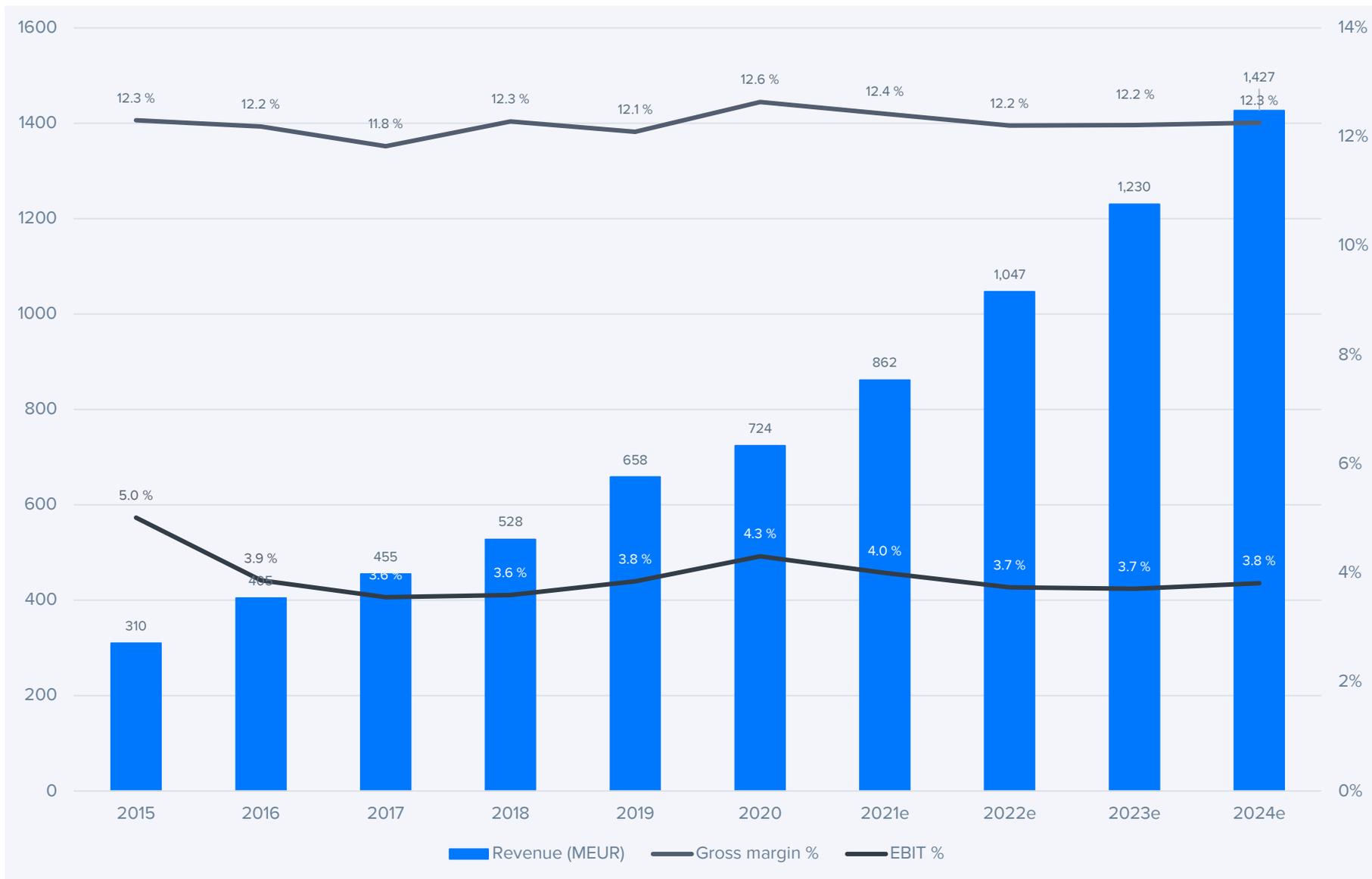
# Average number of car showrooms during the year (Inderes' estimate)



## Sold cars by country, thousand (Inderes' estimate)



# Revenue and profitability development (Inderes' estimate)



# Valuation table

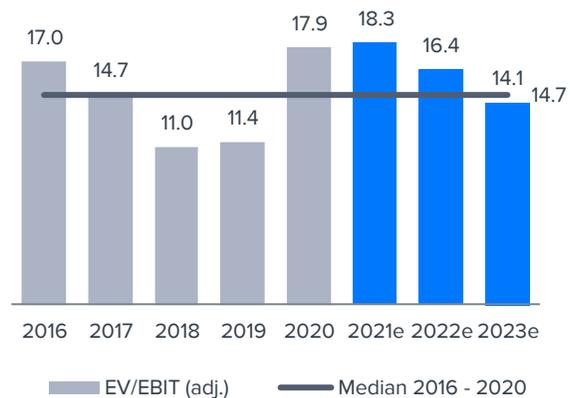
Valuation	2016	2017	2018	2019	2020	2021e	2022e	2023e	2024e
Share price	7.20	6.66	5.76	7.40	13.6	15.6	15.6	15.6	15.6
Number of shares, millions	38.0	40.0	40.0	40.0	40.0	40.0	40.0	40.0	40.0
Market cap	274	266	230	296	544	624	624	624	624
EV	305	274	240	288	550	631	642	643	645
P/E (adj.)	20.6	18.8	13.1	15.5	23.8	24.2	21.2	17.4	14.6
P/E	24.9	22.7	15.8	15.6	23.3	24.2	21.2	17.4	14.6
P/FCF	neg.	10.3	>100	12.2	neg.	63.2	>100	55.8	60.5
P/B	9.5	4.5	3.3	3.6	5.7	5.6	4.8	4.0	3.3
P/S	0.7	0.6	0.4	0.4	0.8	0.7	0.6	0.5	0.4
EV/Sales	0.8	0.6	0.5	0.4	0.8	0.7	0.6	0.5	0.5
EV/EBITDA	18.5	15.7	11.9	8.6	13.5	13.8	12.6	10.7	9.1
EV/EBIT (adj.)	17.0	14.7	11.0	11.4	17.9	18.3	16.4	14.1	11.9
Payout ratio (%)	20.7 %	40.9 %	43.8 %	48.4 %	41.1 %	38.8 %	36.6 %	32.4 %	30.9 %
Dividend yield-%	0.8 %	1.8 %	2.8 %	3.1 %	1.8 %	1.6 %	1.7 %	1.9 %	2.1 %

Source: Inderes

### P/E (adj.)



### EV/EBIT



### Dividend yield %



# Peer group valuation

Peer group valuation Company	Share price	Market cap MEUR	EV MEUR	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%		P/B 2021e
				2021e	2022e	2021e	2022e	2021e	2022e	2021e	2022e	2021e	2022e	
Bilia AB	148.90	1523	1897	9.7	10.1	6.4	6.4	0.5	0.5	10.1	10.4	4.2	4.5	3.1
Lookers PLC	68.30	304	476	6.5	5.6	3.4	3.2	0.1	0.1	9.9	7.5		1.4	
Pendragon PLC	18.90	307	707	8.8	8.1	4.5	4.2	0.2	0.2	10.5	8.6			
Inchcape PLC	799.00	3667	3773	12.9	10.4	9.7	7.9	0.5	0.4	20.1	15.5	1.9	2.6	2.8
Asbury Automotive Group Inc	200.54	3193	4587	11.0	11.2	10.3	10.5	0.6	0.6	11.9	12.2			3.1
Group 1 Automotive Inc	163.10	2439	4257	9.6	9.7	8.4	8.3	0.4	0.4	8.1	8.0	0.7	0.6	1.6
Sonic Automotive Inc	48.68	1667	3258	11.1	10.1	8.7	7.9	0.3	0.3	9.7	9.0	0.9	0.8	2.2
Carmax Inc	123.42	16581	28989	33.3	26.7	27.3	22.3	1.9	1.5	27.3	21.4			5.0
AutoNation Inc	102.80	6812	8004	7.9	8.3	6.9	7.2	0.4	0.4	10.3	10.9			2.3
Lithia Motors Inc	365.73	8025	11183	14.0	12.7	12.8	11.4	0.7	0.6	15.9	14.5	0.4	0.4	3.0
Penske Automotive Group Inc	89.42	5951	9680	13.8	13.1	11.1	10.9	0.5	0.5	10.6	10.4	1.9	2.1	1.9
Eagers Automotive Ltd	13.95	2314	3771	15.2	16.9	12.5	13.4	0.6	0.6	16.5	18.7	3.8	3.5	3.5
AUTO1 Group SE	42.77	9117	9330					2.3	1.7					9.9
Carvana Co	239.19	33947	35633		1676.5		242.0	4.5	3.4					94.4
<b>Kamux (Inderes)</b>	<b>15.60</b>	<b>624</b>	<b>631</b>	<b>18.3</b>	<b>16.4</b>	<b>13.8</b>	<b>12.6</b>	<b>0.7</b>	<b>0.6</b>	<b>24.2</b>	<b>21.2</b>	<b>1.6</b>	<b>1.7</b>	<b>5.6</b>
<b>Average</b>				<b>12.8</b>	<b>140.0</b>	<b>10.2</b>	<b>27.4</b>	<b>1.0</b>	<b>0.8</b>	<b>13.4</b>	<b>12.2</b>	<b>2.0</b>	<b>2.0</b>	<b>11.1</b>
<b>Median</b>				<b>11.0</b>	<b>10.4</b>	<b>9.2</b>	<b>8.3</b>	<b>0.5</b>	<b>0.5</b>	<b>10.6</b>	<b>10.6</b>	<b>1.9</b>	<b>1.8</b>	<b>3.0</b>
<b>Diff-% to median</b>				<b>66%</b>	<b>58%</b>	<b>50%</b>	<b>51%</b>	<b>42%</b>	<b>24%</b>	<b>129%</b>	<b>99%</b>	<b>-17%</b>	<b>-3%</b>	<b>83%</b>

Source: Thomson Reuters / Inderes

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

# Income statement

Income statement	2019	Q1'20	Q2'20	Q3'20	Q4'20	2020	Q1'21	Q2'21e	Q3'21e	Q4'21e	2021e	2022e	2023e	2024e
<b>Revenue</b>	<b>658</b>	<b>167</b>	<b>151</b>	<b>207</b>	<b>199</b>	<b>724</b>	<b>210</b>	<b>176</b>	<b>243</b>	<b>232</b>	<b>862</b>	<b>1047</b>	<b>1230</b>	<b>1427</b>
Finland	491	122	109	145	136	512	147	124	160	150	580	658	736	818
Sweden	158	44.8	39.0	69.4	62.3	216	66.3	49.1	79.6	75.5	270	347	422	502
Germany	52.2	15.2	12.5	19.1	20.1	66.9	21.3	16.8	24.5	28.1	90.8	140	196	259
Group operations and eliminations	-43.0	-14.6	-10.3	-26.4	-19.3	-70.5	-24.4	-13.8	-20.8	-20.7	-79.8	-97.3	-123.5	-152.2
<b>EBITDA</b>	<b>33.7</b>	<b>6.3</b>	<b>10.1</b>	<b>14.5</b>	<b>9.9</b>	<b>40.9</b>	<b>8.7</b>	<b>10.6</b>	<b>15.4</b>	<b>11.1</b>	<b>45.9</b>	<b>51.0</b>	<b>59.9</b>	<b>70.8</b>
Depreciation	-8.4	-2.3	-2.4	-2.4	-2.5	-9.7	-3.0	-2.8	-2.8	-2.8	-11.4	-11.9	-14.2	-16.4
<b>EBIT (excl. NRI)</b>	<b>25.4</b>	<b>4.0</b>	<b>6.8</b>	<b>12.4</b>	<b>7.5</b>	<b>30.7</b>	<b>5.7</b>	<b>7.8</b>	<b>12.6</b>	<b>8.3</b>	<b>34.5</b>	<b>39.1</b>	<b>45.7</b>	<b>54.4</b>
<b>EBIT</b>	<b>25.3</b>	<b>4.0</b>	<b>7.7</b>	<b>12.1</b>	<b>7.4</b>	<b>31.2</b>	<b>5.7</b>	<b>7.8</b>	<b>12.6</b>	<b>8.3</b>	<b>34.5</b>	<b>39.1</b>	<b>45.7</b>	<b>54.4</b>
Finland	29.4	5.8	9.0	11.9	8.2	35.0	8.3	8.9	12.6	9.3	39.1	43.3	48.3	55.0
Sweden	1.3	0.1	0.4	1.4	0.5	2.4	0.1	0.6	1.0	0.6	2.3	2.2	3.6	5.3
Germany	-1.0	-0.7	-0.4	0.1	-0.4	-1.5	-1.0	-0.3	0.3	-0.2	-1.1	-0.6	-0.2	0.5
Group operations and eliminations	-4.3	-1.3	-1.3	-1.3	-0.9	-4.7	-1.7	-1.4	-1.3	-1.4	-5.8	-5.8	-6.0	-6.4
Net financial items	-1.0	-0.4	0.0	-0.8	-1.5	-2.7	-1.1	-0.4	-0.4	-0.4	-2.3	-2.3	-1.0	-1.0
<b>PTP</b>	<b>24.4</b>	<b>3.5</b>	<b>7.7</b>	<b>11.3</b>	<b>5.9</b>	<b>28.5</b>	<b>4.6</b>	<b>7.4</b>	<b>12.2</b>	<b>7.9</b>	<b>32.2</b>	<b>36.8</b>	<b>44.7</b>	<b>53.4</b>
Taxes	-5.3	-1.0	-1.5	-2.1	-0.5	-5.1	-1.2	-1.4	-2.3	-1.5	-6.4	-7.4	-8.9	-10.7
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
<b>Net earnings</b>	<b>19.0</b>	<b>2.5</b>	<b>6.2</b>	<b>9.2</b>	<b>5.3</b>	<b>23.3</b>	<b>3.4</b>	<b>6.0</b>	<b>9.9</b>	<b>6.4</b>	<b>25.7</b>	<b>29.5</b>	<b>35.7</b>	<b>42.7</b>
<b>EPS (adj.)</b>	<b>0.48</b>	<b>0.06</b>	<b>0.13</b>	<b>0.24</b>	<b>0.14</b>	<b>0.57</b>	<b>0.09</b>	<b>0.15</b>	<b>0.25</b>	<b>0.16</b>	<b>0.64</b>	<b>0.74</b>	<b>0.89</b>	<b>1.07</b>
<b>EPS (rep.)</b>	<b>0.48</b>	<b>0.06</b>	<b>0.16</b>	<b>0.23</b>	<b>0.13</b>	<b>0.58</b>	<b>0.09</b>	<b>0.15</b>	<b>0.25</b>	<b>0.16</b>	<b>0.64</b>	<b>0.74</b>	<b>0.89</b>	<b>1.07</b>

Key figures	2019	Q1'20	Q2'20	Q3'20	Q4'20	2020	Q1'21	Q2'21e	Q3'21e	Q4'21e	2021e	2022e	2023e	2024e
<b>Revenue growth-%</b>	24.7 %	17.1 %	-4.3 %	13.5 %	13.3 %	10.0 %	25.4 %	16.9 %	17.3 %	17.0 %	19.0 %	21.5 %	17.5 %	15.9 %
<b>Adjusted EBIT growth-%</b>	16.5 %	-14.9 %	1.5 %	44.9 %	37.2 %	20.8 %	44.3 %	14.6 %	1.8 %	11.1 %	12.4 %	13.4 %	16.8 %	19.1 %
<b>EBITDA-%</b>	5.1 %	3.8 %	6.7 %	7.0 %	5.0 %	5.6 %	4.2 %	6.0 %	6.3 %	4.8 %	5.3 %	4.9 %	4.9 %	5.0 %
<b>Adjusted EBIT-%</b>	3.9 %	2.4 %	4.5 %	6.0 %	3.8 %	4.2 %	2.7 %	4.5 %	5.2 %	3.6 %	4.0 %	3.7 %	3.7 %	3.8 %
<b>Net earnings-%</b>	2.9 %	1.5 %	4.1 %	4.4 %	2.7 %	3.2 %	1.6 %	3.4 %	4.1 %	2.8 %	3.0 %	2.8 %	2.9 %	3.0 %

Source: Inderes

# Balance sheet

Assets	2019	2020	2021e	2022e	2023e
<b>Non-current assets</b>	<b>65</b>	<b>70</b>	<b>76</b>	<b>88</b>	<b>99</b>
Goodwill	13.6	14.0	14.0	14.0	14.0
Intangible assets	2.1	5.1	8.6	10.5	12.3
Tangible assets	48.6	49.3	51.7	61.8	71.4
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	0.2	0.2	0.2	0.2
Deferred tax assets	0.4	1.3	1.3	1.3	1.3
<b>Current assets</b>	<b>117</b>	<b>121</b>	<b>142</b>	<b>171</b>	<b>199</b>
Inventories	70.2	93.6	109	131	151
Other current assets	0.4	0.0	0.0	0.0	0.0
Receivables	18.4	16.6	19.8	24.0	28.2
Cash and equivalents	27.6	11.2	13.3	16.2	19.0
<b>Balance sheet total</b>	<b>181</b>	<b>191</b>	<b>218</b>	<b>259</b>	<b>298</b>

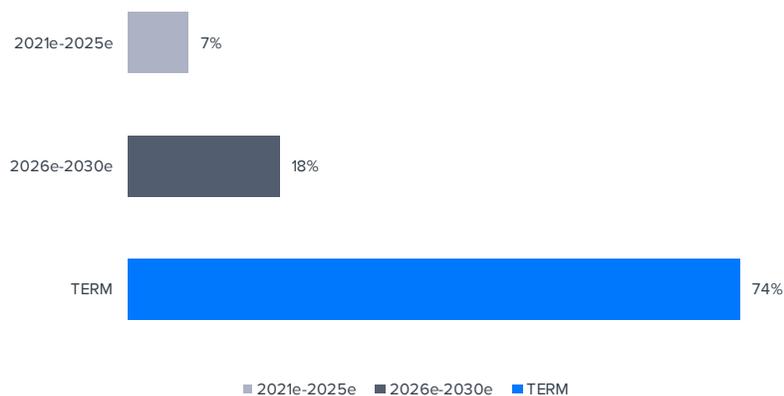
Source: Inderes

Liabilities & equity	2019	2020	2021e	2022e	2023e
<b>Equity</b>	<b>82</b>	<b>96</b>	<b>112</b>	<b>131</b>	<b>156</b>
Share capital	0.1	0.1	0.1	0.1	0.1
Retained earnings	56.9	70.9	87.1	107	131
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	-0.1	-0.1	-0.1	-0.1	-0.1
Other equity	24.7	24.7	24.7	24.7	24.7
Minorities	0.0	0.0	0.0	0.0	0.0
<b>Non-current liabilities</b>	<b>56</b>	<b>55</b>	<b>50</b>	<b>57</b>	<b>58</b>
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	16.5	14.9	10.3	17.2	18.8
Convertibles	0.5	0.5	0.5	0.5	0.5
Other long term liabilities	38.8	39.1	39.1	39.1	39.1
<b>Current liabilities</b>	<b>44</b>	<b>41</b>	<b>57</b>	<b>71</b>	<b>83</b>
Short term debt	3.0	2.0	10.3	17.2	18.8
Payables	29.7	11.8	19.0	26.2	36.9
Other current liabilities	11.4	27.3	27.3	27.3	27.3
<b>Balance sheet total</b>	<b>181</b>	<b>191</b>	<b>218</b>	<b>259</b>	<b>298</b>

# DCF calculation

DCF model	2020	2021e	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	TERM
<b>EBIT (operating profit)</b>	<b>31.2</b>	<b>34.5</b>	<b>39.1</b>	<b>45.7</b>	<b>54.4</b>	<b>60.5</b>	<b>63.5</b>	<b>66.1</b>	<b>66.3</b>	<b>68.3</b>	<b>69.7</b>	
+ Depreciation	9.7	11.4	11.9	14.2	16.4	18.7	19.5	20.1	20.5	20.7	21.0	
- Paid taxes	-6.0	-6.4	-7.4	-8.9	-10.7	-12.0	-12.6	-13.2	-13.2	-13.6	-13.9	
- Tax, financial expenses	-0.5	-0.5	-0.5	-0.2	-0.2	-0.1	-0.1	0.0	0.0	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	-23.1	-11.8	-18.5	-13.9	-21.3	-8.3	-7.0	-7.2	-5.6	-5.8	-4.0	
<b>Operating cash flow</b>	<b>11.2</b>	<b>27.2</b>	<b>24.7</b>	<b>36.8</b>	<b>38.6</b>	<b>58.8</b>	<b>63.3</b>	<b>65.8</b>	<b>68.0</b>	<b>69.6</b>	<b>72.7</b>	
+ Change in other long-term liabilities	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-13.9	-17.3	-23.8	-25.6	-28.3	-22.9	-22.9	-22.6	-22.0	-22.2	-23.1	
<b>Free operating cash flow</b>	<b>-2.3</b>	<b>9.9</b>	<b>0.9</b>	<b>11.2</b>	<b>10.3</b>	<b>35.8</b>	<b>40.4</b>	<b>43.2</b>	<b>46.0</b>	<b>47.4</b>	<b>49.6</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	-2.3	9.9	0.9	11.2	10.3	35.8	40.4	43.2	46.0	47.4	49.6	1044
<b>Discounted FCFF</b>		<b>9.5</b>	<b>0.8</b>	<b>9.4</b>	<b>8.1</b>	<b>26.4</b>	<b>27.8</b>	<b>27.8</b>	<b>27.7</b>	<b>26.8</b>	<b>26.2</b>	<b>551</b>
Sum of FCFF present value		742	732	731	722	714	688	660	632	604	577	551
<b>Enterprise value DCF</b>		<b>742</b>										
- Interesting bearing debt		-17.4										
+ Cash and cash equivalents		11.2										
-Minorities		0.0										
-Dividend/capital return		-9.6										
<b>Equity value DCF</b>		<b>726</b>										
<b>Equity value DCF per share</b>		<b>18.2</b>										

Cash flow distribution



Wacc	
Tax-% (WACC)	20.0 %
Target debt ratio (D/(D+E))	0.0 %
Cost of debt	4.0 %
Equity Beta	1.00
Market risk premium	4.75%
Liquidity premium	0.10%
Risk free interest rate	2.0 %
<b>Cost of equity</b>	<b>6.9 %</b>
<b>Weighted average cost of capital (WACC)</b>	<b>6.9 %</b>

Source: Inderes

# Summary

Income statement	2018	2019	2020	2021e	2022e	Per share data	2018	2019	2020	2021e	2022e
Revenue	527.8	658.5	724.0	861.5	1047.0	EPS (reported)	0.37	0.48	0.58	0.64	0.74
EBITDA	20.1	33.7	40.9	45.9	51.0	EPS (adj.)	0.44	0.48	0.57	0.64	0.74
EBIT	18.9	25.3	31.2	34.5	39.1	OCF / share	0.14	1.06	0.28	0.68	0.62
PTP	19.3	24.4	28.5	32.2	36.8	FCF / share	0.05	0.60	-0.06	0.25	0.02
Net Income	14.6	19.0	23.3	25.7	29.5	Book value / share	1.72	2.04	2.39	2.80	3.28
Extraordinary items	-2.9	-0.1	0.5	0.0	0.0	Dividend / share	0.16	0.23	0.24	0.25	0.27
Balance sheet	2018	2019	2020	2021e	2022e	Growth and profitability	2018	2019	2020	2021e	2022e
Balance sheet total	115.0	181.5	191.3	218.3	258.8	Revenue growth-%	16%	25%	10%	19%	22%
Equity capital	68.9	81.7	95.7	111.8	131.3	EBITDA growth-%	16%	68%	21%	12%	11%
Goodwill	13.6	13.6	14.0	14.0	14.0	EBIT (adj.) growth-%	17%	17%	21%	12%	13%
Net debt	9.6	-7.6	6.2	7.8	18.8	EPS (adj.) growth-%	24%	9%	20%	13%	14%
Cash flow	2018	2019	2020	2021e	2022e	EBITDA-%	3.8 %	5.1 %	5.6 %	5.3 %	4.9 %
EBITDA	20.1	33.7	40.9	45.9	51.0	EBIT (adj.)-%	4.1 %	3.9 %	4.2 %	4.0 %	3.7 %
Change in working capital	-9.6	14.1	-23.1	-11.8	-18.5	EBIT-%	3.6 %	3.8 %	4.3 %	4.0 %	3.7 %
Operating cash flow	5.4	42.3	11.2	27.2	24.7	ROE-%	22.8 %	25.3 %	26.3 %	24.8 %	24.2 %
CAPEX	-1.2	-56.3	-13.9	-17.3	-23.8	ROI-%	21.5 %	26.3 %	29.0 %	28.0 %	26.1 %
Free cash flow	2.2	24.2	-2.3	9.9	0.9	Equity ratio	59.9 %	45.0 %	50.0 %	51.2 %	50.7 %
						Gearing	13.9 %	-9.3 %	6.5 %	7.0 %	14.3 %
Largest shareholders	% of shares					Valuation multiples	2018	2019	2020	2021e	2022e
Juha Kalliokoski	14.6 %					EV/S	0.5	0.4	0.8	0.7	0.6
Elo Mutual Pension Insurance Company	6.0 %					EV/EBITDA (adj.)	11.9	8.6	13.5	13.8	12.6
Swedbank Robur Fonder	5.8 %					EV/EBIT (adj.)	11.0	11.4	17.9	18.3	16.4
Jussi Antero Mäkinen	3.4 %					P/E (adj.)	13.1	15.5	23.8	24.2	21.2
Jyri Kalliola	3.4 %					P/E	3.3	3.6	5.7	5.6	4.8
Ilmarinen	2.5 %					Dividend-%	2.8 %	3.1 %	1.8 %	1.6 %	1.7 %

Source: Inderes

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

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## Recommendation history (>12 mo)

Date	Recommendation	Target price	Share price
25-08-19	Buy	6.70 €	5.26 €
10-11-19	Buy	8.20 €	7.10 €
29-01-20	Buy	9.00 €	7.68 €
29-02-20	Buy	9.50 €	8.00 €
22-03-20	Buy	7.50 €	5.68 €
18-05-20	Accumulate	8.00 €	7.10 €
02-07-20	Accumulate	8.50 €	7.48 €
13-08-20	Accumulate	10.00 €	8.87 €
13-11-20	Accumulate	14.00 €	12.00 €
01-03-21	Accumulate	16.00 €	15.32 €
01-04-21	Buy	16.00 €	13.08 €
14-05-21	Accumulate	17.00 €	15.60 €



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